

From World-Systems to Globalization: Theories of Transnational Change and the Place of the United States

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As the title of this issue of *American Studies* suggests, globalization has become one of the most debated topics at the end of what Henry Luce termed the "American Century."¹ To many observers, the pace of globalization has accelerated over the last twenty years, bringing the entire world into a unified market, creating similar cultural practices, and a common set of institutional relationships.² From Los Angeles to Cairo, consumers can purchase the same Japanese-made electronic devices, which were assembled in Malaysia or Mexico. Meanwhile, the International Monetary Fund (IMF) acts like a global bank regulator. The United Nations has peacekeepers or mediators in some 20 countries around the globe. Aviation, telecommunications, finance, and the Internet bring societies together using uniform protocols. Some scholars have suggested that globalization's transformational effects are already so strong as to undermine the power of national governments.³ Others have suggested that the pervasive impact of globalization on traditional cultures and national sovereignty will inevitably provoke a backlash, a "clash of civilizations," a "jihad" against "McWorld." This backlash may endanger a nation's heritage, its distinctive culture and values, from what is now seen as a rapidly receding past.⁴

Naturally, the globalization debate has enormous implications for the study of the United States. Globalization has sometimes been equated with "Americanization," that is, the spread of American or American-style products, customs, and institutional models. Does this mean that we should re-write United States history as the rise of a society to global influence? Or should we re-write American

This is especially pertinent, I contend, because the globalization debate has recently threatened to become a fractured dialogue, with those emphasizing economic change and those concerned with culture going off in different directions.⁸ For one group of writers, globalization means economic integration, the expansion of Western-style or capitalistic markets into more areas of the world and an increase in the flow of goods and investments. Most economists, business leaders, and politicians, at least in the industrialized world, welcome these changes:

All around the globe, socialists are embracing capitalism, governments are selling off companies they had previously nationalized, and countries are seeking to entice back multinational corporations that they had expelled.⁹

Others, concerned about social welfare and national sovereignty, fear that globalization may lower the level of social welfare and employment in industrial countries, while it simply exploits the working poor elsewhere. Globalization also threatens the ability of citizens or national governments to control their own destiny. The 1999 Seattle protests against the WTO and the attacks on McDonald's in France are dramatic manifestations of such sentiment.¹⁰

At the same time, observers interested in cultural change interpret globalization differently. Focusing on popular culture—especially music and television—they see a movement that ostensibly breaks down nationalism, erodes ethnic stereotypes, and unites diverse peoples around common ideals. “Forget modernity,” Martin Albrow recently wrote, “Escape the stifling hold of the modern on our imagination. We live in our own time and the Global Age opens worlds up to us in unprecedented ways.”¹¹ Some of the confusion between economic and cultural or political globalization, and between globalization's positive and negative effects, can be examined through the strengths and weaknesses of Wallerstein's systems approach. Understanding why his approach was such a break in thinking about world history is a crucial first step.

The History of World History

Trying to write a history of the bewildering variety of world societies is, of course, not new. The liberal tradition has long argued that writing world history to account for the diversity of cultures from China, the Islamic world, and Europe is one of the defining characteristics of western society.¹² Montesquieu, Voltaire, and Hegel in the eighteenth and early-nineteenth centuries first grasped the extent of global diversity and developed a new kind of history, one that accounted for diversity within a common narrative. Voltaire and Hegel argued that societies could be classified according to the extent that they approximated a universal (usually European) standard of rationality; Montesquieu suggested that societies diverged because of climate, geography, or religion. The key tension within

capitalism and the system of states meant that radical differences would always remain among societies. At the same time, he synthesized economic and political factors more effectively than almost any theorist of world history or globalization had done. While economists and sociologists often portray the contemporary growth of markets as autonomous, Wallerstein argued that the more powerful states determine market growth. In other words, *states*, not market forces alone, have always guided capitalism. Similarly, strong states dictate how cultural globalization occurs.

Wallerstein, who began as a scholar of post-independence Africa, contended that modernization, political development, and economic growth theories minimized the inequalities that existed between richer and poorer societies. By their economic dominance over poorer societies, capitalist societies determined whether or not less-developed societies would ever develop. Certain countries could be trapped in poverty and kept as dependencies of capitalist societies. Thus, one could not simply treat all countries or societies as comparable units. For Wallerstein, time and place were critical. Thus, economic development and power relations were parts of a changing world system.

For Wallerstein, since the 1500s, one economy—the world-system of capitalism—dominated. Individual national economies were simply part of that system. Thus, a society's place in the capitalist world-system, within the international division of labor encompassing more capitalist industrial countries and less-developed agricultural ones, was critical. A nation's location within the world-system, rather than its internal class or power structures, determined its level of economic development and political structure—i.e., authoritarian or democratic. As Wallerstein wrote recently about his first theoretical statements:

World-systems analysis insisted on seeing all parts of the world-system as parts of a "world," the parts being impossible to understand or analyze separately. The characteristics of any given state at T2 were said to be not the result of some "primordial" characteristic at T1, but rather the outcome of processes of the system, the world-system.¹⁹

In this model, rich, powerful "core" societies tend to develop democratic political traditions and structures. They live in part off the extracted surplus of poorer societies on the "periphery" of the world-system. "Weak" states, whose central governments cannot control powerful social groups, comprise the periphery.²⁰ Without control over their own societies, weak states on the periphery are manipulated by strong states at the core of the world-system. The unique feature of the capitalist world-system in Europe was that it was never a world-empire, as had existed in ancient Rome, China, and the Islamic world, but was rather a collection of states united in a world economy: "The secret of capitalism was in the establishment of the division of labor within the framework of a world-

unequal relations with capitalist countries such as the United States.²⁵ But one can trace the origin of Wallerstein's argument even farther back to the work of Eric Williams, who argued that slavery had been one of the foundations of the industrial revolution because it provided British textile factories with cheaply produced cotton fiber.²⁶ Behind both Frank and Williams, of course, lies Lenin, who argued in his *Imperialism: The Highest Stage of Capitalism* that western European countries staved off proletarian revolt before 1914 by exploiting Africa, Asia, and Latin America.²⁷

Nonetheless, Wallerstein also represented a genuine breakthrough by combining the central idea of economic exploitation with an historical analysis of politics. He did this by drawing on the historical work of the French historian Fernand Braudel and the Polish historian Marian Malowist.²⁸ More generally, his work was instrumental in introducing American audiences to the Annales school.²⁹ From Braudel and other Annales scholars, Wallerstein drew evidence that Europe had developed capitalist practices at least as far back as the fifteenth century. In Malowist's research, Wallerstein found the example of raw materials drawn from an underdeveloped economy with a weak state. Grain from early modern Poland was shipped to more developed economies—England and the Netherlands—that Malowist argued, exploited Poland. For Wallerstein, this was the original case of externally-driven underdevelopment. The Latin America described by Andre Gunder Frank or the Africa of the 1960s that Wallerstein had himself originally studied paralleled Poland and eastern Europe of the sixteenth-century. Thus, one of the critical features of the world-system for Wallerstein was the inherent conflicts it contained. The western Europe core possessed strong states able to extract resources from their own societies, while eastern Europe, with its weak states, could not control their own social groups nor resist exploitation by the core states.

Wallerstein has had an enormous influence among historians and social scientists alike. Along with the work of the British Marxist Perry Anderson and American sociologist Charles Tilly, Wallerstein helped spark a renaissance of "historical sociology" and "social science history."³⁰ His work influenced, for instance, Eric Wolf, Janet Abu-Lughud, Michael Hechter, Michael Mann, and Alfred Crosby.³¹ More generally, Wallerstein's influence helped revive world history, reflected in the appearance in 1990 of the *Journal of World History*, which has focused on a more dynamic examination of how societies in diverse parts of the world have interacted.³²

In sociology, world-systems theory has become a flourishing sub-discipline, with close ties to political science and history.³³ Wallerstein set up his own center, appropriately named the Braudel Center, at the State University of New York at Binghamton, and *Review*, both devoted to world-systems research.³⁴ In 1994, a *Journal of World-Systems Research* began publication, most recently supported by centers of global studies at the University of California, Santa Cruz and Johns Hopkins University.³⁵ Although having been deeply influenced by Braudel,

Wallerstein also tends to collapse cultural forces into political ones and to reduce the role of states to fostering capitalism. Wallerstein usually treats cultural forces as manifested in political systems. Some of his critics argue, however, that the independent force of cultural habits that encourage entrepreneurialism or resist external influences cannot be reduced to different characteristics of political systems. In addition, as Theda Skocpol and David Held have argued, competition among states in war and diplomacy powerfully shapes the relations of states within the capitalist world-system.⁴¹ Similarly, such a significant international phenomenon as the movement of labor has never fit neatly within the capitalist world-system. Large-scale migration and expanding capitalism closely coincided in the nineteenth century. In the twentieth century, however, protectionism has kept states from ever allowing migration to be as free as it was before, despite its benefits to capitalism.⁴²

Economists—even those writing on world economic history—have generally not embraced Wallerstein's model.⁴³ Economists question Wallerstein's argument that economic integration—that is, increased trade and investment among countries—inevitably relegates poor, agricultural nations on the periphery of the world-system to poverty. They argue that increasing economic integration, like economic growth, generally helps poor and rich nations alike, even though it has a mixed record on closing the gap between them.⁴⁴

World-Systems and the Study of Globalization

Despite these flaws in the economics of Wallerstein's approach, I contend that his world-systems model still has much to offer in the current debate on globalization. Much of the recent writing on globalization by social scientists, especially sociologists such as Ulrich Beck, Roland Robertson, Tony Spiby, and John Tomlinson, has turned globalization into a cultural phenomenon that gives lower priority to economic and institutional change.⁴⁵ Enthusiasts of cultural globalization such as Malcolm Waters even explicitly reject the economic base of globalization. Instead, from this perspective, culture drives globalization, and economic connections follow from cultural ones.⁴⁶ For example, John Tomlinson argues that "Cultural practices lie at the heart of globalization . . . [T]he huge transformative processes of our time that globalization describes cannot be properly understood until they are grasped through the conceptual vocabulary of culture."⁴⁷

In reaction, Wallerstein himself rejects use of the term "globalization" because he believes it distorts his central argument that the capitalist system is the crucial ingredient for transnational relations. He does accept the term "globalism" to refer to cultural trends that parallel economic dominance, but he rejects the argument that globalization somehow diminishes the importance of state power. The recent surge of international economic integration—growing free trade and international investment—is a continuation, he believes, of the historic capitalist world-system in which, he argues, states have always been the handmaiden of

In the area of international relations, too, U.S. isolationism can obscure its intricate connections within the western world. Although the United States lacked a land army and avoided direct involvement in European affairs in the late-nineteenth century, it was still a major influence in international relations. It helped keep European powers out of China and Latin America, negotiated an end to the Russo-Japanese War, and, most important, created an informal alliance with Great Britain that freed it to face Imperial Germany.⁵⁴

Another way in which the United States can be seen as a part of a developing world-system in the modern era is in the rise of global institutions. During the nineteenth century, international agreements on cables, shipping, maritime transportation, passports, postal payments, health regulation, and financial transfers established networks that are the foundation for globalization today. Contemporary standards for aviation, telecommunications, and satellite connections all were built on the foundation of agreements laid at nineteenth-century international congresses in Paris, Brussels, and Bern.⁵⁵

The United States adhered to almost all international standards created in the nineteenth century, although it rarely led in formulating them. These agreements facilitated the tidal wave of immigration, investment, and trade that transformed the late-nineteenth- and early-twentieth-century United States. Because the United States moved from being a follower to a leader within this web of institutions in the twentieth century, its role is crucial for understanding the institutions of the modern world-system. Wallerstein saw the world-system as dominated by exploitative core states; we still need a history of these global institutions that answers whether they have been essentially cooperative. Do they represent collective efforts of equal states, or hegemonic relationships, with the most powerful states calling the shots?

Those who argue that globalization inevitably weakens the role of states should examine Wallerstein's argument that states and capitalism have always been partners and that the world-system has developed in stages over time. As Ronald Axtmann has argued, while economic globalization is a new phase in the way that states have used economic growth, it is not a radical break with the past. Cooperation among governments to promote trade, free markets, and select investments in exports are all historic mechanisms.⁵⁶

Contemporary analysts of globalization, both economists and cultural studies scholars, neglect this story at their peril because the pre-1914 era suggests that globalization is not inevitable and that conflict is as likely as cooperation. At the beginning of the twentieth century, observers saw a wave of globalization perhaps more powerful than today because it radically broke with the immediate past. In 1910, the French socialist Gustave Herve examined the explosion of both global capitalism and international institutions and asked, "At the end of this evolution whose outline is already clear, who will see not a United States of Europe and of America, on its way to the United States of the World?"⁵⁷

Yet this wave of globalization was largely destroyed. Migration contracted sharply during the First World War and has never been as free since then. One-

elitists now channel America's wealth, along with funds from other geopolitical and economic spheres, into Third-World countries at a rate greater than ever before. They constantly strive to solidify their one-world power base through material goods giveaways. They continue to create and consolidate an ever-increasing constituency dependent on the New World Order hierarchy for absolutely everything as those poorest of earth's people move through their miserable lives from cradle to grave.⁶⁴

Furthermore, a true global history of Americanization can only be complete with a history of anti-Americanism, a history still being written. Anti-Americanism is as much a product of American global influence as the vast array of consumer products and services that often prompts it. The opponents of transnational cultural influences paint a very different portrait of American influence than do the celebrants of the blurring of borders and the global shopping mall. In one extreme but not atypical example, Alfred Mechttersheimer, a former German military officer turned Green Party politician, combined both traditional conservative and left-wing critiques of the United States when he wrote soon after the Gulf War that

The continuity of U.S. American bloody expansion extends from the extermination of the Native American Indians to the perpetual intervention in Latin America, the war crimes in Dresden and Hiroshima, to Vietnam, all the way to the massacre of Mutla Ridge in February 1991, south of the Iraqi city of Basra.⁶⁵

As we write the history of globalization and its discontents, we are moving into an era where, thanks in large part to the pioneering work of scholars such as Wallerstein, we will not be able to carry out the study of American history or of contemporary United States society without investigating the world-system in which the United States has been both an actor and a subject. It is also true that increasingly we cannot study world history or comprehend contemporary globalization without examining the critical role of the United States.

Notes

1. The author would like to thank Gail Bossenga and the editors for their excellent comments on this article.

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28. Wallerstein, *The Modern World-System I*, xi. Fernand Braudel, *Capitalism and Material Life*; Marian Malowist, "Poland, Russia, and Western Trade in the 15th and 16th Centuries," *Past and Present* 13 (1958), 26-39; "The Social and Economic Development of the Baltic Countries from the 15th to the 17th Centuries," *Economic History Review*, 2nd series, XII:2 (1959), 177-89; *Croissance et regression en Europe, XIVe-XVIIe siecles; recueil d'articles* (Paris, 1972).
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30. Mary Fulbrook and Theda Skocpol, "Destined Pathways: The Historical Sociology of Perry Anderson," and Lynn Hunt, "Charles Tilly's Collective Action," *Vision and Method in Historical Sociology*, Skocpol, ed.; Anthony Giddens, *Social Theory and Modern Sociology* (Stanford, 1987), 34-5, 166-80, 204-220.
31. Eric Wolf, *Europe and the People Without a History* (Berkeley, 1982); Janet L. Abu-Lughod, *Before European Hegemony: The World-System, A.D. 1250-1350* (Oxford, 1989); Michael Hechter, *Internal Colonization: The Celtic Fringe in British National Development, 1536-1966* (London, 1975); Michael Mann, *The Sources of Social Power: Vol. 2, The Rise of Classes and Nation-States, 1760-1914* (Cambridge, 1993); Alfred W. Crosby, *Ecological Imperialism: The Biological Expansion of Europe, 900-1900* (Cambridge, 1986).
32. David Christian, "Silk Roads or Steppe Roads? The Silk Roads in World History," and Lauren Benton, "The Legal Regime of the South Atlantic World, 1400-1750: Jurisdictional Complexity as Institutional Order," *Journal of World History*, 11:1 (Spring 2000), 1-26, 27-56.
33. Albert Bergesen, "The Emerging Science of the World-System," *International Social Science Journal*, 91 (1982); W.R. Thompson, ed., *Contending Approaches to World-System Analysis* (Beverly Hills, 1983).
34. Statement in *Review*, 18:4 (Fall 1995), frontpiece.
35. Giovanni Arrighi and Walter Goldfrank, eds., "Festschrift for Immanuel Wallerstein," *Journal of World-Systems Research*, 6:2 (2000).
36. Albert Bergesen, "The Critique of World-System Theory," *Sociological Theory 1984*, Randall Collins, ed. (1984); Ragin and Chirot, "The World System," Skocpol, ed.; Peter Imbusch, 'Das Moderne Weltsystem': Eine Kritik der Weltsystemtheorie Immanuel Wallersteins (Marburg, 1990).
37. Ironically, one of Wallerstein's original inspirations, Andre Gunder Frank, has recently rejected the world-systems approach as overly Eurocentric. In *Re-Orient: Global Economy in the Asian Age* (Berkeley, 1998), Frank argues that East Asia remained at a level of economic development close to that of Europe until the mid-nineteenth century, and thus that a truly modern world-system emerged only in the last 150 years.
38. Patrick O'Brien, "European Economic Development: The Contribution of the Periphery," *Economic History Review*, 35:1 (1982), 1-18.
39. Paul Bairoch, "Were Third-World Raw Materials Central to Western Industrialization?" in his *Economics and World History* (Chicago, 1995), 59-71; Bernard Waites, *Europe and the Third World: From Colonisation to Decolonisation, c. 1500-1998* (New York, 1999), 225.
40. Colin M. Lewis, "The Economics of the Latin American State," *States and Sovereignty in the Global Economy*, David A. Smith, et al., eds. (London, 1999); Imbusch, 183-201.
41. Skocpol, "Wallerstein's World Capitalist System," 1078-86; Held, 26-7.
42. Carl Strikwerda, "Tides of Migration, Currents of History: The State, Economy, and the Transatlantic Movement of Labor in the Nineteenth and Twentieth Centuries," *International Review of Social History*, 44 (1999), 367-394.
43. Angus Maddison, *Phases of Capitalist Development* (Oxford, 1982), Bairoch, *Economics and World History*, E.L. Jones, *The European Miracle: Environments, Economics, and Geopolitics in the History of Europe and Asia* 2nd edition (Cambridge, 1987), and Philippe Aghion and Jeffrey Williamson, *Growth, Inequality, and Globalization: Theory, History, and Policy* (Cambridge, 1998) are typical examples of economic historians working on world economic history who do not cite Wallerstein.
44. David Dollar and Aart Kray, "Growth is Good for the Poor," World Bank, (Washington, D.C., 2000). Available at www.worldbank.org/research/growth/absddolakray.htm and summarized in "Growth Is Good," *The Economist*, 27 May 2000, 82.
45. See note 2.
46. Waters, *Globalization*, 9.
47. John Tomlinson, *Globalization and Culture* (Chicago, 1999), 1.
48. Wallerstein, "The Rise and Future Demise," 107.
49. Immanuel Wallerstein, "The Global Possibilities, 1990-2025," *The Age of Transition*, Hopkins and Wallerstein, eds. 236.
50. Arthur Herman, *The Idea of Decline in Western History* (New York, 1997).



How the World Bank and the IMF destroy Africa

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The World Bank and the IMF (the International Monetary Fund) were set up during the end of the Second World War to rebuild the economies of Europe. However, in order for the world bank and the IMF to implement their policies, they (the world bank and the IMF) began offering loans to poor countries but only if the poor countries privatized their economies and allowed western corporations free access to their raw materials and markets. That was a poverty trap and many poor countries realized it when it was too late. We were already in chains.

That was the beginning of much of the problems we face today in Africa. Now we are in a vicious cycle of poverty and there seems to be no way out. The western corporations flourish while the poor continue to die in poverty. In other words, the poor in Africa continue to feed the greedy rich corporations in the western world. The poor get poorer while the rich get richer.

People continue to die from extreme poverty and hunger in Africa and other parts of the world but not so many people know the World Bank, the IMF and the WTO are behind almost all these. It is a new form of war whereby the rich western corporations use hunger and starvation as weapons of mass destruction. In other words, the World

Bank, the IMF (the International Monetary Fund), and the WTO (the World Trade Organization) are the triple enemies of progress in almost every developing country in the world today. Now let's see how the World Bank, IMF and WTO operate in Sub-Saharan Africa.

Take a country like Ghana for example. Ghana is blessed with abundance of natural resources. The World Bank and the IMF are very interested in countries such as Ghana where they can easily control the natural resources and the markets. There used to be some prosperous rice farming communities in the northern parts of Ghana and the government of Ghana used to give those rice producing farmers some farming subsidies to enable them produce rice on a large scale to help feed the nation. However, the world bank and the IMF stood in and told the Ghanaian government that, they (the world bank and the IMF) would not give Ghana any more loans unless the Ghanaian government cut the farming subsidies the government was giving to the poor rice farmers and the main reason behind it was that, Ghana had to import rice from western countries such as the United States (a major partner of the world bank and the IMF).

Now Ghana imports most of its rice from abroad at huge prices every year. So at the end of the day, Ghana owes the World Bank and the IMF huge amounts of money but the money did not remain in the Ghanaian economy because Ghana had to use the loan to import food from abroad. Meanwhile, the rice producing communities in Ghana could have helped produce enough rice to feed the nation and even export some abroad to make more profit. Now the northern communities in Ghana remain the poorest in the country with no better jobs and no opportunities at all in most parts. Young boys and girls some as young as 9 are migrating to the southern parts of the country to major cities such as Kumasi and Accra (a very dangerous journey for kids) all in search for jobs so they can take care of their poor dying families back home. Most of these kids never return home. Some die along the way and some return worse than before and all thanks to the IMF and the World Bank.

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LEASING THE RAIN

The world is running out of fresh water, and the fight to control it has begun.

By William Finnegan

In April of 2000, in the central plaza of the beautiful old Andean city of Cochabamba, Bolivia, the body of Víctor Hugo Daza lay on a makeshift bier. Daza, a seventeen-year-old student, had been shot in the face by the Army during protests sparked by an increase in local water rates. These protests had been growing for months, and unrest had also erupted in other parts of the country. The national government had just declared martial law. In Cochabamba, a city of eight hundred thousand, the third largest in Bolivia, a good part of the population was now in the streets, battling police and soldiers in what people had started calling *la guerra del agua*—the Water War. Peasants from the nearby countryside manned barricades, sealing off all roads to the city. The protesters had captured the central plaza, where thousands milled around a tiled fountain and the catafalque of Víctor Daza. Some of their leaders had been arrested and taken to a remote prison in the Amazon; others were in hiding.

The chief demand of the water warriors, as they were called, was the removal of a private, foreign-led consortium that had taken over Cochabamba's water system. For the Bolivian government, breaking with the consortium—which was dominated by the United States-based Bechtel Corporation—was unthinkable, politically and financially. Bolivia had signed a lucrative, long-term contract. Renouncing it would be a blow to the confidence of foreign investors in a region where national governments and economies depend on such confidence for their survival. (Argentina's recent bankruptcy was caused in large part by a loss of credibility with international bankers.) The rebellion in Cochabamba was setting off loud alarms, particularly among the major corporations in the global water business. This business has been booming in recent years—Enron was a big player, before its collapse—largely because of the worldwide drive to privatize public utilities.

eight times faster than it can naturally recharge. In vast areas of India, Mexico, the Middle East, and California's Central Valley the story is the same.

Meanwhile, more than a billion people have no access to clean drinking water, and nearly three billion live without basic sanitation. Five million people die each year from waterborne diseases such as cholera, typhoid, and dysentery. This enormous, slow-motion public-health emergency is, in large measure, a result of rapid, chaotic urbanization in the nations of the Global South. Traditional water sources have been polluted, destroyed, overtaxed, or abandoned.

Annual rainfall is not always a measure of water wealth. Poland, for instance, gets plenty of rain, but its lakes, rivers, and groundwater are so polluted that it has as little usable water as Bahrain. Arid regions with the means to pay (Southern California, the Persian Gulf States) already pipe water in from wetter areas. New technologies are being hurriedly developed: huge fabric bags holding millions of gallons of fresh water are being hauled by barges across the Mediterranean, and there are businessmen in Alaska who believe that the state's earnings from fresh water will eventually dwarf its earnings from oil.

For strategic planners at some of the world's largest corporations, the global freshwater shortage coincides opportunely with privatization. According to Johan Bastin, of the European Bank for Reconstruction and Development, "Water is the last infrastructure frontier for private investors." In the past fifteen years, municipal and regional water systems have been steadily coming onto the international market. Two French corporations, Vivendi Environment and Suez, lead the industry: Vivendi runs eight thousand systems in a hundred countries; Suez has operations in a hundred and thirty countries. The biggest American player, Bechtel, whose directors include former Secretary of State George P. Shultz, has always been notable for its political connections. The United States is itself a field for direct foreign investment in water. Suez is running Atlanta's water system, and Vivendi recently bought U.S. Filter, a national water-services group, for more than six billion dollars.

But the main push is in the Global South, where, over the past twenty years, the World Bank and the International Monetary Fund have effectively taken control of the economies of scores of nations that are heavily in debt. The Bank and the I.M.F. have been requiring these countries to accept "structural adjustment," which includes

with trucks, buses, minivans, donkeys, and pedestrians. It was a hot, clear afternoon; Mt. Tunari, a seventeen-thousand-foot peak, glittered in the northwest. Cochabamba sits in a wide, fertile valley at eight thousand feet—only a middling elevation in Bolivia, where the capital, La Paz, is at twelve thousand feet. To the east, beyond the mountains, lies the Amazon rain forest. Cochabamba is more than four hundred years old, but a recent influx of migrants from the countryside has caused its population to quadruple since 1976. Today, Cochabamba is ringed by dozens of *barrios marginales*—dusty, impoverished settlements that have sprung up to house the newcomers. Basic services—electricity, transportation, sanitation, water—are catch-as-catch-can in the *barrios marginales*.

“We started digging our well in 1994,” Villagomez told me. Stocky, soft-spoken, with Indian features and thick eyeglasses, he was leading me down a rocky path to a small cinder-block pump house. “The planning took years. It was an expensive project, and a lot of work. All the residents helped, and we finished in 1997.” The coöperative received technical assistance from Danish aid workers; there is a dirt road in the barrio—the Avenida Dinamarca—named for them. Villagomez urged me to peer into the dim pump house, which contained a single electric pump. “The well is a hundred and twelve metres deep,” he said.

I thought that sounded awfully deep. Villagomez agreed. “Before, the water under this valley was at only twenty metres.”

The well made a major difference to Villa San Miguel. Clean water was suddenly plentiful and relatively cheap—households paid the water coöperative between two and five dollars a month to cover the costs of running the pump and maintaining the system. “It gives water to two hundred and ten families,” Villagomez said. “We felt a lot of pride in this achievement.”

Then, in 1999, the Bolivian government conducted an auction of the Cochabamba water system as part of its privatization program. The auction drew only one bidder: a consortium called Aguas del Tunari. The controlling partner in the consortium was International Water, a British engineering firm that was then wholly owned by Bechtel. (An Italian company later bought a half interest.) But the government, unfazed by its own weak bargaining position, decided to proceed.

"*Compañeros*," Olivera would tell crowds. "It's become a fight between David and Goliath, between poor people and a multinational corporation. They have a lot of money, and they want to take away our water."

The World Bank warmly calls Bolivia an "early adjuster." Other poor, indebted countries have had to be forced to accept structural adjustment, but in Bolivia the World Bank and the I.M.F. have enjoyed a deep understanding with successive governments since 1985. Public enterprises—the railways, the telephone system, the national airlines, the great tin mines of Oruro and Potosí—have been sold, mainly to foreign investors. (This fire sale goes on: a Bolivian government Web site lists dozens of factories, refineries, cement plants, paper mills, and municipal utilities that are still available.)

The tin mines, as it happens, had been nationalized after a popular revolution in 1952, which also destroyed the semi-feudal hacienda system that had been in place in Bolivia for centuries. The United States played an unlikely role in that revolution. The Eisenhower Administration, already busy undermining left-wing governments in Guatemala and Guyana, accepted the new government's plea that it was not Communist (even if some of its allies were) while demanding, and getting, a new investment code that permitted American companies to start operating in Bolivia's eastern oil fields. The United States increased food aid to help the new government survive, and saw to it that "state capitalism" became the official economic model.

An Army coup overthrew the elected government in 1964, leading to the first in a long string of military regimes. (Many of the officers involved had received "counter-insurgency" training in the United States.) They were not, except during a period in the late nineteen-seventies, as violent as those in Chile, Argentina, and Brazil. The unions and the left were repressed, but not so severely as to engender a guerrilla movement. By 1982, however, when civilian rule was finally restored, the Bolivian economy, plundered by the generals, was in ruins, and hyperinflation soon took hold, hitting an annual rate of twenty-five thousand per cent in 1985.

Enter "the Boys," also known as "the Chicago Boys," after a group of economists, educated at the University of Chicago, who implemented free-market policies (known in Latin America as neoliberalism) in Pinochet's Chile. In Bolivia they were led by Gonzalo Sánchez de Lozada, a wealthy mine owner who was then Minister of

Aguas del Tunari seemed to have given little thought to how its plans would be received in Cochabamba. The International Water executives who were actually doing the work in the city were engineers, not marketers, and, being newly arrived from abroad, they were not attuned to the problems or passions of the Bolivian public. Geoffrey Thorpe, the company's manager, simply said that if people didn't pay their water bills their water would be turned off.

In truth, the price hikes were not as arbitrary as they seemed. The consortium had agreed, in its contract, to expand the city's water system. This was going to be expensive, as was the large-scale repair job required by the deterioration of the existing system. "We were confident that we could implement this program in a shorter period of time than the one required by the contract," Didier Quint, the managing director of International Water, said. He added, however, "We had to reflect in the tariff increase all the increases that had never been implemented before." The consortium had also agreed to finish a stalled dam project known as Misicuni, which would pipe water through the mountains. This aspect of the deal seemed to make little sense—the World Bank had commissioned studies that pronounced Misicuni uneconomic. But the dam project had less to do with how privatization works in theory than with the reality of how multinational corporations must come to terms with local politics.

Plans for the Misicuni Dam have been around for decades. The mayor of Cochabamba, Manfred Reyes Villa, had campaigned hard to complete it and was undeterred by questions about whether it was worth building. Reyes Villa was a popular mayor. People liked to say that his good looks got him the women's vote—he is better known by the nickname Bombón (Sweetie)—but his political instincts are sharp. Despite the widespread poverty in his city, he had pulled off major vanity projects, including a gargantuan white statue of Christ on a hilltop. (This Cristo de la Concordia is supposedly six feet taller than its rival in Rio de Janeiro.) Reyes Villa had been a real-estate developer before he became mayor, and everyone in Cochabamba was quick to note the proximity of most new roads and parks to Bombón's properties. His political party, the New Republican Force, was a personal vehicle as well as a formidable municipal patronage machine, and people said that N.F.R., its Spanish abbreviation, stood for "Nueva Forma de Robar" ("New Form of Robbery"). Reyes Villa lived in conspicuous splendor, and when I visited, soldiers were guarding his estate. There was a wall-size oil painting of his family. "Poverty is growing here, with wealth being

of them middle-class anarchists, also joined in, carrying banners denouncing the World Bank, the I.M.F., and neoliberalism. But the front-line troops, particularly after the conflict sharpened and the authorities began to fire live bullets, proved to be the city's street children—an adolescent army of the homeless which has been growing in recent years.

The government's response escalated steadily. After the first protests, a ministerial delegation was sent to Cochabamba. By the end of the month, the water-price hikes had been rolled back, but the protests continued. Then the government sent in troops from Oruro and La Paz. Nearly two hundred protesters were arrested, and seventy civilians and fifty-one policemen were wounded. The Catholic archbishop of Cochabamba tried to mediate. In March, the Coordinadora held an unofficial referendum, counted nearly fifty thousand votes, and announced that ninety-six per cent favored the cancellation of the contract with Aguas del Tunari. "There is nothing to negotiate," the government replied.

In April, protesters again occupied Cochabamba's central plaza, and when the Coordinadora's leaders, including Óscar Olivera, arrived at the governor's office for a meeting they were arrested. After they were released the following day, some went into hiding. Then more leaders were arrested, and some were taken to a jungle prison in the Amazon. The house of Óscar Olivera's parents was searched four times.

Protests had begun to break out in other parts of the country—in La Paz, Oruro, and Potosí, and in many rural communities—and national peasant organizations held demonstrations. By this point, most of the country's major highways were blocked.

Bolivia's rulers have always harbored a deep fear that the country's Indian majority might one day rise up and kill them in their beds—or, more realistically, trap them in their cities. In 1781, an Indian rebel army, having killed all the Spaniards in a regional capital, laid siege to La Paz for several months. The rebellion was ultimately defeated by troops brought from Buenos Aires, but white Bolivia's fear of a horizon suddenly filling with angry Indians has never fully dissipated, and on April 8, 2000, the Banzer government declared a national state of siege. This meant martial law, and it allowed for mass arrests. The minister who announced the decree also said—in a remark that Bechtel's spokesman in London quickly picked up—that the uprising in Cochabamba was being financed by *narcotraficantes*.

do with them. The government informed Aguas del Tunari that, because the company had “abandoned” its concession, its contract was revoked. (The company argued that it had not left voluntarily but had been pushed out.) The day after Víctor Hugo Daza’s funeral, Óscar Olivera announced the consortium’s departure to thousands of exhausted, disbelieving demonstrators from the balcony of his union’s offices above the plaza.

The Coordinadora had swept the field so completely that a new national water law was immediately passed—“written from below,” as the water-rights campaigners say. Banged together by parliamentarians and water specialists from the Coordinadora who gathered in La Paz, the new law gave legal recognition to *usos y costumbres*—traditional communal practices—by protecting small independent water systems, guaranteeing public consultation on rates, and giving social needs priority over financial goals. This triumph seemed to the water warriors too good to be true, and it was. Laws in Bolivia are implemented—if, indeed, they are ever implemented—only after bylaws have been attached and approved, and the government soon made it clear that, in the case of the new water law, this process could take years.

After the Bechtel consortium’s exit, the management of Cochabamba’s water was returned to the old public utility known as SEMAPA, which was thoroughly overhauled. The new board of directors included Coordinadora representatives, who vowed to treat water as a “social good” and not as an ordinary commodity. But so far the fervently envisioned transformation of Cochabamba’s water system has been fitful at best. Service is still poor. Even within the existing network, many neighborhoods have service only occasionally, and the valley’s aquifer continues to sink. Corruption has reportedly been reduced, but an intolerable situation persists: the poor in Cochabamba, those who are not on the network and who have no well, pay ten times as much for their water as the relatively wealthy residents who are hooked up. The new SEMAPA, having driven away international capitalists, desperately needs new capital. Since simply raising water rates across the board is politically impossible, that means new partners or new loans.

The Bolivian government has little interest in seeing the new SEMAPA succeed. Neither is it likely to get much help from the World Bank. In recent years, the Bank has been widely accused of not fulfilling (or even seriously pursuing) its self-proclaimed mission

breaking of the contract in Cochabamba an expropriation. That will depend on the settlement, if there is one, that is reached in the case. Having the United States label the episode an expropriation would be a blow to Bolivia's hope of seeing any new foreign investment in the near future.

And yet Jorge Quiroga, Bolivia's new President, is bullish on his country's prospects. Quiroga, who is forty-one, is tall and fair. He graduated in 1981 from the University of Texas, where he studied industrial engineering, and worked for I.B.M. in Austin as a self-described "corporate yuppie" before moving back to Bolivia with his American wife, Virginia. "We will be the vital heart of South America," Quiroga predicted repeatedly when I visited him in his ornate, republican-era office in La Paz. Gas exports will lead the way. A long-awaited transcontinental highway connecting Brazil and Chile will pass through Cochabamba. Fibre-optic cables will be laid. One of the biggest things delaying Bolivia's economic progress? The hypocrisy of the United States and Europe on free trade. "Bolivia is the most open economy in Latin America," Quiroga said. Meanwhile, American and European farm subsidies, along with tariffs on textiles and agricultural products, make it impossible for Bolivia to sell its exports in the Global North. "They tell us to be competitive while tying our arms behind our backs."

When I asked him about the Water War, he looked uncomfortable. "A lot of things certainly could have been different along the way, from a lot of different actors," he said. But, like Michael Curtin, he was certain of one point: "The net effect is that we have a city today with no resolution to the water problem." In the end, he said, it will be "necessary to bring in private investment to develop the water."

Quiroga insists that the World Bank and the I.M.F. are not running Bolivia. If it sometimes looks as if they are, that is because technocrats in the government (he has been one) use what he calls "the I.M.F. blackmail" on politicians—warning them that loans will stop if hard fiscal choices are not made, and thus giving them some cover, when in truth there have been no direct threats from the Bank or the I.M.F.

The World Bank now requires all its client governments to submit a "poverty-reduction strategy," and Quiroga gave me a sketch of Bolivia's. He had recently been to a meeting of the World Economic Forum—he goes almost every year—and his remarks struck me as having an up-to-the-minute cosmopolitan gloss. The Bolivian

soon, his party will run candidates for all the seats on the water company's board that are now occupied by the Coordinadora. Their campaigns will be far more extravagant and crowd-pleasing than anything Óscar Olivera and his colleagues are likely to stage. Bombón knows his constituency. He has also announced his candidacy for President.

The juggernaut of water privatization has hardly slowed. Bechtel, through International Water, has closed two major water deals in the past year, winning a thirty-year concession for the port city of Guayaquil, in Ecuador, and a controlling stake in the water company of Tallinn, the capital of Estonia. Many water privatizations seem likely to deliver eventually on their backers' promises of improved service. In Chile, fierce opposition to concessions has been overcome in several cities by innovative price structures, including water vouchers, that assure poor residents of an adequate supply of clean water.

At the same time, water privatizations have been backfiring all over Latin America. In Panama, popular anger about an attempted privatization helped cost the President his bid for reelection. Vivendi, the French multinational, had its thirty-year water contract with the Argentine province of Tucumán terminated after two years because of alleged poor performance. Major water privatizations in Lima and Rio de Janeiro have had to be cancelled because of popular opposition. Trinidad recently allowed a management contract with a British water giant to expire. Protests against water privatization have also erupted in Indonesia, Pakistan, India, South Africa, Poland, and Hungary.

One large-scale Bolivian water privatization that the World Bank still points to with pride took place a few years ago in La Paz. The concession was awarded to Suez, which honored its commitment to expand the La Paz water network to several poor neighborhoods just outside the city. This area, known as El Alto, is home to nearly three quarters of a million people, virtually all of them Indians recently arrived from the countryside. But a problem emerged. It seemed that the people in El Alto weren't using enough water. Accustomed to Andean peasant life, they were extremely careful with water, never wasting a drop, and they continued to be so even after they had taps installed in their homes. This was good conservation, but it was bad for Suez's bottom line, and the corporation was disappointed in the return on its investment. After it appeared to raise its rates, which were pegged to the dollar, when the local currency was devalued the general happiness with the contract evaporated and residents began to