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Source: *The Journal of Modern History*, Vol. 63, No. 2, A Special Issue on Modern France (Jun., 1991), pp. 354-361

Published by: [The University of Chicago Press](#)

Stable URL: <http://www.jstor.org/stable/2938489>

Accessed: 29/09/2010 09:50

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## Review Article

# Braudel on Capitalism, or Everything Upside Down\*

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Fernand Braudel asked us to take seriously the concept of capitalism as a way of organizing and analyzing the history of the modern world, at least since the fifteenth century. He was not alone in this view, of course. But his approach must be said to have been an unusual one, for he developed a theoretical framework which went against the two theses that both of the two great antagonistic worldviews of the nineteenth century, classical liberalism and classical Marxism, considered central to their approach. First, most liberals and most Marxists have argued that capitalism involved above all the establishment of a free, competitive market. Braudel saw capitalism instead as the system of the antimarket (*contre-marché*). Second, liberals and most Marxists have argued that capitalists were the great practitioners of economic specialization. Braudel believed instead that the essential feature of successful capitalists was their refusal to specialize.

Thus, Braudel viewed capitalism in a way that, in the eyes of most of his colleagues, could only be termed seeing it “upside down.” I shall try to expound clearly what I take to be Braudel’s central arguments and then attempt to analyze the implications of this reconceptualization for present and future work and to assess its importance.

## I

Braudel starts with an analogy of a house with three stories: a ground level of material life “in the sense of an extremely elementary economy” (2:21); a second story that he usually calls “economic life”; and a third or top story that he designates as “capitalism,” or sometimes “true capitalism.” Here we have the first surprise. A distinction is being made among the two upper stories between, on the one hand, “economic life” (or “the market”) and, on the other hand, “capitalism.” What can this possibly mean in reality? Braudel suggests six elements in the distinction.

1. He begins by distinguishing economic life from the ground story. Economic life moved “outside the routine, the unconscious daily round” of material life. It

\* This article was prepared for the session “Fernand Braudel: An Appreciation” held at the fifty-third annual meeting of the Southern Historical Association in New Orleans, November 11–14, 1987. Unless otherwise noted, all references are to Braudel’s three-volume work *Civilization and Capitalism, 15th–18th Century* (New York: Harper & Row, 1979, 1982, 1984).

was nonetheless involved in “regularities,” but these were derived from market processes that helped organize and reproduce an “active and conscious” division of labor (1:562). The world of these markets was therefore one “in which everyone would be sure in advance, with the benefit of common experience, how the processes of exchange would operate” (2:455). Thus self-conscious open activity distinguished economic life from material life, the domain of consumption and production for immediate consumption. Capitalism was, of course, also different from material life, but it differed from the regularities of economic life as well. “The capitalist game only concerned the unusual, the very special, or the very long distance connection. . . . It was a world of ‘speculation’ ” (2:456). One might think this latter description, even if valid for the fifteenth to eighteenth centuries, is no longer true today. We shall return to this question.

2. The market economy was a world of “‘transparent’ visible realities” and it was on the basis of “the easily observed processes that took place within them that the language of economic science was originally founded.” By contrast, below and above the market, the zones were “shadowy” or opaque.<sup>1</sup> The zone below, the zone of material life, is “often hard to see for lack of adequate historical documents.” Its opaqueness is in the difficulty of observation for the analyst. The zone above, on the other hand, the zone of capitalism, was also opaque, but in this case because capitalists wanted it so. It was the zone in which “certain groups of privileged actors were engaged in circuits and calculations that ordinary people knew nothing of.” They practiced “a sophisticated art open only to a few initiates at most.” Without this zone that existed “above the sunlit world of the market economy,” capitalism—that is, “*real* capitalism”—was “unthinkable” (1:23–24).

3. The zone of the market, which Braudel occasionally calls the zone of “micro-capitalism,” was a zone of “small profits.” Its “face was not unacceptable.” The activities there were “barely distinguishable from ordinary work.” How different this was from real capitalism, “with its mighty networks, its operations which already seemed diabolical to common mortals” (1:562). The zone of capitalism was “the realm of investment and of a high rate of capital formation” (2:231), the zone of “exceptional profits” (2:428). “Where profit reaches very high voltages, there and there alone is capitalism, yesterday like today” (*CMEC*, 2:378).<sup>2</sup> But although the profits of capitalists were high, they were not regular, like an annual harvest. “Profit rates varied all the time” (2:430).

Still, it was not merely a question of choice, of some who were willing to settle for small steady profits versus others who, being more adventurous, were ready to take the risk of exceptional, but variable, profits. Not everyone had this choice. “What is clear . . . is that the really big profits were only attainable by capitalists

<sup>1</sup> The English translation, “shadowy zones,” is less strong, I think, than the French original “zones d’opacité” (*Civilisation matérielle, Economie et Capitalisme, XVe–XVIIIe Siècle* [Paris, 1979], 1:8; hereafter abbreviated *CMEC*). Opaqueness suggests a greater density, more difficulty in seeing clearly, than shadows do.

<sup>2</sup> For some reason, probably an editor’s lapsus, this sentence is not translated in the English version. See the parallel English paragraph in 2:428.

who handled large sums of money—their own or other people's. . . . Money, ever more money was needed: to tide one over the long wait, the reverses, the shocks and delays" (2:432).<sup>3</sup>

4. "The market spells liberation, openness, access to another world. It means coming up for air" (2:26). This description presumably fits the late Middle Ages. It might also be said to reflect the sentiments of post-Cultural Revolution China. By contrast, the zone of the antimarket is that "where the great predators roam and the law of the jungle operates" (2:230).<sup>4</sup>

Originally, the antimarket particularly flourished in long-distance trade. It was not distance per se, however, which accounted for the high profits. "The indisputable superiority of *Fernhandel*, long-distance trading, lay in the *concentrations* it made possible, which meant it was an unrivalled machine for the rapid reproduction and increase of capital" (2:408). In short, economic life is being defined by Braudel as those activities which are truly competitive. Capitalism is being defined as the zone of concentration, the zone of a relatively high degree of monopolization—that is, an antimarket.

5. The zone of the market economy was a zone of "horizontal communications between the different markets [note the plural]: here a degree of automatic coordination usually links supply, demand and prices" (2:230). The zone of capitalism was fundamentally different. "Monopolies were the product of power, cunning and intelligence" (2:418)—but power above all. Describing "exploitation, that is unequal or forced exchange," Braudel asserts: "When there was a relationship of force of this kind, what exactly did the terms supply and demand mean?" (2:176).<sup>5</sup>

6. The issue of power then brings us to the role of the state. Here Braudel makes two points, one concerning the state as regulator, the other concerning the state as guarantor. And his argument is paradoxical: as regulator, the state preserves freedom; as guarantor, it destroys it. His logic runs as follows: the state as regulator means price control. The ideology of free enterprise, which has always been an ideology that served the monopolists, has always attacked price control by governments in its many forms. But for Braudel, price control ensured competition:

Price control, which is used as a key argument to deny the appearance of the "true" self-regulating market before the nineteenth century, has always existed and still exists today. But when we are talking of the pre-industrial world, it would be a mistake to think that the price-lists of the markets suppressed the role of supply and demand. In theory, severe control over the market was meant to protect the consumer, that is competition. One might go so far as to say that it was the "free" market, such as the

<sup>3</sup> Braudel is speaking here of long-distance merchants, but the description fits quite well for a contemporary firm like Boeing Aircraft.

<sup>4</sup> The original French is perhaps less vivid: "La zone du contre-marché est la règne de la débrouille et du droit du plus fort" (*CMEC*, 2:197).

<sup>5</sup> I have changed one phrase in the English translation. I believe that, in the context, Braudel's phrase "rapport de force" should not be translated as "balance of power" but as "relationship of force." The original French reads: "Quand il y a ainsi rapport de force, que signifient exactement les termes 'demande' et 'offre'?" (*CMEC*, 2:149).

“private marketing” phenomenon in England, that tended to do away with both control and competition. [2:227]

Here the role of the state was to contain the forces of the antimarket. For private markets did not arise merely to promote efficiency but also to “eliminate competition” (2:413).

But the state was a guarantor as well, a guarantor of monopoly—indeed, its creator. This was not true of every state, however; only some states were able to do this. It was not only that the biggest monopolies, the great merchant companies, “were set up with the regular cooperation of the state” (2:421); there were also many monopolies that “were taken so much for granted that they were all but invisible to those who enjoyed them” (2:423). He cites the example of currency as a monopoly that is taken for granted—in the Middle Ages, monopolists possessing gold and silver and most people only copper; today, monopolies utilizing so-called strong currencies and most people only “weak” currencies. But the biggest monopoly of all was that possessed by the hegemonic power, the guarantor of the whole system. “The position of Amsterdam as a whole constituted a monopoly in itself, and that monopoly was the pursuit not of security but of domination” (2:423).

Here, then, is our picture. Economic life is regular, capitalism unusual. Economic life is a sphere where one knows in advance; capitalism is speculative. Economic life is transparent, capitalism shadowy or opaque. Economic life involves small profits, capitalism exceptional profits. Economic life is liberation, capitalism the jungle. Economic life is the automatic pricing of true supply and demand, capitalism the prices imposed by power and cunning. Economic life involves controlled competition, capitalism involves eliminating both control and competition. Economic life is the domain of ordinary people; capitalism is guaranteed by, incarnated in, the hegemonic power.

## II

The distinction among merchants, industrialists, and bankers is an ancient and an obvious one. They are the practitioners of the three main economic activities from which entrepreneurs can make profits: trade, manufacturing (or, more generally, productive activities), and handling money (lending it, safeguarding it, investing it). It is normally thought that these are differentiated occupational or institutional roles, and often they are reified into three distinct social groups, as, for example, in the trinity of merchant capital, industrial capital, finance capital.

Many analysts indeed use such categories to construct a categorical chronology of capitalism: first the era of merchant capital, then the era of industrial capital, and finally the era of finance capital. Furthermore, both in the liberal and in the Marxist traditions there has been a sense that trading activities are both more dubious ethically and less “capitalist” than industrial production. This is the legacy above all of Saint-Simon and his concept (itself derived from the Physiocrats) of distinguishing between productive and nonproductive labor. In any case, the centrality of the presumed moment of historical transformation

labeled the Industrial Revolution depends on these distinctions and their ontological reality. Braudel purely and simply attacks the distinctions at their root:

One's impression then (since in view of the paucity of the evidence, impressions are all we have) is that there were always sectors in economic life where high profits could be made, but that these sectors varied. Every time one of these shifts occurred, under the pressure of economic development, capital was quick to scent them out, to move into the new sector and prosper. Note that as a rule it had not precipitated such shifts. This differential geography of profit is a key to the short-term fluctuations of capitalism, as it veered between the Levant, America, the East Indies, China, the slave trade, etc., or between trade, banking, industry or land. . . .

It is difficult then to establish a classification, valid once and for all, as between the profits from agriculture, industry and trade. Broadly speaking, the standard classification in descending order: trade, industry, agriculture, corresponds to a certain reality, but there were a number of exceptions which justified shifts from one sector to another.

Let me emphasize the quality that seems to me to be an essential feature of the general history of capitalism: its unlimited flexibility, its capacity for change and adaptation. If there is, as I believe, a certain unity in capitalism, from thirteenth-century Italy to the present-day West, it is here above all that such unity must be located and observed. [2:432–33]

Once it is established that profit opportunities determine the shifting location of the capitalist in the circuit of capital, it remains to be seen how the capitalist achieves this "unlimited flexibility." The answer for Braudel is simple. The real capitalist always resisted specialization and thus avoided being trapped in one arena by past investment, past networks, past skills. Specialization exists, of course, but for Braudel it is the work of the lower stories:

Specialization and division of labour usually operated from the bottom up. If modernization or rationalization consists of the process whereby different tasks are distinguished and functions subdivided, such modernization began in the bottom layer of the economy. Every boom in trade led to increased specialization of shops and the appearance of new professions among the many hangers-on of trade.

Curiously enough, the wholesaler [*le négociant*] did not in fact observe this rule, and only specialized very occasionally. Even a shopkeeper who made his fortune, and became a merchant, immediately moved out of specialization into non-specialization. [2:378–79]

The attitude of the capitalist is quite different from that of the shopkeeper: "The characteristic advantage of standing at the commanding heights of the economy, today just as much as in the days of Jacques Coeur (the fourteenth-century tycoon) consisted precisely of not having to confine oneself to a single choice, of being eminently adaptable, hence non-specialized" (2:381).<sup>6</sup>

<sup>6</sup> I have altered the translation of the last four words, because the English translation "able . . . to keep one's options open," while perfectly correct, loses the explicitness of the French original: "D'être éminemment adaptable, donc non spécialisé" (*CMEC*, 2:335).

## III

What implications does it have to see capitalism “upside down” in this manner? For one thing, it changes the historiographical agenda. For a second, it contains an implicit critique of Enlightenment theories of progress. For a third, it gives a very different policy message for the contemporary world. These are not implications that Braudel made explicit. It was not his habit in his scholarly work to explicate its implications. If he occasionally did so in interviews, his comments often had an off-the-cuff quality which reflected less his views about the world than his views about interviews. Perhaps Braudel believed that the subtext has more influence if the reader discovers it himself. Perhaps he did not want to be drawn into too politicized a controversy, though he was scarcely shy of intellectual combat. Whatever the explanations of Braudel’s own hesitations or silences, they should not prevent us from using his work as a basis for our own reflections.

The agenda of History (with a capital *H*), since at least the middle of the nineteenth century, has been dominated by an explanatory myth which runs as follows.<sup>7</sup> Out of some earlier, simpler, smaller system, characterized by landlords exploiting peasants in one way or another, emerged the “middle classes” or the “bourgeoisie” who eventually became the dominant force of the modern nation-states. The growing strength of this “new group” and of the economic system they practiced, capitalism, accounts for the two great revolutions, the Industrial Revolution in Great Britain and the bourgeois French Revolution, which together constitute a great temporal divide of world history at the turn of the nineteenth century.

All our periodization is based on this myth: the break between medieval and modern times; the break between early and late modern history (or, in European terminology, between modern and contemporary history). But to an even greater extent this mythology is located in our adjectives, which in fact means that it is lodged in our unexamined premises. We talk, for example, of “preindustrial” societies and recently of “postindustrial” ones, both of which adjectives assume measurable periods of something called an “industrial society.” Finally, the mythology is manifested in our problematics: Why was the bourgeois revolution so late in Italy? When did France, or Russia, or India have its industrial revolution? Were slaveowners in the U.S. South feudal patriarchs or capitalist entrepreneurs? Braudel, I hasten to add, was not himself liberated from all these premises, particularly in the use of adjectives. But he did largely ignore them.

However, his “upside down” view of capitalism is, I would contend, a devastating attack on these mythologies. If the capitalists are the monopolists as opposed to those operating in competitive markets, then the lines of division in reality have been quite different from those to which we are accustomed of thinking. One can trace multiple forms of monopolistic controls of production or

<sup>7</sup> On the role of historical myths, see William H. McNeill, *Mythistory and Other Essays* (Chicago, 1986), as well as my “Economic Theories and Historical Disparities of Development,” in *Economic Theory and History*, ed. J. Kocka and G. Ránki (Budapest, 1985), pp. 31–45.

trade of finance. Large plantations are one such form, large trading companies another, transnational corporations a third, state enterprises a fourth. Arrayed in contra-position to them would be the working populations of the world, rural and urban, who inhabit the zone of material life but who sally forth into the zone of the market to struggle against the power of the monopolists.

These workers have sought to reclaim more of the surplus-value they created by augmenting their wage income, creating forms of petty commodity production and marketing, and defying to the degree possible the price structures imposed by the monopolists and substituting one that truly reflects supply and demand—that is, real value. In this effort at “liberation” they have sought the support of the state as regulator, as protector of “competition,” but they have repeatedly encountered the role of the state as “guarantor” of the very monopolies against which they are struggling. Thus they must be ambivalent in their attitudes toward the state.

Since the strength of the capitalists is their adaptability, their flexibility, their rapidity in moving toward the arenas of high profit, the shift toward cotton textile production in 1780 was no more and no less significant than the shift toward investment in agriculture in the Venetian Terraferma in the seventeenth century or the shift toward financial speculation by transnational corporations in the 1980s. In addition, the concept of “controlled competition,” with the state as regulator, opens up new ways of thinking about the remarkable rise of “market socialism” as a policy option of the socialist countries in the last decade or so. Braudel offers us the imagery of an ongoing struggle within the capitalist world economy between monopolists, who have power and cunning on their side, and the majority of the population, who are hampered by the openness and clarity of their operations in economic life. Might not the political history of the past two centuries be conceived as one in which this majority has sought to build up counterpower and systematize its own countercunning?

It should be clear, then, that Braudel’s imagery accords ill with the more stultified views of our dominant ideologies. No doubt both Adam Smith and Karl Marx were subtle thinkers and anticipated much of what we can derive from a reading of Braudel. But liberalism as an ideology is different from the views of Adam Smith, and Marxism has been different from the views of Karl Marx—and it is liberalism and Marxism that have dominated our horizons, not the views of either Adam Smith or Karl Marx.

By reconceptualizing capitalism, Braudel has undercut the basic argument that both liberals and Marxists have used to justify their adherence to the theory of inevitable progress. Both liberals and Marxists have seen a historical sequence in which capitalists and/or bourgeois and/or the middle class rose and developed their structures in particular ways. For liberals, this process would culminate in a sort of utopian apotheosis. For Marxists, it would culminate in an explosion, which in turn would lead to new structures that would arrive at a sort of utopian apotheosis.

Braudel instead sees not a linear progression but a continuing tension between the forces of monopoly (so-called real capitalism) and the forces of liberation, which seek liberation through self-controlled economic activities within a com-



plex of competitive markets, one in which their activities are “barely distinguishable from ordinary work.”

Braudel himself goes no further. We can assume this conflict is eternal, or we can look for secular trends that would transform this historical system by making its unstable equilibria increasingly untenable. It is for us to fill this lacuna. I for one do believe that such secular trends do exist within the capitalist world-economy and that the increasing contradictions will result in a systemic “bifurcation” that will force a transformation of the system into something else. I also believe that what the something else will be is open, in the sense that it depends on our collective historical choice and is not preordained. This is not the moment to develop these views, which I have done elsewhere.

What I think is important to understand is that Braudel’s views do not reflect a hidden Poujadism honoring a putative “small businessman.” Quite the contrary. Braudel’s “liberatory” market is not what we have come to recognize as a market in the real world. It is truly competitive, in that supply and demand really do determine price, that is, potential (or fully realized) supply and demand. The “profits,” it would follow, would be minuscule—in effect, a wage for the work. Whether such a system is historically viable remains a question. But Braudel’s invocation of the “market” cannot be confused with the so-called neoliberal ideology of the 1980s. It is, in fact, the very opposite.

Finally, the policy implications for the contemporary world are massive. If capitalism—real capitalism—is monopoly and not the market—real markets—then what is to be done is a question that may be answered very differently from the ways in which antisystemic movements have been answering it for the past one hundred years.

I have tried here to expound the ways in which Braudel has gone against accepted conceptualizations of capitalism. I have called this seeing capitalism “upside down.” I have then tried to do what Braudel restrained himself from doing: to make explicit the intellectual and social implications of his reconceptualization. Braudel should not be blamed for the latter effort. Perhaps others will take Braudel’s reconceptualization and draw from it other implications. In any case, it will be useful for all of us to allow Braudel to blow fresh air into the realm of our unexamined premises about the central institutional forms of the historical system in which we live.