Phases of capitalism – from mercantilism to neoliberalism

Luiz Carlos Bresser-Pereira

São Paulo, 2023. This paper was prepared for the book being written, *The Rise and Fall of Neoliberal Rentier Capitalism.* Available only in the author's website.

After the Capitalist Revolution, world history ceased to be a narrative about the splendour and decay of ancient empires or civilizations and became a *social construction* – a social project aimed at economic and human development. Auguste Conte, like Marx and Engels in *Communist Manifesto*, understood this well and proposed phases of capitalist development. Today, capitalism already has a long history, the understanding of which is improved if we divide it into phases that vary according to the criteria adopted. These phases should not be confused with the well-known Kondratieff long waves that Schumpeter subscribed to, or with David Gordon's (1978) "social structures of accumulation" – the long period of relatively rapid economic expansion followed a period of stagnation and instability until the beginning of a new cycle.[i] Both long waves and social structures of accumulation are cyclical phenomena that end in economic crisis, while the phases of capitalist development can be longer and not necessarily end in crisis. I am aware that the reduction of history into phases suffers from overgeneralization and from a certain arbitrariness that meets with resistance from historians, but I prefer to take a chance, hoping that our understanding of capitalist development will improve with this simplification.

In the 20th century, we had two transitions: after the Great Depression of the 1930s and the war, the transition from liberal to developmental capitalism, and after the crisis of the 1970s, around 1980, the Neoliberal Turn, the transition from developmental to neoliberal capitalism. This second transition, the Neoliberal Turn, was, as Adam Przeworski argued in 2001, a change of "political regime." That same year, I added that there was a shift of the political centre from the left to the right, while, after the first transition, conservative political parties adopted policies such as social democratic policies to install the welfare state. In the second transition, by contrast, the social democratic parties adopted economic policies not unlike neoliberal reforms.[ii] In the 1990s, Anthony Giddens proposed the Third Way, a compromise between economic liberalism and social democracy that was an indication of the crisis of social-democracy.[iii]

Two forms of economic coordination of capitalism

By economic *coordination* of capitalism, I mean more than just the allocation of resources through the price system. It involves all state laws and policies, and even non-state institutions, which also regulate capitalist economies. Faced with this concept, I asked myself what an alternative expression to economic liberalism (or the liberal form of economic coordination) is and realized that such an expression does not exist in the languages with which I am familiar. Socialism is not that alternative; socialism is an alternative form of social organization of capitalism. Such a non-existence would only make sense if capitalism were always liberal, but on the contrary, countries have developed successfully with moderate state intervention in the economy and with governments adopting a national perspective.

Since I needed an expression, I chose to use "developmentalism" – a word that began to be used in the 1960s to mean a political regime in which the state intervenes moderately in the economy and adopts a national and anti-imperialist perspective. I could have used the expression "mixed economy", but this suggests an intermediate position between capitalism and socialism, which is not the case. Thus, in everything I have been writing for some time now, developmentalism is a form of economic coordination of capitalism as an alternative to economic liberalism. It is not a silver bullet, but it makes capitalism more efficient, more stable, less unequal and greener than economic liberalism, as long as it is combined with social democracy and a firm environmental policy.

By choosing this word, I made a *semantic amplification.*[iv] The word developmentalism was already used in Brazil in the 1960s. Pedro Cezar Dutra Fonseca showed that Hélio Jaguaribe and Bresser-Pereira used this word in 1962 and 1963, respectively.[v] In 1982, Chalmers Johnson used the adjective to qualify the state and called the Japanese state the "developmental state."[vi] Although met with hostility by liberal economists and political scientists, the word has taken on an international dimension.

The word developmentalism is also used to define a school of economic thought: first, since the 1940s, Classical Structuralist Developmentalism, and since the early 2000s, New Developmentalism. Using this expanded concept of developmentalism, I discussed capitalist development and found that each nation-state goes through its own phases of capitalist development, and we can identify whether each phase is predominantly developmental or liberal.

In addition to coordinating capitalist economies, developmentalism and economic liberalism are also ideologies, with each ideological camp asserting the superiority of its form of economic coordination.

The assumption behind developmentalism is that the infrastructure industry, the basic input industries, and the big banks, which are "too big to fail" are monopolistic industries in which markets do not guarantee an equilibrium. The same applies to the fiscal account, the external current account, and the five macroeconomic prices that the market cannot keep right or correct: it does not maintain, in association with central banks, the relatively low level of the interest rate when there is no excess demand; nor does it keep the exchange rate competitive, that is, it makes companies and industrial projects that use the best technology competitive; It does not ensure that the rate of wages rises with the productivity of labour, it does not keep the rate of inflation always low, nor does it keep the rate of profit satisfactory, sufficient to motivate firms to invest.[vii]

Arrighi's systemic cycles of capital accumulation

Giovanni Arrighi, in the introduction to his remarkable 1994 book*, The Long 20th Century,* summarized his views on what he termed the "systemic cycle of capital accumulation" and explained the Capitalist Revolution, though he does not use that term but speaks of an enormous concentration of power that took place in Europe from the development of the city-states of northern Italy until the 19th century, which corresponds to the Capitalist Revolution understood in an expanded form.

Arrighi's main reference is Fernand Braudel – author of two essential books, *The Mediterranean and the Mediterranean World* (1966) and *Material Civilization and Capitalism* (1979). He begins by paying tribute to Braudel – perhaps the greatest analyst of capitalism after Marx – and his distinction of successively long periods of "specialization" and "flexibility." It is a theory of "secular price cycles" that invariably have as their last phase the process of financialization. For Braudel, "financial expansion" was a systemic trend that occurred as the secular cycle reached maturity.[viii] Arrighi compares this process to Marx's DMD' model: money, commodity, more money. He proposed that the DM corresponds to specialization and the DM' to the flexible or eclectic character of capitalism. Marx only accepts the loss of flexibility, represented by fixed investment, insofar as at some point in the future it would guarantee more flexibility. Capitalists prefer liquidity, and an extraordinarily large portion of their cash flow tends to remain in liquid form. In fact, money and commodities are forms of value.

For Arrighi, the four *systemic cycles* of capital accumulation were:

- ***the Genoese cycle:*** from the 15th century to the beginning of the 16th century.
- ***the Dutch cycle:*** from the end of the 16th century to the middle of the 18th century.
- ***the English cycle:*** from the last half of the 18th century to the beginning of the 20th century.
- ***The American cycle:*** in the 20th century.[ix]

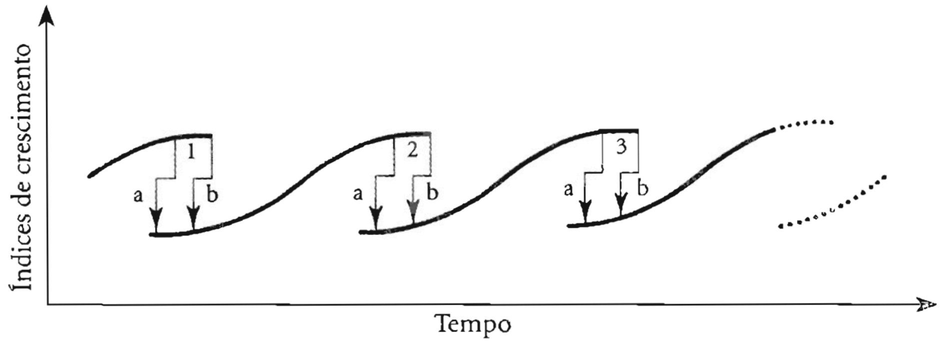
In the first cycle, Spain is the dominant country, although its business and the rise of finance happened in Genoa. Instead of Venice, Florence, which gave birth to capitalism, Genoa, with its flexible capitalist system, was the city-state that led the development of financial capitalism in two waves: one in the 15th century and the other, stronger, in the 16th century. As Arrighi notes, "Milanese, Venetian, and Florentine capitalism were all developing in the direction of state-making rigid strategies and structures of accumulation." Genoese capitalism, by contrast, "moved in the direction of ever more flexible structures of capital accumulation and market creation."[x]

The last cycle, which Arrighi observed from the inside, is no exception.

> The U.S. and U.K. governments' that tried to maintain the post-war economic boom through unusually loose monetary policy had some success in the late 1960s, but it backfired in the early 1970s. Rigidity has increased further, real growth has ceased, and inflation has spiralled out of control.[xi]

It was an expression of the search for a financial solution to a crisis that had been unleashed at the time. In previous systemic cycles, the same behaviour was detected. In fifteenth-century Italy, the Genoese capitalist oligarchy moved from goods to banking, and in the second half of the 16th century they gradually withdrew from trade. In the Netherlands in the mid-18th century, the Dutch withdrew from trade to become the "bankers of Europe." In England, at the end of the 19th century and the beginning of the 20th century, when the "fantastic adventure" of the Industrial Revolution ended, there arose an excess of money capital that had to be invested abroad.

Instead of using the connection of Braudel's "secular price cycles" with capitalist accumulation – for which Arrighi finds no consensus in the historical literature, and which "has no logical and historical foundation", Arrighi[xii] uses Gerhard Mensch's model. This model is composed of phases of continuous change that follow a single path, alternating with phases of discontinuous change to expose its four cycles of capital accumulation.[xiii]



Source: G. Arrighi (1994).

Figure 3.1: Gerhard Mensch's model of systemic cycles

Arrighi credits Fernand Braudel with the correct understanding of the relationship between capitalism and state power:

> The conventional view is that capitalism and market economy are more or less the same thing, and that state power is antithetical to both. Braudel, in contrast, sees capitalism as being absolutely dependent for its emergence and expansion on state power and as constituting the antithesis of the market economy.[xiv]

This corresponds to my understanding that the formation of the nation-state is at the heart of the Capitalist Revolution. From this thought, Arrighi arrives at his explanation of why the Capitalist Revolution took place in Europe: "it was not the transition from feudalism to capitalism but from a scattered capitalism (which long ago existed everywhere as merchants) to a concentrated power – the singular *fusion of the state with capital*."[xv] Or, in Braudel's words, "capitalism only *triumphs when* it identifies itself with the state, when it is the state."[xvi]

Max Weber, who also influenced Arrighi, somehow predicted this analysis with his concept of "political capitalism." In contrast to antiquity, "the various countries engaged in the struggle for power needed even more capital for political reasons and because of the expanding economy. This resulted in that memorable alliance between rising states and the sought-after and privileged capitalist forces"[xvii] The mercantilist coalition of classes associated the big merchants and financiers with the monarch and his patrimonialist court of nobles and bureaucrats, from which the absolute state and the nation-state originated.

Phases of capitalist development

Capitalism was born with the Capitalist Revolution between the seventeenth and 19th centuries, when – within the framework of mercantilism – peoples under absolute monarchies in Britain, France, Belgium and the Netherlands transformed themselves into nations, built the first nation-states and experienced industrial revolutions. From this great historical change derived the concepts of nation and civil society, state and nation-state, economic development and human progress, as well as the main ideologies of nationalism (when economic nationalism equates to developmentalism), liberalism, socialism and environmentalism.

In the context of capitalism, two revolutions changed capitalism: the Organizational Revolution and the Democratic Revolution. By Organizational Revolution, I mean the moment when the basic unit of production ceased to be the family or the family business and became private bureaucratic corporations. The Organizational Revolution corresponded to the so-called second Industrial Revolution. By Democratic Revolution, I mean the transition of the advanced countries en bloc to democracy by adopting universal suffrage. At the beginning of the 20th century, many believed that liberal democracy was a definitive change, but the World War I and the great economic crisis of the 1930s showed that this was an illusion, but it confirmed Karl Polanyi's 1944 claim that economic liberalism was only a moment in human history – and not a shining moment.[xviii] In Chapters 6 and 7, I will discuss these two revolutions at greater length.

We have seen that Arrighi distinguished four long systemic cycles of capital accumulation, which change when the hegemonic country changes: Spain, the Netherlands, England, and the United States. In making my own analysis of the phases of capitalism, I do not use a geopolitical perspective, but I use as a criterion the successive ruling class coalitions and the different forms of economic coordination, whether developmental or liberal. Arrighi argues that "interstate competition was a crucial component" of capitalist expansion, and that "the major material expansions only occurred when a new dominant bloc accumulated enough world power to stay in a position not just to circumvent interstate competition."[xix] This is a good argument, but it is a geopolitical argument, and this book is not a geopolitical analysis, but an essay in political economy.

Dates	Phases	Coalitions
1600-1839	Mercantilism	Monarch and merchants
1840s-1929	Liberal-Industrial	Businessmen and aristocrats
1929-1939	Crisis	
1940s-1980s	Capitalist-Managerial	Entrepreneurs and managers
1980-2008	Neoliberal-Rentier	Rentiers and financiers

2008-2020	Crisis	
2021 -	Managerial-Capitalist	Managers and capitalists

Source: The author.

Table 3.1: Phases of capitalist development (rich countries)[xx]

In discussing capitalism historically, I use Britain, France, and Belgium as a reference. These nation-states have gone through all phases of capitalist development and have had a significant influence on the rest of the world. From the third phase (the 1930s onwards), I added the US, which, after the World War I, became hegemonic, replacing Britain in that role.

Mercantilist phase.

The mercantilist phase (from the 17th century to the end of the 18th century) was not the failure portrayed by liberal economists since Adam Smith. It was a developmental phase in which our three original countries formed their nation-states and industrialized, thus completing their respective capitalist revolutions, becoming rich and powerful and capable of building colonial empires.

Therefore, capitalism was born developmental. The industrial revolutions in these first countries to industrialize took place within the framework of mercantilism. Liberal economists, under the influence of Adam Smith, condemned mercantilism, even though mercantilists were the founders of economics. Their theory deserved criticism, but the policies they sponsored made up a prosperous economic arrangement that led the first countries to make their industrial revolutions. Mercantilism was the first historical form of developmentalism. The political regime was that of absolutism. The seventeenth and 18th centuries were the time of the absolute state, the primitive accumulation of capital, the formation of the first nation-states, and finally the time of the Industrial Revolution in England. It was the moment in which Immanuel Wallerstein's "world-system" was formed.[xxi] Mercantilism was the epoch of the *first* developmental capitalism, insofar as it was based on a coalition of developmentalist classes formed by the monarch, the aristocrats around him, and the emerging big commercial bourgeoisie.[xxii]

For Amiya Kumar Bagchi, "the first developmental state to emerge since the 16th century was that of the northern part of the Spanish Netherlands, which, after the reconquest of the southern part by Spain, evolved into the Netherlands of today."[xxiii] The mercantile bourgeoisie originally derived its wealth from the long-distance trade in luxury goods, but with the rise of manufacturing, it soon became interested in the formation of a large and secure domestic market, which would enable the mass production of the cheap industrial goods that defined the

Industrial Revolution. With this medium-term goal in mind, while she reaped the short-term gains from the mercantilist monopolies granted by the monarch, she financed the wars initiated by the monarch that defined the territorial space of the first nation-states and paved the way for industrial revolutions in each country.

In mercantilism, the ruling class coalition associated the big bourgeoisie with the monarch and his patrimonial court. On the economic side, mercantilism was *the first* developmentalism, as the state actively intervened in the economy. Mercantilism and the absolute state were key institutions in the transition from feudalism to capitalism. The absolute monarchs and the merchants and big financiers founded capitalism, while, within capitalism, the mercantilist economists founded economics and political economy.

This was a period of active state intervention and the formation of the first sovereign territorial societies that would define capitalism. Long-distance trade remained the central economic system, but now, with the technical progress of navigation initiated by the Portuguese, and with colonies in the Americas and colonial enclaves in Asia and Africa, long-distance trade has morphed into a world system. Mercantilism was the framework within which the first nation-states were formed, and large domestic markets were created—domestic markets that gave rise to demand for simple manufactured goods and made industrial revolutions possible. As Fernand Braudel put it, "mercantilism is an insistent egoistic impulse." And he adds, quoting Daniel Villey: "it was the mercantilists who invented the nation-state."[xxiv] In fact, the mercantilist system involved (a) a kind of national development project led by the absolute monarchs, responsible for the wars aimed at expanding the borders of the state, (b) a coalition of classes associating the monarch and his court with the big merchants, and (c) the intervention of the state in the economy. These three characteristics defined mercantilism as the first developmentalism.

In 1776, Adam Smith published The *Wealth of Nations*: A Firm Critique of the Mercantilist System. His book was a revolution in economics. For mercantilists, it was trade that created wealth and allowed countries to accumulate gold, which they saw as the materialization of wealth. Smith's revolution lies in realizing that wealth is value created through the process of production by labor, by the process of transforming nature into a useful object; Wealth does not originate from trade, it can be stimulated by trade. Moreover, Smith was the first to understand that capitalism had transformed production—the creation of wealth—into a collective, social rather than an individual activity. Smith better understood how markets coordinate a national economy. What he seems not to have understood well is the historical role of the state in the process of economic development and in the distribution or concentration of wealth. Smith criticized the mercantilists more than he should have. Smith's theoretical revolution took a long time to materialize in practice, for it was only in 1846, 70 years after his death, that Britain opened its economy, becoming a liberal country, and remained so for the next 84 years: until 1930.

2. Liberal-Industrial Phase

From Britain's trade liberalization in 1834 to 1929 we had the industrial liberal phase. This was the capitalism that Marx knew and analysed. It was a time of modest per capita growth rates, high instability, and high inequality. The growth was, however, enough to allow the first countries to industrialize, acquire military power, and build colonial empires. The liberal political regime ensured the rule of law, but not universal suffrage, and thus remained authoritarian. Schumpeterian entrepreneurs who were able to innovate and invest led this phase. The ruling class coalition was made up of industrial businessmen and the decadent aristocracy.

This was a liberal phase both in economic terms because the state had no direct role in production, and political because the new ruling class guaranteed civil liberties and the rule of law, but not political and social rights. However, the state was not fully liberal, because it continued to be involved in the economy in many ways. As Pierre Rosanvallon observes, at the end of the 19th century, the fragility of the liberal state provoked a revival of ideas that favoured greater state intervention in the economy.[xxv] When, for example, the great financial crisis of 1893 broke out, the state was called in to help. But state intervention was limited, and it is reasonable to say that economic liberalism was dominant. This phase was characterized by enormous urban poverty and great social displacement to the cities, which led the workers and popular classes to organize trade unions and socialist political parties to call for universal suffrage and socialism. They did not achieve socialism, but they won the battle for democracy. At the turn of the 20th century, the advanced countries, in which civil liberties had already been secured, adopted universal suffrage.

After the original industrial revolutions, the original industrial countries experienced low growth rates of about 1% per capita per year. This was, however, enough to make them more powerful and allow them to build a significant colonial empire in Asia and Africa. It was the time of the gold standard; the proletarianization of the popular classes; poor working conditions; precariousness of work and increasing inequality. Marx had said that the first crisis of capitalism (*sensu stricto*) happened in 1825. Several crises followed. In 1873, liberal capitalism faced a major financial crisis, which Carlos Marichal calls "the first world financial crisis." 20 years later, capitalism entered a new crisis, which had the US as its pivot. In each crisis, the [xxvi] rate of profit fell, corporations called on the state for protection, the state intervened, and the liberals who had facilitated the crisis accused the policymakers of the moment of "neo-mercantilism."[xxvii] Meanwhile, in the laggard advanced countries, such as the U.S., and Germany and Italy, economic liberalism has been pushed into the background. They made their industrial revolution by adopting a developmentalist strategy and it was in this framework that they experienced their period of great development. Liberal capitalism did not prevail in these countries.

Liberal-industrial capitalism was also the time of colonialism and modern imperialism. Modern imperialism arose during the era of liberal capitalism – an imperialism of industrial capitalist countries led by the United Kingdom and France in the 19th century.[xxviii] The Industrial Revolution made these two countries powerful enough in economic and military terms to reduce the peoples of Asia and Africa to colonial status – something that could not be done in the mercantilist period, when the empires on these two continents were as strong as the mercantilist states and resisted colonization.

By the beginning of the 19th century, Latin American countries had already gained independence from Spain and Portugal, and the imperialism of Britain and later the United States was defined in terms of *ideological hegemony* and economic pressure. This imperialism, which today extends to the rest of the world, is characterized by *the occupation* of local markets by unequal trade, finance, and multinational corporations.[xxix] In 19th century Asia, such occupation necessitated war. In the 20th century, the West subjected the Asian, African, and Latin American political and economic elites to its liberal "truth," even though they did not adopt the recommended policies when they themselves experienced the corresponding phase of development.

3. Capitalist-Managerial Phase.

It was still in the liberal phase, at the turn of the 20th century, that managerial capitalism was born within the framework of the Organizational Revolution. Thus, beginning in 1933, when capitalism faced the Great Depression followed by war, Franklin D. Roosevelt launched the New Deal, Keynes published *The General Theory,* and the managerial class had a solid foundation on which to stand. The crash of 1929 paved the way for the capitalist-managerial phase of capitalism. This was a phase in which techno-bureaucrats associated themselves with the dominant entrepreneurial capitalists; a social-democratic phase, defined by a compromise between the new ruling class and labor, and a developmentalist phase in which the state intervened moderately in the economy.

I call this phase managerial capitalism because of the emergence of private corporations, the growing separation between control and ownership of these corporations, the replacement of managers by entrepreneurs in their management, and, later, the replacement of capital by knowledge as a strategic factor of production. These changes pushed the new middle class of private and public managers into the role of associates of the capitalist class. This phase was considered developmentalist because economic liberalism had failed and because the managerial class tends to be naturally developmentalist and prioritizes economic planning and strategy, not only at the corporate level but also at the country level, because the state is permanently being called upon to intervene in the economy, and because growth is relatively rapid and low financial instability.

This was the great moment of social democracy; it was the time of the Golden Age of Capitalism. In this phase, people who had won civil liberties during the liberal phase and democracy at the turn of the 20th century, also achieved social rights: universal public education; universalization of health care; basic welfare and social assistance programs. It was a progressive social-democratic era, because taxation became highly progressive, the welfare state became a reality, and inequality fell, albeit modestly.

This was the time of a *second developmentalism* in which a broad coalition of the developmentalist class was formed by businessmen, the new techno-bureaucratic class and the working class. It was a social pact that the French regulatory school called "Fordism." It was also a time of indicative planning; the rise of state-owned enterprises; increase in the tax burden; the adoption of progressive taxation and some reduction of inequality. This was the Golden Age of Capitalism, which Andrew Shonfield (1969), Jean Fourastié (1979), Michel Aglietta (1976) and Stephen Marglin (1990) originally studied.

We can also say that these were the years of *corporatist capitalism*, whose classic analysis was made by Philippe Schmitter in 1974 with reference to the countries of northern Europe.[xxx]This was the time when the political centre moved to the left, and the common political goal was to create a progressive and organized capitalism, regardless of the political party in power. In Germany, the conservative Christian Democratic Party has proposed a "social market economy" that is essentially developmental, corporatist and democratic.

The Golden Age entered a political crisis with the student revolution of 1968, which marked not the beginning but the *end* of an era and collapsed in the late 1970s. The crisis of that decade – the defeat of the US in the Vietnam war; the abandonment of the Bretton Woods agreement; the end of the last vestiges of the gold standard; the OPEC oil shock of 1973; the fall in the rate of profit; stagflation in the U.S. and increasing competition originating in developing countries sealed the end of the capitalist-managerial phase.

4. Neoliberal-rentier phase.

As the replacement of the rentier capitalist by corporate-owned entrepreneurs progressed, neoclassical and neoliberal intellectuals, dissatisfied with the dominant condition of Keynesian economics, seized the opportunity offered by the crisis of the 1970s to construct a new narrative: neoliberal ideology. This was persuasive to dismantle the Fordist class coalition and initiate the Neoliberal Turn.

From about 1980 onwards, a rentier-financier class coalition becomes dominant, capitalism becomes neoliberal, and neoliberal ideology – founded on the neoclassical and Austrian schools of economics – legitimizes the new truth. In this book, I discuss at length this regressive phase and its close class coalition of rentier capitalists and financiers. On the domestic side, the project of the advanced capitalist countries was now to reduce real wages, directly by changing labor contracts, and indirectly by dismantling the welfare state. On the international side, the project was to transform globalisation into an imperial project – the "globalisation project" – with the aim of getting all countries to adopt neoliberal reforms.

Under the rentier-finance class coalition, the managers remained part of the ruling class coalition, but they were an internally conflicted part, because the shareholders were challenging the power and autonomy of the top executives.

Neoliberal rentier-financier capitalism represented a major regression – an economic and political regression – and it was no coincidence that it was a short-lived phase. The regression ended with the global financial crisis of 2008, which was followed by a political crisis in 2016, and expressed itself in the rise of right-wing populism. This populism, which did not reflect a crisis of democracy – which proved to be alive and strong in the face of the populist onslaught – was a reaction against exacerbated individualism and the generalized competition between everything that defined neoliberalism. It did not reflect the failure of democracy, as many feared, but it did reflect the failure of neoliberal capitalism to secure the interests of the white lower middle class. There was some growth in the advanced countries, but it was modest and unstable; Wages for the lower classes have stagnated, while inequality has risen sharply. World figures showed a significant reduction in poverty, but this was due to the growth of Asian countries, especially China.

Neoliberal rentier-financier capitalism was the moment when capitalism became global and, according to Braudel-Arrighi's claim, once again financialized. At the same time, the countries of East Asia, which did not submit to the globalisation project, developed and became richer. The failure of neoliberalism and the associated exaggerated individualism caused a split in American society, which, in the 1960s, was developmental and cohesive. China, which moved from statism to capitalist developmentalism around 1978, is now challenging US hegemony in the context of a new world change: globalisation.

I will leave for the end of this book the analysis of the capitalist-managerial phase and its respective coalition of ruling classes formed by managers and capitalists. I only note the reversal of order from the third phase, capitalist-managerial, to the fifth phase, managerial-capitalist. It reveals a significant change.

[i] Gordon (1978; 1989).

[ii] Przeworski (2001); Bresser-Pereira (2001).

[iii] Giddens (1998).

[iv] For a discussion of concepts and semantic expansion, see Fonseca (2014), who cites Giovanni Sartori (1970) on the subject.

[v] Fonseca (2014).

[vi] Johnson (1982).

[vii] Note that "right prices" have nothing to do with the same expression in Neoclassical Economics, according to which "right prices" are prices freely set by the market.

[viii] Braudel (1979b: 246).

[ix] Arrighi (1994: 6-7).

[x] Arrighi (1994: 3)

[xi] Idem.

[xii] Arrighi (1994: 8).

[xiii] Mensch (1979).

[xiv] Arrighi (1994: 10). See also Wallerstein (1991: chaps 14–15).

[xv] Arrighi (1994: 10; 11).

[xvi] Braudel (1979a: 229-230).

[xvii] Weber (1922: 353).

[xviii] Polanyi (1944).

[xix] Arrighi (1994: 13).

[xx] Rich countries here means Belgium, France, the United Kingdom, and the United States, the latter only from 1940.

[xxi] Wallerstein (1980).

[xxii] First, because there was a second one in the 20th century and now, we are having a third developmentalism.

[xxiii] Bagchi (2000: 399).

[xxiv] Braudel (1979b: 484).

[xxv] Rosanvallon (2011).

[xxvi] Marichal (2010: first chapter).

[xxvii] Maurice Dobb (1963: Chapter 7 section 3).

[xxviii] This long period (1830-1929) can be divided in two – before and after the 1870s – because it was around this decade that wages in England and France

ceased to be at subsistence level and began to rise with productivity. It was also after the 1870s that European countries and the U.S. became strong enough to impose their colonial rule. I do not emphasize the distinction between the two periods in this essay, as it is not necessary for the argument I am developing.

[xxix] It should be noted that this cultural dependence has been shown to be much stronger in Latin America than in Asia.

[xxx] Schmitter (1974).