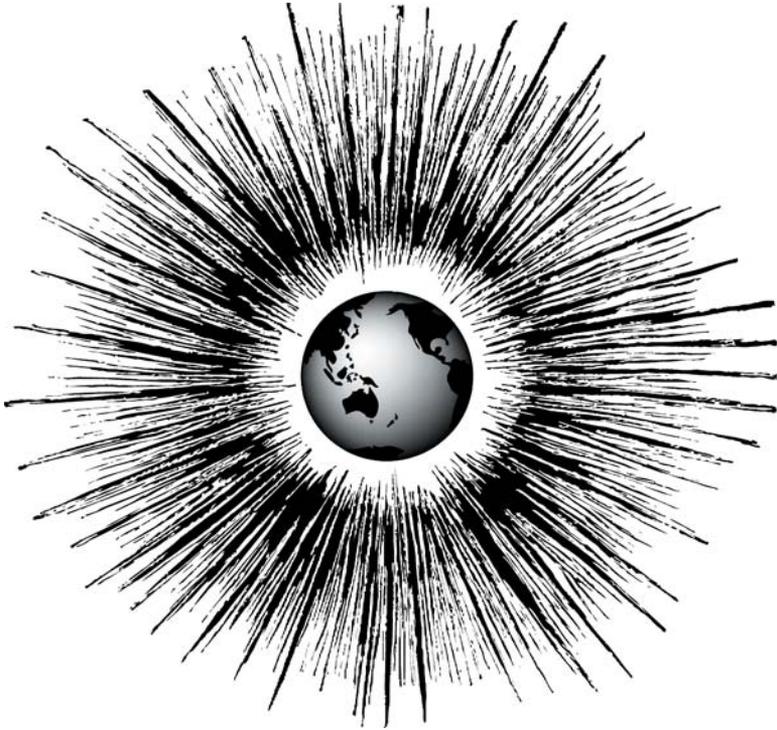


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We especially encourage works that take theory seriously by confronting problems of conceptualization and making definitions of concepts explicit, by formulating hypotheses, constructing axiomatic theories and causal models. Theoretical research programs that combine theory construction with comparative research are badly needed to take the world-systems approach beyond the stage of a perspective.

We also want to encourage the application of comparative, quantitative and network-analytic methods to world-systems research, though we will certainly also publish pieces that do not use these methods. Any empirical study that is deemed relevant to world-systems analysis may be published even if it uses a very different conceptual framework.

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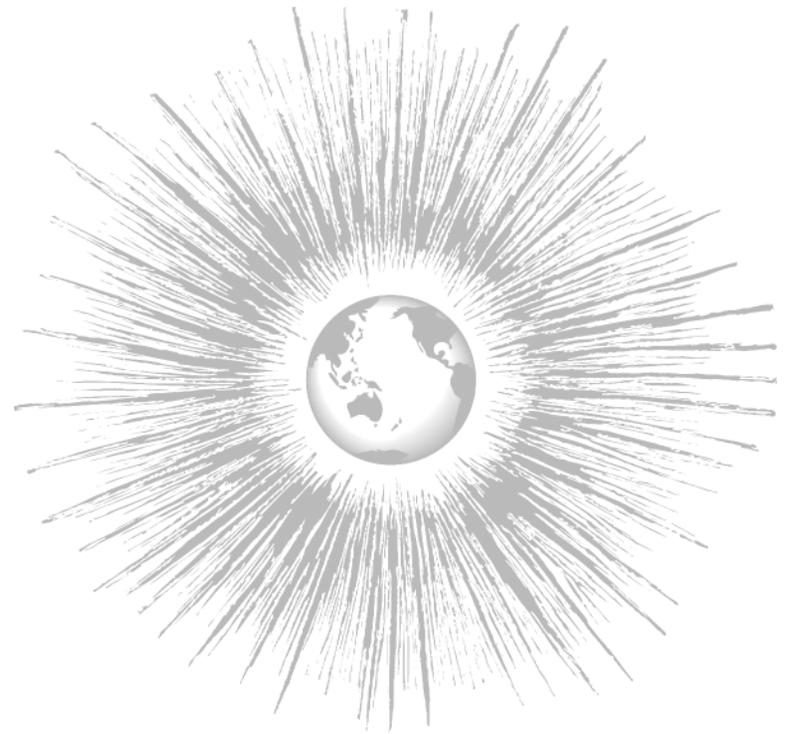
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ASSIMILATING TO POWER IN TWO DIFFERENT WORLD-SYSTEMS: AN ANALYSIS OF PAUL AND HERZL

Khaldoun Samman

I. RACE AND THE MODERN ORIENTALIST WORLD-SYSTEM

Like any set of durable ideas, Orientalist notions influenced the people who were called Orientals as well as those called Occidental, European, or Western.

Edward Said

The majority of non-Jewish citizens—no, all of them—declare that they do not recognize us as Austro-Germans ... All right, we shall move away; but over there, too, we shall only be Austrians.

Theodor Herzl

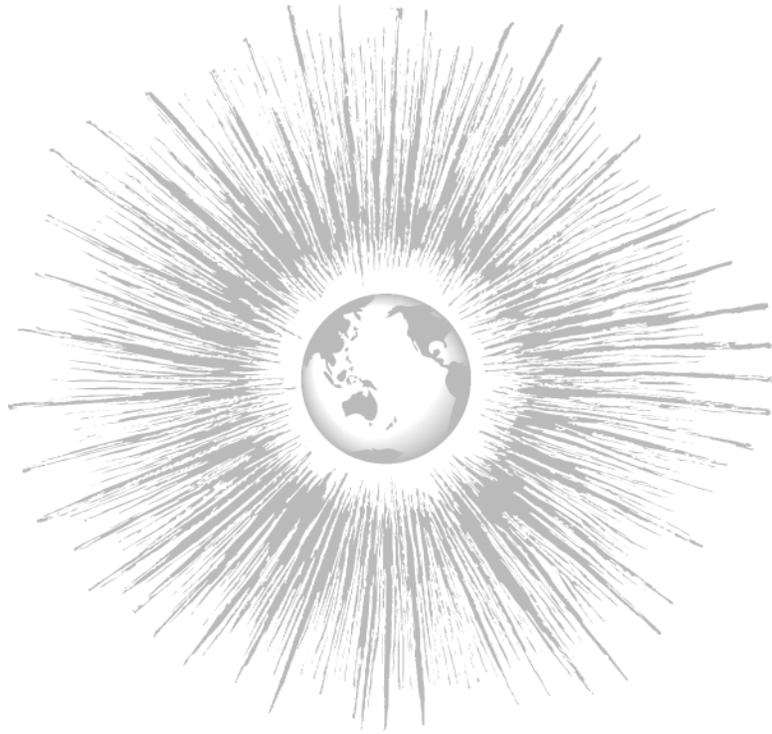
The State of Israel is part of the Middle East only in geography.

David Ben-Gurion

As Immanuel Wallerstein, Anibal Quijano, and the late Edward Said have all argued, modernity, at its very root, is a highly racialized global system (Quijano and Wallerstein 1992; Quijano 2000; Said 1979). I'd like to identify this global order as the *Modern Orientalist World-System* to describe a world which is politically, economically, and culturally stratified, with race constituting the very epicenter of the stratification with the "West" and "whiteness" ranked as the superior race/civilization, signifying all those qualities and characteristics in a manner exactly opposite to the Orient (Said 1979). In this conception, the racialization of the binaries constructed by the Orientalist world-system produces the opportunity for a sector of the racialized groups (the constructed Orientals)

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ABSTRACT:

This essay concerns two Jewish men from different historical formations: the Apostle Paul, a Jew living in the Roman Empire in the first century and one of the founding figures of Christianity, and Theodor Herzl, a Jew living in late-nineteenth-century Austria and the founding father of Zionism, a Jewish nationalist movement. My central argument is that both men employed an assimilationist strategy that linked their identity to powerful social forces of their time, strategically restructuring their identity so that they could move into the most powerful centers of their social system—Paul navigating himself towards Rome and Herzl setting his gaze west even while physically moving east. My objective here is to demonstrate how these two Jewish figures used Christianity and Zion-

ism, respectively, to assimilate towards those who hold real power, each of them appropriating the ideology of his movement in order to join the most powerful sector of his "world." Yet I also intend to demonstrate that, while they both shared a desire to assimilate to power, the strategies they implemented to reach their goals were radically different: Paul using a universalistic discourse, what I shall call "Israel in the spirit," whereas Herzl chose the particularistic discourse of "Israel in the flesh." This is due, I argue, to the fact that both of these great historical figures were reacting to the social and political forces of their times, Paul to the centripetal forces of ancient world-empires and Herzl to the centrifugal forces of the modern world-system.

to racially reconstruct themselves from one side of the dichotomy (the Orient) to the other side (the Occident). That is, in the process of being placed on the losing end of the racist discourse, I argue in this essay, a sector of the “Orient” pursues an aggressive policy of assimilating towards power by reproducing the racialized discourse of the modern Orientalist world-system. As we will see with Theodor Herzl, there is a desire in Jewish nationalism to remove the “Orient” from the self by whitening and Occidentalizing the Jew, usually at the expense of an Orientalized “Other,” with the ultimate goal of producing an Occidentalized/modern Jew.

Since the majority of the research produced to describe and analyze the modern world-system rarely incorporates race, religion, identity, and culture as a central organizing feature of modernity, we find it of utility to add the adjective “Orientalist” to our notion of the contemporary world-system so that we as researchers of this global system are made more aware of the centrality of race in the production and reproduction of core-periphery relations. Indeed, the dichotomous structure of the binaries of Orientalism, as described by Edward Said (1979), is a constitutive part of the modern world-system. Moreover, these constructed binaries are not simply the by-product of the economic international division of labor, forming the “superstructure” of a mode of production, but rather constitute those very same social relations. Without the *racialized* construction of core-periphery relations, the systemic unequal relations found in the global order would dissipate overnight. Hence, without the racialization of difference, or the Orient/Occident, black/white dichotomies, the actual function of core/periphery relations would be difficult to maintain, to say the least. *Race is the world-system*, making possible capital accumulation on a global scale, without which the core would have difficulty monopolizing global resources. It is the racialization of people, as an “ideological” construct, that lubricates commodity chains, the colonization of land, people, and natural resources and the diffusion of military personal and resources throughout the global south. Behind, inside, and informing the modern Orientalist world-system is a racial discourse that makes it possible to imagine the “Other” as unworthy of a fair and just distribution of the global resources, with race providing a rationale based on a notion of a superior race, culture, and religion.

What I would like to do in this essay, therefore, is to argue that the overriding feature of the modern Orientalist world-system is the *production* of a new *nationalized* and *racialized* paradigm of ethnic, racial, and religious identities that had not existed under the old historical social formations (see Winant 2004; and Stavrianos 1997). In the process of becoming peoples, nations, and races, Jews and Arabs, Greeks and Turks, North African Arabs and South Saharan Africans, and blacks and whites have all been torn apart from one another by

the interjection of the modern Orientalist world-system into their earlier intertwined social relations, causing a drastic transformation in the identity of peoples around the globe. Indeed, many of the conflicts that look religious or cultural in character, stemming from time-immemorial, are actually a product of a very recent development (Samman 2005). Modernity, in a sense, restructured every aspect of the world, from its class make-up and trade patterns to its formal political structure. Religious, gender, and ethnic identities were especially impacted by this new reality.

To better understand the complete reconstitution of race in the modern Orientalist world-system, this essay will compare two Jewish men from different historical formations: the Apostle Paul, a Jew living in the eastern Roman Empire in the first century and one of the founding figures of Christianity, and Theodor Herzl, a Jew living in late-nineteenth-century Austria and the founding father of Zionism, a Jewish secular nationalist movement.

In what follows I hope to demonstrate that both of these figures employed an assimilationist strategy that linked their identity to powerful social forces of their time, strategically restructuring their identities so that they could move into the most powerful centers of their social systems, with Paul navigating himself towards Rome and Herzl facing west even while physically moving east. My objective here is to demonstrate how these two Jewish figures used Christianity and Zionism, respectively, to assimilate towards those who held real power, each of them appropriating the ideology of his movement in order to join the most powerful sector of his “world.”

Yet I also intend to demonstrate that, while they both shared a desire to assimilate to power, the strategies they implemented to reach their goals were radically different: Paul using a universalistic discourse, what I shall call “Israel in the spirit,” whereas Herzl chose the particularistic discourse of “Israel in the flesh.”¹ This is due, I will argue, to the fact that both of these great historical

¹ *Israel in the flesh* and *Israel in the spirit* are terms that Paul used to assert his theological revision of Judaism and the justification for a new reading of the symbol of Christ, with the flesh representing the particularistic practices of his Jewish community, especially dietary restrictions, circumcision, and the rest of the Law. Israel in the spirit, on the other hand, symbolizes for Paul the transcendence of those practices and rituals that are specific to the Jewish community, replacing them with the figure of Christ, so that Gentiles (non-Jews) are welcomed into Christianity without having to become Jewish first. Inspired by the brilliant work of Daniel Boyarin (1994), I am using this terminology to describe the difference between particularistic and universalistic identities, Christianity being universalistic (“Israel in the spirit”) and nationalist-Zionism being particularistic (“Israel in the flesh”).

figures were reacting to the social and political forces of their times, Paul to the centripetal forces of ancient world-empires and Herzl to the centrifugal forces of the modern world-system.

Both Paul and Herzl experienced conversions that clarify the analysis we wish to make here, offering clues to the way identities were experienced in these two different historical systems. Daniel Boyarin, in his *A Radical Jew* (1994), describes Paul's conversion to Christianity in the mid-first century thus:

An enthusiastic first century Greek-speaking Jew, one Saul of Tarsus, is walking down a road, with a very troubled mind. The Torah, in which he so firmly believes, claims to be the text of the One True God of all the world, who created heaven and earth and all humanity, and yet its primary content is the history of one particular People—almost one family—and the practices it prescribes are many of them practices which mark off the particularity of that tribe, his tribe.... Not only he but many Jews of the first century shared this sense that something was not right. [The event of the Resurrection of Christ] provides the answer to the dilemma that Saul is facing. The birth of Christ as a human being and a Jew, his death, and his resurrection as spiritual and universal was the model and the apocalypse of the transcendence of the physical and particular Torah for Jews alone by its spiritual and universal referent for all. At that moment Saul died, and Paul was born. (p. 39)

Compare Paul's conversion then to that of Herzl some eighteen centuries later. As Jacques Kornberg (1993) tells us, in June of 1894:

The state idea had taken hold of him. He felt possessed; elaborations of the idea raced through his mind out of control while at work, walking, when in a conversation. Gripped by an obsession, he feared he was losing his sanity. Everything came together for him in the notion of a Jewish state.... Eliminating Jewish defects through emancipation...making Jews independent, masters of their own fate. From this experience he would put down his idea of a Jewish State, a national home for the Jews that would one day remake the Jews "on the gentile model...gaining honor in the eyes of Gentiles." (p. 160)

Like his predecessor Paul some two millennia earlier, Herzl was a Jew living among Gentiles, feeling pressure to assimilate to the cultural environment in which he lived. But unlike Paul, who inherited a world that despised living in the flesh, Herzl encountered a world in which particularistic identities were seen as an essential part of the cultural life of all the peoples of Europe. For what is most interesting about the life of Herzl is that, after not being permitted to live as a German or a European by the Gentiles around him, he experienced a conversion on the streets of Germany in which he envisioned a return to an Israel in the flesh, concluding that the Jew, like the other "civilized Gentiles," must have a state of their own. Indeed, his conversion from assimilation to Zionism was not

unlike the conversion Paul experienced on the road to Damascus, except that whereas Paul converted to an Israel in the spirit, a universalistic identity transcending particularism, Herzl turned in the opposite direction, that is, toward Israel in the flesh, a particularistic identity shedding universalism for the sake of creating a homeland for a specific group.

In my view their two conversions tell us much about the radically different "worlds" these two major Jewish figures lived in. Their "worlds" are what Immanuel Wallerstein identifies as a world-empire and the modern world-system. Wallerstein cleverly reminds us that historical social systems have varying time-space vectors and, as social scientists, we have to be cautious of the term *world*, for *world* is a relative term that cannot be reduced to mean the whole globe. The latter meaning is not found before the nineteenth century when, after many expansions and contractions, the modern capitalist world-system finally incorporated the entire globe. Prior to this historical breakthrough the world coincided with *world-empires* or even smaller units like tribes or clans, which Wallerstein identifies as *mini-systems*. What is a "world" is thus relative to the unique composition of the time and space that we are speaking of (Wallerstein 1991: 135–48).² It is only in the modern period that the world-system is truly global, for it is only at this time in history, beginning with the long sixteenth century, that we may say our unit of analysis is neither a tribe, a clan, a city-state, nor an empire, but a system of multiple political units unified by one world-economy. World-empire, on the other hand, is characterized by a political center with a simple division of labor and multiple cultures that are syncretically interlinked by a unified imperial order. This formation is radically different from the modern world-system, where the absence of a political center together with a complex, yet singular, international division of labor, is the defining feature (Wallerstein 1984: 153).³ These are the two world-systems that Paul and Herzl must navigate when negotiating their identities, and they each inform the social context for our comparisons of these two great Jewish historical figures.

Wallerstein's distinctions are a useful starting point for our attempt to show how Paul and Herzl negotiated their identities in two radically different *worlds*: Paul in a vibrant world-empire and Herzl in our modern world-system. In the age of world-empires, identities functioned in a world characterized by unified political structures, with the inhabitants feeling great pressure to construct identities of a universalistic type. Christopher Chase-Dunn and Thomas Hall, in

² See also Christopher Chase-Dunn and Thomas D. Hall (1995: 109–35).

³ Wallerstein's clearest discussion of this topic is his chapter "Theoretical Reprise" (1974: 346–57).

their book *Rise and Demise: Comparing World-Systems* (1997), provide a clear explanation of what may have informed this pressure towards universalism for a person like Paul in the first century. They argue that trade diasporas during this period were linked to trade ecumenes, a world Paul is clearly a part of as we will shortly discuss, whom in the process become agents of “a cross-cultural integrating force,” performing as a “specialized ethnic group.” As such, they became influential social actors, establishing “cross-cultural understanding...sufficient to underwrite long distance trade” (p. 168).⁴ In the modern world-system, on the other hand, characterized by an interstate system with multiple national identities, the inhabitants are under great stress to produce a particularistic identity, since an ideology of race and difference dominates. Once each “people” had been constructed as naturally, racially, and culturally belonging to a specific group, the idea of a state, at least for those perceived to be most civilized, followed soon thereafter. After years of painful efforts to be included as a rightful member of the “civilized” world, Herzl realized that, if Jews were to be regarded as “civilized,” a Jewish state was essential. This realization, I believe, is what informed his conversion-like episode and gradually pushed him towards his desired Israel in the flesh.

In the next section, I begin the analysis with Paul in the age of world-empires, proceeding on to Herzl in the age of the modern world-system in the third section, with the intention of comparing the patterns of identity formation in these two radically different world-systems. This analysis will allow us to understand the manner in which these two figures negotiated their identities so as to assimilate towards power, with Paul using the symbol of Christ to shed his Jewishness and thereby assimilate into a universalistic Hellenistic culture, and Herzl using Zionism to shed his “Orientalness” and thereby assimilate into European culture.

II. NEGOTIATING IDENTITY IN A WORLD-EMPIRE: PAUL AND THE JEWISH QUESTION IN THE ROMAN EMPIRE

There is no longer Jew or Greek, there is no longer slave or free, there is no longer male and female, for all of you are one in Christ Jesus.

Apostle Paul

⁴ Chase-Dunn and Hall are here referring specifically to the Muslim trade diaspora. But I think the similarities between the Jewish Diaspora of the first century and that of the Muslims in the seventh century allow for a more general statement on trade diasporas. See for example the work of Jerry H. Bentley (1993).

Understanding Paul's Conversion to Christianity in the Context of the Greco-Roman Empire

At the time of Paul's conversion on the road to Damascus in the latter half of the first century of the Common Era (C.E.), the Roman Empire was undergoing major political and economic changes. Later in this period the old pagan, pluralistic cults of the Roman empire would begin to decline. The period has been described as an “age of military anarchy” when, in an attempt to beat back the enemies of Rome, emperor after emperor restructured the empire. As a result, the state apparatus was radically transformed from one based on a multiple-city-state foundation to that of a centralized bureaucratic state.⁵ Without the traditional federation of city-states, each of which was a partially self-governing unit within the larger Roman orbit, the old theological view of the world was coming into crisis. The official cultus was essentially bound up with the institutions of the city-state, and now that the latter had lost their quasi-independent status, the state was in danger of being left without any religious foundation. It was this crisis that would finally push the elites of the empire to look favorably on a religious movement that was more in touch with the new socioeconomic reality, a movement that would culminate in the conversion of Constantine several centuries after Paul. I maintain that the emerging Jewish Christian movement, led by Paul, would eventually fulfill the needs of the emerging social structure. As Christopher Dawson (1954) points out:

The new unitary state required a religion of a more universal character than the polytheistic cults the city-state possessed, and, as a matter of fact, we observe...a tendency towards a vague semi-philosophic monotheism in pagan society.... The Church was the one living creative force in the spiritual life of the age. It brought to society just those elements...of which the Empire itself stood most in need. (pp. 42–43)

Geoffrey Barraclough, in his book *The Medieval Papacy* (1979), makes this point even more forcefully, when he argues that “[Christianity] was an instrument of cohesion, a pillar of the imperial structure, a ‘state religion’ to underpin [the] government,” which did “not wish to leave schism or division in any place” (pp. 21–22). I argue below that, as a Diasporic Jew having witnessed firsthand the limits of the old structure, Paul was pulled into and attracted toward the emerging idea of a unifying Deity, a universal Christian God.

⁵ This is the thesis of Christopher H. Dawson (1954: 28–52).

But before we discuss this we need to understand the difficult first-century world in which Paul lived.⁶ The hostility of the Greco-Roman world in the first century of the Common Era must have been stressful to the Jews of the Diaspora. During this first century, as was the case earlier, there were “many Jews traveling the highways and trade routes,” traveling long distances and visiting major cities, not only in the Hellenistic east, but “as far west as Italy and North Africa” (White 1990: 60). These Jews, accustomed to the larger Greco-Roman culture, must have been unsatisfied with maintaining a strictly Judeocentered interpretation of the Law, especially an interpretation that did not permit them to worship their deity as members of the larger communities with which they were in regular contact. Indeed, as was the case with many cities outside of Palestine that contained a large Jewish population, there tended to be a relaxed attitude to Jewish Law, where Greeks, Romans and Jews intermingled in worshipping the God of Israel together in the same synagogues (Meeks 1984). No doubt this was a response of the Jews of the Diaspora to the fact of “living as aliens, as an ethnic and religious minority, in the dominant culture of urban life in the Greek east and then Rome itself” (White 1990: 60). But running parallel to this negative pressure was the difficult issue a strict interpretation of the Law presented to the Jews of these Greco-Roman cities, especially those Laws that insisted on maintaining a clear separation from the gentiles in worshipping “the God of Israel.” Something had to give, and the result was the eventual break between Judaism and Pauline Christianity.

This was especially true for Paul, who found unacceptable the idea that participation in any given community ought to exclude all other people and only be available to those defined as insiders. As noted in the Gospels’ account of Paul’s struggle with the Jewish-Christians of Palestine, Jews that practiced “those rites that are special, performed by and marked in the body,” were misled by their shortsighted commitment to maintaining their religion as “an affair of a particular tribal group, ‘Israel in the flesh.’” As Boyarin (1994) remarks on this theme:

The insistence on the literal, the physical, is a stubborn resistance to the universal, a tenacious clinging to difference. By substituting a spiritual interpretation for a physical ritual, Paul at one stroke was saying that the literal Israel, “according to the flesh,” is not the ultimate Israel; there is an allegorical “Israel in the spirit.” The practices of the particular Jewish people are not what the Bible speaks of, but faith, the allegorical meaning of those practices. It was Paul’s genius to transcend “Israel in the flesh.” (pp. 37–38)

⁶ In discussing Paul in this section, I draw heavily on my forthcoming essay, “The Social Origins of Universalistic Monotheism: A Comparative Analysis of Paul and Muhammad.” *Journal of Religion and Society* (forthcoming, Summer 2006).

In Paul’s interpretation of the Torah, from circumcision and dietary regulations to Sabbath observance and other practices, the laws were no longer applicable to the faithful, for faith in Christ Jesus had overturned all those practices that were once the property of a particular ethnic group. The laws had been replaced with a universal message for all of humankind. Thus for Paul faith in the Resurrection of Jesus was a revolutionary moment that had theologically overturned those Laws that were applicable only to the Jews. “It remains, after all, a valorization of difference,” according to Boyarin’s provocative observation, one that Paul sought to transcend, and “is precisely the motivating force behind Paul’s entire conversion experience and mission” (Boyarin 1994: 54). Rather than clinging to difference, Paul preached its erasure, maintaining a strong stance against all those Jewish Christians, especially the messianic Christian Jews in Jerusalem. His persistence on this issue was due to his desire to subordinate the ideal of difference, found in the notion of a “chosen people,” the Jews, and replace it with the ideal of human unification. The Christ event, the Resurrection of Jesus, was “the vehicle for this transformation of humanity” (Boyarin 1994: 106).

The early Jewish Christian community at the time of Paul adopted strategies early on that were pertinent to its future success. The one in which I am interested here is the manner by which this early Jewish-Christian strategy transformed Jewish monotheism from one of being identified with a specific community (the Jews) to another, more abstract monotheism having no affiliations to any one group of any kind (see Long 1991; and Strange 1991). I will focus on first century Pauline Christianity, where this innovation became incorporated into the Christian ethos, making it finally possible for a person like Paul to live an identity that is more conducive to living in a world-empire. This period interests me insofar as it will clarify the process by which the early Jewish Christian community in the first century C.E. radically altered the traditional Jewish understanding of the sacred. In doing so, this diverging Jewish sect turned Judaism on its head and changed forever the relationship of the one chosen people to God, temple, and land. After such changes, land and people were reshaped by the Christian movement, in effect making monotheism more palatable to empire and its Greco-Roman inhabitants.

What is most interesting to keep in mind is the fact that, no matter how universalistic a message the Hebrew Scriptures offer, it is obvious that they represent the victory and success of those redactors who are interested in portraying the struggles and aspirations of a particular people under great stress.⁷ The uni-

⁷ Redactors are the unknown author(s) who assembled, selected, and edited the Pentateuch, otherwise known as the Five Books of Moses; see the recent book by Richard Elliott Friedman (1997). The fact that there were redactors is an interesting topic in it-

versalists, although present throughout ancient Israel (the best example can be found in the Hellenistic period as many authors have shown),⁸ lost the struggle and remained marginal within the Hebrew Scriptures. It is only with the rise of Christianity and Islam that we see the universalists succeeding and transforming the meaning of the Hebrew Scriptures in their favor.

This social context is absolutely crucial for our analysis of the emergence of this new Jewish Christian sect in relation to Paul's teachings, for it will produce a strategy that positions itself in opposition to the victors of this early struggle, with the end product being a universalistic monotheism that performs extremely well in a world-empire social environment. According to the biblical account, from the moment of the conquest of the territory of Canaan to the destruction of the Second Temple in Jerusalem in 70 C.E., a period of roughly twelve centuries, the Israelites ruled their territories outright for only a fraction of that time. For most of it they were, at best, vassals of the great superpowers that surrounded them. This is a profoundly significant fact that is all too easily left out when discussing this biblical period. Even those moments when they enjoyed outright "independence," their status depended largely upon the balance of power of the great superpowers of the ancient Middle East. Indeed, it was usually the case that when this balance of power disintegrated and was replaced by one major power, as was the case with the Assyrians in the eighth century B.C.E., with the Babylonians in the seventh and sixth centuries B.C.E., and with the Romans in the first century C.E., the Israelites found their world turned upside down with their lands dispossessed and their people sent into exile.

The social context in which the Hebrew Scriptures came to fruition, therefore, made possible the peculiar religious meaning that the land, and specifically Jerusalem, would come to symbolize in Jewish social and religious discourse. It is "improbable that the Hebrew prophets would have asserted their view of the chosen people and the Holy Land so clearly if the Assyrians, Egyptians, and other great powers of the time had not existed" (McNeil 1991: 162). Consequently, the Israelite production of what came to be known as the *Torah*, with its historical account of a unique people who have made a contract, or covenant, with the One God, has to be contextualized in this political environment.

The most significant "peculiar" practices of the Jews were, undoubtedly, the covenant and the Promised Land. Both were based "on a particularistic idea and

self. Obviously they selected and edited scrolls that accommodated their contemporary social and political concerns.

⁸ For further elaborations on this theme, see M. Hengel (1974); and Lee I. Levine (1998: chapters 1–2).

provided the foundation on which the Israelites built their nation" in the face of international realities (Long 1991: 21). Thus one can say that "God's promise to favor the Israelites in return for their allegiance and obedience helped form them into a people by setting them apart from others," especially from the empires that looked for every opportunity to incorporate them formally and directly (Long 1991: 21).

Indeed, it was these so-called "peculiar practices" that Tacitus and other writers of the ancient world despised. Tacitus's statement is revealing in this respect:

[Jewish customs], which are at once perverse and disgusting, owe their strength to their very badness.... Among themselves they are inflexibly honest and ever ready to show compassion, though they regard the rest of mankind with all the hatred of enemies. They sit apart at meals, they sleep apart, and though, as a nation, they are singularly prone to lust, they abstain from intercourse with foreign women; among themselves, nothing is unlawful. Circumcision was adopted by them as a mark of difference from other men. *Those who come over to their religion adopt the practice, and have this lesson first instilled into them, to despise all gods, to disown their country.* (cited in Simon 1996; emphasis added)

Living amongst people with these attitudes, it is not surprising that Hellenized Jews and their early Christian converts took on the project of adapting Judaism to bring it more in line with the larger world they lived in and, in the process, made the Jewish notion of the One God more attractive to their Greco-Roman clientele. The fact that they emphasized more and more the universal strand of monotheism at the expense of the particular can be seen, therefore, as an adaptation to Greco-Roman philosophical and religious ideals (Boyarin 1994: 58). By calling into question the particularity of Judaism to the Jews, they fine-tuned their message for an already existing Greco-Roman community that had similar ideas about God (Boyarin 1994: 58).

But elements of a non-particularistic form of monotheism were already quite visible before the emergence of the Christian sect. Greek culture, as early as the fifth century B.C.E., claimed Zeus to be the God who goes by many names. The Romans also were well on their way to framing an officially syncretistic form of political universalism, as James Strange (1991) convincingly argues. Martin Hengel has also shown that, immediately preceding the emergence of the Christian movement in the second half of the first century C.E., there already existed a great appreciation for the Jewish notion of monotheism on the part of Greek philosophy. The alleged abstraction of the Godhead greatly appealed to many literate Greeks and Romans. He concludes from this:

The universal religious attitude of learned men which developed in the Hellenistic period through “theocracy” regarded the *different religions as in the end only manifestations of the one deity*. Thoughtful Greeks ... may have acknowledged Jewish belief in its unfalsified form to be a high stage of spirituality, and Greek philosophy with an interest in religion had long been on the way to monotheism.... (Hengel 1974: 261)

The Stoics as early as the fourth century B.C.E. succeeded in pushing their empire towards monotheism. According to Zeno in Citium of Cyprus (335–263 B.C.E.), the whole universe was governed by divine reason, “and men should therefore live in conformity with it and with the order of nature established by it.” A saying of Zeno also presents the view “that men should not live in a state of division according to separate cities and peoples and differing rules of justice; rather all men should be viewed as belonging to one state and community and sharing one life and order.”⁹ Chrysippus (280–207 B.C.E.) would extend this vision to the word *polis* by equating it with the universe so that god and humans were in harmony.

This had a powerful spiritual effect throughout the empire, one that Hellenized Jews would soon hear loud and clear. Indeed, a comparison of Plutarch’s writings with Paul’s demonstrates just how influential the idea of universalism was to the literate population of Rome. Compare these two well-known verses: The first belongs to Plutarch, who argues that the gods of Egypt should be preserved as “our common heritage” and not made the peculiar property of the Egyptians:

Nor do we regard the gods as different among different peoples nor as barbarian and Greek and as southern or northern. But just as the sun, moon, heaven, earth and sea are common to all, though they are given various names by the varying peoples, so it is with the one reason [logos] which orders these things and the one providence which has charge of them, and the assistant powers which are assigned to everything.... (cited in Griffiths 1989: 248)

Paul’s address to the people of Athens, narrated in *Acts*, is remarkably similar:

Paul then stood up in the meeting of the Aeropagus and said: “Men of Athens! I see that in every way you are very religious. For as I walked around and looked carefully at your objects of worship, I even found an altar with this inscription: TO AN UNKNOWN GOD. Now what you worship as something unknown I am going to proclaim to you.” (*Acts* 17: 22–23)¹⁰

⁹ The last two citations are from Griffiths (1989: 237–58).

¹⁰ The Paul of *Acts* repeats this theme regularly, as this example illustrates: “We also are men, of like nature with you, and bring you good news...[of] a living God who made the heaven and the earth and the sea and all that is in them. In past generations

Again Paul returns to the same theme, this time making a direct connection:

Is God the God of Jews only? Is he not the God of Gentiles too? Yes, of Gentiles too, since there is only one God.... You are all sons of God through faith in Jesus.... There is no longer Jew or Greek, there is no longer slave or free, there is no longer male and female, for all of you are one in Christ Jesus. (Galatians 3: 26–28)

Notice the commonality between Plutarch’s statement that we do not “regard the gods as different among different peoples nor as barbarian and Greek and as southern or northern” and Paul’s assertion that “there is no longer Jew or Greek, slave or free, male and female, for all of you are one in Christ Jesus.”

Hence, the Christian conception of the One God having no affiliation to any particular group or location or place fits Paul’s drive to simplify deity worship quite nicely. After the Jewish notion of a chosen people had yielded to the universal “brotherhood of man,” and the ties with the older Jewish center in Jerusalem had been broken, the Deity of this Christian Jewish sect, pushed aggressively by Paul, was placed in an excellent position to receive the attention of Hellenized Jews looking to assimilate into the larger world they called home.¹¹ Paul, a Hellenized Jew himself, must have felt these same anxieties; his theological innovations and his peculiar reading of the Christ event support this interpretation and were, I believe, his way of dealing with this fact. For Paul, this meant taking the message not only to Jews on the margins of the Greco-Roman world, but also directly to its center of power, to the land of Gentiles stretched throughout the empire and into the imperial city of Rome itself. This was his way of assimilating to power in the age of world empires.

Paul and Jerusalem: The Logistics of Sacred Sites in a World-Empire

Before bringing Christianity to Rome, though, Paul had to revise the strong bond established by Jewish discourse between the covenant and land, particularly the city of Jerusalem, with its connection to a specific people, in this case, of course, the Jews.¹² W.D. Davies asked the legitimate question whether Paul

he allowed all the nations to walk in their own ways; yet he did not leave himself without witness, for he did good and gave you from heaven rains and fruitful seasons....” (*Acts* 14:15–18).

¹¹ For an extended analysis of how Christians transformed the meaning of Jerusalem and sacred space, see Samman (2006).

¹² Rodney Stark provides a very useful analysis of this process in his book *The Rise of Christianity* (1997). For an analysis of a similar experience in our modern world, see Steinberg (1965).

was the earliest Jewish-Christian to develop the view that the Christian community had now replaced the Jerusalem Temple as the dwelling place of God. As a Jewish-Christian he seems radically to reject the Holy Sanctuary at Jerusalem. The church for Paul:

is the fulfillment of the hopes of Judaism for the Temple: the presence of the Lord has moved from the Temple to the Church. It is easy to conclude that there was a deliberate rejection by Paul of the Holy Space in favor of the Holy People—the Church. He conceived the presence of the Divine apart from holy space. Whereas the Temple in Jerusalem was seen as central to many of the Jews of his time, for Paul it was important to stress that the Divine presence is not confined to the Temple but found in every place. (Davies 1974: 186)¹³

Hence, the a-territorial quality that it shared with paganism, unconfined by a specific place and, most of all, free of any affiliation to an ethnic group, was a method that Paul and some of the early Jewish-Christians used to move their newly founded Jewish sect in a new direction, one that would fit well with the Greco-Roman practice of Temple worship.

This theological presentation of Paul's vision of the Holy Land is important for our discussion because it sets in motion an important development in Christian thought that would allow a more universalistic identity to fit in line with a world-empire. Paul adopted a type of monotheism that could accommodate itself to the network of imperial cult worship that was widespread throughout the Greco-Roman landscape. Such an analysis is useful for any attempt to answer the perplexing question of how the new Jewish-Christian sect overtook the imperial cult and became *the* religion of empire, a process that is all the more baffling given the fact that this religious movement had its beginnings in a peripheral corner of the empire. The early Jewish Christian sect mobilized Roman pagan strategies as a way to present Judaism in ways familiar to the non-Jewish, Greco-Roman culture.¹⁴

Paul's project was the initial major step in this direction. Such accommodations would come at a high price, causing many conflicts between the Apostles

¹³ As Davies argued, "it is ubiquitous, unconfined by space" (1974: 186).

¹⁴ I found the following books especially useful in explaining the process of synthesizing Judaism with the religions of pagan Rome: Rodney Stark (1994) and the earlier writings of Adolph Harnack, especially his *The Mission and Expansion of Christianity in the First Three Centuries* (1908); Arthur D. Nock (1933); Ramsay MacMullen (1984); and Robert Wilken (1992).

as is well known.¹⁵ Paul, of course, was a central figure in this early struggle of the church. As his letters testify, the tensions between him and Palestinian Jewish-Christians take up much of his writing space. But there were many others who would come to share his desire to accommodate Christian theology to the larger Roman world. Origen (185–253) of Alexandria, one of the first great theologians of Christianity writing in the early third century, for instance, would follow in Paul's footsteps and build on Paul's writings on Jerusalem and the Holy Land.¹⁶ These early Christians would slowly develop a route that led them not to Jerusalem, the sacred center of the Jews, but straight into that other, imperial sacred center: Rome.

Land is essential to this transcendence of difference. The thought of the land in Judaism is inextricably bound up with that of the Temple and Jerusalem. The a-territoriality of the Apostle Paul's treatment of the Jewish people seems to reemerge in his interpretation of the "church as the temple of God: holy space seems to have been 'transubstantiated' into a community of persons, the Body of Christ" (Davies 1974: 185–86). But nowhere is this clearer than when Paul brings into the Temple courts an uncircumcised Greek. Here he is overturning the older Jewish linking of Temple with ethnicity. In the Old Testament, as discussed above, we learn that the Temple was closed to the Gentiles, where only those who were circumcised were permitted to enter. Paul consciously disregards this prohibition and as a result is attacked, denounced, arrested, and finally executed:

When the seven days were nearly over, some Jews from the province of Asia saw Paul at the temple. They stirred up the whole crowd and seized him, shouting, "Men of Israel, help us! This is the man who teaches all men everywhere against our people and our law and this place. And besides, he has brought Greeks into the temple area and defiled this holy place."... The whole city was aroused, and the people came running from all directions. Seizing Paul, they dragged him from the temple, and immediately the gates were shut. (*Acts* 21: 27–30)

I believe this was Paul's way of protesting the equation of the Temple with a particular people. As a Hellenized Jew, born and raised in Tarsus, he would have known that sacred sites were rarely the property of a single people, but rather were open to any who chose to enter them. But this example also illustrates the differing cultural practices between the Hellenized Jews of the Diaspora and the

¹⁵ For this theme see the overview of early Christianity by W.H.C. Frend, *The Rise of Christianity* (1984: chapters 3–4) as well as Paula Fredriksen (1988).

¹⁶ Robert Wilken (1992) provides an overview.

more conservative wing of this emerging sect, with the latter, not surprisingly, living in the vicinity of Jerusalem.

This development in early Christianity included, among others, a theology of a land that is hostile to anything resembling the Jerusalem of this world. The emphasis here was on refocusing the attention of the Christian community away from any “Jewish contamination”; this included the land of Judea itself, which was too closely identified with the Jews for the taste of the new, increasingly Gentile movement. Indeed, we may go so far as to say that, for the first three centuries of Christianity, Jerusalem and the land of Palestine, except for a few curious travelers, was insignificant to the Christian imagination (Walker 1996). What mattered were Greco-Roman cities like Antioch, Corinth, Galatia and, of course, Rome itself, where real power lay. *For the new Jewish Christian sect to be successful in this Gentile-dominated empire, to sell its brand of Judaism, it had to shed the skin of its Jewishness and clothe itself with a more Gentile-friendly (Greco-Roman) vision.* The “flight” away from Jerusalem was an important part of this shedding.

As a result, Paul and early Christianity broke decisively with the Jewish community and slowly disappeared into the Greco-Roman world, only to re-emerge several centuries later as the rulers of the empire. For the early Jewish-Christians the practices of the Jews in the pre-Resurrection period had to be overturned. In other words, “Israel in the flesh,” for these Hellenized Jewish-Christians, was now viewed as a nuisance that must be overcome.

Thus, as an example, for the Christians of the first three centuries C.E., “Jerusalem below,” as one early Gentile Christian pilgrim remarks, “was worthless now because of the Jerusalem Above.”¹⁷ Christians in this early period “thought holy places were what Jews and pagans had; Christians knew better” (Markus 1994: 258). Jesus, after all, promised to his followers a “much greater land, truly holy and beloved of God, not located in Judea.” On this point, the Gospel of John is very explicit; in chapter four Jesus is having a discussion with a Samaritan woman:

“Sir,” the woman said, “I can see that you are a prophet. Our fathers worshipped on this mountain, but you Jews claim that the place where we must worship is in Jerusalem.” Jesus declared, “Believe me, woman, a time is coming when you will worship the Father neither on this mountain nor in Jerusalem.” (John 4: 19–20)

¹⁷ This pilgrim was one of the few early Christians to make a pilgrimage to Jerusalem; see Karen Armstrong (1997: 170–71). For pilgrimages in this early period see John Wilkinson (1977).

Indeed, no clearer distinction can be made than the way the New Testament overturns, quite consciously one might add, the Hebrew Bible’s understanding of land. “In the Old Testament,” as Connor Cruise O’Brien reminds us, “it is God who offers land to Abraham, and Abraham accepts”; but “in the New Testament it is Satan who offers land to Jesus, and Jesus refuses” (O’Brien 1987: 3–4). Moreover, for these Gentile Christians “Jerusalem was now the Guilty City because it had rejected Christ” (Armstrong 1997: 171). Paul’s mission to transcend “Israel in the flesh,” together with his desire to accommodate Judaism to his Gentile way of being, had come full circle and was now fully completed, eventually even turning the heads of the most privileged and powerful sectors of his world-empire.

III. NEGOTIATING IDENTITY IN THE MODERN WORLD-SYSTEM: THEODORE HERZL AND THE JEWISH QUESTION

We will have a university and an opera [in the Jewish state], and you will attend the opera in your swallow-tailed coat with a white gardenia in your button-hole.

*Theodore Herzl*¹⁸

Unlike Paul’s experience of living in a world-empire where identity felt most at home when it took on a universalistic quality, Theodor Herzl would experience a radically different world. As mentioned above, in our modern world-system identity is much more at home when it takes on a particularistic character. Here we will deal with the transformations of the modern period, where we see the development of revived and powerful particularistic forces that are antithetical to the universalistic visions of the older world-empires such as the one that Paul lived under. In a sense, Israel in the flesh comes back with a vengeance here, challenging the very same forces that for centuries relegated its particularistic faith to the margins. Only this time Israel in the flesh is not the weakling of the old, struggling for its existence among powerful empires, but is itself the driving force of modern history, a small yet powerful piranha eating away the big white whale. To gain cultural power in the modern world, a reimagining of Israel in the flesh, especially the type found in the core of this social system, was absolutely essential, a message that Herzl clearly recognized after his conversion of 1894.

The old world-empires of Paul’s time have come and gone, and in their place we see a radically transformed world by the time Herzl invented Zionism. By this

¹⁸ Citation from Kornberg (1993: 179).

time in world history, the ecumenical nature of world-empires had disintegrated both materially and politically, before disappearing entirely in the nineteenth century, producing in its wake a drastic transformation in the structure, philosophy, and identity of those living in the world of multiple states. Universalistic identities similar to Paul's broke up into fragments in which ethnic and religious affinity became outwardly the basis of identity. Modernity, as it were, attacked the central nervous system of world-empires, spreading through their bodies like a cancer, and in the process leaving no organ untouched.¹⁹ Modernity restructured every aspect of the old social order, from its class composition and trade patterns to its formal political structure and religious, gender, and ethnic identities. As a result of this decapitation, entities such as the Holy Roman Empire or the Dar al-Islam, were slowly and surely hacked to pieces, and in their place we begin to see the rise of French, German, Greek, Arab, Turkish and other nationalists.²⁰

So what did this modern world-system look like from a biographical point of view? Let us explore Herzl's biography for clues about how the new world order affected this fascinating Jewish figure. As it was in Paul's time, living as a Jew in modern Europe must have been quite stressful. Whereas Paul negotiated his Jewish identity within a world-empire context, however, Jews in the modern period had to negotiate their identity in a world where "Israel in the flesh" dominated. For in the modern world-system, as Wallerstein has persuasively argued, the old world-empires, with their one political center, have been eradicated in favor of multiple states with multiple cultures (Wallerstein 1974b). Thus Herzl found himself in a radically different context from the one Paul experienced. Paul was shedding his Jewishness so that he could feel at home in a world-empire that favored Israel in the spirit over Israel in the flesh. Herzl, by contrast, in his quest to feel at home in the modern world, had returned to Israel in the flesh the better to accommodate himself to a world that was more *at ease living with a particularistic identity than with a universalistic one*, an identity that fit with the modern world, *especially when it came flavored white and European*.

The fascinating thing about Herzl is that he initially attempted to remove his Jewishness so that he could accommodate to the other particularistic identities around him (see Kornberg 1993: 13–34). Before his revelation of a Jewish state,

¹⁹. See Wallerstein (1988) for an analysis of the last remaining world-empires in the nineteenth century as they became incorporated into the capitalist-statist system.

²⁰. For a theoretically sophisticated account of how the incorporation of the Ottoman Empire into the capitalist world-economy affected the social structure of the late 19th century and early 20th century, see Çağlar Keyder (1987). The first chapter of Keyder's book is especially useful. See also the insightful selections of essays on specific nationalisms in the Middle East in Fatma Muge Goçek (2002).

as we will see below in greater detail, he did all that he could to be Austrian and a member of "European civilization" in the same manner that Paul attempted, quite successfully one might argue, to assimilate to his Hellenistic world. But those who identified as Austrians, French, Germans, and so on viewed the Jews as utterly alien and would have nothing to do with them. To feel at home in this world, therefore, Herzl could not appropriate the same strategy as his predecessor Paul. His revelation would have to be of a very different sort. The "Gentiles" in Herzl's world often felt an urgency to return the Jews to biblical Palestine, not as a means of safeguarding the Jews, but on the anti-Semitic assumption that they should be deported to "where they belonged" (Sharif 1983). There was absolutely no space for accommodation in a world where living in the flesh was taken as the naturalized and nationalized order of things. In this naturalized world of difference, the Jew was placed outside of the Austrian, European self and identified as belonging to an "Oriental other," a race geographically and culturally far removed. As such, the Jew needed to be physically removed from the Austrian and Western body and placed in his natural habitat, the Orient.

The otherness of the European Jew in nineteenth-century Europe has been thoroughly discussed elsewhere (e.g., Cheyette 1993; Gilman 1996; Mosse 1985; Theweleit 1989), but it may help the reader to revisit the issue with a quick overview. It should be noted that many Europeans identified the Jew as essentially a radically alien, Oriental outcast living in the midst of the Western world. A case in point is the nineteenth-century debate that emerged around Benjamin Disraeli's policy toward the Ottoman Empire. Disraeli's attempt to delay the dismemberment of the Ottoman Empire was seen by his opponents in the British Parliament as "Jewish" because they felt that, as a Jew, he was "bound to rally automatically to the Turkish side" (Rejwan 1999). Nissim Rejwan, the author of a recent book that deals with this topic, makes the following observation: "A Jew, even a baptized Jew, they argued, remained an Oriental, and therefore, in the struggle over the Eastern Question, Disraeli's loyalties were necessarily with Asia against Europe, with Islam against Christendom" (Rejwan 1999: 115). He cites at length one of Disraeli's most bitter opponents, T. P. O'Connor:

[T]here has been among large sections of the Jews the strongest sympathy with the Mohammedan peoples.... In the time of the Crusaders, the Jews were the friends who aided the Mohammedans in keeping back the tide of Christian invasion which was floating against the East, and in Spain the Jews were the constant friends and allies of the Moorish against the Christian inhabitants of the country. [Disraeli's] general view then upon this question of Turkey is that as a Jew he is a kinsman of the Turk, and that, as a Jew, he feels bound to make common cause with the Turk against the Christian. (cited in Rejwan 1999: 115)

The equation of the Jew with the Orient was so taken for granted that the British author of a book published in 1877 could confidently complain: "Throughout the East, the Turk and the Jew are leagued against the Christian.... Throughout Europe, the most friendly Turkish part of the press is largely in Jewish hands. It may be assumed everywhere, with the smallest class of exceptions, that the Jew is the friend of the Turk and the enemy of the Christians" (Rejwan 1999: 115). Major European intellectual figures shared these same ideas. Herder, for example, called the Jews "an Asiatic people alien to our continent." Schopenhauer repeated this anti-Semitic idea by claiming, "they are and remain an alien, oriental people, and must therefore count only as resident aliens." Sombart later would appropriate the same view into his own work by calling the Jews "an Oriental folk transplanted into an environment both climatically and ethnically strange, wherein their best powers came to fruition." Finally, Rathenau perceived the Jewish people residing in Europe as "an Asiatic horde on the sands of the Mark."²¹ Many Jews residing in Europe also accepted this anti-Semitic notion. Arnold Zweig, for example, argued that Jews were unsuited to European life: "We cannot do without Asia. We shall never be redeemed until we are back home there." For him, a Jew assimilated to Europe had betrayed Asia, "the inner Orient in which he is rooted" (Robertson 1999: 437). In his book, *The Face of the Eastern Jew*, Zweig further expanded on this idea by arguing that the customs and habits of Jews regarded as strange in the Occident would only become intelligible if seen as Oriental: "Anyone who was ever allowed into a mosque in an Islamic country during prayer will recognize the Jew as an Oriental" (Robertson 1999: 430).

The emergence of Zionism, therefore, needs to be understood in this context. Zionism as practiced by its best known proponents—who were responding to this European anti-Semitic conception—was strategically positioned to resolve the outsider status of the Jew, to transform the Jew from an Oriental other to a respectable and civilized inhabitant of "Western civilization." In the case of every Zionist leader, the objective was to search for ways by which the Jew could look and feel European, shed his Oriental skin, and receive an entrance ticket into European civilization. As the example of Disraeli suggests, the identification of the Jew as Oriental must have been quite unsettling for the emerging Zionist movement; indeed it was the concept of the Jew as outsider that the early Zionists aimed to change. The consequences of this cannot be overestimated, for

²¹ The citations of Herder, Schopenhauer, Sombart, and Rathenau are all taken from Ritchie Robertson (1999: 429).

the process of defining themselves out of the Orient and into the Occident had repercussions for the perception not only of European Jews but also of Eastern Jews (Segev 1998; Shohat 1988) and the now very orientalized Arabs (Said 1992). Zionists thus took it upon themselves to embrace and adopt the Western racist discourse about the "Oriental other" by strategically placing the Jew and his interests as European.

This assimilation can be clearly observed in Zionism's best known personality, Theodor Herzl. Indeed, his life work seems to have been marked by an obsession to resolve the otherness of the Jew, to find a new mode of assimilation that would bring Jews self-respect and honor in the eyes of Gentiles (Kornberg 1993: 160). The resolution of this Jewish dilemma came to him in the notion of the Jewish state. To remake the Jew on a Gentile model, and finally to solve the "Jewish Question," Herzl proposed the notion of a separate and independent Jewish state. He blamed the fact that Jews had been despised and entangled in a web of Oriental-like characteristics on their statelessness (Herzl 1988 [1896]). Their rejection by Europe was thus viewed as a natural consequence of the failure of the Jews to develop their own society, to empower themselves through the vehicle of the state. In order to negate this European rejection and to solve this Jewish dilemma, Herzl viewed it as essential to create a state in which Jews could finally pull themselves out of an Oriental-like existence.

For Herzl, the central objective of creating a future state was not only to emancipate the Jews from the grip of the ghetto, pogroms, and other forms of persecution, but also to create and fashion a new Jew on the model of a European. Only then could the Jew finally be recognized as the equal of his European colleagues. After the election of 1895 in Vienna, for instance, Herzl declared: "In the election the majority of non-Jewish citizens—no, all of them—declare that they do not recognize us as Austro-Germans.... All right, we shall move away; but over there, too, we shall only be Austrians" (Herzl, cited in Kornberg 1993: 178). This inverted logic made much sense to Herzl, for it captured his desire to be accepted by his beloved Germans. As a contemporary biographer of Herzl explains, "Only by evacuating Europe would Herzl come to be recognized as an Austro-German. Concurrently, only by leaving would Jewish bitterness toward their European homelands dissipate and turn once more into love" (Kornberg 1993: 178). Departing from Europe, therefore, was Herzl's way not of renouncing Europe and claiming his difference from the German and European self, but rather of identifying as a European in order to eliminate once and for all the distinction between Jew and Gentile. Kornberg's remarks on Herzl are telling in this respect: "Even spit and polish 'Aryans' now admired Jews" (1993: 179). The new Jewish state, as Herzl envisioned it, would not make a decisive break with Europe. On the contrary, its establishment would bring Jews respect and would

initiate a new era of “forgiveness, peace, and reconciliation” between Gentile and Jew.

In his utopian novel *Old-New Land*, Herzl portrays several distinguished “Aryan” characters admiring Jews for their great achievements in a once-barren land. The novel begins with two characters, a German Jew and a German Christian, visiting Palestine in 1902; upon their arrival at the Port of Jaffa, they are repulsed by the miserable condition in which it lies. The port is described as an Oriental backwater, a place of dirt, squalor, idleness, and filth: “The alley was dirty, neglected, full of vile odors” (Herzl 1960: 42). The inhabitants are not only poor but dark and repulsive as well: “Poor Turks, dirty Arabs, timid Jews lounged about—indolent, beggarly, hopeless. A peculiar, tomblike odor of mold caught one’s breath ... The inhabitants of the blackish Arab villages looked like brigands. Naked children played in the dirty alleys” (Herzl 1960: 42). So displeased is the Jewish character by these sights that he proclaims “If this is our land...it has declined like our people.” The German Kingcourt agrees: “Yes, it’s pretty bad.... But much could be done here with afforestation, if half a million young giant cedars were planted—they shoot up like asparagus. This country needs nothing but water and shade to have a very great future.” The Jew, intrigued by his statement, asks the German for a clarification: “And who is to bring water and shade here?” The German replies, somewhat annoyed by the obvious: “The Jew!” (Herzl 1960: 43). Then after twenty years of Jewish productivity and hard work within Palestine, the European characters return to the same port and find a completely modern, magnificent city, one very similar to any found in Europe: “Kingcourt, big things that we don’t know about have happened while we’ve been away ... What happened to old Palestine? ... How changed it all is,” cried the Jew Friedrich:

There’s been a miracle here.... Thousands of white villas gleamed out of luxuriant green gardens.... A magnificent city had been built beside the sapphire-blue Mediterranean. The magnificent stone dams showed the harbor for what it was: the safest and most convenient port in the eastern Mediterranean. Craft of every shape and size, flying the flags of all nations, lay sheltered there. (Herzl 1960: 56–59)

Stunned by this complete turnaround, the two characters are satisfied by how closely the new Jewish state resembles the European civilized world: “The people...seem more civilized than we do.... Just look up at the cosmopolitan traffic in the streets. And all the well-dressed people!” The cosmopolitanism and diverse population of the renovated port, however, do not distract the visitors from its now very European-like semblance: “Brilliant Oriental robes mingled with the sober costumes of the Occident, *but the latter predominated*. There were

many Chinese, Persians and Arabs in the streets, *but the city itself seemed thoroughly European*” (Herzl 1960: 59–61; emphasis added).

In his other writings, Herzl clearly indicated that he wanted to transport the very idea of Europe to the Levant, where along with football and cricket, “I shall transport over there genuine Viennese cafes. With these small expedients I ensure the desirable illusion of the old environment.”²² In his *Jewish State* he expands on this point by reassuring his readers that living in an Oriental sector of the world does not mean that “we” have to give up “our” European habits, customs, and comforts:

Whoever has seen anything of the world knows that these little daily customs can easily be transplanted everywhere.... There are English hotels in Egypt and on the mountain-crest in Switzerland, Viennese cafes in South Africa, French theatres in Russia, German operas in America, and the best Bavarian beer in Paris. When we journey out of Egypt again we shall not leave the fleshpots behind. Every man will find his customs again in the local groups, but they will be better, more beautiful, and more agreeable than before. (Herzl 1988 [1896]: 135)

Dull brains might...imagine that this exodus would be from civilized regions into the desert. That is not the case. It will be carried out in the midst of civilization. We shall not revert to a lower stage, we shall rise to a higher one. We shall not dwell in mud huts; we shall build new more beautiful and more modern houses. (Herzl 1988 [1896]: 82)

A discussion with his German Jewish friend Richard Beer-Hofmann shows how fully he envisioned his new Jewish state to be a European transplant: “We will have a university and an opera [in the Jewish state] and you will attend the opera in your swallow-tailed coat with a white gardenia in your button-hole” (cited in Kornberg 1993: 179).

Notice the systematic way in which Herzl projects the Jew into the European, civilized, modern construct and always at the expense of the “Oriental” other, a strategy that we see in the very similar case of the Irish immigrants upon entering the U.S. in the nineteenth-century when, as Ignatiev (1995) reminds us, they constructed themselves in opposition to the black slaves in an assimilationist project “to enter the white race...” (p. 2). Herzl and the movement that has come to be known through his work as Zionism clearly positioned the Jew as a member of the Occident and sharing no qualities with the Oriental and

²² Citation from Geoffrey Wheatcroft (1996: 85).

thinking of himself and his interests as European.²³ By fusing the Jew with the German/European/Western/civilized amalgam, Zionism established a precedent that would help cement its newly acclaimed Occidental status.²⁴ In this way, the state of Israel would come to be seen as a floating space in an ocean of barbarism, one that was somehow geographically located in the Orient while remaining in Europe. Although embedded physically in the hard, tough soil of the East, its *Geist* was somehow oblivious of this environment, belonging instead to “Western Civilization.” Ben-Gurion’s statement that “the State of Israel is a part of the Middle East only in geography” recalls the image, described by G.H. Jansen (1971), “of the hydroponically-reared plant, its roots floating in a chemical solution, not embedded in the earth” (p. 219).²⁵ The problem, however, is that Israel is on earth, just not in the Orient according to Zionists like Herzl.

Appropriating this discourse in their quest to create a Jewish state, Herzl and the Zionist movement accepted only half of the equation of their anti-Semitic Gentiles: the need for the Jewish people to return to the “Promised Land.” Ironically, they readily accepted the highly anti-Semitic notion of Jews as alien to any Western nation along with its corollary, that Jews have a natural, national identity of their own: Israel in the flesh. What they rejected, however, was identification with the “Oriental other.” After settling in what they regarded as an ocean of barbarism, they worked tirelessly to negate their “Oriental” stigma and to construct an identity informed by European supremacy over the “Oriental” (Khazoom 2003). For Zionism’s most significant thinkers, the European

²³ This idea comes from David Roediger (1991: 12): “White labour does not just receive and resist racist ideas but embraces, adopts and, at times, murderously acts upon those ideas. The problem is not just that the white working class is at critical junctures manipulated into racism, but that it comes to think of itself and its interests as white.”

²⁴ For a contemporary view of what I call Occidentalization, see Thomas Cahill’s recent book *The Gift of the Jews* (1998), in which he continually refers to the Jews as the inventors of Western Civilization: “By ‘we’ I mean the usual ‘we’ of the late-twentieth-century.” He directly links “we” with “our” Western civilization on numerous occasions, as, for example, here: “The people of the Western World, whose peculiar but vital mentality has come to infect every culture on earth, so that, in a startlingly precise sense, all humanity is now willy-nilly caught up in this ‘we.’ For better or worse, the role of the West in humanity’s history is singular. Because of this, the role of the Jews, the inventors of Western culture, is also singular” (p. 3).

²⁵ Indeed, Ben-Gurion wrote an article for the French paper *Le Monde* in 1958, titled “Israel, État Occidental.”

Jewish settlers constituted a nation like France or Germany, radically unlike the “Oriental” inhabitants of the region they wish to remove. The “Jewish Question,” therefore, was resolved by placing the Jews as a race in a nation of their own away from Europe while still holding onto the idea that the Jew belonged to the Western, or civilized, world. It is by this means that Herzl and his Zionist followers transferred the Jew from a status outside the Western concept of the self to one inside, a change that is clearly apparent in Herzl’s writings. This is also, I believe, the route that was most readily available in his time, for as Wallerstein (1998) has argued, national identities “are the invention of the contemporary imagination,” the product of a very recent development stemming from the institutional requirements of the modern world-system (p. 55).²⁶ One has to make sure, however, that such an invention is of a type that buys one the right kind of cultural capital, an idea that Herzl heard loud and clear and acted upon with great energy.

IV. CONCLUSION AND ANALYSIS

The similarities that emerge between Paul and Herzl from our analysis are stunning. Both Paul and Herzl, living under circumstances that were difficult for minorities, attempted to assimilate to the dominant group of their respective world-system, their efforts culminating in Christianity and Zionism respectively. Paul focused on the Resurrection event as a way of making his Jewish identity more palatable to the elites of the Greco-Roman world. Herzl similarly adopted the state idea in order to make his Jewish identity respectable to the Gentiles of Austria and Europe. Each man chose a strategy that allowed him to move away from Israel in the flesh, Paul becoming more Hellenized and Herzl becoming more Occidentalized. That is, Paul aggressively pursued a strategy of assimilation after his conversion to Christianity by radically reinterpreting Jewish Scriptures such as to provide a base for his newly found sect to flourish in the Greco-Roman world. Likewise, Herzl attempted to eradicate what he saw as a defect in the Oriental-like quality of the stateless Jew, proposing a disciplinary state that would produce a new Jew in the image of the civilized West. For both men such strategies articulated a discourse of mobility that they believed would provide their imagined community with the means to join the privileged sectors of their world.

²⁶ As the French philosopher Ernst Renan has said, “A nation is a group of people united by a mistaken view about the past and a hatred of their neighbors” (cited in Avi Shlaim 2001: xiii).

In short, we can say that both Paul and Herzl reoriented their identities by defining the Jew and his interests as European or Hellenic. Herzl was the more explicit of the two, in that on multiple occasions he referred to the practical purpose that the Jew, if given a state, would serve for the Western colonial powers, as a famous statement of his makes clear: By creating a state in the Middle East, he asserted on behalf of the Jews, "We should there form a part of a wall of defense for Europe in Asia, an outpost of civilization against barbarism."²⁷ The discourse of "the Jewish protecting the West from the Eastern, primitive world" became one of the central strategies that Zionists would employ, never tiring of reminding the West of their all-important role in holding back the barbarians of the East.²⁸

Yet the fact that Paul and Herzl were both Diaspora Jews who lived as minorities in their two world-systems produced a desire within them to reconcile their difference, to negotiate an identity that, instead of eliminating them from the dominant society, would finally resolve their identity dilemma by "normalizing" the self in the eyes of the larger, dominant "world."

But the strategy of moving toward the power holders had to be negotiated differently in the two historical systems. As discussed earlier, by the time Herzl came on the scene in the late nineteenth century, the consolidation of the nation-state form, at least in Europe, had been largely completed. Along with this process we also begin to see the final disintegration of that large body of territory referred to as the world-empires of the past. As Wallerstein (1974a) suggests, it was in the initial formation of the modern world-system, "that not only were the boundary lines decided but, even more important, it was decided that there would be boundary lines," represented by a "fundamental change in the political structure of western Europe" (p. 32). John Ruggie (1993) similarly argues that, before the modern period, the idea of "external" and "internal" political realms, differentiated by clearly marked borders, made little sense. In premodern times, he argues, "there were only 'frontiers,' or large zones of transitions." This for him is due to the fact that such a world "had none of the connotations of possessiveness and exclusiveness conveyed by the modern concept of sovereignty" (Ruggie

²⁷. This Zionist discourse also goes back before Herzl, at least to Moses Hess several decades before Herzl: "Jews have a great calling to be a living channel of communication to the primitive people of Asia," so that the colonizing/civilized West may "open the roads that lead to China—those unknown regions which must be thrown open to civilization." Both citations are from Stavrianos (1981: 541–2).

²⁸. For an example of this strategy in action, see Benjamin Netanyahu's (1987) book appropriately titled *Terrorism: How the West Can Win*.

1993: 150). But from the point of view of this essay, the more important outcome of the earlier period is that it sustained a vision of unity, enforced by common bodies of law, religion, and custom, all of which were devised to create an inclusive, universal moral community (Ruggie 1993: 150). That universal community is what came to an end with the eventual rise of the modern world-system and the demise of world-empires.

This, then, is where the differences between Paul and Herzl are most striking. Paul and Herzl negotiated identities that were the inherent expression of two different forms of world-systems. Paul, living in a world-empire, negotiated his difference by negating those elements in his Jewish culture that were antithetical to the larger Hellenistic culture, thereby constructing a sect that permitted him and his followers to move culturally towards Rome. Herzl followed a similar strategy in his attempt to move West, but this time he had to go *one step further—to create a Jewish nation*, without which he feared the Jews would remain utterly different and pre-modern (read: Oriental). To move towards Paris, Herzl believed he had to create a Jewish state with the capacity to produce Jews in the image of Gentiles. For Paul the transition from Jerusalem to Rome was much simpler, since no Jewish state was required. Instead, eliminating Jewish practices that marked communal difference was enough. The Christ-event and the removal of markers like dietary restrictions, circumcision, and attachment to one special land were enough. Herzl also felt compelled to transform his Jewishness, to create the "new Jew," one who is rational, productive and, most of all, modern. But in order to produce that change in the Jew, a secular, "manmade" power would have to be called upon: not Christ, but a territorial state, where the Jew could work the land, produce wealth from real, direct production, and most importantly, remove those Diaspora characteristics from himself that Herzl believed had kept the Jew in a primitive, Oriental-like existence.

In his context, Herzl was doing what was expected of all "civilized" people: constructing a nationalist identity that aspired to an imagined community which has at its basis a territorial, finite quality to it. As Anderson argued in his seminal work, *Imagined Communities* (1995), "The nation is imagined as limited, has finite, if elastic, boundaries, beyond which lie other nations" (p. 7). At its most basic level, in its modern conception, "state sovereignty is fully, flatly, and evenly operative over each square centimeter of a legally demarcated territory" (Anderson 1995: 19). But the most significant aspect of this notion of community, for us, is the fact that "no nation imagines itself coterminous with mankind." Hence, these identities impose an absolute claim of membership on a very specific and precise portion of mankind. Paul, on the other hand, constructed an identity that was radically different, universalistic in character, belonging to a vision of the world more congruent with world-empires. Rather than imag-

ining his identity as finite, possessing distinctive ethnic markers, he sought to encompass all mankind: "The most messianic nationalists do not dream of a day when all the members of the human race will join their nation in the way that... Christians...dream of a wholly Christian planet" (Anderson 1995: 7). By contrast, "in the older imagining, where states were defined by centres, borders were porous and indistinct, and sovereignties faded imperceptibly into one another" (Anderson 1995: 19). This was the world that Paul lived in, where identities were much more fluid, much less place-oriented than the nationalist, particularistic types experienced by Herzl.

It is as though we have here two major representations of the "world." The first is a Herzlian vision, which is characterized by rigid structural rules based on formal political-legal distinctions and qualifications separating men and women into watertight compartments. The second is a universalistic vision, characterized by Paul's analogy of Israel in the spirit, where the structural properties of locality and nation are held at bay and formal allegiance to any political-legal authority is disregarded. It is a vision that is, as Victor Turner (1995) states, "an unstructured or rudimentarily structured and relatively undifferentiated *comitatus*, community, or even communion of equal individuals who submit together to the general authority of the ritual" (p. 96).

Belonging to the universal community of believers and to an ecclesiastical vision of the world, Paul would overturn any form of identity that bound him to a particular group, land, or ritual. He belonged to a vision of the world over which a particularistic identity had little, if any, moral or cultural hold. But faced with the encroaching modern world-system, Paul's universalistic type of identity became entangled in fierce confrontations with nationalist movements that were on the verge of completely destroying the old social order. World-empires were gradually fragmented, pluralized, and territorialized, leaving in their path an older world of overlapping, syncretic identities that eventually gave way to the more sanitized, racialized, nationalized form of identity that we know all too well today. In the end, Herzl's Israel in the flesh replaced Paul's Israel in the spirit. Now we must wait to see how our struggles today will negotiate between these two forms of identities, and whether a possible synthesis, or third way, may be on the horizon.

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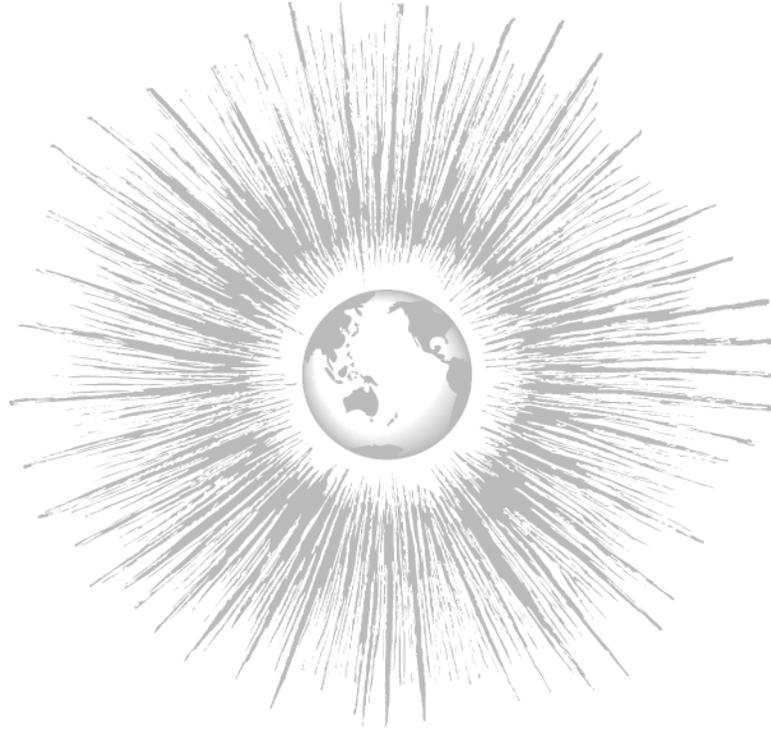
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GLOBAL DISPARITIES SINCE 1800: TRENDS AND REGIONAL PATTERNS

M. Shahid Alam



ABSTRACT:

This paper reviews the growing body of evidence on the relative economic standing of different regions of the world in the late eighteenth and early nineteenth centuries. In general, it does not find support for Eurocentric claims regarding Western Europe's early economic lead. The Eurocentric claims are based primarily on estimates of per capita income, which are plagued by conceptual problems, make demands on historical data that are generally unavailable, and use questionable assumptions to reconstruct early per capita income. A careful examination of these conjectural estimates of per capita

income, however, does not support claims that Western Europe had a substantial lead over the rest of the world at the beginning of the nineteenth century. An examination of several alternative indices of living standards in the late eighteenth or early nineteenth centuries—such as real wages, labor productivity in agriculture, and urbanization—also fails to confirm claims of European superiority. In addition, this paper examines the progress of global disparities—including the presence of regional patterns—using estimates of per capita income.

In the tradition of Eurocentric historiography, the dominant narrative of the global economy places Western Europe well ahead of India, China, the Middle East and Southeast Asia by the beginning of the nineteenth century. In other words, Western Europe's economic superiority was an established fact before the Industrial Revolution or the growth of Western empires in Asia and Africa. The Eurocentric historians insist that the origins of Western Europe's economic ascendancy must be sought in long-lasting differentia between Europe and the rest of the world. These differentia have been variously located in Europe's genes, culture, divine Providence, cultural heritage—Hebrew, Greek, Roman or Germanic—superior governance and economic institutions, climate, geography, or some combination of the preceding factors.

Several of Europe's leading thinkers had become convinced about Europe's economic precocity towards the end of eighteenth century—and perhaps earlier. It is not our primary purpose in this paper to investigate these views—or when and why they began to emerge—but we do offer in section one a cursory review of perceptions in eighteenth-century Europe about the economic superiority of their continent or parts thereof.

In recent decades, Eurocentric accounts of the global economy have increasingly come under challenge on several fronts. In particular, it appears that the foundational Eurocentric claim that Western Europe had taken an early economic lead—perhaps as early as the beginning of the second millennium—is untenable. Instead of presenting new evidence on the question of early global disparities, this paper has a more modest goal. It reviews the growing body of

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evidence that challenges the foundational Eurocentric claim regarding Western Europe's early economic lead. It turns out that the claims of Europe's early lead are based primarily on estimates of a single statistic—per capita income—at different points in the eighteenth or early nineteenth centuries. Section two points out that this approach is not only plagued by conceptual problems but it makes demands on historical data that are generally unavailable and, hence, have to be constructed on the basis of questionable assumptions. Even so, a careful examination of the available conjectural estimates does not support claims that Western Europe had a substantial lead over the rest of the world at the beginning of the nineteenth century. Thankfully, we do not have to rely exclusively on questionable estimates of early per capita income to test the foundational Eurocentric claims. Instead, we can use several alternative indices of living standards in the late eighteenth or early nineteenth centuries, such as real wages, labor productivity in agriculture, and urbanization. A review of the evidence on these alternative indicators in section three fails to confirm claims of European superiority. In section four we examine the progress of disparities—including the presence of regional patterns—using estimates of per capita income. In a concluding section, we offer comments on how the absence of an early West European lead might affect our attempts to explain a divergence in the growth paths of Western Europe and the rest of the world, starting in the early nineteenth century.

I. CONTEMPORARY ASSESSMENTS OF EARLY DISPARITIES

The conviction that Western Europe had achieved much higher levels of civilization than Asians or Africans was firmly established among European writers before the Industrial Revolution.

Towards the late eighteenth century, if not earlier, most European thinkers had rejected medieval notions of an East that was fabulously rich. Europeans were now convinced that the old societies of the East were in a stage of development they described as 'barbarian,' ahead of the 'savage' societies in Africa but distinctly behind the 'civilized' societies of Europe, who, in the words of Voltaire, were "tardy" in their "discoveries," but then had "speedily brought everything to perfection" (Gordon 1997:134). Oriental societies, they believed, had acquired a settled agriculture and a small urban sector in ancient times but they had made little progress since then in the sciences, technology, governance and other arts of civilization. As a result, the working classes in Oriental societies still lived in great poverty compared to their counterparts in Europe (Goldman 1997:146–71; Gordon 1997; Larrain 1989:22–7; Winch, 1965:159–65).

Among classical economists, Adam Smith alone did not fully subscribe to these views. "China," he wrote, "has been long one of the richest, that is, one of

the most fertile, best cultivated, most industrious, and most populous countries in the world" (1937:71). Further, "in manufacturing art and industry, China and Indostan, though inferior, seem not to be much inferior to any part of Europe" (1937:206). Nevertheless, he avers that the "real price of labor" is lower in India and China "than it is through the greater part of Europe." Indeed, the poverty "of the lower ranks of people in China far surpasses that of the most beggarly nations in Europe" (1937:72).

The devaluation of Oriental societies is, at bottom, an expression of Europe's growing military superiority over Asian societies. In the field of naval warfare, this superiority had been demonstrated as early as the sixteenth century when the Portuguese established a dominant position over much of the trade of the Indian Ocean. Starting in the mid-eighteenth century in India, this superiority was slowly extended to land warfare as well.¹ By the beginning of the nineteenth century, most European writers and statesmen were convinced that the peoples of Asia and Africa would be unable to resist Europe's growing military power. As a result, Europeans created a new worldview, one which embedded their growing military superiority in historical advantages which they always enjoyed over the nations of Asia and Africa. Over the next two centuries, these Eurocentric ideas would be used to explain and justify Europe's colonization, enslavement and destruction of non-European peoples.

In the case of India in the eighteenth and early nineteenth centuries, there existed another reason for exaggerating the poverty and misery of its working classes. As they faced growing competition from imports of fine but cheap Indian cottons, the domestic manufacturers in Europe sought increasing protection on the plea that Indian textiles were cheaper because they paid pauper wages to their workers. Daniel Defoe was making this argument as early as 1728; the wages paid to Asian workers would "fright us to talk of it, and their way of Living raise a Horror in us to think of it" (quoted in Parthasarathi 1998:80). In a parliamentary debate, John Basset claimed that "people in India are such slaves as to work for less than a penny a day, whereas ours here will not work for under a shilling" (quoted in Parthasarathi 1998:80). It did not occur to these observers that low Indian wages were more than offset by even lower prices of consumables.

¹ Michael Adas (1989) has described how Europeans employed their growing advantage in scientific knowledge and scientific instruments as a measure of their overall superiority over non-Europeans.

2. DISPARITIES IN PER CAPITA INCOME AROUND 1800

The comparisons of living standards across different countries in the pre-industrial era have relied primarily on estimates of per capita income. This has been unfortunate for two reasons. Not only does this approach make strenuous demands on data, it is also problematic conceptually.

In 1954, Simon Kuznets, easily the leading authority on national income accounts in his time, concluded that “per capita incomes in underdeveloped countries today are from about one-sixth to one-third of the per capita income of the developed countries a century ago” (p.144). According to L. J. Zimmerman (1962:35), another eminent expert on national income accounts, North America had notched a lead of nearly ten to one over China in 1860. Northwest Europe was in a less enviable position; its lead over China was only a little more than five to one. The economic historians did not know any better. When Britain was going through the Industrial Revolution, they maintained, the Indian and Chinese economies were still struggling at economic levels reached by Europe in the late Middle Ages (Lockwood 1954:3; Morris 1963:610). In other words, the global disparities we observe in our own times are not a product of the industrial revolution: they were well-entrenched before this revolution.

The large early disparities—reported by Kuznets and Zimmerman—between now-advanced and now-lagging countries are spurious. Their estimates are derived through exercises in ‘backward projection.’ This was completed in three steps. First, they established benchmark comparisons, using exchange rates to convert the per capita income of advanced and lagging countries for a recent year—when national income accounts are available for both countries—into a common currency. Next, they estimated—guestimated is more appropriate—the growth rate of per capita income for the two countries, starting with an initial year (say 1800) and ending in the benchmark year. In a final step, they used the estimated growth rate to derive per capita income in the initial period.

It is odd that Kuznets and Zimmerman should use exchange rates to produce ‘comparable’ estimates of per capita income. Anyone who has traveled from the U.S. (or any rich country) to Bangladesh (or any poor country) knows that most prices in Bangladesh (when converted into dollars), especially for non-tradables, are much lower than in the U.S.; often they are only a fraction of the prices in the U.S.² As a result, when we use the exchange rate to convert Bangladesh’s GDP

² The price differences represent a failure of arbitrage—buying cheap and selling dear. This is not surprising since most services are not tradable between countries and even goods are costly to trade. The lower prices for services in Bangladesh reflect the low wages there.

into U.S. dollars, the haircuts produced in Bangladesh enter their dollar-denominated GDP at \$1 per haircut, whereas the haircuts produced in the U.S. enter their dollar-denominated GDP at \$10 per haircut. In other words, the exchange-rate conversions do not produce comparable GDPs for the rich and poor country. Indeed, this method seriously underestimates the per capita income of the poor country.

In order to derive comparable estimates of the GDP in Bangladesh and the U.S., we would have to evaluate them at a common set of prices—the prices of Bangladesh or the U.S. or some combination of the two. Alternatively, we could use the purchasing power parity (PPP) between the dollar and the taka to convert the GDP of Bangladesh and the U.S. into a common currency. Using the exchange rate between the U.S. dollar and the Bangladeshi taka—the method used by Kuznets and Zimmerman—the per capita income of Bangladesh was \$320 in 2002. When we use purchasing power parity between the two currencies, the per capita income for Bangladesh in 2002 was \$1720 (World Bank 2003:252). In this particular case, the corrected benchmark estimate is greater than the first estimate by a factor of 5.4. In general, these correction coefficients are largest for the poorest countries: the lower wages of poorer countries produce correspondingly lower prices, especially for non-tradable goods and services.

The conventional measures of per capita income introduce another downward bias in the backward projections for lagging countries. The GDP is a truncated measure of the productive activities in an economy: it excludes (i) the output of the household economy, (ii) the underground economy, and (iii) the illegal economy. Nearly always, each of these sets of excluded activities is relatively larger in the lagging countries. During the early 1990s, the size of the underground economy in the lagging countries, expressed as a percent of their official economy, ranged from 25–35 percent (for Chile, Costa Rica, Brazil, Venezuela, Paraguay and Columbia) to 68–76 percent (for Nigeria and Egypt). The corresponding shares for the advanced countries are much smaller for the same period; they ranged from 8–10 percent (for Japan, the U.S., Switzerland and Austria) to 27–30 percent (for Greece and Italy) (Frey and Schneider 2000:13–14). According to a different study by Frey and Wreck-Hannemann (1985: 100100), the size of the underground economy for the advanced countries in 1978 varied between 4 percent for Japan to 13 percent for Sweden. It is likely, therefore, that when we incorporate all the excluded activities, the true per capita income of some lagging countries could increase by a factor of two or more. The increase would be much smaller for the advanced countries.

The growth rates of per capita income used in the backward projections are also problematic. Since these growth rates are derived from actual or reconstructed national income accounts, they can be regarded as valid growth rates

only if the ratio of the excluded activities to the official GDP remained unchanged over time. In the absence of any precise knowledge of how these ratios vary over long periods for the advanced and lagging countries, it would be impossible to determine the growth rates of the true GDP: the official GDP *plus* the excluded activities. In the absence of this true growth rate, the backward projections would have to be abandoned.

In addition, the benchmark comparisons in the backward projections can be misleading because they compare per capita incomes for countries at very different stages of the demographic transition. Since many lagging countries have much higher dependency ratios (the proportion of their population that is not in the labor force because they are too young or too old), this exerts a downward pull on their per capita income relative to the advanced countries. If the comparisons were undertaken in terms of productivity per worker, this would tend to reduce the historical gaps between the now-lagging and now-advanced countries.³

The existing comparisons of per capita income in the early nineteenth century also produce misleading results because of their obsession with countries as the units of comparison. Frequently, these comparisons involve countries that were of very unequal size in the early nineteenth century, such as Britain, the Netherlands, France, Brazil, the U.S., India and China. The average income for a large country, such as India or China, could well be lower than that of any of these Western countries, but the most prosperous regions within India or China—comparable in size to any of the Western countries—might well be on the same economic level or better off than Belgium, Britain or France. This should not be surprising: the same resource or historical advantages that moved the Netherlands or Britain ahead of the rest of Europe could also produce similar peaks of prosperity within the most advantaged regions of India, China or the Ottoman Empire. It follows that in order to avoid making misleading comparisons, we should ensure that the units of comparisons, be they countries or regions within countries, have comparable populations. Comparing Britain to India can produce seriously misleading results. Instead, Britain should be compared to the most prosperous regions in India, be they Gujarat or Bengal, or, alternatively, India should be compared to Europe.

We owe the first set of historical comparisons using identical prices to Colin Clark in the 1950s. Indeed, he made two sets of comparisons, one for the rich and another for the poor countries, on the plea that the countries being compared

³ If labor productivity is measured per hour of work, this advantage may be offset by the higher working hours per worker in lagging countries.

should not be too dissimilar. If we use Clark's (1957:46–7) benchmark comparisons for 1950, and growth rates of per capita income from Angus Maddison (1983), Britain's per capita income in 1820 is roughly twice as high as the per capita income for Italy, Brazil and Japan. In the same year, France has a smaller lead over these countries.

Paul Bairoch (1981) has shown that the estimates of early disparities change dramatically when the backward projections are based on purchasing power parity rather than currency exchange rates. When Bairoch converted the GDP of all countries into 1960 U.S. dollar prices, his estimates show that in 1750, the Third World had a per capita income of \$188 compared to \$182 for the developed countries. Only the 'more developed countries' at this time were marginally ahead of the Third World with a per capita income of \$230; but they had a similar lead over Western Europe whose per capita income was \$190, and they had a larger lead over Eastern Europe with a per capita income of \$165.⁴ This is quite an impressive vanishing act, accomplished by an upward adjustment of 1.95 in the 'current' per capita income of the Third World to make it comparable to the U.S. per capita income (Bairoch 1981:9). Centuries of Eurocentric myth-making about the precocious economic development of Europe, even Western Europe, disappear with a single correction in the backward projections.

The riposte to Bairoch's iconoclastic results was quick. Two years later, Maddison (1983:30) launched a new set of backward projections, producing comparisons that show that in 1760 Britain had a lead of 1.9 over India, 2.0 over China, and 2.1 over Mexico. France had a smaller lead of 1.6 over India, 1.7 over China, and 1.8 over Mexico.⁵ In part, Maddison has generated these gaps by using smaller correction coefficients, the result of his new benchmark comparisons based on direct comparisons of output. If Maddison had used Bairoch's correction coefficients, Britain's lead in 1760 would reduce to 1.3 over India and 1.2 over Mexico.⁶ Indeed, Maddison acknowledges, that if he had used correction

⁴ The developed countries include Europe, Japan, and North America; all other countries are included in the Third World. The most developed countries include Belgium, Canada, Denmark, France, Germany, Norway, Sweden, Switzerland, the UK and the U.S..

⁵ We are assuming that India, China and Mexico experienced no growth between 1760 and 1820; most likely, India's per capita income declined over this period, characterized by wars and poor governance, which dislocated trade and eroded the agricultural infrastructure.

⁶ In large measure, Maddison's smaller correction coefficients are due to his assumption that service workers in lagging countries—medical personnel, teachers and civil servants—are only about one-third as productive as their counterparts in advanced

coefficients from Kravis, Heston and Summers' (1982) International Comparison Project, his "1760 position would be virtually as Bairoch claims" (Maddison 1983:32).

The growth rates employed by Maddison for his backward projections for lagging countries err in the opposite direction: they are too high. Thus, Maddison (1995:24) assumes a growth of 17 percent in China's per capita income between 1820 and 1950, a long period of economic decline brought about by floods, adverse climatic conditions, rebellions, civil wars, foreign invasions and anti-imperialist struggle.⁷ Bairoch (1981:14) assumes a decline of 21 percent in China's per capita income between 1800 and 1950. Similarly, Bairoch (1981:14) assumes an annual growth rate of 0.6 percent for Latin America between 1800 and 1977 for his backward projections. On the other hand, Maddison (1983:30) uses a growth rate of 1.62 percent for Brazil and 0.98 percent for Mexico in his calculations.

Bairoch's estimates of per capita income in China receive support from a recent estimate made by Jan van Zanden (n.d.). Using data from pre-industrial Europe, he has discovered a strong relationship between per capita income, on the one hand, and real wages and the share of the labor force in agriculture on the other. On the assumption that this relationship holds for all countries in the pre-industrial epoch, van Zanden estimated the per capita income for China and separately for Jiangnan, one of the more advanced regions in China. The estimated per capita income for China in 1750 was only ten percent below that for Europe; China lagged behind England by 35 percent. However, Jiangnan, considered independently, was significantly ahead of Europe but fell short of the English level by ten percent.

The backward projections face yet another problem: they evaluate the gross domestic product in the initial period in terms of prices from the benchmark year. Given the large time gaps involved, the benchmark prices are likely to be quite different from the prices for the early years. If the prices of primary prod-

countries. This is scarcely plausible. Arguably, civil servants in most lagging countries are less productive because of overstaffing, but it is unlikely that three of them are doing the work of one in advanced countries. On the other hand, labor productivity in the health and education sectors of most lagging countries is likely to be higher because of heavier workloads.

⁷ The growth rates used in the backward projections for China are speculative. Van Zanden (n.d.) has written about "the 'underdeveloped' nature of historical national accounting for China; for the period before 1912 no serious studies are available, and the evidence for growth between 1912 and 1949, and again after 1949 is quite shaky." A more detailed critique of Maddison's (1983) assumptions is offered in Alam (2000:29–31).

ucts relative to manufactures have declined over time—a position held by several development economists—this procedure is likely to skew the comparisons against the poorest countries if they had a relatively larger primary sector in the early years compared to the advanced countries. Fortunately, Leandro Prados de la Escosura (2000:27) has now provided estimates of gross domestic products at current prices, derived by a short-cut method, for several European countries and Japan. Generally, these new results narrow the gap between the poorest countries and Britain or the United States. Thus, in 1913, according to Maddison's backward projections, the relative per capita income (U.S. = 100) was 27 for Japan, 24 for Turkey, 24 for Portugal, and 46 for Norway. At current prices, the relative per capita incomes for the same countries were quite a bit higher, at 38 for Japan, 35 for Turkey, 40 for Portugal, and 68 for Norway. The differences are significant.

Shall we then turn to Bairoch or Maddison to construct our image of the world in 1760? We have argued that Maddison underestimates the historical per capita incomes of lagging countries because he fails to recognize the economic decline in China and India. In addition, because of his indefensible assumption about the relatively lower productivity of health, education and government services in lagging countries, his correction coefficients are too low. If these objections are valid, and we corrected for them, Maddison's numbers might well converge on Bairoch's estimates. In addition, if we corrected for activities excluded from conventional GDP and used current prices to evaluate GDP, it is likely that the advanced countries in Europe might be found to lag behind India and China in 1760.

3. ALTERNATIVE MEASURES OF DISPARITIES AROUND 1800

If we are unwilling to choose between Bairoch and Maddison on the question of early disparities between Western Europe and the rest of the world, we must turn to alternative instruments that are correlates of per capita income and for which we are likely to obtain more reliable estimates from contemporary sources.

It is easy to identify a variety of indicators which are directly correlated with per capita income, such as wages, agricultural productivity, manufacturing productivity, shares of agriculture in employment or income, urbanization, share of income spent on food, life expectancy, and average height of the adults in the population. In addition, one can also compare various indices of the degree to which the economy is commercialized.

These alternative indicators have several advantages. In most cases, they make modest demands on data, which, in many cases, are readily available from a variety of contemporary sources. In some cases, these indicators may be esti-

mated from a small number of observations even when these have not been generated randomly. Thus, if we can estimate the life expectancy of peasants in one village (not favored, say, by virtue of its proximity to a big city), this is likely to be representative of the larger population; with two or more samples, we would be on more solid ground. Finally, the availability of several of these alternative indicators for two countries should allow us to determine their development ranking with greater confidence.

Wages. As recently as 1981, Eric Jones, a leading economic historian, in a work overflowing with hubris, claims that real wages in Europe “tended to be high since at least the thirteenth century, compared with India even in the twentieth century” (p.3).

It is well known that money wages during the pre-industrial era were much lower in Asia than in Europe. According to the directors of the East India Company, French money wages in 1736 were six times their value in India. British wages at this time were still higher (Braudel 1992:520). Even the most acute European observers, including Adam Smith and Thomas Malthus, took this as proof of miserable living conditions in Asia. It did not occur to them that lower *money* wages did not have to spell misery, since this would also translate into correspondingly lower prices of food and manufactures. Incredibly, these corrections have been made only recently, and they are beginning to reverse conventional notions about the poverty of Asian wages in the pre-industrial era.

The proportion of their income that workers spend on food can tell us a great deal about the purchasing power of their wages. The evidence from a variety of contemporary sources from the eighteenth century in Britain indicates that British workers, certainly no worse off than workers in continental Europe, were still spending a large fraction of their income on bread alone. According to Christian Peterson (1995), who has carefully investigated the place of bread in the British economy during the Industrial Revolution, “bread was overwhelmingly the chief food, generally accounting for 40 to 80 percent or even more of weekly income, according to family circumstances and the prevailing price of the loaf” (p.4). As late as 1857, one observer commented that “it is no unusual circumstance for the entire earnings of a poor hard-working man to be expended upon *bread* only, for himself and his family”; even so, the workers were not “nourished as they ought to be” (Acton 1857:3). Certainly, these spending patterns do not lend support to claims that British workers in the late eighteenth century enjoyed living standards much above the subsistence level.

In 1988, Prasannan Parthasarathi compared the grain wages (the amount of grains that wages will purchase) in Britain and South India during the eighteenth century for workers in weaving, spinning and agriculture (p.84). After adjusting for differences in the calorie content of wheat and rice, he found that weekly

wages for the South Indian and London weaver were comparable, and both had an advantage over the weaver in rural and small-town Britain. In spinning too, the South Indian workers had a marginal advantage. Although Parthasarathi uses the wages of ‘outcaste’ and ‘untouchable’ workers in South Indian agriculture, those with the lowest social status in India, they come off no worse than workers in British agriculture. Since Indian workers were more likely to be employed year round, they may well have held the advantage in terms of annual earnings. In addition, the South Indian worker of the eighteenth century was in a privileged position, compared to his English counterpart, with regard to his bargaining position in the labor market and the political order. This is confirmed by Fernand Braudel (1992), who writes that the Indian “weaver was undoubtedly given a certain amount of leeway: he received his advance in money (not, as in Europe, in materials); and he could always resort directly to the market, something not open to worker operating in the *Verlagssystem*. What was more, he could always default, change his place of work, even go on strike and give up the loom to return to the land or join the army” (p.508). The Indian workers would lose most of these rights when India was colonized by the British.

Although grain wages are likely to be a good proxy for real wages if workers are spending a large fraction of their income on grains, this may not hold if the grain price of manufactures varies widely across countries.⁸ Fortunately, Robert Allen (2001) has estimated the purchasing power of wages in Europe and Asia for a basket of wage goods. According to his estimates, the real wages of Indian farm workers in 1600 were 10 percent higher than in England, and 21 percent below those in Northern Italy. In 1750, the same wages in China and Japan were 18 percent below those in England, and 10 percent below those in Northern Italy. On the other hand, urban real wages in the commercial centers of Northwestern Europe—which remained at the peak they had reached after the Black Death—were above the wages in India and China. According to Allen (2001:11, table 4), this dynamic urban growth pole seems to be lacking in Asia. However, he acknowledges that “a more extensive Asian data base would reveal a parallel: the absence of information on urban Chinese wages is particularly troubling in this regard” (p.11).

In addition, two historians of the Turkish economy have now estimated the real wages of construction workers in Istanbul from 1489 to 1914 (Özmucur and Pamuk 2002). Their results show that real wages of skilled and unskilled

⁸ Broadberry and Gupta (2003) cite the much lower grain price of manufactures in Britain to reject Parthasarathi’s wage comparisons for the eighteenth century.

construction workers in Istanbul in 1750–1799 were at least as high as wages in Paris, Valencia, Leipzig and Warsaw, and only marginally below wages in Vienna. In turn, all these cities lagged behind London, Antwerp and Amsterdam by a margin of about two-to-one. Further, real wages in Istanbul, beating the trend in many parts of Europe, held their ground between 1600 and 1800.

Labor Productivity in Agriculture. According to one Eurocentric narrative, since Asians were unable to limit their fertility voluntarily, their population tended to outstrip resources, resulting in low agricultural output per worker. In contrast, Europeans maintained higher levels of productivity in agriculture due to their greater success in limiting their fertility. It is doubtful, however, if Europe as a whole enjoyed any advantage over Asia or the Middle East in agricultural output per worker.

One set of estimates provided by Bairoch (1975:36, 40) suggests that Europe, Asia, Africa and Latin America had comparable levels of labor productivity in the first half of the nineteenth century. The average labor productivity, converted into millions of calories, was 5.1 for Asia (excluding China), 6.9 for Africa, and 7.2 for Latin America (excluding Argentina) in 1909–1913. The labor productivity for Germany was 7.5 in 1840, 7 for France in 1810, 6.5 for Sweden in 1810, and 4 for Italy in 1840. If we assume that the averages for Asia, Africa and Latin America had not changed much in the previous century, a reasonable assumption for Asia and Africa, the European countries do not appear to have a strong early lead. Almost certainly, the averages for Asia and Africa conceal higher levels for individual countries or regions within countries, which would exceed the numbers for Germany and France. Only Britain at this time, with labor productivity equal to 14 in 1810, would appear to be distinctly ahead of nearly every one.

A recently computed estimate of labor productivity in Javanese agriculture for 1815 suggests that it was not too far behind several European countries. Peter Boomgaard (2002) estimates that the male agricultural laborer in Java produced on average 3.3 million calories. This was slightly higher than a labor productivity of 3.2 for Portugal but a fourth below the figures for Finland (4.1), Sweden (4.2), Spain (4.3) and Norway (4.5). Arguably, the other regions of Southeast Asia were no worse off at the time.

Some of the standard Eurocentric notions of stagnant and impoverished Asian economies are now being severely tested by the newly emerging evidence on agricultural productivity in the Yangtze Delta, the most advanced region of China during the pre-industrial period. An early study on the economy of Songjiang, a segment of the Yangtze Delta that is particularly well documented, shows that labor productivity in this region increased by 30 percent from the sixteenth to the eighteenth century (Lee and Feng 1999:31). More recently, Li Bozhong (Li 1998:139–41) has shown that between 1520 and 1850, the popula-

tion in the Yangtze Delta increased from 20 million to 36 million, its average agricultural yield increased by 47 percent, and, more significantly, the productivity of its agricultural labor went up by 52 percent.⁹ If we add to the higher labor productivity in agriculture the rising incomes from the redeployment of women to weaving and spinning, this translates into rising average incomes in the Yangtze Delta between 1620 and 1850. After his comparison of economic conditions in Asia and Europe in the pre-industrial era, Pomeranz (2000) concludes tentatively: "...it seems likely that average incomes in Japan, China, and parts of southeast Asia were comparable to (or higher than) those in Western Europe even in the late eighteenth century" (p.49).

In addition, there is new evidence now on the high productivity of labor in the Yangtze Delta. The results of Allen's (2003) comparative study of the Delta and English Midlands show that "labor productivity in the Yangtze Delta was about 79% of that in England in 1800. While this was, of course, less than the English or Dutch achievement, it was considerably above that of most countries in Europe" (p.11). Even though the gross output per day worked in the Delta rose between 1620 and 1820, Allen's results nevertheless show a decline in net output per day worked between these two dates. This decline is the result of an implausibly large deduction for seed and fodder in 1820; this deduction was somewhat less than two percent of the gross output in 1620 but rises to more than a quarter of the gross output in 1820. Finally, using Chinese weights, the earnings of the Delta family falls marginally below the income of the Midlands family; the use of English weights reverses this inequality. In other words, the "income race was a dead heat, and Pomeranz's conjecture about Asian and European living standards is vindicated" (Allen 2003:14).

In this regard, Allen's (2003) comment on the decline he reports in family farm incomes in the Yangtze Delta is revealing. He writes that "the Chinese trajectory looks headed for a crash rather an industrial take-off" (p.15). By this reasoning, at least six European countries which went on to achieve an industrial take-off in the nineteenth century—Germany, Austria, Spain, Italy, Poland and Belgium—were also headed for a crash, since they too experienced a decline in agricultural output per worker between 1400 and 1800. The declines in labor productivity were quite substantial: 41 percent for Austria, 34 percent for Spain, 33 percent for Italy, and 31 percent for Germany. Since these results are from an

⁹ Shiba Yoshinobu (1999)—cited in Lee and Feng (1999:38)—also has demonstrated an increase in consumption and output per capita in the Yangtze Delta during this period.

earlier paper by Allen (1998:45), it would appear that, briefly, he had forgotten his own estimates of agricultural decline in much of now-developed Europe.

A comparison of the long-distance trade in grains suggests that Chinese food-producers were generating considerably larger grain surpluses than Europe in the eighteenth century. According to a conservative estimate by Wu Chengming (1985) that takes account only of the most important grain-trading routes in China, the grains entering long-distance trade in the eighteenth century were enough to feed 14 million people (cited in Pomeranz 2000:34). "This would be," writes Kenneth Pomeranz (2000), "more than five times a generous estimate of Europe's long-distance grain trade at its pre-1800 peak and over twenty times the size of the Baltic grain trade in a normal year during its heyday" (p.34). As if this were not enough, the province of Shandong, "neither particularly commercialized nor particularly backward," imported enough grain per year during the eighteenth century to feed 700,000 to one million people (p.34). Thus, the grain imports of one Chinese province, with a population of 23 million in 1800, matched the long-distance grain trade of all of Europe (pp.34–5). This trade was not included in Wu's total for China's long-distance grain trade.

Urbanization. The historical evidence on rates of urbanization across Europe and Asia do not support the income estimates for the early 1800s which give Europe a lead of better than two-to-one over China, India and Japan. It should be noted, however, that the 'historiographical inequality' between Europe and the rest of the world on urbanization is quite wide.¹⁰

At a highly aggregate level, Bairoch's (1988:459) estimates for 1800 show that the levels of urbanization in developed countries, at ten percent of the total population, are only modestly above the urbanization levels in the Third World at nine percent.¹¹ In disaggregated comparisons, Latin America (with an urbanization rate of fourteen percent) is significantly ahead of the developed countries; Asia is at the same level as the developed countries; and Africa (with an urbanization rate of four percent) lags significantly behind all other regions. These urbanization rates are closely related to Bairoch's (1981) estimates of per capita income for the different regions in 1800. In terms of per capita income, Latin

¹⁰ According to Gilbert Rozman (1990): "Whereas de Vries [1984] found sufficient data to assign size categories to over 60 percent of cities with a population in excess of 10,000 in 1500, over 80 percent in 1600, 90 percent in 1700, and 99 percent in 1800, East Asian specialists have not found population data for even as many as 10 percent of cases for most of these periods" (p.62).

¹¹ Here the developed countries include Europe, the U.S., Canada, Australia, and New Zealand, but not Japan; the Third World includes all other countries.

America was about 20 percent ahead, Asia 10 percent behind, and Africa 28 percent behind the developed countries.

Of the major regions in Asia in 1800, only China appears to lag behind Western Europe in urbanization. For cities with a population of 10,000 and over, the urbanization rate in China in 1800 was 3.8 percent, compared to 10.6 percent for Western Europe (Maddison 2001:248). Bairoch (1988:357–8) thinks that China's urban population has been underestimated, and he adjusts it upward to a range of 6–7.5 percent for cities with a population of 5000 or more. This revised estimate is also quite low as compared to urbanization levels in the 11–14 percent range at the beginning of the sixteenth century. Since China's population increased by a factor of 3.8–4.5 between 1500 and 1850, this large decline in urbanization appears problematical (Bairoch 1988:356–7).

It is unlikely that the urban reversal in China could be the result, as Bairoch (1988:358–9) suggests, of a decline in agricultural output per worker produced by the population explosion during this period. There is no evidence of such an agricultural decline. We are led, then, to think that the estimates of urbanization in China may be off the mark. This is strongly suggested by the evidence on China's industrial structure. Recently, Li Bozhong (Li 1998:19, 23) has indicated that only 43 percent of the labor force of the Yangtze Delta in 1850 was agricultural. The comparable figures for several European countries were as follows: 35 percent for Britain, 41 percent for the Netherlands, 49 percent for Belgium, 62 percent for Germany, and 59 percent for France (Allen 2004:20). Could the percentage for all of China have been much behind that of Germany or France?

The levels of urbanization in other major regions of Asia and the Middle East in the eighteenth century were at or above the levels for Europe. Using a cutoff population of 5000, the level of urbanization in all of Europe during the eighteenth century held constant at 11–13 percent. India started at the same level as Europe in 1700, but due to the breakup of the Moghul Empire, this ratio had declined to 9–11.5 percent in 1800. Japan increased its levels of urbanization over the eighteenth century, starting at 11–14 percent and ending the century at 14–15 percent (Bairoch 1988:215, 400, 360). Thomas Smith (1958:68) places the share of Japan's urban population at 22 percent during the eighteenth century, compared to an average of 10–15 percent for Western Europe. Although not as densely populated, according to Victor Liebermann (1995:797) five percent of the population of Southeast Asia in 1650 lived in cities of 30,000 or larger. This was higher than the ratio for Western Europe.

Although rates of urbanization may vary a great deal across countries (excluding countries with continental dimensions, such as India and China) even at similar levels of per capita income, we may reasonably expect rising per capita incomes in any country to produce higher rates of urbanization, especially

Table 1 – Global Disparities in PCI: Aggregate Views

| | <i>Lead over Periphery (Ratio)</i> | | | | | | |
|-----------------------|------------------------------------|------|------|------|------|------|------|
| | 1820 | 1870 | 1913 | 1950 | 1973 | 1990 | 1998 |
| <i>United States</i> | 2.1 | 4.1 | 6.3 | 8.9 | 7.9 | 8.3 | 8.9 |
| <i>Western Europe</i> | 2.2 | 3.5 | 4.4 | 4.7 | 6.0 | 6.3 | 6.1 |

during the pre-industrial epoch when dramatic improvements in transportation could be ruled out. Indeed, an examination of the urbanization rates for Europe in 1700 show that these rates vary between 3.3 percent for Switzerland and 33.6 percent for the Netherlands (Maddison 2001:248). However, between 1000 and 1800, the levels of urbanization in Europe (minus Russia) increases only modestly from 13.7 percent (defining urban as population aggregates of 2000 or more) to 15.5 percent; this amounts to an increase of 13 percent over a period of eight hundred years. By Maddison's calculations, the per capita income of Western Europe increased more than three-fold over this period, and the per capita income of Eastern Europe (minus the former U.S.S.R) increased by 67 percent. On the other hand, the urbanization levels rise quickly from 15.5 percent to 22.1 percent between 1800 and 1850, at a time when the steam engine had not made a significant impact upon transportation by land or water (Bairoch 1988:219; Maddison 2001:28).

4. POLARIZATION SINCE 1800

The economic parity across major regions of the world around 1800—and for several millennia before this—was replaced for the most part by growing regional disparities over the next two hundred years. This departure from economic parity is rooted in the exploitation of new energy sources. Productivity in the old agrarian economies, the dominant system of economy for several millennia past, was limited by a technology that harnessed energy from plants—an organic source—for most economic activities. Once the Industrial Revolution introduced technologies that could harness energy from inorganic sources, primarily coal and oil, this effectively removed the constraint on the amount of energy that an economy could mobilize. This new technology could not be acquired simultaneously by all societies, thereby creating the conditions for unequal development that has continued to the present day. Those countries that were pioneers in the acquisition of this technology would not only get ahead, but they would use their growing economic and military power to establish structures that would

perpetuate this initial disparity. It is not our purpose in this section to look at the structures that perpetuated these inequalities: we only wish to document the patterns of unequal development that have unfolded since 1800. We monitor this unequal development in terms of per capita income—despite our critique of the reliability of these estimates for early years—because we possess the most complete time-series on these estimates. In addition, we are interested not so much in the size of the absolute disparities in the early years but the directions in which they have been changing since 1800.

First, consider an aggregate view of global disparities that compares per capita gross domestic product (PCI) in the periphery and two central regions in the core of the global economy—the United States and Western Europe.¹² Using data from Angus Maddison (2001:23–4), Table One presents the growing lead that the United States and Western Europe experienced over the periphery between 1820 and 1998. The leads are measured as the ratio of PCI in these two regions over PCI in the periphery. The United States, the leading core region at least since the late nineteenth century, experienced a more than four-fold increase in its lead over the periphery between 1820 and 1950. However, the U.S. lead is partly diluted over 1950–1973, and although the lead widens again after 1973, the extension of the advantage is quite anemic compared to the period before 1950.

The progress of Western Europe's lead over the periphery follows a somewhat different path. Starting with roughly the same lead as the United States over the periphery—a lead of 2.2 versus 2.1—Western Europe continues to extend its lead till 1973. The extent of this lead, however, is quite a bit smaller than that of the United States. In addition, Western Europe's lead remains unchanged between 1973 and 1998. The differences between the United States and Western Europe are due to the fact that the latter was falling behind the former till the 1950s, and then over the next quarter century—when Western Europe grew more rapidly than the United States—it greatly narrowed the lag. However, Western Europe failed to narrow the gap any further after 1973.

Very nearly the same picture emerges if we pursue the evolution of the leads using data from Bairoch (1981:7, 10). The U.S. lead over the periphery—here defined to include Asia *minus* Japan, Latin America and Africa—increased steeply from 1.3 in 1830 to 11.9 in 1950, but remained unchanged over the next 20 years. If we could include the former U.S.S.R and Eastern Europe in our defini-

¹² The periphery is a comprehensive category that includes Eastern Europe, the former U.S.S.R, East Asia minus Japan, West Asia, Africa, and Latin America. Western Europe includes twelve countries: Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

Table 2 – Global Disparities in PCI: Regional Patterns

| | <i>US Lead over Different Regions (Ratio)</i> | | | | | | |
|------------------------|---|------|------|------|------|------|------|
| | 1820 | 1870 | 1913 | 1950 | 1973 | 1990 | 1998 |
| <i>Western Europe</i> | 1.0 | 1.2 | 1.5 | 2.1 | 1.4 | 1.5 | 1.5 |
| <i>Eastern Europe</i> | 2.0 | 2.8 | 3.5 | 4.5 | 3.3 | 4.3 | 5.0 |
| <i>USSR (former)</i> | 1.8 | 2.6 | 3.6 | 3.4 | 2.8 | 3.4 | 7.0 |
| <i>Latin America</i> | 1.9 | 3.5 | 3.5 | 3.7 | 3.7 | 4.6 | 4.7 |
| <i>East Asia-Japan</i> | 2.2 | 4.5 | 8.3 | 16.3 | 15.9 | 11.4 | 9.3 |
| <i>West Asia</i> | 2.3 | 4.4 | 7.8 | 5.1 | 3.4 | 4.7 | 5.1 |
| <i>Africa</i> | 3.0 | 5.5 | 9.1 | 11.2 | 12.2 | 16.8 | 20.0 |

tion of the periphery, the u.s. lead between 1950 and 1970 would have declined. These two excluded regions grew rapidly over this period.

The evolution of America's lead over the periphery suggests that the history of the global economy since 1800 may be divided into three phases: an extended period of rapid increase in global disparities between 1800 and 1950; a short period of reversal in these disparities, from 1950–1980; and the return of rising global disparities since the 1980s. We will show later that this periodization is rooted in three tendencies in global capitalism: centralization of capital and power, intra-core rivalries and wars, and resistance from the periphery.

A more disaggregated analysis reveals important variations in the patterns of unequal development across different regions. Table Two presents data on these patterns from 1820 to 1998. In the century preceding 1913, the United States extended its lead over every region of the world, but the lead varies significantly across regions. In terms of their lag behind the United States, the different regions fall into three classes. The u.s. lead over Western Europe was the smallest, at 1.5. The u.s. had a roughly similar lead, around 3.5, over Eastern Europe, the former u.s.s.r and Latin America. The u.s. commanded a much larger lead over the three remaining regions: 7.8 over East Asia and West Asia, and 9.1 over Africa. For the most part, these trends persist over the inter-war years, 1913–1950. West Asia alone significantly reduced its lag with respect to the u.s.; the u.s. lead over this region declined from 7.8 to 5.1. In part, this was the result of growing oil production in several countries in this region starting in the 1920s. The former u.s.s.r and Latin America maintain their lag at a nearly constant level.

The most visible reversal of the previous trends occurs between 1950 and 1973. Five of the seven regions reduce their lag behind the United States in 1913,

Table 3 – Global Disparities by Income Categories

| | LICs | MICs | LMICs | HMICs | HICs <i>minus USA</i> | HICs |
|-----------------------|------|------|-------|-------|--------------------------|--------|
| <i>PCI</i> | 2040 | 5630 | 5130 | 9220 | 24,390 | 27,590 |
| <i>US Lead Over</i> | 17.2 | 6.2 | 6.8 | 3.8 | 1.4 | 1.3 |
| <i>World Pop. (%)</i> | 40.2 | 44.2 | 38.9 | 5.3 | 10.9 | 15.6 |

while Latin America manages to maintain its lag at a constant level. Only Africa slips behind, but the rate of slippage is slower than before. However, the old trends towards greater inequalities resumed after 1973. Apart from East Asia and Western Europe, all the other regions fall behind over 1973–1990 as well as 1990–1998, although the larger slippage occurs in the first of these two periods. Western Europe barely maintains its position relative to the United States. The pattern of lags across regions have also changed somewhat between 1950 and 1998. As before, Western Europe is still in a class by itself; Japan (not shown separately) also belongs in this category. Africa belongs at the opposite pole: the u.s. lead over this region was 20 to one in 1998. The u.s. lead over Sub-Saharan Africa would be still larger. The five remaining regions fall in an intermediate class, clearly separated from Western Europe (or Japan) and Africa. The u.s. lead over these regions varies between 4.7 (for Latin America) and 8.0 (for East Asia).

Finally, consider the global disparities in 2002 by income classes; this is presented in Table Three using data and categories from the World Bank. The World Bank divides the world into three income categories: High Income Countries (HICs), Middle Income Countries (MICs), and Low Income Countries; the MICs are further divided into Low MICs and High MICs. The LICs make up 40.2 percent of the world population; the u.s. lead over this category is 17.2. The u.s. lead over the MICs, constituting 44.2 percent of the world population, is considerably smaller at 6.2. The HICs *minus* the u.s.—with 10.9 percent of the world population—lag the u.s. by a factor of 1:1.4, a relatively small lag.

5. CONCLUDING REMARKS

It may be useful at this stage to examine what the pattern of global disparities—their timing and evolution—might say about the forces that may have been at work behind the emergence of these disparities and their changing patterns over time.

First, there are all the claims about Western Europe's deep structural advantages over Asia and Africa, some of them dating back several millennia, which are seen as pushing this region into an early lead over the rest of the world. As one would expect, according to this view, this should have resulted in a substantial lead by the beginning of the nineteenth century. But an examination of the alternative indicators—including agricultural productivity, real wages, urbanization and trade—does not support the existence of any significant early gaps between Western Europe and the rest of the world. Indeed, the most advanced regions in China during the early nineteenth century were at the same level as England, the leading region within Europe. On the basis of this evidence, then, we would be led to discount the claims about enduring European advantages—geographical, climatic, cultural or racial—which were thought to be quickening the pace of change in Europe.

Second, the timing of the emergence of global disparities suggests where the answers regarding their origins might lie. The rise of global disparities and the adoption of coal as a source of energy, the defining feature of the industrial revolution, take off starting in the early nineteenth century. This simultaneity is not coincidental. The use of coal effectively removed the previous energy constraints limiting growth in the traditional economy that depended on plants as the primary source of energy. However, this new source of energy did not become available to all economies at the same time. Until the middle of the twentieth century, the spread of the new energy technology was mostly limited to Western Europe and its overseas offshoots. It is the *unequal* dissemination of the new energy technology that is the proximate source of the growing disparities between the West and the rest of the world. The unequal spread of the new energy technology can also be explained mostly in terms of the economic and military advantages this conferred on the pioneers and early adopters of this technology. These early advantages were converted into a global dominance that obstructed the spread of the new energy technology to the rest of the world.

Thirdly, it may be noted that the extent of a region's lag behind the U.S. is fairly closely related to its location in the global capitalist system. Thus, those regions of the periphery which had been reduced to colonies or near-colonies during the first decades of the nineteenth century—East Asia (minus Japan), West Asia and Africa—fell much farther behind the U.S. than regions which retained a measure of sovereign control over their economies—Eastern Europe, the U.S.S.R and Latin America. By comparison, the U.S. lead over Western Europe remained small, reaching a height of 2.1 in 1950 but has declined since to 1.4 in 1973 where it has hovered till 1998. The small West European lag is not surprising. Most countries in Western Europe were in the core of global capitalism at the outset, or they entered into the core during the nineteenth century before they could be pushed into the periphery.

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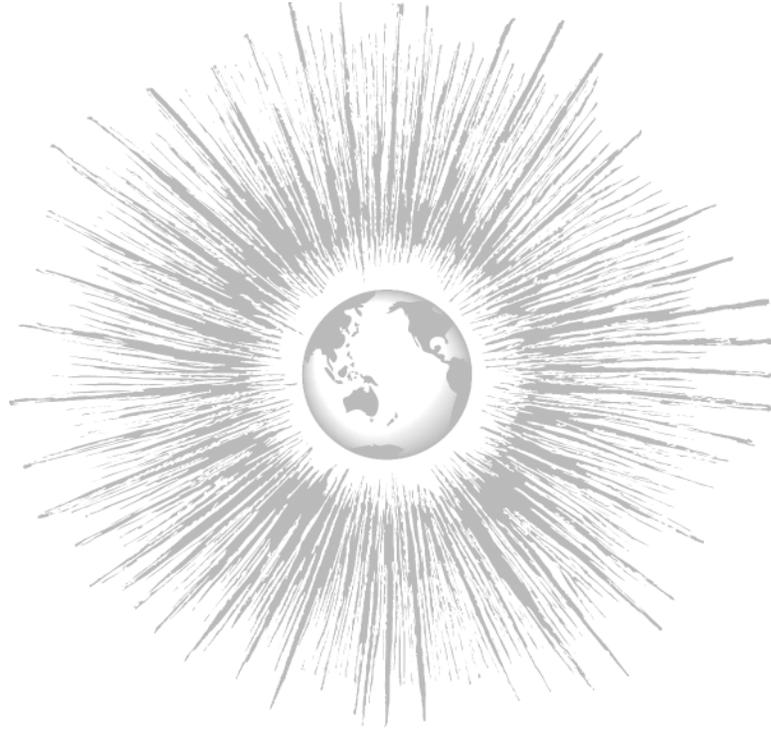
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THE WORLD DISTRIBUTION OF INCOME AND INCOME INEQUALITY: A REVIEW OF THE ECONOMICS LITERATURE*

Almas Heshmati



ABSTRACT:

This review covers a range of measures and methods frequently employed in the empirical analysis of global income inequality and global income distribution. Different determinant factors along with the quantification of their impacts and empirical results from different case studies are presented. A number of issues crucial to the study of global income inequality are also addressed. These are the concepts, measurement and decomposition of inequality, the world distribution of income and inequality measured at different levels of aggregation:

global, international and intra-national. We analyze income at each of these levels, discuss the benefits and limitations of each approach and present empirical results found in the literature and compare them with those based on the World Income Inequality Database. Research on world income inequality supports increased awareness of the problem, its measurement and quantification, the identification of causal factors and policy measures that affect global income inequality.

INTRODUCTION

Inequality can have many dimensions. Economists are concerned specifically with the monetarily measurable dimension related to individual or household incomes. However, this is just one perspective and inequality is also linked to inequality in skills, education, opportunities, happiness, health, life expectancy, welfare, assets and social mobility.¹ Here income inequality refers to the inequality of the distribution of individuals, households or some per capita measure of income. The Lorenz Curve is the standard approach used for analyzing the size distribution of income and measures of inequality and poverty. It plots the cumulative share of total income against the cumulative proportion of income receiving units. The divergence of a Lorenz curve for a given income distribution from the line of perfect equality is measured by some index of inequality. The most widely used index of inequality is the Gini coefficient. Among the other measures of inequality are the range, variance, squared coefficient of variation, variance of log incomes, absolute and relative mean deviations, and Theil's two

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¹ Heshmati (2004a) reviews recent advances in the measurement of inequality and gives attention to the interrelationship between income and non-income dimensions of inequality.

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inequality indices. There are three basic properties that one would expect the above indices to satisfy: mean or scale independence, population size independence and the Pigou-Dalton condition. The Gini coefficient, squared coefficient of variation and Theil's two measures satisfy each of these properties (see Anand 1997).²

The literature on economic inequality is growing as a result of increasing interest in measuring and understanding the level, causes and development of income inequality and poverty. In the 1990s there was a shift in research, from one previously concerned with economic growth, the identification of the determinants of economic growth and the convergence in per capita incomes across countries, to one focused on the analysis of the distribution of income, its development over time and the identification of factors determining the distribution of income and the reduction of poverty.³ This shift is among other things a reflection of the changes in technology and an increased awareness of the growing disparity and importance of income redistribution and poverty reductions. The growing disparity calls for the analysis of various aspects of income inequality and poverty including their measurement, decomposition, causal factors, as well as issues of inequality reduction, poverty elimination and policies geared toward income redistribution.⁴

The extensive literature emerging in recent years has focused on the study of how the distribution of incomes across countries and globally has developed over time. Two empirical regularities identified in the distribution of income are the tendency for income per capita to converge, and an increase in inequality in the distribution of personal income in many countries. The increased interest in the study of income inequality may be both cause and effect of the availability of

² For reviews of inequality see Subramanian (1997), Cowell (2000) and Heshmati (2004a).

³ For a selection of studies of growth and convergence in per capita incomes see Barro (1991), Barro and Sala-i-Martin (1995), Islam (1995), Mankiw, Romer and Weil (1992), and Quah (1996). Quah (2002), Ravallion (2003), and Sala-i-Martin (2002a) analyze convergence in income inequality, while Acemoglu and Ventura (2002), Atkinson (1997), Bourguignon and Morrisson (2002), Gottschalk and Smeeding (1997) and Milanovic (2002a) focus on the distribution of income. Acemoglu (2002), Caminada and Goudswaard (2001), Cornia and Kiiski (2001), Gotthschalk and Smeeding (2000), Milanovic (2002a), O'Rourke (2001), Park (2001), Sala-i-Martin (2002b) and Schultz (1998) examine trends in income inequality. The relationship between inequality, poverty and growth is reviewed in Heshmati (2004c).

⁴ For a recent review of the decomposition of income inequality and poverty see Heshmati (2004b).

income distribution data. Availability of household surveys has been improved and several standardized databases have also been created. These allow for the analysis of income distribution at the most disaggregate individual or per capita household levels. Income distribution is otherwise often analyzed at three levels of aggregation, namely global, international and intra-national.⁵ It can also be measured at the continental and sub-continental levels where one can examine inequality both between and within economic or geographic regions. There is evidence that poverty and inequality have developed differently between and within regions.⁶

There are two empirical regularities in the distribution of income: the tendency for income per capita to converge (decrease in inequality), and the increase in inequality in the distribution of personal income in various countries (Schultz 1998). Inequality increased in Western countries in the 1980s and in transition countries in the 1990s. The reasons for increased interest in income inequality are the theoretical development and availability of data on income distribution (Milanovic 2002a). The theoretical reasons are the better incorporation of inequality in economic theory, the growth-inequality relationship and the link between inequality and political economy. Availability of household surveys has improved in the former Soviet Union, Eastern Europe and Africa. Several standardized databases have been created, often based on the experiences gained from the Luxembourg Income Study (LIS), and now include the Household Expenditure and Income Data for Transition Economies (HEIDE), Africa Poverty Monitoring (APM), and the World Bank's Living Standards Measurement Study Household Surveys (LSMS). In several studies, based on these databases, inequality and poverty are related to a number of determinant factors. Due to the availability of data, the empirical results are mainly based on the second half of the twentieth century. We aim to cover a range of measures

⁵ Global or world income inequality refers to inequality differences between all individuals in the world (Milanovic 2002a; Schultz 1998; Quah 1999; Bourguignon and Morrisson 2002; Sala-i-Martin 2002a), while international income inequality refers to the economic disparity between countries (Acemoglu 2002; Cornia and Kiiski 2001; Gothscalk and Smeeding 1997; and Milanovic 2001). At the intra-national level inequality refers to the distribution of income among people within individual countries (Cameron 2000; Cowell, Ferreira and Lichtfield 1998; Gustafsson and Shi 2002; and Liebbrandt, Woolard and Woolard 2000). Several of these studies cover two or all three dimensions.

⁶ Continental and regional inequalities are discussed in Heshmati (2004d) and (2004e) respectively.

and methods frequently employed in the empirical analysis of global income inequality and income distribution. Different determinant factors along with the quantification of their impacts together with empirical results from different case studies are presented. These results are further contrasted to those based on the World Income Inequality Database (WIID) covering almost the same period and the same group of countries.

This review addresses a number of issues crucial to studies of global income inequality. These are the concepts, measurement and decomposition of inequality, the world distribution of income and inequality measured at different levels of aggregation: global, international and intra-national. In this study we analyze income at each of these levels, and discuss the benefits and limitations of each approach and present empirical results found in the literature, including those based on the World Income Inequality Database (WIID). Research on world income inequality contributes to the increased awareness of the problem, its measurement and quantification, the identification of causal factors and policy measures that affect global inequality. Since several studies cover more than one dimension or aggregate level of inequality, there is some degree of overlapping in the three subsections of this study, the global, international and intra-national.

It should be noted that this article is limited to a review of the literature on income inequality in the discipline of economics, and as such does not cover the other social sciences, namely sociology and political science. These literatures to a great extent overlap. A number of sociological literature reviews have been published on the issue of world income inequality and its development. Firebaugh and Goesling (2004), Firebaugh (1999 and 2000a) and Babones and Turner (2003) are among the major sociological review articles that have been published in recent years. Similar reviews for readers who are interested in the political science literature on inequality are available in the series of edited volumes by Seligson and Passe-Smith (2003). Sociological research on the empirics of world income inequality have resulted in the now famous debate between Korzeniewicz and Moran (2000) and Firebaugh (2000b). The debate is related to the weighting procedures for assessing trends in world income inequalities. The debate centers around the reliance on the use of exchange-rate per capita incomes or purchasing power parity-based incomes in measuring world income inequality and its decomposition into between- and within-country components. Such debate on the premise and pitfalls in the use of secondary datasets and weighting procedures exists among economists as well (Atkinson and Brandolini 2001).⁷

⁷ There are also two special issues on global income inequality published in the *Journal of World-Systems Research* (Babones 2002; Bata and Bergesen 2002a, 2000b; Bergesen and Bata 2002; and Bornschier 2002).

The rest of the paper is organised as follows. In the second section we review alternative approaches examining the distribution of income among representative world individuals and present some critiques of these approaches. In the third section we look at between-country inequality and factors affecting the international level and its development over time. The findings of the trend are compared with those based on the WIID database. In the fourth section intra-national inequality is addressed. The fifth section explores factors affecting the shape of the world distribution of income. These factors include trade, education, growth, redistribution policies and globalization. The sixth and final section discusses the redistribution of world income and offers a post-script and conclusion to the review.

THE DISTRIBUTION OF INCOME AMONG THE WORLD INDIVIDUALS

An analysis of the dynamics of the distribution of income across people worldwide would ideally be based on data on individual incomes accruing over time. One could then estimate the entire income distribution across individuals and characterize its dynamics through time. Such data representative of populations, consistent over time and across countries are not available and are very unlikely to be produced globally anytime soon. Similar data but on a smaller scale for the OECD and transition countries, the LIS and the HEIDE are available. There are, however, major differences in defining various pre- and post-tax income components and transfers by countries and over time.

Despite the above problems, the LIS could serve as an example in the creation of a World Income Study (WIS) database. Ideally this database would allow for the testing of alternative distributional hypotheses, the use of a variety of concepts and measurements and the uncovering of different characteristics of income inequality.

In the absence of a WIS database or other appropriate databases, several researchers have attempted to develop alternative empirical frameworks based on aggregative statistics of the underlying data to serve in different ways as a substitute in the analysis of global income distribution and income inequality.⁸

Alternative Approaches to the Analysis of the World Distribution of Income

There are a number of ways to estimate income distribution and global income inequality and to construct world indices of income distribution. One

⁸ A brief description of these data sets together with the outcomes is given in Heshmati (2004f).

procedure is to use national household income (or expenditure) survey data collected mainly since the mid-1980s in providing direct income information by quintiles and deciles for individual countries to construct world income distribution over time (Milanovic 2002a). The use of short, unequal and unbalanced time periods is among the limitations of this approach.

A second approach is to use the mean income or GDP per capita income for individual countries complemented by the Gini coefficient or standard deviation as the measurement of income dispersion within each country and make an assumption of log-normality in constructing income distribution for each (Schultz 1998; and Quah 1999).

A third approximation is to use the known income distribution of representative countries and apply this to other countries with geographical and economic similarities but with missing data (Bourguignon and Morrisson 2002). Among the limitations of this approach are variations in intertemporal patterns of income distribution.

A fourth way is to use aggregate GDP data and within-country income shares to assign a level of income to each person in the world to estimate income distribution and global income inequality using different indices (Berry, Bourguignon and Morrisson 1983; and Sala-i-Martin 2002b). The second and fourth alternatives are similar in their use of per capita GDP but differ in providing additional information on within-country income shares used.

The fifth, and a rather simple approach, is to divide the global population into percentiles in terms of per capita income. In this approach, introduced by Park (2001), global income inequality refers to inequality within the global population. This method is similar to the second approach. Recently Dikhanov and Ward (2002) combined micro and macro approaches to reconstruct the world's income distribution.

It is to be noted that despite the limited number of time points the first alternative with direct income information at the individual (or household) level is the preferred approach. It allows for the analysis and comparison of inequality and distribution by subgroups, sectors, locations and household attributes across countries. Below we briefly describe each alternative in estimating world income distribution.

Studies of the World Distribution of Income

A. Milanovic's Approach

World income or expenditure distribution based on the first approach at the individual level was derived by Milanovic (2002a).⁹ This study is based on household surveys from 91 countries for 1988 and 1993.¹⁰ Income and expenditure are

adjusted for purchasing power parity (PPP) between countries. Inequality measured by the Gini coefficient increased from 0.63 in 1988 to 0.66 in 1993. This change holds up regardless of changes in the sample countries, PPP adjustments and inequality measurements (Gini coefficient and Theil). Inequality for each of the five regions (Africa; Asia; Latin America; Eastern Europe and the FSU; and Western Europe, North America and Oceania) is decomposed. Using the Pyatt (1976) type decomposition, overall inequality is decomposed into within-country (W), between-country (B) and overlapping (L) components. The decomposition formula for the Gini coefficient is:

$$(1) \quad Gini = W_i + B_i + L_i = \sum_{i=1}^n Gini_i p_i \pi_i + \frac{1}{\mu} \sum_{i=1}^n \sum_{j>i}^n (y_j - y_i) p_i p_j + L_i$$

where y_i is the mean income of country i , $Gini_i$ the Gini coefficient for country i , π_i the income share of the total income in the region, p_i the population share of country i and μ the mean income of the region. Results show that the increase was driven by between-country rather than within-country differences in mean income. The main reason for low within-country inequality is the low and crowded per capita mean income. Results based on only two years of observation might be sensitive to different developments of business cycles in major countries or non-random (outlier) year differences. Furthermore, the uneven survey quality and differences in survey definitions of income and expenditure are two potential problems. The assumption of equality of individuals within each decile, the problem of mixing income and expenditure, and the use of a single and PPP exchange rate may bias overall inequality and its decomposition. Milanovic aims to establish the benchmark for world inequality in 1988 and 1993.

B. Schultz and Quah's Approach

In analyzing inequality in the distribution of personal income in the world Schultz (1998) uses four different types of data: population estimates, PPP prices-adjusted GDP per capita incomes, national estimates of the size distribution of household incomes, and intra-household gender differences in education

⁹ This paper is methodologically similar to those by Ravallion, Datt and van der Walle (1991) and Chen, Datt and Ravallion (1994). These are also based on household surveys, but limited to developing countries and focus on changes in world poverty, not on inequality.

¹⁰ In addition to the common sample (91), a number of countries are observed only in 1988 (10) and only in 1993 (28), or not included in either year (61). The common sample is extended by Milanovic (2001) to 126 countries.

inequality. Three indicators of income inequality are computed. The variance of the logarithm of income, Gini concentration ratio, and Theil mean log-deviation are estimated based on the cumulative shares of income received by the quintile shares of income units. The variance in the logarithms of per capita GDP in PPP prices increased in the world from 1960 to 1968 and has decreased since the mid-1970s. In the latter period the convergence in inter-country incomes offsets any increase in within-country income inequality. The variance measure is decomposed into between-country, within-country and within-household log income variance components. About two-thirds of overall inequality is due to inter-country and one-third to intra-country components. Inter-household inequality and gender differences in education are the main contributors to within-country inequality. The results are sensitive to changes in sample size and the quality of the data underlying the inter-household component. For instance, if China is included in the sample the decline in world inequality after 1975 is no longer evident.

In another study using an approach similar to Schultz's (1998), Quah (1999) combines distribution dynamics for per capita incomes across countries with personal income distributions within countries over time. The result is expected to produce a picture of worldwide income distribution dynamics across people. Given that information on actual distributions for economies in a number of periods are available, worldwide income distribution is obtained using country and world population sizes. The results based on country data for 1980–92 show that macroeconomic factors determine cross-country patterns of growth and convergence in growth determines world inequalities. However, the relation between a country's growth and its within-country inequality plays a small role in global inequality dynamics. The positive effects of economic growth on individual incomes and reductions in poverty overwhelm any potential negative impacts like increases in inequality. The increase in inequality between 1980 and 1992 is due entirely to between-country inequality and is derived from macroeconomic growth, not from microeconomic changes in within-country inequalities. Some numbers on inequality and changes in levels of poverty in India and China during the period 1980–92 are presented without much detail concerning the kinds of data used and methods employed. The advantage here is the sequence of annual observations for individual countries. However, Quah's manuscript is incomplete and results are far from final.

C. Bourguignon and Morrisson's Approach

Bourguignon and Morrisson (2002) attempt to estimate world inequality of personal income and its evolution over time since 1820. Since data covering such a long period are only sparsely available, the countries are divided into 33 groups

of single and multiple countries. The groups of countries are in turn aggregated into 6 blocks defined on a geographical, economic or historical basis. From the early nineteenth century to the eve of the First World War, the Gini coefficient increased from 0.50 to 0.61. After a deceleration period between the two world wars, it increased to 0.64 in 1950. It had, however, stabilized during the latter half of the twentieth century. The increase in the Gini coefficient was 30 percent between 1820 and 1992, while the Theil index increased by 60 percent in the same period. The process of strong convergence in economic growth among industrialized countries and divergence between groups of countries together with the take-off of China in the beginning of the 1980s have been significant factors in determining the evolution of world inequality.

In estimating the distribution of income among individuals rather than countries, Bourguignon and Morrisson rely on real GDP per capita, population and the distribution of income summarized by 9-deciles income shares and the top two ventile shares. They use the income shares multiplied by PPP-adjusted per capita GDP to derive world income distribution. They acknowledge the importance of taking into account demographic weights in shaping the evolution of the world distribution of income. Hence, the contribution of this paper lies in quantifying the importance of aggregate economic growth, population growth, and the structure of domestic income inequalities in explaining the evolution of the world distribution of income. Inequality is measured by the Gini coefficient, Theil index, mean logarithmic deviation and standard deviation of the logarithm. The limitation of such two-century studies lies however in the fact that the entire first century and the first half of the second century are based on very few observations on a few industrialized countries and is a poor representation of the world's population or incomes. Also a country observed within a region can be a poor proxy for other countries with missing observations that are located in the same region. The third issue is the low comparability and quality of the data over time.

In addition to the income dimension, Bourguignon and Morrisson consider non-income dimensions such as life expectancy in analyzing inequality in (economic) well-being. Average life expectancy has increased from 26.5 years in 1820 to 61.1 in 1992. Differences in economic growth, demographic growth and changes in domestic income distribution are the principal factors contributing to world income inequality. The disequalizing factors are: the high economic performance of developed countries and especially Anglo-Saxon countries, the poor growth performances of rural China and India combined with their size effects, and the slow growth of Africa in the post-1950s period. The main equalizing factors are: income equalization within European countries, the catching up of European countries with the US after the Second World War and the

high growth performances of the Asian Tigers and urban China since the 1980s. The results of the analysis of inequality among world citizens are summarized as follows. First, world income inequality has exploded since the early nineteenth century. Second, the increase is because of the inequality among countries or regions rather than within countries. Third, inequality is not increasing but the concentration of poverty is increasing in some regions. And finally, the international disparity in life expectancy is increasing.

D. Sala-i-Martin's Approach

According to the fourth approach, Sala-i-Martin (2002a) uses aggregate GDP data and within-country income shares (although in some cases estimated income shares) for the period 1970–1998 to assign a level of income to each person in the world. He then estimates the kernel density function for the worldwide distribution of income, computes poverty rates for individual countries, and finally estimates global income inequality using seven different inequality indices.¹¹ Overall inequality is decomposed into within- and between-country inequality components. The results show a reduction in global inequality between 1980 and 1998. Using the same data he estimates the poverty rates and headcounts for 125 countries (Sala-i-Martin 2002b). Assuming \$1/day and \$2/day poverty lines he finds that overall poverty rates declined during the last 20 years. But while they declined in Asia and Latin America in 1980, they increased in Africa. A total of nine indices¹² of income inequality were estimated. The results indicate substantial reductions in global income inequality during the 1980s and 1990s.

On a smaller regional scale, Londono and Szekely (2000) expand the Deininger and Squire (1996) data to assess changes in aggregate poverty and inequality in Latin America. Their empirical results are based on data from 13 Latin American countries observed during the period 1970 to 1995. Despite the differences in the levels across countries, inequality and poverty in most of the countries follow similar trends. Aggregate inequality increased during the 1970s, deteriorated further during the 1980s and remained around the level registered in

¹¹ The indices include: the Gini coefficient, the variance of log-income, two of Atkinson's indexes, the mean logarithmic deviation, the Theil index and the squared coefficient of variation.

¹² In addition to the seven indices of income inequality listed in the previous footnote, the ratio of the average income of the top 20 percent of the distribution to the bottom 20 percent, and the ratio of the income of the persons located at the bottom of the top quintile divided by the income of the persons located at the top of the bottom quintile are estimated.

1990 during the 1990s. The excess inequality (defined as the ratio of observed-to-expected inequality) is 25 percent and increasing over time. Lack of improvement in inequality is related to the non-pro-poor distribution of growth.

E. Park's Approach

Park (2001) examines trends in the global distribution of income defined as the real GDP per capita in 133 countries over the period 1960–1992 using data from the Penn World Tables. The global population is divided into percentiles in terms of per capita income and he estimates the share of global income accruing to each percentile. The income shares are then used to estimate the global Gini coefficient for the 20 and 10 percentiles of the global population. Global income inequality here refers to the inequality among the nations of the world rather than the individuals of the world. It accounts for the population size of countries but neglects PPP. The key restrictive assumption is that all individuals of a country earn the same level of income and all countries constitute a single world economy. Results show that while the global distribution of income has not been more equal during the period of study as a whole, inequality declined during the period 1976–1992.

Recently Dikhanov and Ward (2002) in an attempt to reconstruct the complex nature of global income distribution during the later part of the twentieth century employed an intermediate aggregation approach labeled as a quasi-exact interpolation technique. A combined micro (survey) and macro (national accounts) approach along with PPP is used to reconstruct the world's income distribution. The technique allows for the analysis of global income distribution by taking into account both within- and between-country inequalities and thus measuring inequality between average representative individuals. In analyzing the structure of global distribution and its regional composition and distributional changes over time a small sample of 45 countries for the selected periods 1970, 1980, 1990 and 1999 is used. The results show that the partial global distribution has twin peaks: one concentrating around China, India and Africa, and another around the OECD countries indicating the absence of a middle class among the citizens of the world.

Some Critiques of the above Approaches

Results based on a few yearly observations are likely to be sensitive to the changing economic situation of countries. The uneven survey quality, the differences in the survey's definitions of income and expenditure, the assumption of equality of individuals within each decile, the problem of mixing income and expenditure, and the use of a single PPP exchange rate affect the quality of analy-

sis. However, these studies might serve to establish the benchmark for the analysis of world inequality.

Bourguignon and Morrisson (2002) find the treatment of world inequality in international studies, like many of those mentioned above, in general oversimplifying because all citizens in a country (or population share) are considered as perfectly identical. As a consequence, the extent of inequality is underestimated by ignoring income disparity and the evolution of the distribution of income within countries (and income shares). The inference here is on international rather than world inequality biasing the view about the temporal patterns of world inequality. In their own approach the deciles represent individuals, i.e. instead of one representative individual ten representative individuals represent the country. Again here the within-decile variations are not accounted for.

The results in Dikhanov and Ward (2002) show that the partial global distribution has twin peaks indicating the absence of a middle class among the citizens of the world. Regardless of the partition level Milanovic and Yotzhaki (2001), using national income/expenditure distribution data from 119 countries find that the world lacks a middle class. A similar twin-peaks phenomenon was also observed earlier by Quah (1996). Sala-i-Martin (2002b) using income shares from 97 countries for the period 1970 to 1998 shows that by 1998 the twin peaks had vanished giving rise to a large middle class when one uses individual income data instead of aggregate country data. Over the 39-year period acute absolute poverty declined while under the broader definition of poverty the number of poor as well as global inequality increased.

A limitation of the study by Dikhanov and Ward (2002) compared with Milanovic (2002a) is the small sample size. Very little information is given about the micro-level data, namely the coverage and consistency of the data and the interpolation technique used. Capeau and Decoster (2003) explain the driving forces behind the differences in the two extreme positions in terms of whether inequality fell (Sala-i-Martin 2002a, 2002b) or rose (Milanovic 2002a, 2002b). They relate the diverging tendencies among others to three key factors: GDP per capita versus budget survey income measures used, the population-weighted inequality measures and the inequality among citizens irrespective of location.

Summary of the World Individuals' Income Inequality

There are a limited number of ways to construct world indices of income distribution and measure global income inequality reflecting both inequalities between and within countries. For a summary of several studies of global inequality see Appendix A where the combined micro and macro approach is often used. These studies differ largely by the extent and variations in the qual-

ity of the micro data part. The standard data requirement to construct world income distribution is the mean income per capita complemented with the Gini coefficient, the standard deviation as measure of income dispersion, or direct information from household surveys by quintiles and deciles for individuals. Empirical results show that world inequality measured by the Gini coefficient increased from 0.50 in 1920 to 0.66 in 1992. Poverty, measured by headcount (percent) during the same period decreased from 94.4 to 51.3. The inequality based on a shorter period but with a better quality of data increased from 0.625 in 1988 to 0.659 in 1993.

Economic growth, population growth, life expectancy, and changes in the structure of income inequality are the most important factors in determining the evolution of world income distribution. Empirical results show also evidence of disparity in the development of life expectancy and economic growth. Inequality within individual countries is not increasing but inequality between countries and regions is increasing and the concentration of poverty is growing in some regions. Among the limitations of these studies are the short time period and the lack of income surveys with a satisfactory country population and a continuous time period coverage. Results are also often based on only a few observations and are sensitive to various data and the estimation method. Despite their limitations these studies can serve to establish a benchmark for the analysis of world income inequality and poverty.

INTER-NATIONAL DISTRIBUTION OF INCOME

International inequality refers to the distribution of income between countries. The common approach is to use the mean income or GDP per capita for individual countries complemented by the Gini coefficient or the standard deviation as a measure of income dispersion within each country and within-country income shares to construct income distribution for individual countries. In the following a brief review of the literature is presented and results are compared with those obtained from the WIID data.

Between-Country Disparities

As previously shown there is a comprehensive literature on the measurement of international inequality focusing on disparity between nations and very often on its relation with economic growth. As mentioned above, in several studies there is a certain degree of overlap between inequalities at different levels of aggregation. Sala-i-Martin (2002a) uses aggregate GDP data and within-country income shares to estimate the worldwide distribution of income, compute poverty rates and estimate global income inequality for the period 1970–1998.

The poverty rates of \$1/day and \$2/day fell during the period of the study from 20 to 5 percent and from 44 to 18 percent respectively. This poverty reduction corresponds to 300–500 million people in 1998. Inequality is decomposed into within- and between-country inequality components. In contrast to several studies reviewed previously, the results show also the reduction in global inequality between 1980 and 1998. Most global disparities reflect cross-country rather than within-country inequalities. The main source of between-country reductions is the growth in the Chinese economy. Within-country inequality has increased slightly. The lack of growth in African economies might cause further divergence and an increase in global inequality.

Unlike in Sala-i-Martin the results provided by Maddison (2001) show evidence of rising disparities in the world economy due to the divergence in economic performance across regions and countries over time. Bourguignon and Morrisson's (1999) study demonstrates that the increase in total inequality during the entire period of 1820–1990 is driven by a rise in inequality between countries. Inequality between countries is the dominant factor in the evolution of world income inequality. Milanovic (2002a) in a comparison of income in 1988 and 1993 shows that between 75–88 percent of inequality is attributed to the differences in mean income between countries and only 12–25 percent is explained by the inequality within countries. As mentioned previously, Capeau and Decoster (2003) explain the driving forces behind the differences in the two extreme positions in terms of whether inequality fell or rose. They relate the diverging tendencies to income measures, the use of weights and the assumption of inequality among citizens irrespective of their location.

Factors Affecting International Income Inequality

Several factors have been identified and attempts made to quantify the impact they have on international income inequality. In the following we review a number of recent studies investigating the inequality effects of population weights on the Gini coefficient, the regional cost of living, openness, technology spillovers, specialization in production, economic growth, initial condition, skill-biased technology and wages, supply and demand of human capital and redistributive policies. The case in favor of a population-share weighted Gini is when countries or regions are aggregated. I do not see any case against a population-share weighted Gini coefficient when applied in aggregated cases.

The international distribution of income based on Gini coefficients of national per capita GDP for 120 countries for the period 1950 to 1998 have been computed by Milanovic (2001). The temporal patterns of inequality differ according to whether or not the Gini coefficient is weighted by population. The unweighted Gini coefficient shows a decline in inequality between 1965 and 1978

and an increasing trend in international inequality after 1978. The increased inequality in Latin America, the jump in the inequality in Eastern Europe and the former USSR and the low performance of the African countries have contributed to the increased unweighted global inequality. The picture differs if the Gini coefficients are computed by weighting the GDP per capita by regional population shares. The weighted results show a declining world inequality due to the faster growth in the Indian and Chinese economies than in the world economy as a whole. However, the rapid economic growth has increased within-country inequality in both countries. The increases in inequality are also found to be sensitive when market-based valuation methods are used and allowances are made for the differences in regional costs of living (Ravallion and Chen 1999; and Ravallion and Datt 2000).

Acemoglu and Robinson (2000) use the log of income per worker relative to the world average in 1990 against its 1960 value to analyze the development and dispersion of world income distribution. Despite the large differences in income across countries, the dispersion of world income distribution has been relatively stable. They show that even in the absence of diminishing returns in production and technological spillovers, the degree of openness to international trade and the extent of specialization lead to a stable world income distribution. However, Milanovic (2002b) using data on PPP incomes from 90 countries around 1988 and 1993 shows that the effect of openness on a country's income distribution depends on the country's initial income level. Openness makes income distribution worse before making it better.

Acemoglu (2002) reviews the faster increase in the supply of skills in Europe and the role of Europe's labor market institutions in preventing wage inequality from increasing as the two most popular explanations for the different inequality trends in the US and the UK over the past decades. He identifies an additional factor to be the differences in the relative demand for skills. In Europe investment in technologies is encouraged by states increasing the productivity of less-skilled workers, reducing skill-biased technical change in Europe more than in the US. Eicher and Garcia-Penalosa (2001) argue that the stock of educated workers in an economy determines both the degree of income inequality and the rate of growth. They identify parameters that are central to the supply and demand of human capital¹³ and thus crucial for changes in inequality. Democratization and

¹³ Here changes in inequality depend on externalities in education, the evolution of the direct cost of education, the elasticity of substitution in production between skilled and unskilled workers, and the relative productivity and costs of learning by doing versus R&D.

political reforms through redistributive programs prevented widespread social unrest and revolution in Western societies in the nineteenth century with implications for the dynamics of growth and the fall in inequality (Acemoglu and Robinson 2000). However, the traditional public finance concerns about the excess burden of within-country income redistribution cannot explain why there is so little world redistribution (Kopczuk, Slemrod and Yitzhaki 2002).

In the early 1980s a number of factors contributed to the increased interest in changes in distributional issues in the US in general and cross-national comparisons in particular. Gottschalk and Smeeding (1997) name three major factors: (i) studies showing the rising inequality of labor market income and its transformation into a greater inequality in the distribution of total family income; (ii) cross-national micro data became available for a variety of rich OECD countries; and (iii) the debate in the public policy arena over the fairness issue and the distributive effects of changes in government policies. In their review of the literature, they lay out a number of stylized facts and present summaries for both the level and the trend in earnings and income inequality. There are wide differences in inequality across countries, over time and across genders. Countries with centralized wage bargaining are more equal. Wage inequality is increasing over time and the trends differ across countries. It is affected by demand for skills, returns to education and experience and institutional constraints on wages. Disposable income (after taxes and transfers) is more equally distributed, but inequality has increased over time in most countries. The increased receipt of capital income and demographic and social changes played important roles in accounting for the rise in inequality in the OECD countries. Gottschalk and Smeeding search for a better structural model of income distribution and redistribution that can be applied across nations. It is concluded that an ideal model is a simultaneous model of generation of all sources of income and the formation of income sharing units.

The WIID Data

The data used here are obtained from the UNU-WIDER World Income Inequality Database (WIID), which is an expanded version of the Deininger and Squire (1996) database. The WIID contains information on income inequality, income shares, and a number of variables indicating the sources and the quality of data for 146 countries. The countries are observed on an irregular basis mainly during the period 1950–1998. To avoid distortions for graphing the trend in global income inequality over time the lower part of the data for 1950 is truncated. The number of excluded observations covering the period 1867–1949 is only 25 or 1.5 percent of the sample. A statistical summary of the WIID data is presented in Table 1.¹⁴

The Gini coefficient is measured in percentage points. It is the mean of multiple observations for a country in a given year. The multiplicity of observations is due to the differences in income definitions, data sources, reference units, and population coverage. In constructing global inequality we have adjusted the Gini coefficient for the population as:

$$(2) \quad Gini_t = \sum_{i=1}^N (pop_{it} / pop_t) Gini_{it} = \sum_{i=1}^N ps_{it} Gini_{it}$$

where pop_{it} is the population of country i in period t , and ps_{it} the corresponding population share. Aggregate population in a given year (pop_t) is the reference population for the global population. However, since our sample does not cover all countries in the world in every year, it should be noted that the population-adjusted Gini measure based on the partial sample of countries is very sensitive to the exit and entry of countries with a large population like China and India. Furthermore, given that the Gini is not decomposable, it provides an aggregate measure of global inequality, which is also difficult to interpret. Although these are about within-country inequality the differences in inequality among the countries can be used to quantify the extent of between-country income inequality. A limitation however is that with the exception of population no other adjustments are made for data collection methodology or changing sample membership over time.

To provide a better picture of the distribution of world inequality and its development over time we report the unweighted mean, median, standard deviation and population-weighted mean Gini coefficient in Table 2 and also in Figure 1. The decile observations are transformed into quintile income shares to make the income distribution comparable across countries and over time. This procedure results in a maximum number of comparable observations that can be obtained from the data but at the cost of losing information. In Figure 2 the mean quintile income shares over time are presented. As an alternative measure of inequality the ratio of the highest to the lowest quintiles is computed (see Table 3). The annual percentage changes in the unweighted mean Gini coefficient are also calculated and shown in Table 2. The development of the latter two measures is also shown in Figure 3.

The Global Trend in Inequality Based on the WIID Data

Simple descriptive statistics based on the WIID database are presented in Table 1. The summary statistics of the Gini coefficient for observations with and

¹⁴ For a description of the WIID and other databases see Heshmati (2004f).

Table 1 – Statistical Summary of the World Income Inequality Database (WIID)

| Variable | Obs | Mean | Std Dev | Minimum | Maximum |
|----------------------------|------|--------|---------|---------|---------|
| Gini Without Income Shares | 1376 | 38.110 | 10.910 | 15.900 | 79.500 |
| Gini With Income Shares | 1358 | 36.433 | 9.273 | 17.830 | 66.000 |
| Gini Without Income Shares | 1631 | 38.065 | 10.517 | 15.900 | 79.500 |
| Income Share Q1 | 844 | 0.069 | 0.036 | 0.016 | 0.157 |
| Income Share Q2 | 844 | 0.112 | 0.026 | 0.020 | 0.204 |
| Income Share Q3 | 844 | 0.157 | 0.025 | 0.070 | 0.255 |
| Income Share Q4 | 844 | 0.220 | 0.022 | 0.124 | 0.313 |
| Income Share Q5 | 844 | 0.441 | 0.082 | 0.249 | 0.710 |
| Q5/Q1 Ratio | 844 | 8.175 | 5.758 | 2.035 | 40.812 |

Note: Gini coefficients with/without income shares refer to a combination of two observations for a country in a given year where one is with and the other without information on distribution of income.

without income share distributions are given both separately as well as jointly. The mean Gini coefficients for observations with income shares (36.43) is lower than those without (38.11) income shares. There is a large variation in the distribution of income among the countries and over time. The income share of the poorest 20 percent varies in the interval 0.016 and 0.157, with mean and standard deviations of 0.069 and 0.036 respectively. The income share of the richest 20 percent is 0.441 with a relatively small standard deviation of 0.082. The disparity in income shares results in a Q5/Q1 ratio with a mean of 8.175 and a standard deviation of 5.758. The range varies within the interval 2.035 and 40.812.

There is a large disparity in inequality over time (see Table 2). It is to be noted that the numbers here reflect the average of multiple observations for countries in a given year. The choice of measurement and the units of observation are not accounted for here. Therefore, the data lack uniform quality criteria and contain inconsistencies in distributions, definitions, sources, levels and coverage across countries and over time. If one chooses to consistently use a segment of the data with the same definitions of income, recipients and even the same welfare concept, the resulting sample will be very small and hardly sufficient to serve as a base for discussion of global trends in income inequality.

The median value of the Gini coefficients (37.74 percent) is on average 1.5 percent lower than the mean value (39.02 percent). The mean, median, standard deviation, minimum, maximum and range of unweighted and mean-weighted Gini coefficient for the period 1950 to 1998 are presented in Table 2. There is a higher concentration of observations in the 1990s. Figure 1 shows that the mean and the median inequality follow the same pattern and are declining over time. The dispersion in inequality also declines after 1958.

Table 2 – Unweighted, Population Weighted and Percentage Changes in the Global Gini Coefficient over Time

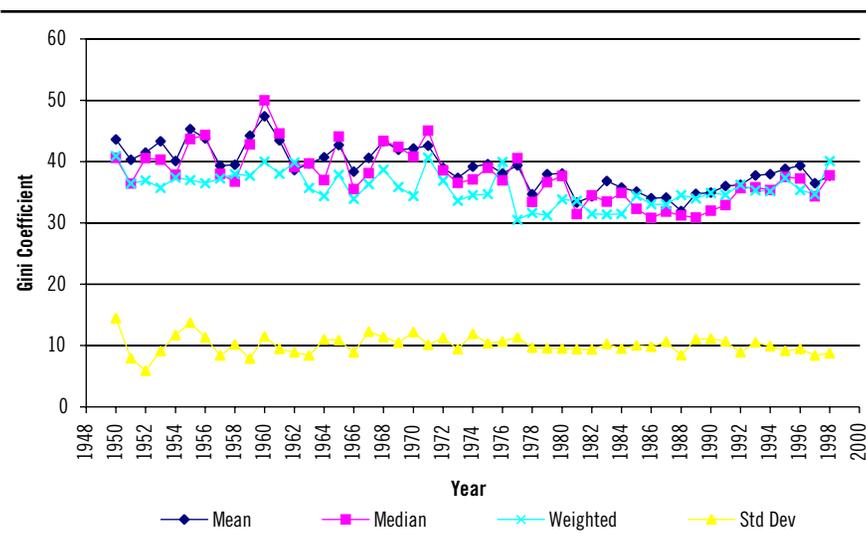
| Year | Obs | Minimum | Mean | Median | Maximum | Std Dev | Range | Weighted | Change |
|------|-----|---------|-------|--------|---------|---------|-------|----------|--------|
| 1950 | 7 | 23.36 | 43.63 | 40.60 | 70.00 | 14.46 | 46.64 | 40.90 | -0.45 |
| 1951 | 6 | 35.60 | 40.33 | 36.42 | 55.70 | 7.92 | 20.10 | 36.41 | -0.53 |
| 1952 | 8 | 35.60 | 41.47 | 40.57 | 53.00 | 5.85 | 17.40 | 36.93 | 1.94 |
| 1953 | 11 | 34.00 | 43.32 | 40.33 | 57.14 | 9.10 | 23.14 | 35.70 | -7.76 |
| 1954 | 8 | 29.58 | 40.10 | 37.86 | 66.60 | 11.66 | 37.02 | 37.39 | 2.86 |
| 1955 | 11 | 23.27 | 45.30 | 43.68 | 67.20 | 13.74 | 43.93 | 36.99 | 0.87 |
| 1956 | 10 | 27.03 | 43.80 | 44.36 | 59.92 | 11.33 | 32.89 | 36.50 | -1.14 |
| 1957 | 15 | 24.59 | 39.36 | 38.00 | 54.40 | 8.38 | 29.81 | 37.26 | 3.33 |
| 1958 | 18 | 20.47 | 39.50 | 36.73 | 55.19 | 10.14 | 34.72 | 37.97 | -0.34 |
| 1959 | 17 | 35.25 | 44.24 | 42.79 | 60.60 | 7.84 | 25.35 | 37.72 | 4.23 |
| 1960 | 25 | 24.59 | 47.41 | 50.00 | 68.00 | 11.49 | 43.41 | 39.98 | 3.42 |
| 1961 | 21 | 25.30 | 43.45 | 44.59 | 62.48 | 9.44 | 37.18 | 38.01 | -2.48 |
| 1962 | 25 | 21.18 | 38.64 | 39.15 | 53.50 | 8.90 | 32.32 | 39.84 | -3.35 |
| 1963 | 25 | 22.50 | 39.69 | 39.71 | 58.20 | 8.38 | 35.70 | 35.69 | -4.68 |
| 1964 | 21 | 20.89 | 40.70 | 37.00 | 63.00 | 10.99 | 42.11 | 34.40 | 6.62 |
| 1965 | 25 | 22.23 | 42.71 | 44.10 | 67.83 | 10.88 | 45.60 | 37.84 | 1.26 |
| 1966 | 17 | 25.56 | 38.38 | 35.50 | 53.89 | 8.88 | 28.33 | 33.94 | -4.41 |
| 1967 | 28 | 19.87 | 40.61 | 38.09 | 66.00 | 12.26 | 46.13 | 36.35 | -1.63 |
| 1968 | 34 | 15.90 | 43.33 | 43.36 | 66.27 | 11.38 | 50.37 | 38.67 | 2.19 |
| 1969 | 36 | 20.91 | 41.95 | 42.42 | 62.30 | 10.44 | 41.39 | 35.85 | 0.02 |
| 1970 | 42 | 20.15 | 42.16 | 40.84 | 79.50 | 12.20 | 59.35 | 34.38 | 0.17 |
| 1971 | 34 | 20.23 | 42.62 | 45.03 | 70.00 | 10.12 | 49.77 | 40.67 | -0.78 |
| 1972 | 28 | 20.14 | 39.00 | 38.56 | 63.50 | 11.21 | 43.36 | 36.91 | 0.04 |
| 1973 | 31 | 19.22 | 37.34 | 36.53 | 65.10 | 9.40 | 45.88 | 33.64 | 1.11 |
| 1974 | 24 | 19.04 | 39.16 | 37.10 | 69.00 | 11.88 | 49.96 | 34.54 | -2.51 |
| 1975 | 37 | 17.66 | 39.57 | 39.00 | 59.00 | 10.34 | 41.34 | 34.67 | -0.50 |
| 1976 | 38 | 18.12 | 38.04 | 36.94 | 60.00 | 10.65 | 41.88 | 39.94 | 0.31 |
| 1977 | 33 | 18.60 | 39.40 | 40.56 | 59.00 | 11.34 | 40.40 | 30.51 | 0.55 |
| 1978 | 31 | 20.07 | 34.67 | 33.40 | 53.09 | 9.66 | 33.02 | 31.65 | -0.73 |
| 1979 | 35 | 23.66 | 37.95 | 36.62 | 55.00 | 9.52 | 31.34 | 31.21 | 3.52 |
| 1980 | 41 | 20.70 | 38.05 | 37.65 | 65.50 | 9.49 | 44.80 | 33.83 | -0.55 |
| 1981 | 56 | 19.72 | 33.33 | 31.44 | 57.30 | 9.37 | 37.58 | 33.60 | -2.17 |
| 1982 | 31 | 20.88 | 34.34 | 34.47 | 56.00 | 9.34 | 35.12 | 31.49 | 1.58 |
| 1983 | 30 | 24.44 | 36.84 | 33.45 | 56.70 | 10.25 | 32.26 | 31.39 | 1.02 |
| 1984 | 34 | 21.30 | 35.77 | 34.92 | 58.01 | 9.49 | 36.71 | 31.47 | 0.28 |
| 1985 | 35 | 20.00 | 35.09 | 32.32 | 59.90 | 9.99 | 39.90 | 34.44 | -1.80 |
| 1986 | 56 | 22.10 | 34.04 | 30.80 | 57.28 | 9.82 | 35.18 | 33.07 | 0.43 |
| 1987 | 40 | 19.40 | 34.13 | 31.84 | 59.01 | 10.59 | 39.61 | 32.99 | 0.04 |
| 1988 | 53 | 19.13 | 31.93 | 31.20 | 56.81 | 8.43 | 37.68 | 34.52 | 2.68 |
| 1989 | 66 | 20.57 | 34.76 | 30.87 | 62.90 | 11.04 | 42.33 | 33.98 | -0.12 |
| 1990 | 63 | 19.55 | 34.94 | 31.99 | 63.00 | 11.11 | 43.45 | 34.90 | 2.86 |

Table 2 (Continued)

| Year | Obs | Minimum | Mean | Median | Maximum | StdDev | Range | Weighted | Change |
|-------------|-----------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| 1991 | 58 | 20.65 | 36.04 | 32.93 | 63.66 | 10.65 | 43.01 | 34.61 | 1.20 |
| 1992 | 60 | 22.62 | 36.21 | 35.64 | 56.07 | 8.88 | 33.45 | 36.22 | 4.98 |
| 1993 | 59 | 20.60 | 37.75 | 35.80 | 62.30 | 10.51 | 41.70 | 35.31 | 2.77 |
| 1994 | 56 | 20.00 | 37.95 | 35.35 | 60.90 | 9.90 | 40.90 | 35.15 | 2.86 |
| 1995 | 60 | 23.90 | 38.82 | 37.48 | 59.00 | 9.13 | 35.10 | 37.37 | 1.11 |
| 1996 | 53 | 23.70 | 39.32 | 37.27 | 58.85 | 9.45 | 35.14 | 35.36 | 2.26 |
| 1997 | 38 | 23.71 | 36.46 | 34.32 | 57.60 | 8.37 | 33.89 | 34.67 | 0.68 |
| 1998 | 15 | 25.30 | 37.72 | 37.75 | 59.11 | 8.70 | 33.82 | 40.12 | 3.66 |
| Mean | 49 | 23.05 | 39.02 | 37.74 | 60.48 | 10.09 | 37.43 | 35.65 | 0.50 |

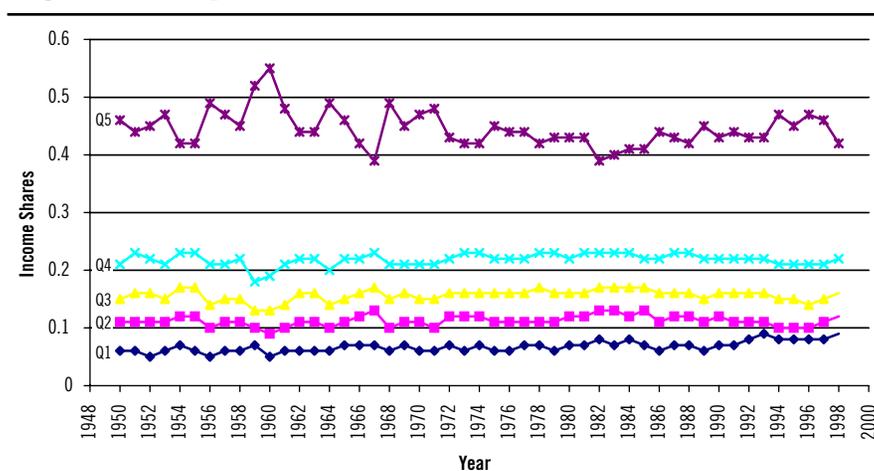
Note: Mean, median, standard deviation, minimum and maximum Gini values are based on the unweighted country observations (obs) of the Gini coefficient in a given year, while weighted is the mean value of the population weighted Gini coefficient. The population share is defined as the share of total population of countries observed in a given year. The percentage change (change) is based on the unweighted Gini.

Figure 1 – Global Trends in Income Inequality



The highest mean inequality values exceeding 55 percent are found among the African countries (the Central African Republic, Gabon, Kenya, Lesotho, Sierra Leone, Swaziland and Zimbabwe) and some Latin American countries exceeding 50 percent (Bolivia, Brazil, Chile, Colombia and Honduras). The high levels of Gini, and their concentration in conjunction with low average incomes

Figure 2 – Development of Global Income Shares



are disastrous for aggregate welfare. The average range between maximum and minimum values observed for a country over time is 37.43 percent and the standard deviation is 10.09 percent. A number of countries show quite large ranges of percentage variations, among others China, Brazil, Cuba, Guatemala, Jamaica, Morocco, Zimbabwe, Georgia, Finland, the Netherlands, Spain, and the UK.

In the measurement of global or regional inequality it is a common practice to weight inequality by population. The population-weighted mean Gini coefficient is much lower (35.65 percent) than the non-weighted (39.02 percent). The drop is caused by the inclusion of countries with large populations and relatively low inequalities. Though India and China are frequently observed, the weighing procedure is not reliable, as the flow of population is very irregular over time. The average change in the Gini coefficient is 0.50 percent indicating a small positive trend in non-weighted inequality over time. The change in the Gini coefficient varies in the interval -7.76 (1952/1953) to $+6.62$ (1963/1964) percent (see Figure 3 and Table 2). The shifts in the temporal patterns of the Gini coefficient over the recent 50 years show that a simple time trend is not an appropriate way of modeling global trends in income inequality.

The distribution of income measured by quintile shares shows a large variation across countries and over time. The mean income quintile shares are 0.069, 0.112, 0.157, 0.220 and 0.441 (see Table 3). The lowest quintile share shows a constant pattern prior to 1990 but increasing patterns after the 1990 period. The highest 3 quintiles show, on the other hand, variations before 1970 but a decreasing pattern in the period after the 1970s (see Figure 2). This resulted in a continuously increasing inequality change over time combined with a declining $Q5/Q1$

Table 3 – Development of the Global Gini Coefficient and the Distribution of Income Share over Time.

| Year | Obs | Unweighted | Weighted | Q1 | Q2 | Q3 | Q4 | Q5 | Q5/Q1 |
|------|-----|------------|----------|------|------|------|------|------|-------|
| 1950 | 7 | 43.63 | 40.90 | 0.06 | 0.11 | 0.15 | 0.21 | 0.46 | 7.12 |
| 1951 | 6 | 40.33 | 36.41 | 0.06 | 0.11 | 0.16 | 0.23 | 0.44 | 7.65 |
| 1952 | 8 | 41.47 | 36.93 | 0.05 | 0.11 | 0.16 | 0.22 | 0.45 | 8.72 |
| 1953 | 11 | 43.32 | 35.70 | 0.06 | 0.11 | 0.15 | 0.21 | 0.47 | 7.62 |
| 1954 | 8 | 40.10 | 37.39 | 0.07 | 0.12 | 0.17 | 0.23 | 0.42 | 6.33 |
| 1955 | 11 | 45.30 | 36.99 | 0.06 | 0.12 | 0.17 | 0.23 | 0.42 | 6.89 |
| 1956 | 10 | 43.80 | 36.50 | 0.05 | 0.10 | 0.14 | 0.21 | 0.49 | 10.20 |
| 1957 | 15 | 39.36 | 37.26 | 0.06 | 0.11 | 0.15 | 0.21 | 0.47 | 7.61 |
| 1958 | 18 | 39.50 | 37.97 | 0.06 | 0.11 | 0.15 | 0.22 | 0.45 | 7.39 |
| 1959 | 17 | 44.24 | 37.72 | 0.07 | 0.10 | 0.13 | 0.18 | 0.52 | 7.43 |
| 1960 | 25 | 47.41 | 39.98 | 0.05 | 0.09 | 0.13 | 0.19 | 0.55 | 12.15 |
| 1961 | 21 | 43.45 | 38.01 | 0.06 | 0.10 | 0.14 | 0.21 | 0.48 | 7.79 |
| 1962 | 25 | 38.64 | 39.84 | 0.06 | 0.11 | 0.16 | 0.22 | 0.44 | 7.24 |
| 1963 | 25 | 39.69 | 35.69 | 0.06 | 0.11 | 0.16 | 0.22 | 0.44 | 7.03 |
| 1964 | 21 | 40.70 | 34.40 | 0.06 | 0.10 | 0.14 | 0.20 | 0.49 | 8.26 |
| 1965 | 25 | 42.71 | 37.84 | 0.07 | 0.11 | 0.15 | 0.22 | 0.46 | 7.03 |
| 1966 | 17 | 38.38 | 33.94 | 0.07 | 0.12 | 0.16 | 0.22 | 0.42 | 5.82 |
| 1967 | 28 | 40.61 | 36.35 | 0.07 | 0.13 | 0.17 | 0.23 | 0.39 | 5.26 |
| 1968 | 34 | 43.33 | 38.67 | 0.06 | 0.10 | 0.15 | 0.21 | 0.49 | 8.62 |
| 1969 | 36 | 41.95 | 35.85 | 0.07 | 0.11 | 0.16 | 0.21 | 0.45 | 6.86 |
| 1970 | 42 | 42.16 | 34.38 | 0.06 | 0.11 | 0.15 | 0.21 | 0.47 | 7.72 |
| 1971 | 34 | 42.62 | 40.67 | 0.06 | 0.10 | 0.15 | 0.21 | 0.48 | 8.22 |
| 1972 | 28 | 39.00 | 36.91 | 0.07 | 0.12 | 0.16 | 0.22 | 0.43 | 5.91 |
| 1973 | 31 | 37.34 | 33.64 | 0.06 | 0.12 | 0.16 | 0.23 | 0.42 | 6.68 |
| 1974 | 24 | 39.16 | 34.54 | 0.07 | 0.12 | 0.16 | 0.23 | 0.42 | 6.35 |
| 1975 | 37 | 39.57 | 34.67 | 0.06 | 0.11 | 0.16 | 0.22 | 0.45 | 7.23 |
| 1976 | 38 | 38.04 | 39.94 | 0.06 | 0.11 | 0.16 | 0.22 | 0.44 | 6.97 |
| 1977 | 33 | 39.40 | 30.51 | 0.07 | 0.11 | 0.16 | 0.22 | 0.44 | 6.63 |
| 1978 | 31 | 34.67 | 31.65 | 0.07 | 0.11 | 0.17 | 0.23 | 0.42 | 6.09 |
| 1979 | 35 | 37.95 | 31.21 | 0.06 | 0.11 | 0.16 | 0.23 | 0.43 | 7.02 |
| 1980 | 41 | 38.05 | 33.83 | 0.07 | 0.12 | 0.16 | 0.22 | 0.43 | 6.39 |
| 1981 | 56 | 33.33 | 33.60 | 0.07 | 0.12 | 0.16 | 0.23 | 0.43 | 6.57 |
| 1982 | 31 | 34.34 | 31.49 | 0.08 | 0.13 | 0.17 | 0.23 | 0.39 | 5.11 |
| 1983 | 30 | 36.84 | 31.39 | 0.07 | 0.13 | 0.17 | 0.23 | 0.40 | 5.51 |
| 1984 | 34 | 35.77 | 31.47 | 0.08 | 0.12 | 0.17 | 0.23 | 0.41 | 5.40 |
| 1985 | 35 | 35.09 | 34.44 | 0.07 | 0.13 | 0.17 | 0.22 | 0.41 | 5.56 |
| 1986 | 56 | 34.04 | 33.07 | 0.06 | 0.11 | 0.16 | 0.22 | 0.44 | 6.91 |
| 1987 | 40 | 34.13 | 32.99 | 0.07 | 0.12 | 0.16 | 0.23 | 0.43 | 6.45 |
| 1988 | 53 | 31.93 | 34.52 | 0.07 | 0.12 | 0.16 | 0.23 | 0.42 | 6.19 |
| 1989 | 66 | 34.76 | 33.98 | 0.06 | 0.11 | 0.15 | 0.22 | 0.45 | 7.14 |
| 1990 | 63 | 34.94 | 34.90 | 0.07 | 0.12 | 0.16 | 0.22 | 0.43 | 5.95 |

| Year | Obs | Unweighted | Weighted | Q1 | Q2 | Q3 | Q4 | Q5 | Q5/Q1 |
|-------------|-----------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1991 | 58 | 36.04 | 34.61 | 0.07 | 0.11 | 0.16 | 0.22 | 0.44 | 6.52 |
| 1992 | 60 | 36.21 | 36.22 | 0.08 | 0.11 | 0.16 | 0.22 | 0.43 | 5.36 |
| 1993 | 59 | 37.75 | 35.31 | 0.09 | 0.11 | 0.16 | 0.22 | 0.43 | 5.06 |
| 1994 | 56 | 37.95 | 35.15 | 0.08 | 0.10 | 0.15 | 0.21 | 0.47 | 6.08 |
| 1995 | 60 | 38.82 | 37.37 | 0.08 | 0.10 | 0.15 | 0.21 | 0.45 | 5.74 |
| 1996 | 53 | 39.32 | 35.36 | 0.08 | 0.10 | 0.14 | 0.21 | 0.47 | 6.20 |
| 1997 | 38 | 36.46 | 34.67 | 0.08 | 0.11 | 0.15 | 0.21 | 0.46 | 5.93 |
| 1998 | 15 | 37.72 | 40.12 | 0.09 | 0.12 | 0.16 | 0.22 | 0.42 | 4.86 |
| Mean | 49 | 39.02 | 35.65 | 0.07 | 0.11 | 0.16 | 0.22 | 0.45 | 6.80 |

Note: The weighted Gini coefficient refers to the population-weighted mean value calculated based on the country observations in a given year. The Q1–Q5 are quintile income shares. The ratio Q5/Q1 is a measure of the extent of income share inequalities in the world.

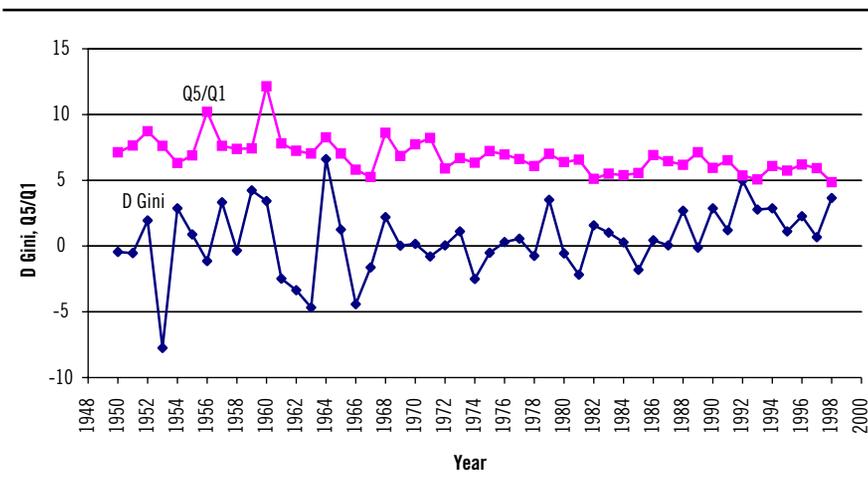
ratio (see Figure 2). The highest ratios are associated with countries involved in (domestic) conflicts like Iraq, Lebanon, Paraguay, the Central African Republic, Guinea, Sierra Leone, South Africa and Georgia, while the lowest are associated with Egypt, Laos, Belarus and Luxembourg.

Considering the global trends, due to the strong influence of the highest quintile income share, inequality is volatile prior to 1970 and more stable and increasing over the course of the post-1986 period. There is evidence of the convergence in the mean, median and population-weighted means over time (see Figure 1). In sum based on the WIID data, applied measurement methods and data irregularities, there is no convincing sign of a significantly increasing or decreasing global trend in income inequality over the last 50 years. It should be noted that the inequality here is based on only within-country inequality data but are pooled and weighted such that the level differences reflect international inequality. The trend accounting for between-country inequality may be different.

Summary of International Income Inequality

International inequality refers to economic disparity between countries of the world. Appendix B presents a summary of several studies of international income inequality. The international distribution of income is often based on the Gini coefficient of national per capita GDP. The temporal patterns of inequality differ according to whether or not the Gini is weighted by the population of the countries. The results from a weighted Gini coefficient show that world inequality has declined due to the faster growth in India and China than in the world

Figure 3 – Development of Changes in the Global Gini Coefficient and Q5/Q1 Ratio



economy as a whole but at the cost of an increased within-country inequality. The long-run world income distribution involves substantial improvements in the income of many countries. Divergence in economic performance across regions and economies over time raises the question of disparity in the world economy. Lack of growth in the African economies causes divergence and an increase in global inequality. In sum total inequality is driven by a rise in inequality between countries affecting the evolution of world income inequality. Important factors affecting convergence or divergence in the international income gap are mass migration, barriers to migration, trade and capital flows. Political economy factors affect intertemporal (within-country) variations in inequality, while capital market imperfections affect international (between-country) variations in inequality.

Considering the global trends in income inequality, results based on the WIID database show that inequality is volatile prior to 1970 and more stable with tendencies to increase after 1986. The overall pattern is very much similar to the patterns of the highest quintile income share. However, there is no convincing sign of a significant global trend in income inequality over the last 50 years. The inequality measure here is based on only within-country inequality. The trend in between-country inequality may be different. The cross-section of time-series data on inequality and income distribution using the Pyatt-type decomposition approach (Equation 1) described above could be used here to decompose overall inequality into within-country, between-country and overlapping components as was done by Milanovic (2002a).

INTRA-NATIONAL DISTRIBUTION OF INCOME

Inequality Within Countries

The measurement of income distribution at the national level discussed here is based on aggregate data. Part of the information is taken from our review of a number of international studies. Research on within-country or intra-national inequality based on micro household data is not discussed in this section for the reason of limited space.¹⁵

As shown in the previous two sub-sections most of the research analyzing changes in income distribution during the post-World War II period concluded that income inequality within countries tends to be more stable over time, while between-country inequality is more variable and derives from the level and temporal patterns of world income inequality. This is interpreted as the lack of a strong association between growth and within-country inequality making poverty reduction through growth-oriented policies more possible than redistributive policies. This view is challenged by Cornia (1999) and associates in a number of studies by referring to the decline in inequality in several nations between the 1950s and 1970s and an increase in inequality in two-thirds of their sample of 77 countries during the last twenty years. Cornia suggests that the factors explaining the rise in income inequality are related to: shifts towards skill-intensive technologies, liberalization of domestic and international markets, decline in labor share during structural adjustment, trade liberalization, rise in financial rents, privatization of state assets, distribution of industrial assets, changes in labor institutions, and changes in the tax and transfer systems.

In a related study Cornia and Court (2001) report changes in within-country income inequality over time and discuss the link between poverty, inequality and growth. In addition to what are traditionally seen as the most common factors causing inequality such as land concentration, urban bias and inequality in education, a number of new causes of inequality¹⁶ are discussed while various policy measures to counteract inequality are also provided. De Gregorio and Lee (2002) present empirical evidence on how education is related to a coun-

¹⁵ The results of within-country inequality in selected large countries are found in Heshmati (2004e).

¹⁶ In discussing major new causes of inequality they account for trade liberalization, technological change, stabilization and adjustment programs in developing countries, financial liberalization, privatization and the distribution of industrial assets, and changes in the labor market institutions, tax and transfer systems.

try's income distribution. The findings suggest that higher educational attainment and a more equal distribution of education makes income distribution more equal. Commander, Tolstopiateniko and Yemtsov (1999) point to wealth transfers through privatization programs, changes in government expenditures, growth in earnings dispersion, and shifts in the structure of income as the driving forces behind the increase in inequality in Russia. Fan, Overland and Spagat (1999) propose an immediate restructuring of the education system in Russia in an effort to reduce inequality.

Several studies show that between-country inequality explains a bigger share of inequality. Cornia and Kiiski (2001) advocate that from a policy perspective it is more important to focus on within-country inequality because the former is path-dependent and takes several generations to modify, while in the later case policy decisions affecting inequality are taken at the national level. Lindert and Williamson (2001) find that inequality has been driven by between-country rather than within-country income differences. However, heterogeneity in the magnitude of within-country effects is due to the factors of land and labor and the participant country's policies to exploit the benefits of globalization. During the interwar period inequality between countries accelerated.

In sum the analysis of within-country income inequality is best studied based on representative micro-household surveys. These are not discussed here. It is much easier to influence within-country inequality by policy decisions than between-country international inequality under weak international institutions. The most commonly accepted factors causing within-country inequality are identified in general to be land concentration, urban-biased development, the ageing of the population and inequality in education. The last two factors are more important in the context of developed economies. During a transition period wealth transfers during privatization programs, changes in government expenditure and shifts in the structure of income may also increase inequality. The major new causes of inequality associated with external relations are trade and financial liberalization, technological change, stabilization and adjustment programs. However, the increase in inequality following the above changes may be transitory in nature. The degree to which increased inequality remains persistent will to some extent depend on how active the countries studied are in their (tax and transfer) redistributive policies.

Stability and Convergence of Income Inequality

Li, Squire and Zou (1998) explore the relative stability of income inequality within countries over time and the significant variability among countries. The results suggest that inequality is largely determined by factors that change slowly

within countries but are quite different across countries. The Gini coefficients are clearly different across countries and there is no evidence of a time trend in 65 percent of the unbalanced panel of 49 countries used. The stability in the intertemporal variation in inequality is affected positively by political economy factors (the presence of civil liberties and the initial level of secondary schooling), while the international variation in inequality is increasing in capital markets (the extent of financial depth and the initial distribution of land). The regression analysis of the variance of the Gini coefficient shows that after an adjustment for the differences in income definitions more than 92 percent of the total variation is explained by country-specific effects.

Jones (1997), in characterizing the evolution of world income distribution, uses three different techniques. First, he uses a standard growth model and takes as given conditions in the 1980s in order to project the current dynamics of income distribution forward. Results indicate small changes in the top of the income distribution. Second, following the insights from the cross-country growth literature, he interprets the variation in growth rates around the world as reflecting how far countries are from their steady state positions and predicts where countries are headed. Third, Jones considers how steady states are themselves changing over time. The increasing relative frequency of growth miracles indicates that the fraction of poor countries is falling and he projects that the long-run world income distribution involves substantial improvements in the incomes of many countries.

As a guideline for future research, in my view by using an approach similar to that found in the frontier literature changes in income distribution or distances to the steady state could easily be disaggregated into changes in the distribution of income over time and changes in the steady state to estimate the rates at which specific countries catch up.

There are several studies on convergence in income inequality. The most useful are those examining convergence in inequality among countries within an integrated economic region or members of an economic union. The concept of convergence in income inequality (Benabou 1996) follows that of the conditional convergence of per capita income (e.g. Mankiw, Romer and Weil 1992). Iacoviello (1998) using LIS data investigates whether inequality converges to a steady state level of inequality during the process of income growth. Results show that shocks to income yield short-run effects on income distribution. A reversal link from inequality to income was not observed. Acemoglu and Robinson (2000) in their analysis of the development and dispersion of the distribution of world income show that the increased openness to international trade and specialization lead to a stable world income distribution.

FACTORS AFFECTING THE WORLD DISTRIBUTION OF INCOME

The literature on the distribution of income and income inequality identifies a number of factors that are important for the evolution of world income distribution. A summary of factors affecting the shape of the world distribution of income found in the literature is given in Appendix C. In this section we briefly introduce the arguments and empirical results on factors such as inheritance, wage inequality, supply of skills, labor market institutions, mobility, redistributive policies, growth, globalization, democracy, geography and institutions.¹⁷

The initial inequality related to parents and family environment affects education, opportunities, welfare and success rates of individuals in their lives. The study by Bowles and Gintis (2002) is one recent example where evidence from the contribution of environmental, genetic and wealth effects to intergenerational transmission of economic position is shown. For instance, the parental income and wealth of an American are strong predictors of the likely economic status of the next generation. However, in the following we focus on the factors affecting inequality at a more aggregate level than individuals, households or sub-groups of the population.

Trade Liberalization

Wage inequality has increased less in Europe than in the US and the UK for the same period (Lindert and Williamson 2001). The non-uniform increase in wage inequality among industrialized countries suggests that labor market policy matters. The 'transatlantic consensus' (Atkinson 1999) sees rising inequality as the product of exogenous, inevitable events. Wage inequality in OECD countries or unemployment is increasing on account of technical change biased against unskilled workers or on account of the liberalization of international trade and the increased competition from newly industrializing countries. Technology and reforms may change the size of the wage gap.

Atkinson's alternative approach sees inequality in part as socially generated related to the wage/productivity relationship and changes in labor markets,

¹⁷ The discussion here is related to factors that affect both within-country and between-country inequalities. It would be useful to broadly differentiate between factors affecting each of these two components while also allowing for their overlapping factors. It is desirable that emphasis should then be given to systematic discussion of colonialism, institutions and governance, international trade, international debt, defense spending, structural adjustments, and international aid. This will allow for heterogeneous perspectives on the problem. However, such systematic discussion is beyond the scope of this paper.

rather than trade or technology factors. Atkinson's view about rising inequality is in contrast to the widely held belief that it is an unavoidable consequence of the present revolution in information technology or the globalization of trade and finance. Redistributive policy measures of governments can counteract the rise in market income inequality.

The two most popular explanations for these differential trends are that the relative supply of skills has increased faster in Europe, and European labor market institutions in different ways have prevented inequality from increasing. In relation to the effects of trade liberalization Fischer (2001) presents a general framework for the analysis of the evolution of the distribution of personal income following trade liberalization. Here wages determine the short-run, and interest rates the long-run evolution of inequality. Production factors and types of exports determine the effects of liberalization on inequality.

Wood and Ridao-Cano (1999) using data from 90 countries during 1960–90 find that greater openness tends to cause divergence of secondary and tertiary enrolment rates between more-educated and less-educated countries, and also between land-abundant (such as sub-Saharan African) and land-scarce countries.

Skills and Earnings

Acemoglu (2002) finds that the two traditional explanations (supply of skills and labor market institutions) of the different trends in inequality do not provide an entirely satisfactory explanation. A third explanation is that the relative demand for skilled labor has increased differently across countries (see also Williamson 1996). Wage compression and the encouragement of more investment in technologies have increased the productivity of less-skilled workers, implying a less-skilled-biased technical change in Europe than in the US.

In relation to the analysis of inequality, economic growth and mobility Gottschalk (1997) presents some basic facts on how the distribution of earnings and employment has shifted. In a case with multi-period earnings, the inequality in each sub-period and the mobility across sub-periods would both impact the inequality of the permanent (or average) earnings of individuals. The relation incorporating price adjustments indicates that individual year variances (inequality) and cross-year covariances (mobility) affect the variance of average income. There is a controversy over the explanation of these patterns. In the US there has been an increase in the demand for, and in the relative price of skilled labor. The decline in the wages of less-skilled laborers has resulted in unchanged average wages but earnings inequality has increased. Earnings inequality has however increased less due to labor market institutions and redistributive policies in Nordic and northern European countries than in other developed countries.

Variations in the distribution of skills and earnings among the major English-speaking countries (US, UK and Canada) and continental European Union countries raise the possibility that the differences in the distribution of skills determine income inequality. Empirical results by Devroye and Freeman (2001) based on data from eleven advanced countries show that skill inequality explains only 7 percent of the cross-country inequality differences. Most inequality is related to the within-skill groups generated from the pay mechanism, rather than the between-skill groups.

Growth and Redistributive Policies

Acemoglu and Ventura (2002) offer an alternative framework to the new classical growth model for analyzing world income distribution. They show that even in the absence of diminishing returns in production and technological spillovers, international trade based on specialization leads to a stable world income distribution. Specialization in trade reduces prices and the marginal product of capital and introduces diminishing returns. Concerning the role of institutions there is evidence that countries colonized by European powers that were relatively rich in 1500 are now relatively poor. This reversal is inconsistent with the view that links economic development to geographic factors, but consistent with the role of institutions in economic development. European intervention created an institutional reversion by encouraging investment in poor regions. The institutional reversal accounts for the reversal in relative incomes during the nineteenth century. Diverging societies with good institutions for their economic development took advantage of industrialization opportunities (Acemoglu, Johnson and Robinson 2002).

Atkinson (2000) has examined the redistributive impacts of government budgets in six OECD countries¹⁸ over the period from 1980 to the mid-1990s. All countries experienced a rise in inequality of market income but differed both across countries and over time with regards to the distribution of disposable income. In reviewing the actual government policy responses by taking unemployment benefits and personal income taxation as case studies, the changes to policy parameters differed in extent and even in direction. However, no clear pattern was found in the nature of the relationship between inequality and redistribution. In a global perspective inequality reflects both elements of within- and between-country income inequality components. The within-country com-

¹⁸. The countries include the United Kingdom, Canada, West Germany, Finland, Sweden and the United States.

ponents can be affected through policy interventions, but such interventions designed to affect global income inequality have proved to be a difficult task to co-ordinate (Cornia and Court 2001).

Integration and its links to economic growth, poverty reduction and increasing inequality are important issues which are often addressed. Quah (2001) addresses several questions in his study of economic growth and income inequality. The two main questions asked are: how quantitatively important is the causal relation and why should that relation matter? Improvements in living standards overwhelm any deterioration due to increases in inequality. Other forces through their impact on aggregate growth will also affect the poor – independently of the effect of inequality on the economic growth. Furthermore, the uses of the Gini coefficient might not reflect the true nature of inequality. Quah (2002) shows that neither of these possibilities (that growth causes inequality and the poor might be disadvantaged) is empirically testable for China and India. The findings indicate that only under inconceivably high increases in inequality would economic growth not benefit the poor, and the way inequality causes growth is empirically irrelevant for determining outcomes for individual income distributions. With reference to Dollar and Kraay's (2001) evidence on the gains and losses of growth to the poor, Ravallion (2001) finds large differences between and within countries on the impact of growth on the poor. Ravallion expresses the need for a deeper micro-empirical work on growth and distributional change to identify specific policies to complement growth-oriented policies.

A view that any inequality-promoting effect of growth is unlikely to be large enough in magnitude to swamp the beneficent effect of growth on poverty is not probably sufficient cause to concentrate on growth as the engine of poverty reduction. Growth combined with redistributive measures or simply redistributive measures alone could also reduce poverty.

Globalization

Globalization through the integration of economies and societies has been considered as a powerful force for economic development and poverty reduction. Although integration presents opportunities to reduce poverty, it also contains a significant risk of increasing negative effects like inequality, polarization, shifting power, cultural dominance and uniformity (Dollar and Kraay 2001; Dollar and Collier 2001).

The period 1870–2000 is classified into: the first wave of globalization 1870–1913, the de-globalization period of 1913–1950, the golden age of 1950–1973, and the second wave of globalization of 1973 onwards (see O'Rourke and Williamson 2000; O'Rourke 2001; Maddison 2001). The empirical evidence shows that

during the first wave of globalization the convergence in per capita income and real wages took place within the Atlantic economies due to an increase in international trade and massive international migration. The de-globalization period is characterized by a widening disparity between the richest and the poorest regions and among the Atlantic economies. The golden age period is seen as a time of rapid growth, relative stability and declining inequality.

In recent years, research on the link between globalization and world inequality has been intense. Three main approaches are distinguished (Wade 2001b). First, neoclassical growth theory says that national economies will converge in their average productivity levels and average incomes because of the increased mobility of capital. Second, endogenous growth theory states that diminishing returns to capital are offset by increasing returns to technological innovation in the developed countries. It is to be noted that neoclassical theory predicts convergence (equality) while the endogenous theory predicts less convergence or divergence (inequality). Third, proponents of the dependency approach maintain that convergence is less likely and divergence more likely because of the differential benefits from economic integration and trade, restricted free market relations, and the fact that developing countries are often locked into producing certain kinds of commodities.

The channels through which globalization affects world inequality are identified by Wade (2001b) to be: commodity price equalization, factor price convergence due to international migration and capital mobility reducing wage inequality and differentials in marginal products and rates of returns of capital among countries, and the dynamic convergence in per capita income growth where the growth rate is positively related to the distance to the steady state.

During the golden age period there was a considerable convergence among Western European economies and OECD countries and a decline in the GDP gap in per capita income between the poorest and the richest regions (see Solimano 2001). In his survey of trends in both international economic integration and inequality over the past 150 years, O'Rourke (2001) distinguishes between the different dimensions of globalization and within- and between-country inequality. Nineteenth-century globalization had large effects on within-country income distribution, but also heterogeneous effects on inequality across countries making rich countries more unequal. The twentieth-century evidence on such links is however mixed.

Mahler (2001) studies the issues of economic globalization, domestic politics and income inequality in developed countries in a pooled regression analysis using an unbalanced panel of LIS data on 14 countries where each is observed between 1 to 3 periods during the 1981–1992 time-frame. This approach differs from the dependency approach of Wade.¹⁹ The results show little evidence of a

systematic relationship between any of the three main modes of economic globalization (trade, foreign direct investment and financial openness) and either the distribution of disposable income or the earnings of households. The overall conclusion is that integration into the world economy does not systematically lead to an egalitarian distribution of income or earnings across entire economies. The modes of globalization are weakly and positively related to the fiscal redistribution in the countries studied. Politics continues to play a critical role in determining the distributive outcomes in the developed world. Economic globalization is compatible with a wide variety of political interactions leading to a wide range of distributive outcomes.

With reference to a number of studies such as Milanovic (2002a) and Dikhanov and Ward (2002), Wade (2001a and 2001b) argues that the global distribution of income is becoming ever more unequal. Inequality is increasing faster than hitherto suspected, and for Wade governments should respond and be more proactive. In sum the studies reviewed here indicate that globalization has been a force for between-country divergence. The unequal distribution of industrialization has been an important factor promoting divergence.²⁰

Democracy and the institutional structure of international society are also expected to have a relationship with income inequality. In a survey of the empirical relationship between democracy and inequality Gradstein and Milanovic (2002) based on results from the transition economies show that there are some indications regarding a positive relation between democracy and inequality. Hurrell (2001) considers the link between international institutions and global economic justice. The institutional structure of international society has developed but continues to constitute a deformed order. Hurrell examines why international distributive justice remains so marginal to the current practice.

Heshmati (2003; 2004g) presents measurement of a multidimensional index of globalization. The index is composed of four main components: economic integration, personal contact, technology, and political engagements, each developing differently over time. This breakdown of the index into major components makes

¹⁹ The dependent variable is defined in three different ways as: (i) the 90/10 ratio of size-adjusted disposable household income, (ii) the 90/10 ratio of earnings inequality, and (iii) fiscal distribution defined as social benefit expenditures as a proportion of GDP. The independent variables include: trade openness, outbound investment, financial openness, left party balance, electoral turnout, union density, wage-setting institutions, and log absolute GDP.

²⁰ For further discussion of globalization and its effects on inequality see Williamson (1996).

it possible to identify the sources of globalization and to associate globalization with economic policy measures to bring about desirable changes in national and international policies. In a regression analysis Heshmati investigates the relationship between income inequality, poverty and globalization. Results show that the globalization index explains only 7–11 percent of the variations in income inequality, and 9 percent of poverty among the countries. By decomposing the aggregate globalization index into four components, results show that personal contacts and technology transfers reduce income inequality, while economic integration increases income inequality. Political engagement is found to have no significant effects on income inequality. The economic globalization component increases poverty, while personal contact reduces poverty. When controlling for regional heterogeneity, Heshmati finds that the regional variable plays an important role in explaining the variation in income inequality and poverty, thereby making the globalization coefficient insignificant.

Summary of Factors Affecting World Income Distribution

The non-uniform increase in wage inequality, the technical change biased against unskilled workers and the government's redistributive policies have resulted in the heterogeneous development of inequality among industrialized countries. In addition to the geographic factors, institutional structure and democracy play a role in the economic development and inequality of countries. Between-country inequality dominates the within-country component. The later can be more easily affected through policy interventions. Growth is found to increase income inequality. However, several studies conclude that the benefits of growth exceed the disadvantages to the poor. More evidence based on better data is needed to make inferences on growth and within-country distributional changes. Further studies are also needed to investigate the channels through which globalization affects world income inequality. Finally, the multidimensional links and direction of the causal relationships between the determinant factors (other than inequality growth and openness) have been neglected in the previous research.

REDISTRIBUTION OF WORLD INCOME

In this review a number of ways to construct world indices of income distribution and measure global income inequality reflecting both between- and within-country inequalities have been presented. Few studies compare the individuals' income distribution of the world. A combined micro and macro approach is often used where mean per capita income complemented with some measures of income dispersion, or income shares from household surveys and demographic

information is the standard data requirement to construct the world income distribution. Economic growth, population growth, life expectancy, and changes in the structure of income inequality are the most important factors determining the evolution of world income distribution. Empirical results show that world inequality measured as the Gini coefficient increased somewhat and poverty measured as headcount index (the share of the population whose income is below the poverty line) decreased. In sum, inequality within individual countries is not increasing but inequality between countries and regions is increasing as is the concentration of poverty in some regions. Given the skewed world income distribution and its development, the rest of this section reviews engaging and creative studies on how to bring about necessary changes to world income distribution in a desirable way. This section serves also as a summary of the review.

The issue of why we measure inequality is analyzed by Kaplow (2002). From the public finance perspective the problem of global redistribution has the same structure as the problem an individual country faces, namely the trade-off of efficiency costs of a progressive tax-transfer system against a more equal distribution of the welfare it achieves. World redistribution (cross-border transfers) is small relative to world inequality. Kopczuk, Slemrod and Yitzhaki (2002) investigate whether these minimal transfers are optimal, what the optimal transfers are, and consider the hypothetical case of an optimal linear world income tax that maximizes a border-neutral social welfare function. Using data from 118 countries a drastic reduction in world consumption inequality, a dropping of the Gini coefficient from 0.69 to 0.25 is obtained. However, decentralized within-country redistribution has little impact on overall world inequality. The actual foreign aid transfers from the US and other industrialized countries to the poor countries is a reflection of either placing a much lower value on the welfare of citizens of the poorest countries or else expecting that a very significant fraction of cross-border transfers is wasted.

The relative stability of income inequality within countries over time and the significant variability among countries is determined by political factors (civil liberties and schooling) and the way the capital market functions (financial depth and distribution of land), respectively (Li, Squire and Zou 1998). From the previous discussion of international and the intra-national inequality we can conclude that inequality is determined by factors that change slowly within countries but are quite different across countries. An optimal combination of cross-boarder transfers and within-country redistributive policies may simultaneously reduce substantially both within- and between-country inequalities.

Cornia and Court (2001) in a policy brief using the WIID database, covering the second wave of globalization, report changes in within-country income inequality and discuss the links between poverty, inequality and growth. The

analysis highlights five main issues. First, inequality has risen since the early to mid-1980s. Second, what are traditionally seen as the most common factors causing inequality such as land concentration, urban bias and inequality in education are not responsible for worsening the situation. The new causes identified are the liberal economic policy regimes and the way in which economic reform policies have been carried out. Land reform, expanding education and active regional policy are recommended as measures to reduce inequality among areas, genders and regions. Third, the persistence of inequality at high levels makes poverty reduction difficult. There is a negative relationship between inequality and the poverty alleviation elasticity of growth (see also Cornia and Kiiski 2001). Fourth, a high level of inequality can depress the rate of growth, affect the stability of the global economy and have undesirable political and social impacts putting the market and globalization model at risk of a political backlash (see also Birdsall 1998). Fifth, developments in Canada and Taiwan show that low inequality can be maintained at fast growth.

Economic growth has often been given priority as an anti-poverty measure, but the negative link between growth and inequality has often been ignored by policymakers. Rising inequality threatens growth and poverty reduction targets calling for more distributionally favorable pro-growth policies. Policies offsetting the affect on inequality of new causes is designed and incorporated in a revised development approach called 'the Post-Washington Consensus' (Stiglitz 1998). These policies include measures to offset the impacts of new technologies and trade, macroeconomic stability, careful financial liberalization and regulation, equitable labor market policies, and innovative tax and transfer policies. Stiglitz concludes that the international community should consider distribution issues in advising on policy, avoid distributive distortions, try to reduce output volatility and increase external budgetary support.

Caminada and Goudswaard (2001) study the association between international trends in income inequality and social policy. They investigate whether changes in the overall distribution of income in OECD countries during the last two decades can be attributed to social policy measures. For most countries they find a possible relationship between changing welfare policies and changing income inequality, especially in the UK and the Netherlands. Fundamental social security reforms have made the income distribution less equal. Social transfers varied enormously across 15 EU countries in 1994. Heady, Mitrakos and Tsakloglou (2001) analyze the comparative effects of these transfers on inequality using the European Community Household Panel data (ECHP). The results show increasing distributional impacts of these transfers and the share of GDP spent on them (high in Denmark and the Netherlands and low in Greece and Portugal). However, the extent of means testing (high in the UK), the distribu-

tion of different funds and the degree of targeting for each transfer also affects their impacts.

Locations in combination with immobility of factors are important for the incidence of poverty and justify regional targeting to reduce poverty. As an example Park, Wang and Wu (2002) evaluate the effectiveness of regional targeting in China's large-scale rural poverty alleviation investment program that began in 1986 using a panel of all counties in China for the period 1981–1995. A number of targeting gaps and targeting error measures describing weighted mistargeting are defined. The evidence suggests that political constraints are likely to undermine regional targeting programs at the county level or higher. Targeting townships is the preferred level of targeting. There exist tradeoffs between targeting and other social objectives causing the deviation of optimal targets from the perfect ones.

In view of the above and from a public finance perspective global redistribution has the same structure as that of an individual country. World redistribution in the form of cross-border transfers is very small and not optimal relative to world inequality. Within-country redistribution has little impact on global inequality. Political and capital market factors determine the stability, changes and levels of inequality across countries. Land reform, expanding education and active regional policies are found to be effective economic reform policy measures to reduce inequality. On a smaller regional scale such as the EU, social security reforms show evidence of the positive impacts of taxes and targeting transfers on the distribution of income and inequality within and between the EU member countries. Political constraints and the level of targeting are important to the success of the regional targeting programs to reduce poverty.

In the analysis of factors causing inequality, it would be useful to broadly differentiate between factors affecting each of the within- and between-country components of inequality while also allowing for their overlapping factors. In the case of developing countries, the emphasis should be placed on the systematic discussion of important factors such as colonialism, institutions and governance, international trade, international debt, defense spending, infrastructure for economic development, structural adjustment programs and international aid. This will allow for the emergence of heterogeneous perspectives on the problem of inequality and the availability of resources and measures to reduce inequality.

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Appendix A – A Selection of Studies of the Distribution of Income among the World Individuals

| No. | Author(s), Year | Measure of distribution | Measure of income | Period of study | No. of countries | Main results | Other issues |
|-----|----------------------------------|---|---|---------------------------------|--|---|---|
| 1 | Bourguignon and Morrisson (2002) | Gini, Theil coefficient, Mean log deviation, and Std dev. of log. | GDP per capita in PPP, population, 9 decile + 2 vintile | Early 1820s to 1992 | 33 single and multiple groups of countries | Inequality increased until WWII, then stabilized or increased | During 19 th century inequality in longevity increased |
| 2 | Milanovic (2002a) | Gini index | Disposable income or expenditure per capita | Unbalanced around 1988 and 1993 | Three groups and a total of 91 countries | Inequality increased driven by between-country mean income | Based on household surveys and adjusted for PPP |
| 3 | Sala-i-Martin (2002a) | 7 indices: Gini, Var. log Income, Atkinson, MLD, Theil, CV | GDP data combined with within-country income share | Unbalanced 1970–1998 | Three groups and a total of 125 countries | Reduction in global income inequality and between-country driven inequality 1980–1998 | Unless Africa starts growing, inequality increases again |
| 4 | Sala-i-Martin (2002b) | 9 indices: Gini, Var. log Income, Atkinson, MLD, Theil, CV, 2 ratios of decile distr. | GDP data combined with within-country income share (29 countries projected) | Unbalanced 1970–1998 | Three groups and a total of 125 countries | Reductions in income inequality during 1980s and 1990s | To treat all citizens within a quintile as equal gives correct answer to inequality |
| 5 | Park (2001) | Gini index | GDP per capita (?), deciles of world income distribution | 1960–1992 | 133 countries | Inequality increased 1960–68, and declined 1976–92 | Inequality among nations |
| 6 | Quah (1999) | | Combine per capita income and personal income distribution | 1980–1992 | No information | Increased between-country inequality derived from macroeconomic growth | Incomplete |
| 7 | Schultz (1998) | Variance of log income, Theil entropy index and Gini concentration ratio | Real income (GDP) converted to US 1985\$ by foreign exchange rates and by PPP | 1960–1989 1989, 1994 | 120 countries | World inequality increased from 1960 to 1968, and decreased from the mid-1970s | Two-thirds of inequality is inter-country and one-third intra-country |

Appendix B – A Selection of Studies of the International Distribution of Income

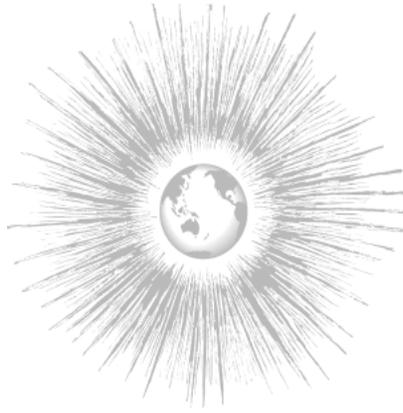
| No. | Author(s), Year | Measure of Distribution | Measure of Income | Period of Study | No. of Countries | Main results | Other Issues |
|-----|-------------------------------------|---|--|--|---|---|---|
| 1 | Acemoglu (2002) | Growth model | Real income | Unbalanced (2–4) periods, 1979–1997 | 12 OECD countries | Heterogeneous increase in wage inequality more evident in US and UK than elsewhere | Differences in the increases in relative demand for skills |
| 2 | Acemoglu and Ventura (2002) | Log GDP 1965 vs 1985 Growth model | Log GDP | 1965 and 1985 | 79 countries | International trade leads to stable world income distribution | Estimate the extent of terms of trade effects on income |
| 3 | Milanovic (2001 / 2002a) | Gini index | Disposable income or expenditure per capita | Unbalanced around 1988 and 1993 | Three groups and a total of 91 countries | Inequality increased driven by between-country mean income | Urban-rural differences in China, slow growth of rural areas in S. Asia |
| 4 | Milanovic (2002b) | Mean-normalized average incomes of each decile across countries | Disposable income | Around 1988 (between 1985 and 1991) and 1993 (between 1992 and 1997) | 87 countries | At very low average income level, rich benefit from globalization (openness, FDI) | The effect of openness on income distribution depends on initial income |
| 5 | Kopczuk, Selmrod and Yitzhak (2002) | Gini index | Based on net or gross income and consumption | One period 1991–1997 | 118 countries | An optimal linear world income tax drops Gini from 0.69 to 0.25 | Actual foreign aid is much lower than optimal income tax |
| 6 | Sala-i-Martin (2002a) | 7 indices: Gini, Variance of log Income, Atkinson, MLD, Theil, CV | GDP data combined with within-country income share | Unbalanced 1970–1998 | Three groups and a total of 125 countries | Reduction in global income inequality and between-country driven inequality 1980–1998 | Unless Africa starts growing, inequality increases again |
| 7 | Li, Squire and Zou (1998) | Gini index | Expenditure or income | 1947–1994, 5-year averages | 49 countries | Inequality stable over time and varies across countries | Political and market imperfection factors affect inequality |
| 8 | Jones (1997) | GDP per worker relative to US 1960 vs 1988 | GDP per worker relative to US | 1960 and 1988 | 121 countries | Fast growth, rapid growth in China and India new phenomenon | Use: growth model, where headed, how steady state changes |

Appendix C – Factors Affecting the Shape of the World Distribution of Income

| No. | Author(s), Year | Measure of Distribution | Measure of Income | Period of Study | No. of Countries | Main Results | Other Issues |
|-----|---------------------------------------|-----------------------------------|---|-------------------------------------|--|--|---|
| 1 | Acemoglu (2002) | Growth model | Real income | Unbalanced (2–4) periods, 1979–1997 | 12 OECD countries | Heterogeneous increase in wage inequality more evident in US and UK than elsewhere | Differences in the increases in relative demand for skills |
| 2 | Acemoglu, Johnson and Robinson (2002) | GDP per capita, urbanization | GDP per capita, urbanization | 1500–2000 | Different in different periods | Institutional reversal accounts for reversal in relative incomes | Role of institutions in economic development |
| 3 | Acemoglu and Ventura (2002) | Log GDP 1965 vs 1985 Growth model | Log GDP | 1965 and 1985 | 79 countries | International trade leads to stable world income distribution | Estimates the extended terms of trade effects on income |
| 4 | Dikhanov and Ward (2002) | Gini and Theil indices | Personal consumption expenditures | 1970, 1980, 1990 and 1999 | 45 countries | Inequality grew in 1970–1990. Complex development in 1990s | Neither growth nor aid provide panacea to reduce poverty |
| 5 | Gradstein and Milanovic (2002) | Change in Gini | Disposable income or expenditure per capita | Average 1989–1997 | 21 transition countries | Positive relationship between democracy and equality | Method. Problem, inequality and democracy, data comparability |
| 6 | Milanovic (2002a) | Gini coefficient | Disposable income or expenditure per capita | Unbalanced around 1988 and 1993 | Three groups and a total of 91 countries | Inequality increased driven by between-country mean income | Urban-rural differences in China, slow growth of rural areas in S. Asia |
| 7 | Quah (2002) | Gini coefficient | Per capita income | 1980 and 1992 | India, China and USA | Improvements from growth is greater than deterioration for poor | Does inequality cause growth? |
| 8 | Cornia and Court (2001) | Gini coefficient | Income | Unbalanced 1960–1997 | 73 countries | Technological change and globalization drive increases in inequality | Policies of education and labour market |
| 9 | Fischer (2001) | Gini coefficient | GDP per capita? | Unbalanced 5 year averages | 66 countries | Effects of trade and production factors on income distribution is mixed | In long run interest rate, in short run wage-wealth ratio |

Appendix C (Continued)

| No. | Author(s), Year | Measure of Distribution | Measure of Income | Period of Study | No. of countries | Main Results | Other Issues |
|-----|-------------------------|---|---|-----------------------------------|-------------------------|--|---|
| 10 | Mahler (2001) | Gini, 90/10 ratio of disposable income & earnings inequality, fiscal redistribution | Disposable personal income, earnings, fiscal redistribution | Unbalanced 1981–1992, 1–4 periods | 14 OECD countries | Little evidence on systematic relationship between inequality and globalization | Policies play role in determining the distributive outcomes |
| 11 | O'Rourke (2001) | Gini coefficient, Theil, and Q5/Q1 ratio | Not defined | 1960s, 1970s, 1980s, 1990s | Regional numbers | Globalization has impact on within- country inequality | More evidence on global and between country inequality |
| 12 | Quah (2001) | Gini coefficient | Per capita PPP adjusted real GDP | 1980 and 1992 | India, China and USA | Poor benefit from growth | Does inequality cause growth? |
| 13 | Ravallion (2001) | Gini coefficient | Private consumption per capita | Unbalanced 1980s–1990s | 47 developing countries | Heterogeneous impact of growth on the poor, initial conditions matter | Deeper micro empirical work, policies & programs |
| 14 | Atkinson (2000) | Gini coefficient | Market and disposable household income | Unbalanced 1961–1997 | 5 OECD countries | Rising wage dispersion and persistent unemployment. Explains inequality | Role of government budget on evolution of disposable income |
| 15 | Dollar and Kraay (2001) | Gini coefficient | Real per capita GDP at PPP in 1985 international dollars | Unbalanced 1950–1999 | 137 countries | Several determinants of growth have little systematic effects on income of poor (Q1) | Several factors may have direct effects on incomes of poor through their effects on income distribution |
| 16 | Atkinson (1999) | Gini coefficient | Market income, disposable household income | Unbalanced 1978–1999 | 8 OECD countries | Driving force is social in origin not trade or technology | Rising inequality is not inevitable, policy affects social norm |
| 17 | Williamson (1996) | | Real wages per day | 1870, 1890, 1913 | 14 OECD countries | Globalization, labor saving tech. Change and trends affect inequality | Inequality is a side effect of globalization |



ABSTRACT:

This article considers capitalism as a dissipative system, developing at the expense of exporting disorder into two sorts of 'environment': the physical ecosystem; and a subordinate area of society which serves to nourish mainstream order without experiencing its benefits. Particularly significant is the relationship between the two forms of dissipation. The paper begins by assessing the dangers of translating systems theory into social relations, concluding that the project is nevertheless worthwhile, provided that exploitation and struggle are constantly borne in mind. Exploring the concepts of 'core' and 'periphery,' the paper highlights the contradictory nature of an attribute of chaos which is both ascribed to the out-group, and also really exported to it. If the core's growth merely destroyed peripheral order, the entropy of capitalism would be starkly exposed in the form of an exhaustion of future room for maneuver. This problem can be kept at bay by maintaining a self-reproducing 'low' order within the subordinate social system; however the fundamental entropy is still there, and will sooner or later manifest itself in the shape of threats to the *sustainability* of that subordinate system. At the level of the international political economy (IPE), this dialectic unfolds against the background of a 'lumpy' development whereby (following structural crises) order can be reconstituted, but at a cost which must be absorbed somewhere. In the case of the post-World War II reordering, this cost was massively exported

to the physical environment. Since a high level of ecological depletion now appears permanently embedded within the capitalist IPE, future major efforts of order-building cannot rely on this dimension to the same degree, and must instead access some new forms of dissipative relationship with the *social* environment. The paper argues that this is the fundamental significance of the 'sustainable development' discourse: it brings together the physical and social environments into a single approach, where substitution between one and the other can be experimented. To some extent, the social environment can be treated as 'fuel,' and contemporary management systems are noteworthy for exploring the access to an added value through the self-exploitation of small producers, realized through emergent process such as production chains. But ultimately, the 'fuel' definition cannot be separated from the other definition of dissipation, the export of disorder; and this must be managed somehow. The dominant interests respond by means of social engineering in the periphery, for example by pushing the sustainability notion in the direction of social development theories like 'sustainable livelihoods.' Most immediately the problem appears in the form of purely negative phenomena: namely unmanageable levels of poverty and conflict. But there is another issue, even more threatening to the capitalist order, but hopeful for those critical of it: the increasing likelihood of unco-opted forms of emergent social order.

THE INTERPLAY BETWEEN SOCIAL AND ENVIRONMENTAL DEGRADATION IN THE DEVELOPMENT OF THE INTERNATIONAL POLITICAL ECONOMY*

Robert Biel

INTRODUCTION

The maintenance or regulation of any system necessarily comes at the expense of dissipating disorder into a surrounding system. Capitalism seems to contain mechanisms which cause it to 'overdevelop,' and hence to generate an excessive amount of disorder which must be absorbed somewhere. This article will argue that this takes two forms. On the one hand, human society has a physical environment, the ecosystem. Its relationship with this environment should be, and through most of history has been, handled in a sustainable way. But since the capitalist mode of production has taken hold of society, it has subordinated this relationship to its own demands and is developing in a way which clearly undermines the integrity of this surrounding system. Secondly, looking within society,

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* This article is dedicated to the late Mark Jones. In discussing my book *The New Imperialism* (Biel 2000) shortly before his death in 2003, he pointed out the need for a fundamentally improved understanding of the relationship between imperialism and the environment. I began to attempt this in a preliminary way in a new chapter for a forthcoming second edition of that book, which focuses on the international politics dimension, namely the current militaristic and repressive phase which I consider as an irreversible response to the entropy in capitalism. In the present paper, I have left aside the international politics aspect in order to concentrate on developing the theory which underlies it. I am grateful for the referee's comments on the first version of this paper.

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although in one sense the social space as a whole is under the sway of capitalism, this always presupposes a division into one area which appropriates the benefits of order, and another which pays the price. This division can be understood in several ways: at a gender level, at a class level, in the North-South divide, in regional disparities and increasingly in various forms of the marginalization and exclusion of an out-group. In this article, I loosely use the concept of core and periphery to characterize such relationships, and argue that these relationships are also dissipative ones.

This general picture makes intuitive sense, but leaves many unanswered questions. For example, to what extent can we legitimately transpose ideas from physical systems into social ones? If we are to make such a transposition, what is the relationship between structure and agency in the way systems operate? Can we give a coherent definition to the concept of regulation, employed in both physical and social sciences but seemingly without much consistency between the two? And what is the equivalent of entropy within the capitalist mode of production?

This article aims to map out the terrain. It seeks to aid future research by giving more complete formulations of these and similar questions, and wherever this is necessary for the purposes of its main argument, to propose tentative answers to them. The main thrust of the article is to consider an issue of outstanding importance for the current and future world order. Assuming that these two forms of dissipation exist, how does the mode of regulation of capitalism handle the relationship between them? Can it, for example, sidestep limits in the absorption (carrying capacity) of one sphere by augmenting that of the other? This enquiry will involve us in a close examination of the workings of the mode of production. We will be operating with the fundamental approaches employed in the Marxist tradition, but aiming to examine them in a fresh way by using the systems perspective.

THE ENVIRONMENTAL COST OF ORDER

According to the Second Law of thermodynamics, a system, left to itself, will not move toward higher order; instead, its entropy will tend to increase. If it is to defy this restriction, it must do so through a 'dissipative' relationship with a surrounding system, which constitutes its environment (Kay 1991): order-building is compensated by an increase, within that environment, of a disorder which is in some sense its negative reflection.

For the human social system, this most obviously occurs in our relationship with the physical environment. Any striving for higher order—expressed as 'development'—*must* be dissipative; but it *may or may not* be sustainable. This

distinction is important. A social system fuelled essentially by solar energy is dissipative because its order is compensated by the degradation of the sun, but from a practical point of view the extremely long time scale means that it can be considered sustainable (Georgescu-Roegen 1975). This is in fact the only meaningful definition of sustainability.

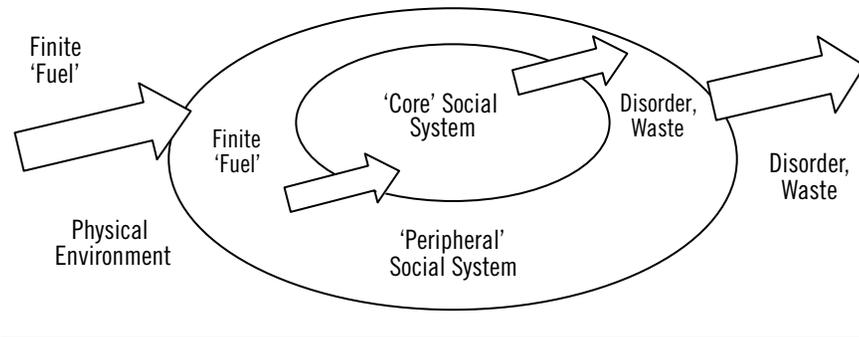
Social development may depart from this sustainability criterion. The basis for such a possibility is that society does not principally interact *directly* with the solar system, but rather through the intermediary of the earth's ecosystem, which processes and filters solar energy. *We can define as unsustainable any development of social order which is fuelled by the degradation of this environment* (of the ecosystem itself, rather than of the sun). Such degradation can be illustrated under the following forms:

- (a) The plant and animal populations which embody solar energy in a socially useful form could be consumed—or (of particular significance in the contemporary context) *manipulated*—in a way which undermines their reproduction, or their interdependent systemic relationship to one another.
- (b) Non-renewable deposits of so-called 'natural resources' can be conceptualized as a form of 'negative entropy' or 'exergy' (Dincer 2002), converted into entropy as they are used up. Any development primarily fuelled by these will exhaust itself.
- (c) The ecosystem has developed self-regulating mechanisms, most importantly for the regulation of temperature. Development could take a form which undermines these.

A social system would be inherently unsustainable if *its own characteristic systemic processes* developed in such a way as to undermine those of the ecosystem. It seems probable that capitalism has done just that. Let us consider the form that this could take.

It is reasonable to argue that the key driving principle of contemporary society is capital accumulation, and this has been recognized to have implications for creating unsustainable levels of entropy (Prew 2003). The most basic explanation of this is that accumulation has the characteristic of a positive feedback loop. Positive feedback describes any process where the result amplifies the original cause. This property can be utilized creatively (in acoustics, it is utilized with the electric guitar, for example), but there is always a dangerous aspect in positive feedback because it can initiate runaway processes. The accumulation of wealth has always implicitly carried this risk (a certain amount of wealth conveys the power to accumulate more, and so on); traditional society developed counter-acting mechanisms to prevent this overwhelming all other social criteria (Biel 2000), but with capitalism, these safeguards were removed. Economics often

Figure 1 – The Two Levels of Dissipation



pursues 'self-sustained' growth, which is presented as a desirable goal, but the systems perspective would dissect this notion critically. The image is partly true, but it is precisely where it is true that it is most dangerous: the dynamic of positive feedback loops is indeed self-sustained. The false aspect is the assumption that growth sustains (nourishes) itself *from itself*, whereas in reality it depends on an environment to degrade. A classic of the environmental literature, the *Limits to Growth* (Meadows et al. 1972), although mechanistic in some of its attempts to apply systems concepts (notably with respect to population), had the underlying merit of recognizing that capital accumulation would inevitably enter into contradiction with the ecological systems which support life. Much of the subsequent history of mainstream environmentalism has been dedicated to obscuring this dangerous truth.

Whatever its implied feedback-generating qualities, wealth cannot by itself accumulate: it requires social conditions. So far, we have assumed that the only dissipative relationship is the one between society 'as a whole' and its external physical environment. We could indeed theoretically imagine a society which is unified internally, but develops at the expense of unsustainable physical environmental degradation. But this is not applicable to the case under consideration; for it is intuitively obvious that the accumulation feedback loop is premised on *division* within the social sphere.

I will therefore take the fact of social division (at several different levels) as fundamental, and on this basis will posit, as the main focus of this article, the idea that such internal relationships are *also* dissipative. This model, which will provide a point of reference for our subsequent discussion, is set out graphically in Figure 1. Here, one form of dissipation/degradation is embedded within the other.

In Figure 1, order in a useful sense—experienced as stability, predictability, equilibrium or development—is established only within *part* of society. The

remainder operates as a social environment, from which the core can extract a kind of 'fuel' or to which it can export disorder.

PROBLEMS IN TRANSLATING SYSTEMS CONCEPTS INTO THE SOCIAL SPHERE

The implication here is that the key concepts of the systems approach—the 'cost' of order, dissipation etc.—are in some sense applicable *within* the sphere of social and productive systems. There is much interesting potential in such an approach, not least in pursuit of a unified view of the ecological and socio-economic parameters of capitalism, perhaps in finding a common language whereby one could integrate contributions from several different disciplines as part of such a project.

However, the issue of translating systems terminology into human social systems is fraught with difficulties. I will argue that this is not a reason for not attempting it, but it undoubtedly requires a consciousness of the pitfalls. A comprehensive examination of such problems is beyond the scope of this article, nor would it necessarily be the most fruitful idea to attempt this in the abstract. What we are attempting here is rather to examine the systems approach by applying it concretely to a particular problem, thereby hopefully demonstrating that there is something of value in the project. It will nevertheless be helpful at this point briefly to indicate some of the pitfalls and how they could be avoided.

The big potential danger seems to arise when we objectify systems as entities with their own propensities. It is true that this is not really our main aim: it is perfectly valid to focus our attention on certain explanatory tools of systems theory such as the notion that order in one part of the system is in some sense reflected in disorder elsewhere. Nevertheless, it is hard to explore this without impinging on areas such as the notion of systems generating their own modes of regulation (including feedback processes); of phase transition between one large-scale structure and another; and of emergence as the self-creation of order. It would be naïve to suppose that we could address such questions without at some point confronting the objectification/propensities issue, and making explicit our stance.

The first thing to be conscious of, and to demarcate ourselves from, is the reactionary usage of the notion of objectified systems as a justification of the status quo. In a sense this is characteristic of the whole history of liberalism: Adam Smith's notion of a 'hidden hand' says that, out of the pursuit of individual acts of self-interest, arises an order superior to anything which could be created by conscious intervention. More recently, Hayek's (1973) position, which forms one of the bases of contemporary neo-liberalism, pushed this in a structuralist direction, to produce a notion of spontaneous order. These perspectives

supplemented the religious justifications of the status quo employed by earlier exploitative systems, their function being therefore perhaps primarily ideological. This is not to downgrade the importance of the ideological dimension. On the contrary, the embedding of the mode of production within belief systems is fundamental to its functioning. But in emphasizing the deceptive aspect of the systems perspective, we risk losing sight of an important and less obvious dimension: capitalism *really* operates as a system, and its theories may benefit from recognizing this fact. The market is in some sense an efficient mechanism of exploitation, precisely because it enables exploitative relations to self-engineer themselves. Arguably, it is one of the intrinsic rules of capitalism as a system, without which it would cease to be what it is. The systems concept applied to the market can therefore be regarded as part of a body of knowledge which reflects real-world issues, but which is developed one-sidedly and thereby 'anchored' in the interest of the ruling establishment (cf. Lenin 1961 [1915]: 363).

As well as generally presenting the market as the solution (rather than as the problem), the liberal discourse also serves the status quo by concealing important elements of the really-existing system. It keeps quiet about predatory corporate interests which function to channel the value generated by the self-engineered exploitative relations of the market sphere, and about the crucial role of the state in backing such interests. But capitalist self-reflection cannot afford totally to ignore these important aspects. Consequently it has increasingly supplemented its market-fundamentalist facet with a systems perspective on issues such as governance. Here too, there is a strong aspect of ideology: the whole notion of globalization serves as an umbrella concept to justify any aspect of the status quo as an inevitability. But the recent debates also address real issues of the mode of production and indeed perhaps, by monopolizing the terrain, inhibit a more radical and critical use of systems theory to analyze them. The key weakness of market-fundamentalism was the assumption that all relationships are transient, whereas the real world witnesses emergent structures at a number of levels. One of the major developments of capitalism over recent years has been to take this on board: industrial clusters, the notion of 'network capitalism' (cf. von Tunzelmann 2003), and so on. But of course this is used in such a way as to inscribe these developments within a fatalistic subservience to global accumulation processes, to foreclose the debate about alternatives or about radical adaptations of such processes. It is all too easy to make a transition from sound thermodynamics to dubious social theory (for example, Wall 1993) if one forgets the manipulative dimension of current management doctrines.

We can convincingly argue that the pro-status quo usage of the systems approach is foreign to the essential nature of that approach, in the sense that the latter is inherently open-ended and non-teleological. This suggests that to a

certain extent we could conduct a critique of the establishment discourse from within the realms of systems theory itself. Nevertheless, such an approach would obviously not be adequate. In this article, our main working rule of thumb has been not the abstract logic of systems theory, but rather the reality of exploitation and struggle within social systems as they really exist. It is precisely because the systems approach (as applied to human systems) does not *inherently* encompass this dimension that it is open to abuse, and therefore that the dialogue with Marxism is important in strengthening and improving it.

While the foregoing argument has emphasized the distortions emanating from the pro-status quo forces, a second, and in a way converse, danger is the incorporation of excessive structuralism within left-wing perspectives. Mechanical materialism, determinism and linear views of development, although (as I certainly believe) foreign to Marxism's basic nature, have historically demonstrated a strong propensity to develop within Marxist-inspired currents of thought. Might not the dialogue with systems theory make this worse?

I will hope that the present article will show that this is not the case, and that the open-endedness of the systems approach is in fact an antidote to some of these risks. Without anticipating the subsequent argument, it is sufficient to raise the issue of the structure-agency debate within social science, and more particularly the issue of the correct attitude to structuralism. Structuralism has a strong tendency to reify systems and their 'propensities.' If we consider its expression in anthropology (for example, Levi-Strauss 1958), it seems clear that there are strong Eurocentric and gender biases in the way the propensities are defined, and it underestimates the importance of agency, most crucially of *struggle* (cf. Biel 2000). Despite this, I would argue for a progressive potential in some aspects of the structuralist approach. It seems correct to be sensitive to the notion of capitalism as a system with its own momentum, in fact a highly destructive one, a perspective which is certainly present in Marx's work; as such, the system develops self-preserving and self-regulating characteristics, a recognition which is surely central to the contribution of Gramsci.

To recognise this fact does not necessarily involve an over-emphasis on structure as distinct from agency. As I will argue below, although the concept of 'emergence' has some relationship with that of 'spontaneity,' it can be defined in such a way as to be fully open to the importance of conscious, intended action—and crucially, action not just by an elite but arising from the grassroots. The systems approach, in its emphasis on information, is capable of suggesting a new perspective on the structure-agency issue. The objective means of regulation within biological systems is the exchange of information, and, as Roederer (2003) points out, in the case of human systems this includes 'information about the future.' We can relate this to a particular slant on the question of 'agency'—that

is, the envisaging of desired outcomes—which therefore in a sense *becomes* the mode of operation of structure. Of course, within the mainstream discourse the systems perspective is currently imprisoned by a narrow framework which recognizes only the market as a conveyor of information; but if this narrow limitation is overturned, the emergent structures produced by information-flows, such as networking, could be broadened outwards as a principle of a new social order rather than being constrained into the role of generating efficient exploitative structures within the current one.

A SYSTEMS READING OF THE CONCEPTS OF CORE AND PERIPHERY

Following this brief discussion, we can consider the application of the systems perspective to the international political economy (IPE). A useful starting point is a concept drawn from an area of the literature which has already approached relations in the IPE in core-periphery terms: namely dependency theory.

There is an interesting contradiction underlying the whole notion of dependency. It is the core that is *really* dependent upon the periphery, because without the latter's inputs, or role as a sink, core order would be impossible. But in social systems, the core's dependence tends to be concealed; the official rules of its order typically make the relationship appear to be the reverse, as though the periphery is dependent *on it*. Gender studies has made a crucial contribution to understanding this issue: the public sphere, where the rules of order are debated, defines these rules in such a way as to conceal official society's dependence on the household (Hartsock 1983). Under capitalism, while the household constitutes a fundamental basis for the supposedly self-sustaining circuits of capital accumulation, it has typically been excluded from the *visible* expression of that accumulation, as we see in the exclusion of women's labor from the definition of gross domestic product which forms the basis of national accounting (Waring 1989).

In a theoretical sense, the core's very identity is dependent on the area from which its boundary separates it and which determines what it is not (cf. Zwick n.d.). This is implied in the philosophical principle "every determination is negation," or in the form developed by Hegel (1969: 528): "What something is...it is wholly in its externality."

Since the core defines itself as a negation of its periphery, an important issue arises in relation to the notion of chaos and disorder. As with dependence, there is a duality and contradiction in this notion. The supremacy of the core is asserted by vaunting its own order, achieved through the *ascription* of negative characteristics to the outsider. This can be studied in the literature on exclusion: the out-group's identity is manufactured as a representation of all the disorder the core purports to have abolished within itself (Sibley 1995). We can observe

this in concrete cases, for example the phenomenon of gated communities (Barry 1998). And in the literature on colonialism, it is clear that the core creates an invented (disordered) 'other' to fuel its own self-identity (Cesaire 1972 [1955], Curtin 1965). Colonialism is an act of expansion, not in the sense of the core admitting more regions to its own order, but of expanding the area within which the manufacture of identities is conducted on its terms. The assimilationist promise is therefore one of an illusory inclusiveness (Fanon 1965 [1961]). We can consider today's globalization discourse in a similar light: aggressively 'inclusive', but the very act of inclusion necessitating an act of homage to an imposed set of values. In all these processes, the periphery receives *false* attributes of chaos, so as to justify the imposition of order. In fact, the excluded experience implies a special definition of order; instead of stability or security, it signifies control.

But this ascribed chaos also becomes a self-fulfilling prophecy: the rise of core order is *really* reflected in an export to the periphery of a disorder which negatively reflects the order established within the core. In the colonial context, when resources were siphoned to lay the physical basis for core development, the old functioning social order was destroyed without being replaced by a systematically coherent alternative (Rodney 1972). The resultant situation of depleted order could be assessed, for example, by indicators such as poverty and conflict. One of the first to describe this relationship, in what can be considered a significant and underrated contribution to a systems reading of IPE, was Dadabhai Naoroji (1962 [1901]), who explicitly viewed poverty as an expression of 'drain,' of a depletion suffered by the colonized country, a siphoning of the material basis of order initially from the hinterland into the extraverted port-economy, and then internationally. Such clarity is anathema to contemporary mainstream poverty discourses.

The relationship between any system and its environment can be conceptualized not just as the export of disorder, but also as the fuelling of the core system *from* its environment. Since we are dealing in our model with two embedded processes—social fuelling embedded within physical-environmental fuelling—an extremely important issue arises in this context. We could confine the fuelling issue purely within the social sphere (bounded by the outer oval in Figure 1 depicted earlier). In this case the fuelling would be based on human resources. This is a highly significant dimension, whose importance was illuminated by the radical Black perspective in its treatment of the slave trade (James 1980 [1938]). But it is at the same time evident that the core's control of its social environment (periphery) also confers access to resources from the *physical* environment, situated in or managed by that periphery. In other words, the control of one environment (the social) confers that of the other (the ecosystem). Again, the gender literature has contributed decisively in pinpointing this relationship, notably in

Carolyn Merchant's (1990) 'death of nature' thesis: the destruction of women's autonomy in early capitalist society removed the restriction on manipulating the genetic resources of the plant and animal populations over which women used to act as guardians, and on access to the mineral resources which earlier taboos had shielded within what was considered the womb of the earth-mother. In the North-South context, the relationship is empirically obvious: the supposedly self-reproducing accumulation circuits in the core are dependent upon the supply of cheap cash crops or minerals. These exact a cost not only in the depletion of the human resources used to produce them, but also in physical environmental degradation (for example, in the case of cash crops, by causing soil erosion or lowering the water table). In Stephen Bunker's (1985) work, a significant contribution to viewing the North-South relationship in explicit systems-theory terms, the social and physical-environmental aspects of the degradation of the periphery are virtually inseparable.

These contributions can guide us towards a very important level of analysis, in the sense that they posit the existence of a close relationship between the two forms of degradation outlined in Figure 1, but they still leave unanswered questions about what that relationship *is*. In particular, Bunker's model implicitly assumes the two forms of degradation to be necessarily positively related, but this would still need to be demonstrated.

We can indeed conceive of systemic mechanisms which seem to bind the two together in a mutually-reinforcing relationship. Since exchange is both an economic category and a thermodynamic one, it may be possible to construct models encompassing both. Hornborg (2001) has provided an interesting illustration of how this could work, and in particular how it could continue or become intensified in a post-colonial context. In thermodynamic terms, the act of production is really one of depletion or lessening of order, because it converts exergy into entropy (cf. Wall 1993). But because manufacture fictionalizes this act as one of creation, the value attributed to the finished product is greater than that of the raw materials which went into it. Goods manufactured in the core (the North) can therefore be exchanged at high prices for raw materials exported from the South at lower prices, which in turn permits access to an *increased* quantity of resources to fuel the next circuit (Hornborg 2001). It is clear that this can be represented as a feedback loop, mediating the depletion of the physical environment through a North-South social relationship.

We could consider in a similar way another important category which spans thermodynamics and social relations: to wit, power. As Gale (1998) has pointed out, in both cases, power can be understood as a capacity to produce effects. Now, here too it is not difficult to construct a model of a feedback loop. Socio-political power *confers* control over resources (the source of thermodynamic power),

which in turn augments socio-political power. Such a perspective could open the way to realizing the project sketched out before his death by Malcolm Caldwell, a pioneer of the concept of linking entropy with international politics (Caldwell n.d. [1972]).

The above mechanisms are extremely interesting. But, despite the strength of this demonstration, I will nevertheless argue that we should be careful to regard the physical and social forms of dissipation as *distinct* categories, precisely in order to study a relationship between them which may undergo important changes. My central argument in this article will propose a model which goes counter to any simplistic assumption of a positive relationship between the two forms of degradation. In fact, the mode of operation of the capitalist IPE could include compensating movements of the two categories. *Both would continue to be depleted, but not necessarily at the same rate.*

Such changes form the basis of what I will call *regulation*. As a prelude to defining this concept, the next step will be to make explicit our understanding of a key idea which underlies the disorder/fuelling issue, and in particular the limitations and constraints imposed on a system's capacity to export disorder or import fuel, namely entropy. The question is, *can this be defined in a specifically social sense?*

A SOCIAL DEFINITION OF ENTROPY

Entropy as an idea is somehow linked to the exhaustion of the future room to maneuver, or of the developmental potential, in any system. The latter fuels itself not only at the expense of physical resources (raw materials, human resources), but by depleting its future room to grow.

An important point of departure for our argument can be found in the work of Rosa Luxemburg. In *The Accumulation of Capital* (Luxemburg 1952 [1913]) she argues that the apparent *self-nurturing* of the accumulation circuits is secretly fuelled by an environment (within society) which it progressively degrades (the German text employs the French word 'milieu,' rendered in English translation as 'environment'). Luxemburg (1952 [1913]) expresses the relationship as follows: "The existence and development of capitalism requires an environment of non-capitalist forms of production..."; "Accumulation is more than an internal relationship between the branches of capitalist economy; it is primarily a relationship between capital and a non-capitalist environment"; and it fuels itself from the "progressive breakdown and disintegration" of this sphere. Employing this model, we could represent entropy as *the shrinking of the remaining area available to support core order*. Concretely, Luxemburg defines the milieu as 'tradition,' the area of society not yet part of capitalist relations. As it is broken down, it is brought, not into the core itself, but into the sphere of commodification, of

monetary/exchange relations; and the more this happens the less is available to degrade in the future. The entropy of the core is thus expressed in its expansion into the territory of its future room to develop.

Let us look closer into the implications of this argument. In terms of the model set out in Figure 1, the milieu would be the region between the two ovals. The pro-capitalist definition of 'growth' would see the core enlarging as the benefits of capitalism spread, in proportion as the traditional milieu shrinks. This is logically consistent but totally at odds with reality: whatever peripheral areas, for example 'Newly Industrializing Countries,' may be admitted into the club of developed countries (if we accept at face value the most optimistic assumptions of mainstream development discourses), their contribution is surely outweighed by the increase of exclusion within their own borders, and indeed within those of the historic core. The radical perspective can respond to this flaw in the simplistic 'growth' model, because the notion of accumulation immediately supplies a more precise and convincing definition of 'growth': the system requires to grow, in the sense of its expanded reproduction, simply in order to continue existing, *without any assumption that the region which benefits from its order would expand*. The core's demands therefore grow, not only threatening to outstrip the physical environment's ability to supply raw materials or absorb its wastes, but also imposing a certain 'footprint' which the social milieu cannot indefinitely support.

This makes sense of real events, but there is a logical problem in understanding what happens to the region where the old order is destroyed, but seemingly not replaced by anything. In this context, it is interesting to consider the dependency literature. 1970s dependency theory recognized the seminal importance of Luxemburg's work (Frank 1979), while diluting this to a certain extent by considering the contribution of this external sphere to accumulation as being somewhat secondary (Frank 1978: chap. 7). This conflicted judgment reflects a real problem, but does not necessarily answer it in the correct way. I would argue that the central merit of Luxemburg's contribution is that she posed far more clearly than anyone else the notion of entropy—in the sense that each moment of development exhausts the capacity for future development. The dependency approach did not really grasp this fact, but on the other hand it made a crucial step forward by addressing the unanswered question, namely what replaces the old (traditional) order in the periphery: in effect, the answer is a depleted or 'low' order, which *is* an order, but not the same as that in the core.

Let us seek a logical framework for interpreting this notion. In a mechanical reading of Luxemburg's model, two assumptions would be made. Firstly, tradition would be a social equivalent of exergy, a fossil fuel laid down over millennia. There would be an 'arrow of time,' because for practical purposes tradition (equivalent to the image of a broken glass, often used to illustrate the progression

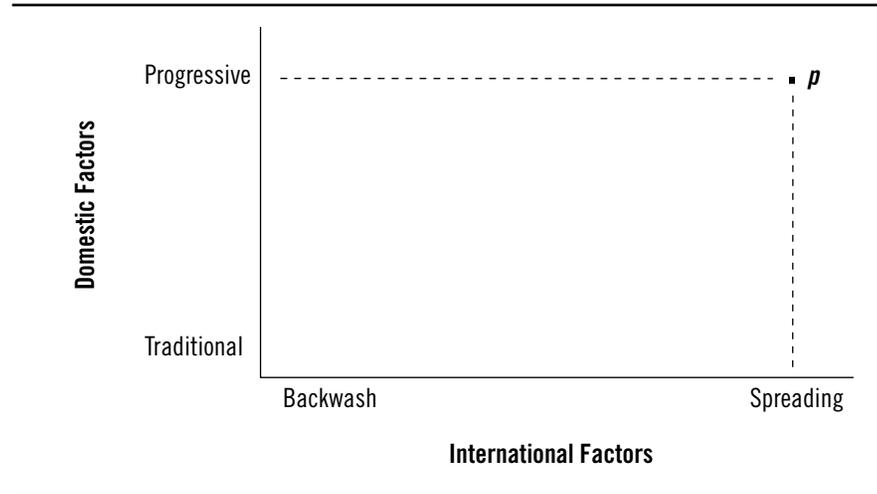
towards greater entropy) could not reconstitute itself. Secondly, the boundary between the commodity economy and still-pristine tradition would be a 'hard' one. Social forms could exist in only one or the other state, not in an intermediate state. But neither of these assumptions is necessarily true. Empirically, such a realization can already be seen in the work of Paul Baran (1973 [1957]), which showed how elements of tradition, wrenched from their old self-reproducing systemic structure, become incorporated into a new kind of peripheral structure. Dependency theory went further with its concept of the articulation of modes of production within a complex social formation, which may include elements of different modes of production under the auspices of a dominant mode (the capitalist monetary economy). Making a systems-theory reading of this notion, we can now understand that the social fuel includes not just tradition in some static sense but a whole 'parallel' economic structure, which is not merely depleted, but has faculties to reproduce itself.

It can be remarked that this order is established not just passively but rather, as we might expect in human systems, through an element of agency—more specifically of *negotiation*. As an illustration, we can highlight the aspect which is mediated through the international system. We can see in Dos Santos' (1970) classic formulation of dependency that the periphery is somehow *exploring* its structural relationship to the centre, and this can be given graphic form in a model derived from South Korean dependency theory (Kim 1987) (Figure 2). If we translate this into systems terminology, we can understand some of the implications which dependency theory was unable to make explicit. 'Backwash' can be equated to the drain, the aspect which purely destroys order. The 'progressive' social forces (the entrepreneurial elites in the periphery) are seeking to negotiate the conditions of the depletion of their own social fuel (tradition) in such a way that a point 'p' is attained where some order spreads, although still of a depleted type. This ongoing process of negotiation in turn builds order at an international-systems level. It creates a certain basis for stabilization, for the self-perpetuation and self-regulation of core-periphery relations, but without removing the fundamental entropy.

This negotiation has to do with the transition from the order-destruction associated with colonialism, into the emergence of the postcolonial peripheral order. All of these elements—the low order described by Baran, the equilibrium point between core and periphery interests implied by Dos Santos' model—are ways of forestalling the entropy which was posited in an unrealistically stark form in Luxemburg's theory.

We can go further, in saying that peripheral systems are not just self-reproducing in a static sense, but can be arenas of new order-creation, i.e. emergence. We can formulate in the following way a conception towards which the depen-

Figure 2 – ‘Negotiated’ Order in the Dependency Model



Source: Adapted from Kim (1987)

dependency literature seemed to be striving without quite being able to attain: *dependence is a way of channeling emergence, or prescribing the dominant attractor which gives it shape, subsuming peripheral emergence within the demands of core stability.* The term ‘co-opted emergence’ can be used as a concise expression.

At the same time, the entropy is definitely only forestalled, not abolished: each episode of relative stability is achieved at the expense of a non-renewable depletion of social fuel. Although in the abstract a human working population should be able to reproduce itself from itself, the whole point of the capitalist mode is its tendency to erode that faculty; this is surely one of the main things highlighted in the descriptive parts of the first volume of Marx’s *Capital*. Insofar as this problem is partially (though by no means completely) stabilized within the mainstream sectors of employment in the geographical core, for example through Factory Acts, it is exported into the informal sector and the geographical periphery. Once the tendency to disorder has been exported into this milieu, it is dependent on the milieu’s capacity to maintain or generate systems—for example, informal networks—to absorb it. Such absorptive capacity is real, but nevertheless limited; it could break down, and then be difficult to reconstitute. This is the reason why the entropy is simply diluted, by exporting some of its effect forward in time. Luxemburg was in the largest sense correct to highlight a finite capacity of the social milieu to fuel the construction of core order; the fundamental point is that instead of a vacuum there is *a system*, and the spotlight for understanding entropy shifts onto the nature and limitations of that system.

Let us now consider more closely the time dimension within which this entropy would express itself. An important point of contact between general systems theory and the IPE literature is the ‘lumpy’ nature of a process which develops through a succession of phases, with major ‘efforts’ of transition between them.

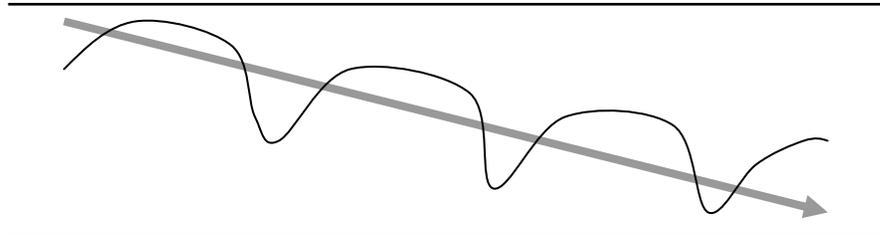
THE DEVELOPMENT OF THE MODE OF PRODUCTION THROUGH TIME

The *Limits to Growth* (Meadows et al. 1972), with its exponential model of capital accumulation gobbling up the ecosystem, was invaluable in raising awareness of some uncomfortable general truths about the capitalist mode of production; however, there are fundamental weaknesses which undermine the applicability of this model as a practical tool. We require the contribution of Marxist political economy to show that accumulation does *not* in fact proceed in a regular exponential curve, but is rather interrupted by periodic crises. According to Meadows’ simplistic assumptions, such interruptions would presumably bring a respite for the entropy of the mode of production, but in the light of the issues we have just discussed this is obviously not true: periods of crisis actually witness an intensified depletion of the social milieu, which struggles to cope with an accelerated export of disorder, in the form of unemployment or (in the North-South dimension) a rising ‘third world debt’, which can easily be shown (cf. Biel 2000) to represent an export of the crisis of the industrial core.

Without addressing the crisis phenomenon comprehensively, it will be useful to highlight the aspect most directly relevant to our argument here. Allowing for significant controversies about many aspects of their definition, there would be some agreement in the field of IPE about the existence of major phases or long cycles. The underlying imperative, accumulation or expanded reproduction, is expressed in specific structures which stabilize themselves for a period, before breaking down and undergoing phase transitions towards new ones.

Are the phase transitions a property of matter itself or of conscious policy? This takes us back to the ‘structure-agency’ issue, which remains latent within the notion of regulation. As I have argued, any development within human systems involves, *as its objective means of regulation*, the exchange of information, which includes ‘information about the future’ (Roederer 2003), the envisaging of desired outcomes. And, in the case of the IPE, development is ‘lumpy’ because learning is *crisis-driven* (Byron 2001). Mainstream discourses, severely hampered by liberalism’s reticence in recognizing either the temporal specificity of structures, or the various non-market (e.g. governance) structures which give them form, has grappled with understanding such transition, notably through institutional theories, or Keynes’ recognition that the economy could exist in a number

Figure 3 – Overall Decrease, Temporary Increase of Order Through Successive Accumulation Regimes



of different equilibria. Most usefully, the French regulation school, albeit not from a clearly articulated systems perspective, supplied the concept of 'regimes of accumulation' (Lipietz 1987). From this perspective, regulation is both a product of a system and a conscious act. A regime is itself a system, with a certain set of key actors who relate according to an emergent set of rules, and which gives concrete expression to the larger system (the mode of production as a whole) during a particular historical phase, for example over a period of about thirty years.

If there is a fundamental entropy, it would manifest itself tendentially in a very long time-scale, as in Figure 3. In the shorter time-scale, where we are considering the life-cycle of a particular regime of accumulation and its transition to the next, we would expect to encounter *increases* in order. This suggests an explanation of the fact that many Marxist currents of thought have historically been confused by periods of capitalist stabilization (cf. Day 1981).

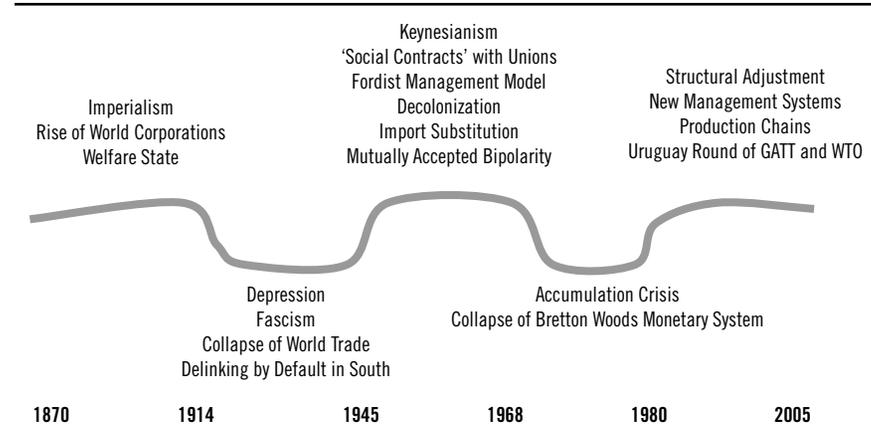
Let us now represent this wave-like development in terms of real events (see Figure 4).

Our purpose will be to concentrate on the realities of the most recent regime of accumulation, which can be considered to have begun around 1980. But we should first establish its historical context by considering the characteristics and limitations of the one which preceded it. This will enable us to concretize our earlier definition of entropy as the exhaustion of future room to maneuver, of a finite set of development possibilities. These parameters can be concretized in the shape of a *certain set of regulation tools*, which, once pressed into service, will then not be available as a new input for the resolution of the next structural crisis.

THE SCOPE OF PHYSICAL-ENVIRONMENTAL DEGRADATION WITHIN THE POST-WORLD WAR II REGIME OF ACCUMULATION

In 1945 there was a very strong element of agency as conventionally conceived (i.e. the conscious designing of a new order), but a discourse analysis would suggest that this was an agency preoccupied with structure. The work of Keynes (1919), a major influence on the 'information about the future' followed at that

Figure 4 – A Visual Representation of Regimes of Accumulation as Alternating Phases of High and Low Order

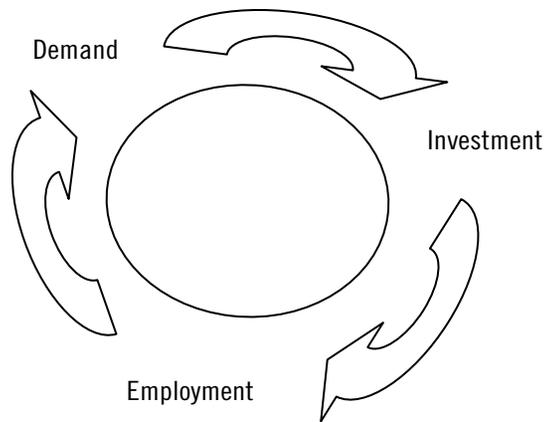


time, was always centrally preoccupied with the conditions of social stability. At the end of World War II, a wider global order was designed to sustain that of Europe and the Atlantic world (cf. Leffler 1994)—which included nourishing it with natural resources located in the physical environment of the geographical periphery.

It should be evident that within a mode of production premised on accumulation there is an ambiguity about the nature of order. If we consider order *as structure*, then the main 'effort' would be expended at the time of its initial establishment. Once established, order-as-structure means a stable set of effective actors, rules, and relationships which reproduce and even repair themselves within the compass of that regime. This is the reason why in Figure 4 we could represent the periods of high order as a flat 'plateau,' to suggest equilibrium, and self-maintenance, without too much additional cost. On the other hand, order-as-accumulation means that the regime must, throughout its life, incur a *rising* environmental cost (precisely because of the feedback characteristics of accumulation). For example, the Keynesian cycle (Figure 5) can be perceived in two ways. From the order-as-structure standpoint, it represents a certain politico-social stability and equilibrium, in the sense that the state, employers and trade unions acquire stable relationships in the form of social contracts, etc. On the other hand, considering order as accumulation, we can easily interpret the same model as a positive feedback loop (see Figure 5).

Figure 5 shows us that there is a *continuing* cost, which we can seek to represent in physical-environmental terms, for example by the consumption of energy (see Figure 6).

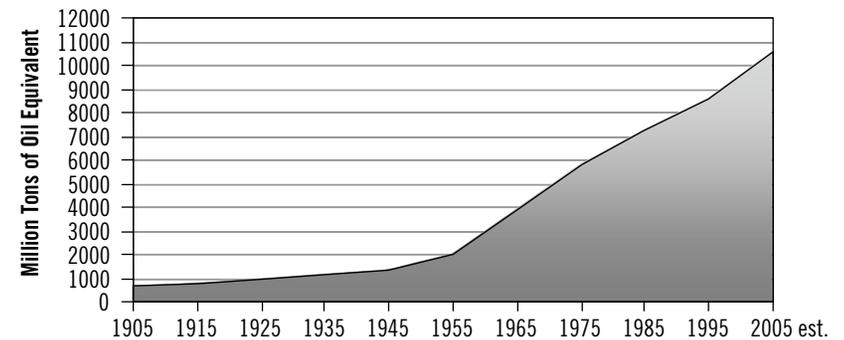
Figure 5 – The Keynesian Cycle



The curve in Figure 6 suggests two reflections. Firstly, the rise of energy consumption in 1945 is so remarkable as to suggest that the post-war regime was fuelled *mainly* through the degradation of the physical environment. And indeed, although we do not find policy-makers openly saying that the physical environment was being sacrificed for the sake of socio-economic stability, discourses are often as significant for what they do not say as for what they do. Earlier periods of industrial capitalism had in fact been characterized by a strong consciousness of resource scarcity—which drove the whole notion of geopolitics (cf. Sprout and Sprout 1968), imperialism and social Darwinism. The fact that this was suddenly swept aside and replaced by silence constitutes a very strong statement that the objective constraints of the physical environment were being swept aside. Secondly, from the early 1980s (by which time the post-war regime may be considered to have come to an end) the curve continues to rise. This suggests that energy degradation had in some sense become permanently embedded within the IPE and would be difficult to reverse through subsequent phase transitions. If this is true, then according to the central assumptions of this article, the effort of establishing new regimes of accumulation (in 1980, and following the next structural crisis, whenever that occurs) would need to find ‘something else’ to degrade, and logically we would expect this to be some definition of social fuel.

This perception, of a post-war order essentially fuelled by the physical environment, is helpful in many respects. Nevertheless, I will argue that the post-war regime contained also an important sub-theme: in a covert way, it laid the basis for an intensified dissipation into the other, social environment. In doing so, it set in motion processes which remained latent during that regime only to become actualized more recently.

Figure 6 – World Energy Consumption, 1905–2005



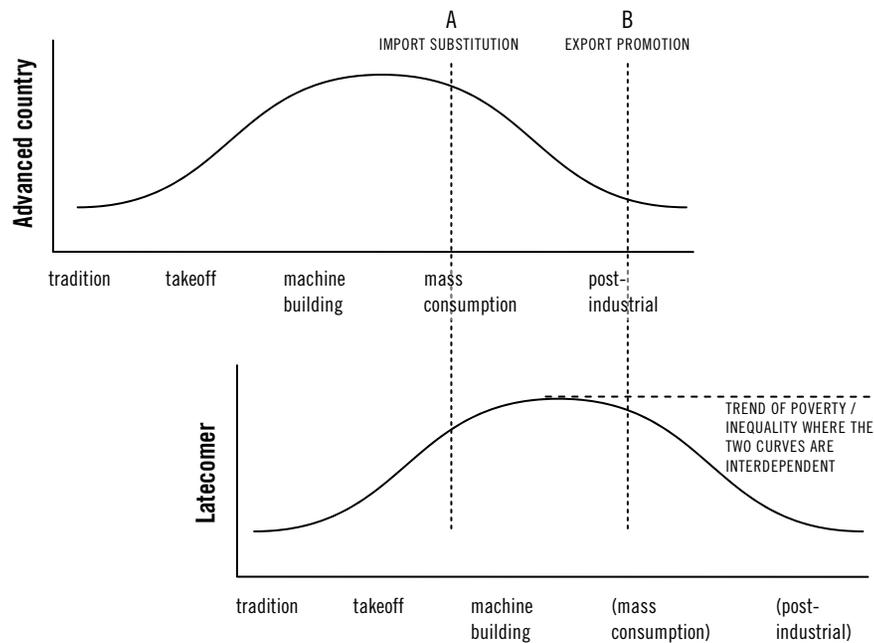
Source of Data: BP Statistic Review of World Energy 2004; Energy Information Administration, International Energy Outlook 2004; Jancovici J-M, *l'Avenir climatique*, Paris (Seuil) 2002

THE BASIS OF THE ‘SOCIAL FUEL’ ISSUE IN THE BUILDUP TO THE 1980 REGIME OF ACCUMULATION

Poverty can at one level be considered an indicator of disorder because it undermines the two prerequisites of a stable system: social control (willing acceptance of the order by the lower strata) and consumption. In fact, at many levels of analysis the poor *are* the periphery: the excluded, subject to high levels of risk, lacking the predictability or stability provided by core order and managed through low, repressive forms of order. On the other hand, post-war development discourses carried an implicit vision of another side to poverty: as a kind of fuel for a developmental process which would eventually eliminate it. ‘Growth’ would increase the size of the cake available for distribution, but a precondition was the successful completion of a preliminary phase marked by high accumulation (to create infrastructure and machine-building industry), and therefore associated with low mass consumption and high levels of inequality. This is often given graphic expression in the ‘Kuznets curve,’ whereby the measurement of inequality describes an inverted ‘U,’ rising in the early phase of industrialization only to fall in the later phases. The Lewis model, a key component in development theory (Lewis 1958) illustrates how, in a sense, poverty itself was supposed to propel this process: the rural poor are progressively drawn away from the (gradually-depleted) traditional sector into the urban/industrial economy through succeeding circuits of expanded capital reproduction, inputting cheap labor until the initial phase of development is complete.

The assumption of such ‘stages’ models was that more and more countries would join the club of developed nations, the core thereby expanding in size while the periphery shrank. But if it is true that development (under capital-

Figure 7 – The Kuznets Curves of Two Countries at Different Stages of Development

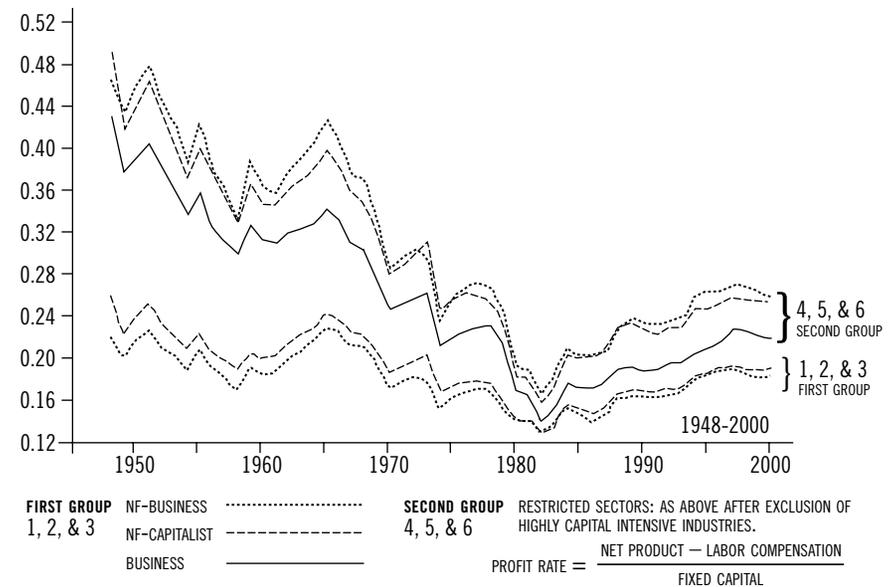


ism) requires a periphery, this reasoning looks suspect. In critiquing this assumption, we can draw upon the treatment of the 'pauperization' issue in dependency theory. Marxist political economy already implied that in some sense accumulation manufactures poverty in and through the process of growth itself. Samir Amin (1977: 35–6) then showed that the tendency to pauperization only manifests itself at the level of the entire global system. Interpreting this from a systems perspective, we could say that the core manages the internal pauperization associated with its own development by dissipating part of it into the South. The claim of the Keynesian revolution to have achieved this on a purely endogenous basis was illusory.

Let us represent this relationship in the form of two overlapping Kuznets curves, plotting the increase and decrease of poverty or inequality against the stages of development (see Figure 7).

If we take a conventional view where the two processes in Figure 7 are isolated and self-sufficient, then the situation at point 'A' (situated, for example in the 1960s), where the curves describe opposite motions, simply reflects two different (unconnected) stages of development. However, according to the foregoing argument, we would suspect that poverty in the South in some sense reflects

Figure 8 – Broad Profit Rate: Six Sectors



Source: Duménil and Lévy (2000: 443). Re-illustrated by Eric Titolo for *JWSR*.

the disorder banished from the core; consequently the poverty would in reality represent, not the inevitable cost of an endogenous high-accumulation phase leading to development, but rather a 'draining' of the social resources which are supposed to fuel progression to the next stage. Let us consider how this could happen in practice. At point 'A', the development of core order (which requires a mass-consumption stage) makes it necessary to expand the mass market, but this has to be compensated by measures to prevent the rate of profit from falling. The periphery at this same moment experiences cheap labor on the basis of its own social fuelling process, i.e. the breakup of traditional society leading to migration to the towns in search of work. If core capital invests in the periphery (for example, through transnational corporations establishing subsidiaries under the guise of import substitution policies), it will gain the benefit of this social fuel and safeguard its overall rate of profit. In this way, the developmental logic of the core imposes itself as attractor upon that of the IPE as a whole (cf. Figure 4), sweeping up the seemingly autonomous peripheral process. Southern poverty begins to become a representation of the global 'drain' process.

The full implications of this relationship becomes apparent when we consider the more recent situation, represented by point 'B' in Figure 7, which comes into force from 1980 onwards. The North will continue to be a high-consuming

society, but begins to specialize increasingly in knowledge, management, investment etc., rather than in producing the actual goods. It must therefore import the latter. If the periphery, which already has low labor costs, switches to export promotion models, it will be able to supply them. And because the imported goods are cheaper, this will provide an additional boost to the rate of profit of core capital, by decreasing the cost of living. But the peripheral Kuznets curve was supposed to be driven down at this point, on the assumption that *endogenous* consumption was required. There is now no reason for this to happen, since the market is external. So the situation where high consumption is focused in the core may become embedded within the global IPE, and peripheral poverty/inequality therefore continues at a high level represented by the dotted line. This could become a sort of mega-characteristic of the IPE, which continues to reproduce itself irrespective of future major changes in the regime of accumulation.

The parameters for a new stage in the capitalist order therefore carry an implied social cost, an embedding of poverty or inequality, which is the true expression of the system's social entropy. The central problem then becomes, how far this can be contained within reasonable limits, *prevented from undermining the self-reproducibility of peripheral low order to the point of degenerating into chaos?* This question will be a central concern of the remainder of our argument. The extent to which the system is forced to deplete its social environment would seem to depend on the amount of room to maneuver in its relationship with the physical environment.

RELATIONSHIP BETWEEN ACCUMULATION AND ENVIRONMENTAL DEGRADATION IN THE TRANSITION TO THE CURRENT PHASE OF THE IPE

Considering again our schematic model of succeeding phases in the IPE (see Figure 4 above), how could we give a tangible expression to the re-establishment of order around 1980? The primary determinant of order, the reproduction of capital, which was damaged by the crisis of the 1970s and needed to be repaired, could be represented by the rate of profit; in Duménil and Lévy's (2000) graph, the notional curve we sketched earlier appears in quantitative form (see Figure 8).

The pattern of Figure 8 looks very like Figure 3 in that while there is an increase of order, it appears to be 'lower' or somehow more 'difficult,' so there is a tendential entropy lurking within it. But we must consider the qualitative characteristics of that new order. The sectors addressed in Duménil and Lévy's study are precisely those where we might expect the entropy to be strongest, since they reflect the oldest areas of the capitalist economy: they relate firstly to accumulation associated with *industry*, and secondly to industry located in the core itself. The question arises whether the capitalist mode of production could re-invigorate itself by modifying this focus.

Hornborg's (2002) model would imply, as we have seen, that this is unlikely: apparently, these two features will be indelibly imprinted upon the IPE—i.e., to use the terminology we have just advanced, with the status of mega-characteristics which cannot be overturned by a subsequent regime of accumulation. But experience suggests that this is not wholly true. That such a shift in focus, away from the core itself as the locus of industry and to some extent away from industry itself as the driving force of accumulation, was always a latent possibility can be illustrated by the contribution of Hobson (1902) who, at the very beginning of the 20th century, described the two basic conditions for such a shift: one, the rise to dominance of a new form of accumulation not subordinated to industry, i.e. finance capital (at the time he wrote, mostly parasitical upon manufacturing industry, but this would not necessarily always be the case); and two, the transfer of manufacturing to the periphery, specifically to Asia.

Now the crucial question is to understand the implications of such a development for the physical environment. The futurological environmental literature, which raises important issues while not questioning capitalism in a deep sense, accords considerable significance to the concept of 'decoupling' (for example, Raskin 2002). It is interesting to explore this concept in a more radical way. Clearly, if industry remains the focus and all that happens is a change of its *location*, any 'greening' would be merely cosmetic: for example, pollution of the immediate living environment could be reduced in the core (by shifting industry to the periphery) but without reducing the physical-environmental entropy of the system as a whole. It might well get worse, because of the huge transportation costs associated with globalized industry.

On the other hand, a more profound change might occur if accumulation were decoupled from industry itself, and increasingly linked to non-industrial forms of finance capital. It is precisely the spread of commodification (part of the definition of social entropy which we derived from the Luxemburg model) which seems to create this possibility, by introducing new sectors like tourism, software, the trade in ideas, sports goods, etc. These all have an environmental cost, but maybe not the same as conventional industry. Accumulation would still be coupled to environmental depletion, but not necessarily at the same rate as before.

However, a preliminary view would suggest that this is not what actually occurs. For example, if the new sectors were really less energy-intensive, one would expect energy consumption in the old industrial countries to decline as they become relatively de-industrialized. But some research suggests this is not the case: roughly the same (preponderant) proportion of energy is being consumed in the North today as it was under the previous regime (Podobnik 2002). In the light of our previous argument, a significant interpretation suggests itself:

the deterioration of the physical environment is coupled to capital accumulation *per se*, rather than to specifically industrial accumulation. Other evidence would suggest that the main sector consuming energy is increasingly that categorized as 'residential' (World Resources Institute 2003). This might imply that physical-environmental degradation is as closely coupled to the 'lifestyle' consumption which propels contemporary accumulation as it was to the primarily industrial accumulation of earlier regimes, and without any significant reduction in intensity. If this is true, the notion that capitalism could evolve into a low-entropy form is illusory, and the curve expressed in Figure 6 could not be expected to flatten significantly. And if this is the case, there would be no leeway in the physical environment to fuel the supplementary effort of establishing and maintaining a further accumulation regime, when this becomes necessary.

It may be objected that by focusing on one of the more traditional areas of depletion—energy consumption—the above discussion underestimates the possibility of finding new aspects of the physical environment to degrade. For example, biotechnology has achieved this by exporting the entropy into the region of risk, the risk of massive hazard. Nevertheless, exporting the problem into the (near) future is not really a solution: recent events suggest that the limits of physical-environmental degradation *are* precisely manifesting themselves increasingly in the form of massive hazard. This only confirms a strong sense that the problem with capitalism since 1945 is that, with respect to the physical environment, the 'normal' mode of operation is now so intensive that the system operates permanently close to its possible threshold; in the future, the cost of regulation is therefore likely to be increasingly transferred into the 'other' environment, the social one.

I will now argue that the fundamental sense of the 'sustainable development' idea is precisely to find a way of doing this.

'SUSTAINABLE DEVELOPMENT' AS A TOOL FOR TRANSFERRING COSTS TO THE SOCIAL SPHERE

There is a convincing argument that the unifying principle for the 'sustainable development' discourse is actually commodification itself.

This thesis appears strange because at first sight it is in contradiction to the intellectual roots which fed into the discourse. The important theoreticians approached the issue of the relationship between market and environment often from different directions: Garret Hardin's (1968) early thesis of the 'tragedy of the commons' was fundamentally skeptical towards the market; Herman Daly in contrast was strongly supportive of the market within its own sphere, but he developed the notion of 'externalities' (employed in economics to express the side effects, in this case negative, of economic decisions) in a radical way, showing

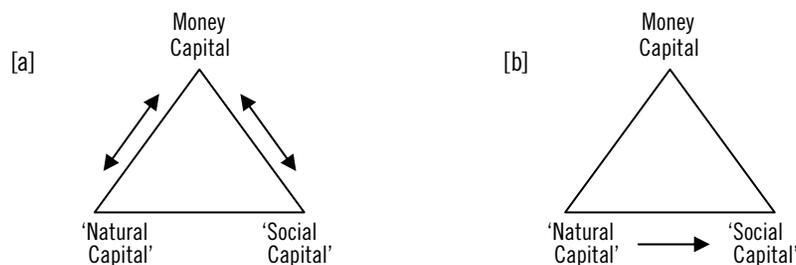
how the market can have *systemically* negative effects (Daly and Cobb 1989). But despite these different points of departure there was convergence in the sense of assuming a conflict between the market on the one hand and the two elements which underpin it: an area of society (community, tradition) which operates according to non-market mechanisms; and the physical environment. On such an intellectual basis, one might have expected sustainable development to become an argument (and set of tools) for *curtailing* the market.

However, this reckons without the hidden dominance of the *economic* definition of sustainability (i.e. the reproduction of capital), as an overriding attractor, which tends to subordinate to itself all other forms of reasoning. Thus, what should logically have been an anti-market discourse was surreptitiously transformed into a pro-market one. Typically, this was conducted through the following reasoning: if incompatibility between market and non-market spheres is 'the problem,' it can be resolved by abolishing the latter! This is rationalized in various ways, for example in the argument that if free goods (the freely available environment, the social commons) are all turned into commodities, any activity which affects them (such as discharging waste into a river) will have a cost, which people will be forced to incorporate into their economic decisions.

This line of argument serves, of course, as an excuse for a blatantly profit-oriented commodification. As Goldman (2005) points out, it would be a dangerous error to regard the sustainable development agenda as a mere *cosmetic* exercise; on the contrary—at least in the hands of the World Bank, which contributes decisively as an ideas-factory in generating the dominant form of that discourse—it constitutes a real policy tool, serving precisely to bring natural resources within the definition of capital. But even more important, I believe, commodification essentially became the binding principle in a discourse which for the first time brought together ecological and social forms of entropy within a single vocabulary of regulation. And, as I will now argue, the point is not so much that they are *merged* within this vocabulary, but rather that a common measure is created through which they can be compared, and most importantly *substituted*.

Akerman (2003) describes one form of substitution, made possible by re-baptizing nature as 'natural capital.' Here, the physical environment is used to maintain aggregate capital stocks, serving as a fund to draw upon when the reproduction of money capital is deficient. This argument is important, but the definition of substitution is so far incomplete because it addresses only one side of what should be a triangular model. The picture is changed significantly once we incorporate also social capital. Most obviously, we now have a second form of vertical substitution, illustrated in Figure 9, triangle a. But it is immediately apparent that another form of substitution becomes available by shifting the burden horizontally.

Figure 9 – The Substitution of Natural and Social Capital



In line with our basic argument we would expect a shift towards the right side of the triangle: the social sphere (Figure 9, triangle b). An analysis of the direction of development within the mainstream sustainability discourse certainly seems to bear this out: beginning in the '70s with a focus primarily on the physical environment, it had by the time of the Johannesburg summit of 2002 metamorphosed to focus at least as much (if not more) on the social dimension. This movement (from left to right across the bottom of the triangle) would be one where the total entropy remains constant, but the possibilities for shifting it around may be important for regulation.

Now, on the basis of our earlier propositions, we can say that the core's dependence on its periphery (environment) takes two forms: the export of disorder and the availability of some kind of 'fuel.' The former aspect simply treats the periphery as a sink. From this angle, the shifting of disorder into the social sphere can be illustrated by the following argument. The notion that the depletion of free goods can be reduced by giving them a monetary value signifies in practice privatizing them. If we take the example of the water industry, the effect of its privatization—perhaps into the hands of corporate finance capital, a process inaugurated by the Enron Corporation—may be to divert resources away from normal household use, and towards cash-crop agriculture and tourism, major growth sectors under conditions of globalization. The net result would be that, without actually reducing the depletion of the physical environment, entropy would begin increasingly to assert itself within the peripheral social environment, in the form of insecurity and exclusion. Since in this case the periphery serves only passively as a sink, the constraint is its capacity to *absorb* such costs.

But if we take the standpoint of 'social fuel,' the contribution required from the social periphery appears less passive. Here, we can consider the possibility of some more substantive, structural contribution being extracted from it, which could be exploited as a substitute or complement to an enhanced degradation of

the physical environment. Where could the possibility of such a new input arise? I will define this as *an enhanced ability to colonize emergence*.

THE ROLE OF THE SOCIAL ENVIRONMENT IN FUELLING THE CURRENT REGIME

In the early post-war period, 'co-opted emergence' occurred in a somewhat limited form. For example, Southern elites had some ability to negotiate the conditions of their dependence, but the emergence of social structures at a grassroots level was not really part of the agenda. This hindered the unfolding of a multi-level, pluralistic experimentation which could potentially provide a much more rich and interesting vocabulary for capitalist regulation.

In principle, the core should always have been able to explore this dimension, but had been afraid to do so. The reasons for this are not hard to find. An important category of emergent movements from below are subversive with respect to the capitalist order. While at one level, emergence implies that they naturally 'happen,' we should not assume their 'spontaneity' to signify a lack of design or strategic consciousness (Guha 1983). Since, as we have seen, 'information about the future' is a mode of interaction of human systems (Roederer 2003), such movements may well develop information about a counter-systemic future. During the Cold War period in particular, conditions were suitable for this. While it is doubtful that the Soviet version of socialism really constituted a strong enough attractor to rival capitalism, the international political balance did provide a context where grassroots movements could easily develop subversive identities (cf. Scott 1986). The dominant interests were therefore extremely distrustful of anything which was not top-down.

The possibility of overcoming this limitation had been foreshadowed by earlier theories, in particular the work of Gramsci. We can highlight two aspects of his contribution (Gramsci 1971 [1927–33]): firstly, the concept of 'hegemony,' which we could read from a systems perspective as the ability of the core to impose its attractors upon the development of subordinate systems; and secondly the concept of civil society, which indicates a framework, a multi-layered pluralistic structure, within which this could take place. Suddenly from the 1980s onward, conditions became propitious for such a development. We might expect it to take two interdependent forms: the 'fuel' required by the core most obviously takes the form of value, but a second, more subtle contribution would be the creation of *structure*, which increases the capacity of the subordinate system to *supply* such value. We can reasonably assume that it is more efficient to allow social structure to *emerge*, rather than designing or imposing it, with all the unnecessary effort and voluntarism which this would imply.

THE SIGNIFICANCE OF THE NEW MANAGEMENT SYSTEMS IN THE SOCIAL FUELLING PROCESS

In many respects, the pattern and starting point for these changes was the so-called 'new management systems,' a set of practices which became dominant around 1980. In fact, these became the attractor not only within industrial management but for the entire development discourse. Let us first consider their basis within industry.

The background is as follows. Within the workplace, the old orthodoxy—often known as Taylorism and Fordism—had monopolized initiative and information within the technical and managerial staff, viewing any exercise of creativity at the shop floor with extreme distrust; similarly, at the macro level of organization, the firm had typically become a massive enterprise with many subsidiaries, eliminating the market within its boundaries and conducting all transactions administratively. In contrast, the new systems sought at the workplace level to unleash the initiative of the shop floor, an important source of new ideas which could be converted into value, and at the level of the firm to replace direct subsidiaries with an informal, flexible system where contracts are fulfilled by subcontracting. We can consider that these systems showed a new attitude to emergence, and served to address the need for structure, as well as for value. This had always been a latent possibility: operatives have an inherent ability to organize their own work rather than being told what to do. In traditional systems, Chayanov (1966 [1924]) showed how household units organize their labor through 'self-exploitation.' And since, as we have seen, the 'non-core' is a terrain of interaction, where tradition is not simply destroyed but also modified and processed to create new structures, the faculty for self-exploitation could potentially also be unleashed in a modern context.

Do the new management systems genuinely reduce entropy? This is an interesting question. Of course, all management theories (for example, the Taylorist and Fordist ones in their time) have claimed to be 'better' by some neutral criterion of efficiency, and these claims have been widely criticized (Braverman 1974). As Harvey (2000) has pointed out, the natural systemic workings of life itself, whereby everything processes energy in a kind of circuit of reproduction, is subordinated to an external logic: the reproduction-accumulation of capital. Management, as an expression of this, fulfills a very strong function of repression and surveillance (Harvey 2000). The sense of order-as-control is very strong here.

Nevertheless, we cannot dismiss out of hand the notion that the current phase of capitalism has *really* found ways of minimizing its entropy, through reducing the 'friction' implied in those earlier commandist management proce-

dures which not only inhibited emergence but were positively hostile to it. From this follows the assumption that one could, theoretically, design work-organization and mechanical systems along similar principles of minimizing unnecessary dissipation (Dincer 2002). In the sense that this is a reasonable aspiration, not only for capitalism but for wider debates about the rational organization of society, there is something valid in the *questions* raised here. But there are two issues which it is important not to confuse. The argument that the new structures are a more efficient mode of operation *for capitalism* is one thing, and may well be partially true. However, we should be extremely wary about extending this in the direction of saying that they are a breakthrough for human society in general, as for example Göran Wall appears to do (Wall 1993). Our argument so far has emphasized that the fundamental criterion of the mode of production is not efficiency in a neutral sense, but efficiency in the interest of accumulation, and there is no reason to expect that it would be any different with the new management systems. Surely, the thermodynamic principles of efficiency are being used as an excuse to smuggle in strategies which merely borrow the appearance of neutrality, and are in reality efficient from a control perspective.

But in relation to the goals of capitalism, there is probably a genuine advantage in thinking systemically, in addressing the need to unleash (and control) emergence. Of course, the old commandism is still present. Indeed, deregulation (which is supposed to be pro-market) has had the effect of removing restrictions on the oligopolistic power of the big organized corporations. World Bank and IMF Structural Adjustment programs have added a further element of agency, obliging developing countries to dismantle any measures which might hinder these predatory actors. Nevertheless, the thing which these commandist actors are presiding over (and from which they seek to appropriate the benefit of value and structure) is a productive system where the scope of emergent, self-engineered relationships is definitely present, and even quite impressive. Probably its central feature is the production chain, whereby small firms respond to orders emanating from the core, for example for components or to fulfill assembly tasks, then typically sub-contract tasks to still smaller firms.

In one sense, these patterns appear to be transitory, galvanized only to respond to a particular demand before fading away. But in reality there is something more permanent underlying this, an adaptive system of networks which acquires a certain stability, while at the same time constantly modifying itself as required. At the most basic level, we find what is perhaps the most interesting example of industrial emergent structure, the phenomenon known as clustering. Nodes develop, grouping producers within a particular geographical area specializing in a certain branch of production (Nadvi and Schmitz 1994). The term conjures up an image from astrophysics, but of course since it is a human

system, the medium of transmitting the 'forces' which generate the clustering is information. Those who lack the information suffer a 'periphery discount' (Steinle and Schiele 2002). Production chains can link together clusters, and in so doing facilitate the self-definition of space at higher levels, for example the 'New Regionalism,' and its manifestation in the 'Pacific basin' (cf. Gereffi 1993; Clark and Chan 1992). Although in one aspect the New Regionalism is political, voluntaristic and institutionalized, this initiative presupposes a reality already partly created by production chains; politics thereby taking hold of and channeling an emergent self-definition of space.

It is clear that the chains can act as a medium for conducting the kind of transfer of order/disorder which we have been discussing in this article. More obviously, this would appear as a fuelling process, a transfer of value upwards, but the systems perspective would highlight also a transfer of entropy downwards—a more profound representation because it pinpoints the fact that what appears superficially as creativity and entrepreneurship may in reality be the absorption of insecurity and risk. This insecurity is the true social 'sink' into which the quest for capitalist order is dissipated. It exists in two aspects: the increasingly precarious workers and self-exploiting small producers lower down the chain; and the marginalized who are excluded from the formal productive process altogether.

This structure, upon which core order depends, has to be kept in a good state of repair. Various tasks are implied, including the policing of information-flows, for example through the use of intellectual property rights. But most important is to manage peripheral society in such a way as to maintain its contribution as an area into which the core can dissipate. And this brings us back to the issue which is always present somewhere in the background: it is impossible to separate the 'positive' contribution of the periphery from its role as a sink to absorb disorder. And this in turn can never be isolated from the risk of society tipping over into a state where its low order ceases to be self-reproducing.

THE WIDER DEVELOPMENT DISCOURSE

Like the industrial management systems, the new development discourse which accompanied them is interested in both value and structure. But here, structure has a more autonomous role. Whereas for the management systems, structure and the transfer of value/risk are basically one and the same, in a wider societal context, a contradiction appears. Since the simple extraction of value always carries a risk of undermining the reproduction of society, social structure is required to *counteract* such a tendency. This might be achieved through the introduction of something which I will term 'social capital of governance.'

The development discourse accords recognition to a realm of self-organization previously ignored or combated by the modernization perspective, namely

the informal economy. The latter is suddenly revealed as a useful agent in reproducing social order, in conducting a simplified version of capital reproduction, which parodies the expanded reproduction of core capital and helps maintain peripheral 'low' order. The work of Hernan de Soto (2002) played a focal role in promoting this approach. For example, by giving the poor land rights, you enable them to use their property as collateral to raise money and start small businesses, thus simultaneously converting 'dead capital' into something active, and promoting a self-maintaining form of social stability. A fashionable embodiment of this approach is the notion of micro-credit: here, a small seed capital is loaned out to finance small projects, repaid and then recycled so that it keeps reproducing itself. Consciously, it is not just the capital which reproduces itself, but also social order. This approach strongly confirms that the 'non-core' is a scene of emergence, where some faculties of self-organization or self-exploitation can be borrowed from tradition and revitalized.

So much for the socio-economic facet of social capital of governance, but it also has a more directly political aspect. The very notion of governance (replacing government) suggests greater complexity. Under the 1945 regime of accumulation (strongly determined by the Cold War), the typical mode of rule in the periphery had been a simple, dictatorial one; in response, a generalized struggle from below demanded democratization (e.g. Anyang' Nyong'o 1987). The core in turn responded by aiming to hijack this movement, creating its own attractors to channel it, backed up by material aid to strengthen selectively whatever emergent phenomena in the periphery could be identified as 'best practice.' Central to the discourses has been the notion of 'civil society.' The democratization movement threatened to replace the simplified order of the old dictatorships with a more healthy and complex pluralism; arguably the dominant 'civil society' discourse has counteracted this danger, by channeling the political process into a *new* simplified form. An important example of the agendas which shape this process can be found in William Robinson's (1996) analysis of the role, within United States development sociology, of a concept known as 'polyarchy.' If we make a systems-theory reading of polyarchy, it strikingly typifies a peripheral 'low order,' a self-reproducing limbo unable to develop either in the direction of a strong state (which might push nationalistic agendas which the core would not like) or into that of the more 'advanced' democracy which the core reserves for itself, or still less into radical, counter-systemic democratic forms.

We have only outlined the control mechanisms in an ideal form. Even while the overall regime remains solid, they are far from foolproof. But a particularly interesting issue, which will form the final part of our inquiry, will be to consider how the social governance structure might behave in the context of a general weakening of the global capitalist IPE during the 'down' phase of a cyclical crisis.

THE EXHAUSTION OF ROOM TO MANEUVER FOR THE CREATION OF A NEW ACCUMULATION REGIME

Each accumulation regime has a finite developmental potential specific to it. For example, in the case of the post-war regime, social relations in the core became unstable once the Keynesian order had finished consuming the terrain of unemployment. This is why development takes a cyclical form. At some point the current regime will be overtaken by its own specific form of exhaustion. A period of low order associated with the breakdown of its specific relationships would ensue, and then in principle give way to the construction of a new regime. But there would need to be some way, firstly of dissipating the costs of crisis, secondly of fuelling the transition itself, and thirdly of meeting the ongoing accumulation demands of this new regime.

Our assertion is that no subsequent regimes could be fuelled by such a sudden increase of degradation of the physical environment as occurred in 1945. This creates a certain 'ceiling' restricting the room for maneuver, with the implication that future regulation will rely strongly on exporting the effort into the social sphere. But then we encounter an important issue. Whereas the mode of production has been able hitherto to salvage its fundamental rules by discovering new social regimes, a major manifestation of the entropy problem may be that it does not have an inexhaustible set of possibilities for doing so. In explaining this notion, it will be helpful to disaggregate it into three interdependent aspects.

Firstly, there is a certain, perhaps finite, vocabulary of possible developments within the initial rules of the mode of production, which to some extent we can consider to have been immanent within it long before they are actualized as building material for new regimes of accumulation. This is suggested by the fact that we have drawn heavily on theoreticians from early in the imperialist phase of capitalism (Hobson, Naoroji, Gramsci, Luxemburg, Chayanov) who were able to delineate with surprising accuracy forms of organization which revealed their full potential only many decades later. This does not mean that development is predetermined. The circumstances in which these possibilities are activated are not predictable. But a manifestation of the entropy problem would be that once a particular 'card' has been played, it has in some sense been 'used up,' and the scope for future development correspondingly reduced. Considered in this way, *the success of each regime itself embodies entropy.*

In the case of the current regime, there is some sense that the effort required to establish it was so intense as to require the mode of production *to play too many of its cards at once.* Of course, the contribution of these new ingredients does not cease when they are activated. For example, the developmental potential of transferring manufacturing industry to the periphery, or of co-opting emer-

gence through civil society, have not exhausted themselves and will continue to generate order for some time. But they will never again constitute a *new* input. And if, as seems likely, each regime requires the injection of a fundamentally new dimension of accumulation and/or governance, this is a real problem. To envisage how future regimes might be fuelled one would have to identify fresh possibilities, and this is not easy.

Secondly, let us reconsider Rosa Luxemburg's definition of entropy. Whatever criticisms may be made of her deductions about the nature of social order in the periphery, one profound issue which refuses to go away is the relationship between capitalist entropy and commodification. The notion of a shrinkage of the terrain which is not yet commodified, and hence available for future commodification, is surely still entirely justified. If development were smoothly linear, the mode of production would husband this fuel, consuming it gradually and with circumspection. Instead, because development is lumpy, and because the physical environment could not be depleted as sharply as in 1945, the mode of production has (since about 1980) suddenly burned up too much of its fuel in a very short period, by commodifying almost everything. Future scope is thereby drastically restricted.

Thirdly, there is some sense of an 'arrow of time' in the direction of increasing complexity. The 1980 regime was not just 'another' regime; it was perhaps qualitatively more emergent and less designed than any previous one. This had the enormous advantage of enlisting the periphery to design the structures of its own subordination. The innovatory aspect of the current regime was that, in place of the emergent order occurring through the interaction of simple, state-centric entities (as described in structuralist IR theory—cf. Waltz 1979), power could now be exercised *through pluralism*, through complexity. But the result was a curious hybrid: while order-as-structure is characterized by unprecedented pluralism and complexity, order-as-control remains inherently simple. Now, this raises a very interesting scenario in relation to the structural crisis of the current regime. The 'arrow of time' may make it improbable that complexity and pluralism could be clawed back. But this is surely what the dominant interests will be forced to attempt. In fact, the rise of simplified, militaristic forms of governance since the end of the 1990s suggests that this scenario has already begun. The result can only be an immense contradiction between the two definitions of order.

Taking into consideration the above three aspects of the entropy issue, it is hard to escape the conclusion that the resolution of the regime-change problem will be far more difficult than in the past. And since the system has been forced to unleash multi-level peripheral emergence, the question arises how this would react under conditions when the dominant attractors begin to weaken. It can be

hypothesized that the result might be something we could describe as ‘uncontrolled emergence’; or, as Yeats (1963 [1921]: 211) expressed it in a poem rich in systems imagery:

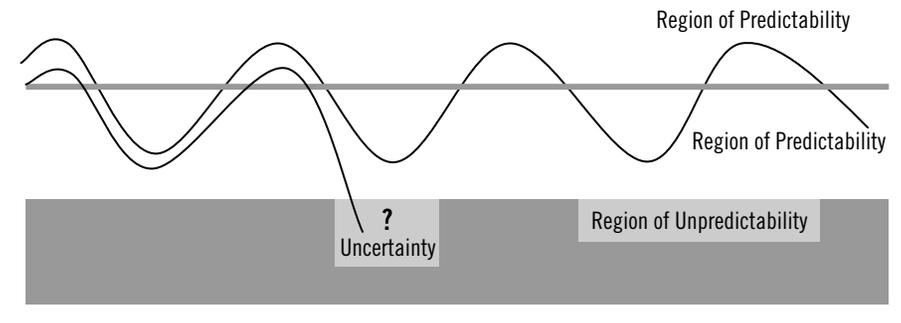
Turning and turning in the widening gyre
The falcon cannot hear the falconer

Let us consider more closely the governance problem. One aspect of uncontrolled emergence could be movements by peripheral elites. These arise within what could be considered the ‘functional periphery,’ the regions which perform functions indispensable to core order (e.g. exporting manufactured goods). Normally, they are confined within the ‘negotiated dependency’ scenarios we discussed earlier. But in a situation of low regime order, elite demands might, while not challenging capitalism as such, tend towards a geographical displacement of the global mode of production away from the historic core. However, the latter controls the military power, and would be unlikely to tolerate this. This would be one form of the problem. The other form could arise within the ‘periphery of the periphery’—countries which are not ‘chosen’ by uneven development as sites of export promotion, underprivileged regions within any country, and the marginalized populations who are required neither for production nor consumption. These areas could be a scene of unpredictable forms of emergence, which might be destructive, as in the case of deprivation and conflict, but might also be constructive in a subversive sense. Both forms of uncontrolled emergence could be viewed as a challenge to the boundaries which determine core-periphery relations in the IPE: elite movements might for example challenge the knowledge boundary enforced through intellectual property, whereas migration in response to deprivation and conflict would challenge the restrictions to the movement of people which currently fence in the benefits of core order.

The rise of the ‘anti-poverty’ notion within mainstream development discourses could be seen as a response to this problem. In the sense in which it is used as a strategy for controlling peripheral elites (for example through current World Bank policies) it is somewhat cosmetic, but there is nevertheless a substantive agenda that if Southern states could be forced to divert resources into what is in any case a futile attempt to manage their own poverty, they would be sidetracked from pushing the kind of aggressive national development strategies which would be uncomfortable to the global North. Even more interesting, though, is to consider the significance of the discourse with respect to its direct social engineering role in the marginalized periphery.

The significance of the region of ‘tradition’ (non-monetary relations) is precisely that it is quite good at absorbing poverty. Correspondingly, as commodification spreads and everything is monetarized, poverty becomes more dif-

Figure 10 – Visual Representation of Sustainable Livelihoods



ficult to hide. The dominant discourse certainly has no place for a real structural approach to the *causes* of poverty, such as those addressed in the ‘drain’ theory. Nevertheless, there is a structural dimension in the way that it approaches the problem of *managing* it. The concept of ‘sustainable livelihoods’ can be taken as an illustration (cf. Meikle et al. 1999). If we analyze this concept systemically, we can see that poor families are considered to fluctuate around a poverty line, and the challenge is to prevent the fluctuations going too far on the downside, where they would disappear off the map (see Figure 10)

If we make a critical analysis of Figure 10, the notion of ‘the edge of chaos’ springs to mind. There is an area close to the region of unpredictability where co-optable emergence may be particularly intense, in the form of small enterprises, micro-credit etc.; but once the threshold is crossed, forms of emergence may occur which are then difficult to claw back into the orbit of the dominant global-capitalist attractor. This problem could clearly be intensified in a structural crisis, since the weakening of the hegemonic attractors might set free even established (and at present co-optable) instances of emergence, such as the ‘clustering’ of small producers, to become part of autonomous strategies. Such uncontrolled emergence would in turn operate as a positive feedback loop to augment the system’s instability.

CONCLUSION

This article has surveyed some areas of literature relevant to a systems-theory reading of the development of the international political economy. It has demonstrated the usefulness of a distinctly social definition of entropy, considered under two aspects: the transfer of order and disorder between core and periphery; and the sense in which a supposedly self-fuelling process of development is actually maintained by colonizing a finite social space, by the exhaustion of future room

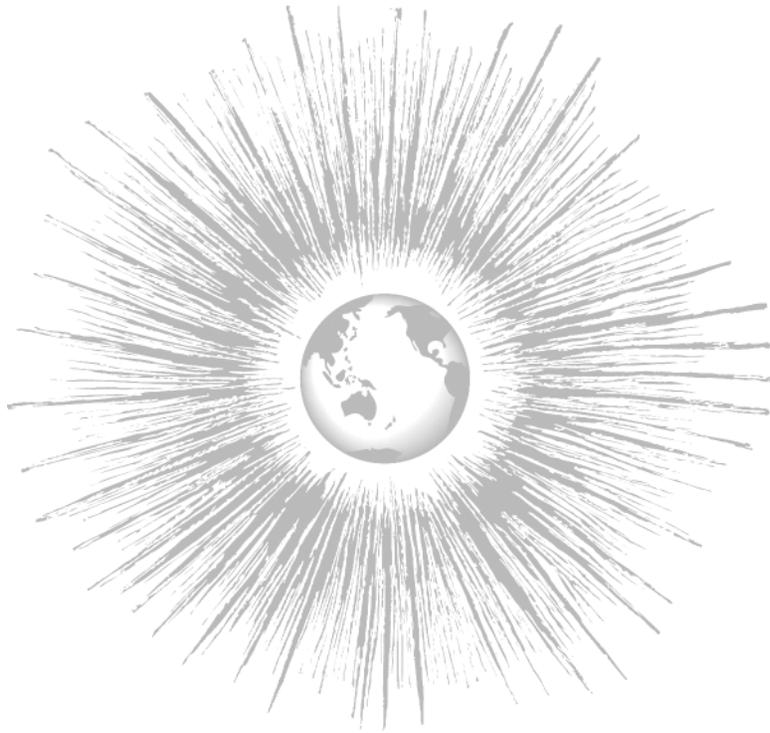
to maneuver. Although social core-periphery transactions are closely intertwined with those involving the physical environment, it is useful to separate the two categories in order to see how regulation—principally expressed in the establishment of regimes of accumulation—may differentially exploit one or the other aspect. The social definition of entropy is a useful tool in generating insights about the current phase which began around 1980, revealing how the latter (constrained by the overall ‘ceiling’ prescribed by the level of physical-environmental degradation), has been obliged to tap into new forms of regulation drawing on its mode of governance in the social milieu. This in turn poses the entropy problem in a new and sharper form, while also making it difficult to identify a remaining scope for *future* restructuring.

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ABSTRACT:

The events of 9/11 have rekindled interest in the social sciences concerning the global factors responsible for transnational terrorism. Two opposing frameworks currently dominate the scene: proponents of a “destructive globalization” approach argue that processes related to the trans-nationalization of capital produce native resistance in the more economically disadvantaged areas of the globe that is manifested as transnational terrorist attacks, especially against the u.s., “civilizing globalization” arguments point to precisely the opposite effect: economic globalization through the spread of markets and material goods brings with it prosperity and higher living standards, thus defusing the motivation to engage in high-risk political violence. In this paper, I propose an additional framework that goes beyond the narrow realism of the destructive globalization and civilizing globalization perspectives by examining the role of the globalization of *world culture* in the

production of anti-u.s. terrorism. I argue that looking at the role of world cultural structuration is important because even though economic globalization may help create local grievances outside of the most economically advantaged areas of the world, cultural globalization provides the requisite models of individual and organizational action and the interpretive schemas that “empower” local actors with the constitutive capacity to engage in high-risk acts of political violence and allows them to make local/global connections. I test this framework using time-series world-level data in order to examine the global correlates of anti-u.s. terrorist activity for the last 30 years. The results provide mixed support for both civilizing globalization and destructive globalization viewpoints. Further, and in accord with the model proposed here, cultural globalization has a positive effect on the rate of anti-u.s. terrorist activity.

THE EFFECT OF ECONOMIC AND CULTURAL GLOBALIZATION ON ANTI-U.S. TRANSNATIONAL TERRORISM 1971–2000*

Omar Lizardo

I. INTRODUCTION

Organized terrorist activity produced by transnational sub-state actors and directed at American targets has been a constant feature of the post-war global arena, especially since 1968. This period has in fact been referred to as “the age of terrorism” (Laqueur 1987), making terrorism in general and anti-u.s. terrorism in particular, an important if often overlooked feature of the modern world-system (Bergesen and Lizardo 2004, 2005). This has become more important given that the salience of transnational terrorism in the global arena has intensified after the end of the cold war, a process that has reached its zenith after the events of 9/11. Virilio (2004: 192) for instance, speaking of the first attempted bombing of the World Trade Center in 1993, was already referring to a “new era” of terrorism, which has “nothing in common with the explosions that regularly rock Ireland or England.” Hoffman (1995), Laqueur (1999) and Ranstorp (1996) point to the new “religious” terrorism as representing a qualitative break with previous modes of political violence. Rapoport (2001) refers to this latest development as the “fourth wave” of terrorism which follows earlier anarchist, national-libera-

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tion and Marxist waves. This “new” terrorism is seen as having acquired a more distinct transnational cast, while simultaneously losing the ideological specificity of earlier waves (in particular those inspired by Marxist ideology) and moving toward more diffuse claims and motivations (Juergensmeyer 2000; Stern 1999).

In spite of this general interest in the changing historical and cultural dynamics of terrorism as a form of political violence, most research on terrorism has ignored its more global causes and components and has instead focused on more proximate factors and mechanisms (Bergesen and Lizardo 2004). The principal focus of most terrorism research from the 1960s through the 1990s concentrated in analyzing terrorism from psychological (“the terrorist personality”) and social-psychological (dynamics of recruitment, indoctrination and coordination in small organizations) perspectives (Crenshaw 1981: 389–396; Crenshaw 1992; Hoffman 1998, 1999).¹ Related approaches from Economics and Political Science followed a similar tack by incorporating individualistic models of rational action and motivation which tended to ignore local contexts and structures and viewed terrorist activity as primarily driven by a putatively universal cost-benefit calculus (i.e. Sandler and Enders 2004, but see Crenshaw 1981 and Ross 1993 for a multidimensional model). Needless to say, the analysts that draw on these approaches pay little attention to global structures as important causative factors of the bundle of phenomena usually classified under the heading of transnational terrorism.

More recently, primarily due to the impact of the events of 9/11, there has been a concerted effort to try to provide explanations of terrorist phenomena from a more global perspective (Baudrillard 2001; Barber 1992; Bergesen and Lizardo 2002, 2004, 2005; Bergesen and Han 2005; Chomsky 2001; Denmark 2002; Fox 2002; Lizardo and Bergesen 2003; Virilio 2004: 192–197, 235–255; Zizek 2001; see also the contributions collected in Stemplowski 2002). This new strand of terrorism research moves beyond the micro-level focus of earlier research, and takes into account translocal factors (such as those associated with transna-

¹ There are of course some important exceptions to this. One wing of terrorism research for instance focused on the study of the international diffusion of terrorism, in particular “spillover” effects of terrorism from unstable to stable areas (such as from the Middle East to Europe in the 1970s), which forced them to take a more structural and international perspective. For examples of this line of research see Redlick (1979), Midlarsky et al. (1980), and Pluchinsky (1982, 1987). Another notable exception to this micro-bias in terrorism research is an early paper by Crenshaw (1981) in which she tries to develop a systemic account linking uneven modernization in the periphery and the strains that come with sudden integration into the world economy with local political grievances that express themselves in the form of organized political violence against the state or its representatives.

tional political, economic and cultural processes), thus situating the causes and consequences of the types of political violence usually labeled as “terrorism” in a wider structural and historical context. One particular strand of global research on terrorism attempts to connect this phenomenon to other well know secular trends and recurring cycles in the world system, such as the hegemonic sequence (Chase-Dunn 1998) and related global dynamics.

1.1 The Hegemonic Rise and Decline Model

Bergesen and Lizardo (2004, 2005) for instance, argue that terrorism can be viewed as part of the “systemic chaos” (Arrighi 1994; Arrighi et al. 1999) produced by the unraveling of the post-war civilizing globalization order under conditions of American hegemonic decline. They go on to offer a comparative analysis that situates the current terrorist activity in a global context surprisingly similar to a wave of anarchist terrorist activity that swept Russia, Western and Eastern Europe during the late 19th century when the British hegemonic order was also declining (see also Bergesen and Han 2005 for a general plea toward a more global comparative approach to the study of terrorism). They conclude that waves of transnational terrorism appear to be an effect of comparable large-scale global re-ordering processes, having to do with shifting patterns of rivalry and alliance within the core and social and political changes in the semiperiphery as older state formations are destabilized and replaced in favor of alternative sociopolitical arrangements, in the two different historical periods. From this perspective, transnational terrorism appears to be both a trigger and a product of hegemonic decline and the concomitant balkanization of the core produced under a multipolar system (Pollins 1996). From this perspective, anti-hegemonic transnational terrorism first seems to appear in the semiperipheral areas most deeply affected and penetrated by core political and economic interests and later spreads (or “spirals”) toward core targets and regions.

Sobek and Braithwaite (2005) develop their own version of an “interstate dominance model” of terrorist activity. They argue, against the hegemonic decline thesis, that we should expect more attacks against the global hegemon as its power *increases*. They reason that as the international system comes to be dominated by a single global power, transnational actors should shift their attention from less powerful regional hegemonies and concentrate their resources against the most powerful actor in the system. Dominance from this point of view leads to an increase in the impact of the hegemon’s foreign policy on a wider geographical scale, which may lead to an increase in dissatisfaction with these policies and a more proactive attempt to alter them (i.e. U.S. policy vis-à-vis Latin America or the Middle East). Furthermore, as dominance by a single power increases, the

perceived effectiveness of non-violent forms of contention is thought to decline, which increases the chances that challenging groups will resort to violent forms. Sobek and Braithwaite (2005) go on to test their dominance model with time-series data covering the years from 1968 to 1996. Consistent with their dominance account, they find that increasing U.S. dominance leads to an increase in the number of terrorist attacks against American interests.²

In this article, I will focus on examining the determinants of a subtype of terrorist phenomena, transnational terrorist attacks against American interests. While Bergesen and Lizardo (2004, 2005) have previously discussed the global antecedents of transnational terrorism in general, they acknowledge that an important component of modern transnational terrorist activity is that which is directed at the hegemonic power itself (Bergesen and Lizardo 2002; Sobek and Braithwaite 2005). The pure hegemonic decline model suffers from the limitation of only speaking to the broad background conditions that open up space for the global incidence of terrorism, but it is silent as to what are the primary mechanisms that intensify or reduce its frequency. For that reason, I turn my attention to two major intervening factors that are considered primary in current global-level accounts: *economic globalization* and *cultural globalization*.

Thus, in addition to considering the role of world economic processes in providing a context that may either facilitate or inhibit the expression of violent anti-systemic resistance by subnational groups (which is the dominant factor alluded to by most contemporary accounts), I take seriously the role of world cultural models, recipes and schemas as constitutive of actors, goals and actions (Meyer et al. 1997). I construe these models as also providing a meaningful context for the active expressions of anti-hegemonic expressions of grievances on

² While Sobek and Braithwaite's results seem to run counter to the Bergesen-Lizardo hegemonic decline model, there is a strong possibility that this stems from their radically different conceptualizations of American dominance. Bergesen and Lizardo following world systems theory conceptualize dominance in a multidimensional way, resting in economic, cultural and political preponderance (but highlighting the first). According to most of the researchers who measure U.S. hegemony using these political-economic metrics, U.S. dominance has gradually declined in the international system since 1950 (Chase-Dunn et al. 2005). Sobek and Braithwaite on the other hand, conceptualize "dominance" using a simple international influence/rivalry measure which taps the degree to which the U.S. faces a contrarian rival in the United Nations (a powerful nation that consistently votes against the U.S.). Because the capabilities of the U.S.'s most important rival (the Soviet Union) declined during this period, U.S. dominance—according to this measure—appears to have increased during the same span of time, a finding that runs counter to most mainstream accounts of declining U.S. hegemony (see Bergesen and Sonett 1999).

the global stage. I move beyond traditional considerations of the role of culture in the world system—which see it as either a diffuse ideological smokescreen or as being driven by more fundamental processes associated with global economic flows—by considering the role of a specific form of cultural globalization in shaping patterns of transnational violence. To this end I draw on the world polity tradition of institutional theory (Boli and Thomas 1999), which construes cultural models and abstract forms of knowledge as being given material shape and performative "enactment" in the international system through the increasing structuration of a transnational organizational field composed of non-governmental and inter-governmental associations.

Following this scheme, I divide the current field of global explanations of terrorism into three major categories: (1) "destructive globalization" theories that key in on the negative consequences of economic globalization as producing transnational terrorism, (2) "civilizing globalization" theories that see terrorism as produced by incomplete or uneven globalization, but which generally view economic globalization as dampening international terrorism (Li and Schaub 2004). Finally, I attempt to articulate and develop (3) a "world polity" approach, which sees anti-U.S. transnational terrorism as partially aided by the diffusion and spread of global schemes of action that go under the rubric of "world culture." Before moving on to considering the global causes of transnational terrorism however, I first define the working conception of terrorism that will be used in the rest of the paper.

2. DEFINITIONAL ISSUES

Because in the following I will deal with the much debated issue of terrorism, and sub-state terrorist activity in particular, it is important to acknowledge at the outset that "one person's terrorist is another's freedom fighter" (Ganor 2001), and that *state* terrorism is both historically prior and has caused much more death and suffering than all historically recorded terrorist acts committed by non-state agents combined (Carr 2001; Chomsky 2001; Oliverio 1998). However beyond these normative concerns, I contend that it is both possible and desirable to arrive at a feasible operational definition of terrorism that (a) avoids most of the pitfalls associated with subjective conceptions of the phenomenon and (b) analytically differentiates non-state terrorism from state terrorism proper. The latter property is desirable in any definition of terrorism because treating terrorism produced by state and non-state organizations as the same type of generic phenomenon may lead to misleading conclusions regarding both its determinants and effects (Goodwin 2004). This is so because state terrorism may be associated with a different set of causal dynamics than non-state terrorism (Bergesen and Lizardo 2005).

In this respect a lot of the theoretical work on terrorism revolves around definitions (see the discussions in Jenkins 2001; Cooper 2001; Gibbs 1989; Hoffman 1998; Ruby 2002; Schmid and Jongman 1988), but as Jenkins (2001) has noted a quiet consensus appears to be forming on the definition of what constitutes terrorism. For example, for Enders and Sandler “Terrorism is the premeditated use or threat of use of extranormal violence or brutality by subnational groups to obtain a political, religious, or ideological objective through intimidation of a huge audience, usually not directly involved with the policy making that the terrorists seek to influence” (2002: 145–146). The U.S. Department of State defines terrorism as “politically motivated violence perpetrated against noncombatant targets by subnational groups or clandestine agents, usually intended to influence an audience” (quoted in Ruby 2002: 10). This is similar to Chomsky’s (2001: 19) definition: “Terrorism is the use of coercive means aimed at populations in an effort to achieve political, religious, or other aims.” In line with all of these, from the State Department to Chomsky, is Stern (1999: 30), who defines terrorism as, “an act or threat of violence against non-combatants, with the objective of intimidating or otherwise influencing an audience or audiences.” Peter Chalk offers a definition similar to the ones above when he conceptualizes terrorism as “the systematic use of illegitimate violence that is employed by sub-state actors as means of achieving specific political objectives, these goals differing according to the group concerned” (Chalk 1999: 151). The advantage of this conception is that it leaves open questions of motivation and ideology, which is important when research involves different historical periods and needs to be flexible enough to include such diverse motivations as ethnic separatist ideologies, radical Maoism or fundamentalist Islamic beliefs.

Since the focus of this paper is on *transnational terrorism* I follow Enders and Sandler (1999) in thinking of transnational terrorism as any act of terrorism which either crosses a politically defined national boundary, or in which organizations or individuals who are citizens of one national entity take as their target objects or persons who are politically affiliated with another national group. Furthermore in this paper I restrict my attention to terrorism produced by *sub-national* groups or organizations who take as their target u.s. related targets or interests. Notice that this is a very different class of phenomena from those usually labeled “state terrorism” which tend to take as their target not u.s. targets and interests (which would constitute a formal act of interstate war against the u.s.) but which are disproportionately directed at the subjugation and control of local populations.

3. GLOBAL ACCOUNTS OF THE ORIGINS OF TRANSNATIONAL TERRORISM

3.1 The “Destructive” Globalization Thesis

The destructive globalization thesis is straightforward: recent bouts of anti-u.s. terror are a direct result of the ravages caused by the neo-liberal program of globalization of trade and the trans-nationalization of capital (Barber 1995; Chomsky 2001; Hess 2003; Joxe 2001). In other words, terrorism is a reaction from the periphery’s disaffected masses against the American-led globalization juggernaut, which destroys local cultures, traditions, and ways of life and replaces them with the alien homogeneity and sterility of American mass culture (Barber 1995; Kellner 2002; Ritzer 2003), while at the same time removing the basis for political and economic sovereignty in the most disaffected areas of the globe (Joxe 2001). Thus modern anti-u.s. terror is the battle cry of a populist “Jihad” against the leveling forces of American globalized popular culture, or “McWorld” (Barber 1992, 1995).³

Proponents of the destructive globalization thesis maintain that neo-liberal economic programs subject countries located in the periphery and semi-periphery (Chase-Dunn 1998) to draconian austerity measures that eliminate government protections against the ravages of the open market (Chomsky 1998; Sassen 1998). Some go on to add that the bureaucratization of state structures that result from globalizing processes end up benefiting only a small subset of local elites to the detriment of the marginalized poorer populations (Samiuddin 1997). This causes resentment among the impoverished masses of the periphery, which is then turned outwards to the u.s., which represents the primary source of neo-liberal policies and the primary backers of the transnational organizations charged with their implementation, such as the I.M.F. and the World Bank. Thus, anti-u.s. terrorist attacks can be understood as part of a long-term anti-systemic movement against the most dominant global power from the more dominated fraction of the globe’s population (Chomsky 2001; Eisenstein 2002). Transnational terrorism is in this sense primarily a reaction against the twin forces of globalization and American formal and informal imperial domination (Hess 2003; Joxe 2001).

From the destructive globalization point of view, the u.s. is seen by anti-hegemonic actors originating from the world’s most disadvantaged areas as both the primary beneficiary of the system of global capital and as its main symbolic presence. This motivates international terrorist organizations to choose targets asso-

³ More general statements of these claims see globalization and terrorism as coterminous and mutually reinforcing processes which are impossible to disentangle (see Baudrillard 2001).

ciated with the U.S. in order to express their grievances (Campbell 2001). Further, insofar as globalization erodes the basis for democratic institutions in the poorer countries in the world (Li and Reuveny 2003), and due to the persistent post-war U.S. policy of support for non-democratic regimes in the global South in favor of “stability,” oppositional groups that initially directed their efforts at local governments may in time shift their attention to the U.S., in an attempt to modify U.S. international policies that are perceived to benefit local power holders (Bergesen and Lizardo 2002). According to this conceptualization, there is nothing distinctive or peculiar about the causes of the recent wave of Arab-Islamic religious terrorism: the very same grievances produced by inequality-generating globalizing processes that spurred terrorist activity by Marxist-inspired groups in Latin America and other parts of the world during the 1960s and 1970s are sufficient to explain this “new” type of backlash against the West and the U.S. (Kuran 2002; Pasha 2002). Fox (2002: 114) for instance notes that “[fundamentalist] religious terrorism is at least in part a product of the world system...Fundamentalism is a reaction against the modernization process that has dominated the world system for over a century...those who have been hurt or left behind by this process are those more likely to become fundamentalists and, consequently, more likely to become religious terrorists.”

While not part of the destructive globalization camp, various experts and commentators that come from a more policy-oriented “counter-terrorist” perspective also perceive economic globalization as contributing to the rise of terrorism (and especially anti-U.S. terrorism) in the last 30 years, albeit through a more indirect route. From this point of view, globalization, insofar as it facilitates the world-wide diffusion and distribution of increasingly technologically-sophisticated communication media, arms, capital, skills and information, can provide non-state actors with the resources and coordination capabilities to engage in campaigns of political violence that had previously remained outside of their logistical purview (Hoffman 1998; Jenkins 2001; Laqueur 1999; Naim 2003). This increased availability of material and coordination resources levels the playing field between larger international actors such as nation-states and smaller non-state entities such as individuals and organizations, allowing the latter to engage in fairly destructive bouts of “asymmetric warfare.” As Cronin (2002: 30) puts it: “The current [post 1970s] wave of international terrorism, characterized by unpredictable and unprecedented threats from non-state actors, not only is a reaction to globalization but is facilitated by it.” Terrorism thus comes to increasingly acquire the character of the “weapon of the weak” allowing disaffected masses to express political discontent by directing attacks at the most powerful actors on the global scene (such as the U.S.).

While the globalization account appears to have acquired a lot of supporters

of late, it is hardly new. More than two decades ago, Martha Crenshaw (1981) had proposed a similar set of hypotheses concerning transnational terrorist activity. She viewed the dislocating effect of world-system economic integration, and the accompanying repercussions related to increasing urbanization in the periphery and widening transnational political and social inequalities as fostering the spread of transnational terrorism. Thus, in many respects the destructive globalization thesis can be seen as an updated version of previous accounts which stressed the role of the demographic, social and infrastructural dislocations produced by national-level modernization projects as a precipitant of terrorist activity. Crenshaw (1981: 380–381) for instance talks about modernizing forces as producing a set of related factors which function as “permissive” influences on terrorism. These include: (1) increased organization and role complexity at the level of the social structure and the economy; (2) the sudden availability of networks of transportation and communication which offer increased coordination capabilities for small organizations and heighten the impact and scope of violent action displays; and (3) massive and rapid urbanization which results in the agglomeration of large numbers of people in relatively small physical locales making available to terrorist organizations both an increased number of potential recruits and victims and making it harder for authorities to monitor and sanction terrorist activity as it takes the form of “urban guerrilla warfare.”

What is new, especially after 9/11, is the connection made between the effects of globalization processes and *anti-U.S. sentiment* emanating from the popular masses that reside in the world’s most economically disadvantaged countries.⁴ As Coker (2002: 7) puts it: “This is one of the paradoxes of globalization. It engenders terrorism: the wish to protect traditional cultures; it creates a sense of powerlessness for those left on a planet where there is no viable alternative to the orthodoxies of the World Bank. It focuses even more attention on America and ‘Americanisation.’” It is important to note that even though the destructive globalization thesis connecting globalization and anti-U.S. terrorism is currently the most prevalent view among most commentators, it has been subjected to little or no empirical attempts at confirmation. For example Li and Schaub (2004) comment that although the weight of existing arguments leans in favor of the positive effect of globalization, little if any consensus has been reached regarding the definite nature of the effect of economic globalization.

⁴ Notice that what is new is the theoretical connection made by social scientists, and not the presumed operation of this mechanism. Anti-American sentiment was a key ingredient of the Marxist terrorist wave that swept Europe and Latin America during the 1960s and 1970s. This was of course exacerbated by the bipolar ideological, political and economic rivalry between the former Soviet Union and the U.S.

This fact notwithstanding, the destructive globalization model leads to a clear-cut expectation:

H1: Economic Globalization is associated with a higher rate of anti-u.s. terrorist activity.

3.2 The “Civilizing” Globalization Thesis

Alternative conceptions of globalization view it as a process associated with the spread of wealth, political and economic freedoms, choice and improved living standards and therefore see the emergence of transnational terrorist activity as a problem that originates from *incomplete* or uneven globalization across different regions of the world (Friedman 1999). Thus it is a *lack* of globalization in certain areas of the world and not the ravages caused by the excess of a process best described as a “runaway train” (as is argued for example by Giddens 2002) that is the root cause of most of the grievances expressed by semiperipheral and peripheral actors by way of political violence directed at u.s. hegemony. In addition, defenders of globalization point to a positive correlation between openness to global markets and more democratic and accountable political institutions, a contention that has been supported by some empirical research (more recently Lopez-Cordova and Meissner [2004], but see Li and Reuveny [2003] for empirical evidence to the contrary).⁵

Civilizing globalization theorists argue that once countries begin to open their borders to global economic influences, other transnational influences related to political culture and democratic governance begin to seep through. Thus globalization leads to the creation and transformation of existing civil, economic and political institutions, such as a free press, opposition parties and voluntary

⁵ The literature on the relationship between democracy and globalization is vast, and continues to grow at an exponential rate, making any attempt to meaningfully review it beyond the scope of this article. Suffice it to say that the majority consensus from most commentators is that globalization may impede the progress of democracy, specifically through its weakening effect on the governance capacity of the nation-state (but see Guillen 2001 for a skeptical review of this literature). A smaller, opposing group points to the positive effects that globalization has on democracy, by diffusing liberal culture, supporting individual choice in the market, dissolving localistic and protectionist restrictions, and providing new ideological and technological organizational resources for civil action (Friedman 1999; Fukuyama 1992; McGrew 1997). A third but growing contingent acknowledges that globalization weakens the nation state, and with it standard forms of nationalist liberal democracy, but opens up space for a new form of global “cosmopolitan democracy” (Held 1995). For more in depth considerations of the issue of Globalization and Democracy see McGrew (1997), Munck (2002), Schwartzman (1998), and Scholte (2000).

organizations, a process of change that serves to support democratic institutional transformations (Friedman 1999). Because democratization leads to reform at the level of civil society, it opens the political opportunity structure (McAdam et al. 2001) and allows for the organized expression of grievances to be directed to now accountable *national* government actors. This may help to canalize grievances (even those produced by global economic factors) inward, rather than outward towards the transnational arena, and prevents the “spillover” (Pluchinsky 1987) of terrorism usually produced when autocratic nations attempt to squash internal domestic resistance which ends up forcing domestic terrorist groups outwards toward more hospitable sponsor (or liberal democratic [Wilkinson 1986]) states, transforming them into *de facto* transnational non-state actors.

Furthermore, for civilizing globalization theorists, the most important impact of globalization revolves around what are deemed to be its generally *beneficial* effects on local economic growth and development. Martin Wolf (2004) for instance, argues that instead of leading to continued impoverishment and economic despair—processes that destructive globalization theorists see as the primary incentives that lead disaffected peripheral populations toward violent action—globalization is instead associated with increasing levels of economic development, a wider variety of material opportunities and increasing chances of social and economic mobility and the attainment of wealth for residents of less economically advanced nations. For Wolf (2002) “Evidence suggests the 1980s and 1990s were decades of declining global inequality and reductions in the proportion of the world’s population in extreme poverty.”⁶ Dollar and Kray (2002)—also proponents of the beneficial effects of globalization on economic development—contend that “higher growth rates in globalizing developing countries have translated into higher incomes for the poor.” They note that it is non-globalizing developing countries whose economies have grown at a slower pace, and therefore it is the poor populations in the parts of the global South that are most disconnected from the world economy who are more likely to bear the brunt of global poverty and destitution.

Thus, proponents of the civilizing globalization point of view think of anti-u.s. terrorism as a phenomenon that originates when local actors, faced with oppressive local regimes that do little to open up access to globalizing influences, attempt to foster large scale political change through indirect symbolic attacks against prestigious transnational entities. Therefore, peripheral actors that are left-out of the process of global economic integration and who are therefore excluded from the putative benefits associated with open markets are more likely

⁶ But see Wade (2004) for a critique of the empirical basis of this neo-liberal line of thinking.

to engage in terrorist violence against U.S. targets. While there is little empirical evidence to support either the destructive globalization or the civilizing accounts of the relationship between transnational terrorism and globalization, a recent study, using cross-national time series data for 1975–1997 on 112 countries, finds support for the notion that the association between transnational terrorism and country-level integration into the world economy is negative, through the indirect positive effect that economic globalization has on economic growth (Li and Schaub 2004). In sum, the basic expectation that can be gleaned from the civilizing globalization perspective is that terrorism decreases as globalization increases:

H2: Economic globalization is associated with a lower rate of anti-U.S. terrorist activity.

3.3 A World Polity Framework

3.3.1 *The End of History?*

Recent considerations of globalization have begun to move away from strictly political-economic conceptualization of the process and to acknowledge its institutional and cultural aspects (Appadurai 1996; Featherstone 1990; for a review, see Guillen 2001). Researchers who draw on the World-Polity tradition of institutional theory (Meyer et al. 1997; Thomas et al. 1987) propose a framework that views recent globalization trends as including the world-wide spread of cultural schemas, models and forms of knowledge as much as the diffusion of material products and finance capital (Boli and Thomas 1999; Boli and Lechner 2002). These schemas of action and organization are considered part of a rationalized (in the Weberian sense) *world culture* precisely because they are seen by their proponents as having general applicability regardless of cultural idiosyncrasies and geographical location (Boli and Thomas 1999; Lechner and Boli 2005).

From this perspective, the accelerating post-war global diffusion of cultural models relevant to action in the social, political, economic and natural realms represents the culmination of a move toward global cultural integration that began in the late 19th century as a part of the colonial expansion of the European powers, but which was interrupted with the eruption of World War I (Boli and Lechner 2002). The principal organizing form that has been responsible for global cultural integration is the nation-state, as the basic legitimized corporate entity of the modern interstate system (Thomas and Meyer 1984). This accounts for its dramatically rapid spread throughout the world system following European decolonization in the 1960s (Anderson 1991; Meyer et al 1997; Thomas and Meyer 1984). However, since then, International Non-Governmental Organizations (INGOs) have come to eclipse the state as the primary institutional

carriers and diffusers of world cultural models (Boli and Thomas 1999); this has led to their rapid multiplication and spread on a world-wide scale since the 1960s (see figure 1).

How can we conceptualize the role of cultural globalization in relation to anti-U.S. terrorism? First it is important to note that the contents of world cultural globalization consist of *Western* conceptions of the individual, organizations and the role of the state (Meyer and Jepperson 2000). This cultural package is of a primarily liberal-individualistic bent, emphasizing the role of rationality in social and political action and the diffusion of voluntaristic conceptions of individuality that stress the power of organized action at the level of local and global civil-society to produce social change (Boli and Thomas 1999).

One way to interpret this world-wide spread of Western cultural models is by following the somewhat teleological formulations that focus on the “end of history” after the dissolution of communism (Fukuyama 1992). From this point of view, we could construe accelerating cultural globalization trends as resulting in decreased levels of organized anti-systemic resistance (as the world converges around a similar post-ideological culture), and would thus predict that cultural globalization will lead to a *decline* in anti-U.S. terrorist attacks:

H3: Cultural globalization has a negative effect on the rate of anti-U.S. terrorist activity.

3.3.2 *Global Violence and the Constitutive Power of World Culture*

However, this somewhat overly optimistic viewpoint is belied by the post-cold-war rise of militant ethno-nationalisms and political fundamentalisms (Friedland 2001). Rather than reaching the end of history after the dissolution of communism as a world ideology, there appears to be an underappreciated *continuity* in radical anti-systemic action that connects in a direct line the Maoist and radical Marxist struggles of the 1960s and 1970s to the recent upsurge of radical political religions (Ferguson 2001; Hoffman 1998; Rapoport 1988, 1999, 2001). Following this line of reasoning, I suggest that cultural globalization, especially that having to do with the spread of individualist and voluntaristic models of action, may in fact have a *positive* effect on the incidence of anti-systemic violence, in contrast to what would be expected from a simple “end of history” model.

This is for two primary reasons: (1) Modern terrorism, since its historical beginnings with Russian anarchism (Joll 1979; Laqueur 1977), has represented the radicalization of voluntaristic, individually-rooted action against encroaching state structures. In this respect, there are many ways in which the post-war diffusion of cultural models that emphasize individual action may actually *empower* non-state actors to take the responsibility for bringing about rapid social and political change by their own hands. This is consonant with the view

that explains the rise of modern terrorism in the 19th century as strictly correlative with the diffusion of liberal conceptions of citizenship and legal rights that protect the person from arbitrary government action (Joll 1979; Laqueur 1977; Wilkinson 1986). (2) Because cultural globalization entails the diffusion of cultural models that have their historical origins in Europe and that carry with it specifically Western notions of social and political organization, world cultural diffusion may engender local resistance from certain movements, such as indigenous variants of Maoism or more recent religious nationalisms, that espouse alternative ways of imagining the relationship between the individual and the state and the role of religion in civil society and political governance (Friedland 2001; Juergensmeyer 2000).

These counter-movements, while nominally resisting Western cultural intrusion, may simultaneously feed from its more abstract and constitutive aspects in order to systematize their activities of resistance (Olzak forthcoming). This leads to the apparent paradoxical outcome whereby the very attempt to combat Western cultural diffusion makes use of deep constitutive features of this culture in order to organize that opposition (Friedland 2001; Gray 2003). As Meyer, Boli, Thomas and Ramirez note:

World culture influences nation-states not only at their centers, or only in symbolic ways, *but also through direct connections between local actors and world culture.* Such connections produce many axes of mobilization for the implementation of world-cultural principles and help account for similarities in mobilization agendas and strategies in highly disparate countries....*Explicit rejection of world-cultural principles sometimes occurs, particularly by nationalist or religious movements whose purported opposition to modernity is seen as a threat to geopolitical stability. While the threat is real enough, the analysis is mistaken because it greatly underestimates the extent to which such movements conform to rationalized models of societal order and purpose.* These movements mobilize around principles inscribed in world-cultural scripts, derive their organizing capacity from the legitimacy of these scripts, and edit their supposedly primordial claims to maximize this legitimacy. By and large, they seek an idealized modern community undergoing broad-based social development where citizens (of the right sort) can fully exercise their abstract rights. While they violate some central elements of world-cultural ideology, they nonetheless rely heavily on other elements. *For example, religious “fundamentalists” may reject the extreme naturalism of modernity by making individuals accountable to an unchallengeable god, but they nevertheless exhort their people to embrace such key world-cultural elements as nation building, mass schooling, rationalized health care, and professionalization....They also are apt to reformulate their religious doctrine in accordance with typical modern conceptions of rational-moral discipline....In general, nationalist and religious movements intensify isomorphism more than they resist it.* (Meyer et al. 1997: 161, italics added).

This is a feature of recent “reactionary” movements that has been noticed by some analysts (Friedland 2001; Ferguson 2001; Gray 2003; Lizardo and Bergesen 2003) and it is equally applicable to Maoist and Marxist-inspired anti-systemic radical movements that dominated the periphery and semiperiphery of the world-system before 1989 (Lizardo and Bergesen 2003). Hoffman (2002: 306–311) for instance, speaks of Osama bin Laden as a modern day transnational “CEO” who was able to adapt the latest organizational technologies and collective management techniques for the purposes of fashioning a transnational “network organization” bent on fighting against U.S. interests and influence. Gray (2003: 3) argues against the view that Al Qaeda is a “relic of the past” steeped in ancient myths and pre-modern religious traditions. Instead, for Gray (2003: 3), “radical Islam is modern. Though it claims to be anti-western, it is shaped as much by western ideology as by Islamic traditions. Like Marxists and neo-liberals, radical Islamists see history as a prelude to a new world. *All are convinced they can remake the human condition. If there is a uniquely modern myth, this is it*” (italics added).

Following this lead, I propose a model that views cultural globalization as a factor in facilitating the linkage between the local grievances created by globalizing dynamics and the theorization processes (Strang and Meyer 1993) that allow non-state agents to (a) view themselves as potentially efficacious actors on the global scene and (b) to make the requisite global/local connections that assign specific transnational actors and audiences (such as the U.S or local constituencies.) to their roles in the complex communication structure of the terrorist act. This indirect communication feature of terrorist action is best described in Peter Schmid’s definition of terrorism:

An anxiety-inspiring method of repeated violent action, employed by (semi-) clandestine individual, group or state actors, for idiosyncratic, criminal or political reasons, whereby—in contrast to assassination—the *direct targets of violence are not the main targets. The immediate human victims of violence are generally chosen randomly (targets of opportunity) or selectively (representative or symbolic targets) from the target population, and serve as message generators. Threat- and violence-based communication processes between terrorist (organization), (imperiled) victims, and main targets are used to manipulate the main target (audience(s)), turning it into a target of terror, a target of demands, or a target of attention, depending on whether intimidation, coercion or propaganda is primarily sought.* (Schmid and Jongman 1988: 28; italics added)

While this relatively complex communicative function of terrorism is not problematic when the originators, targets and secondary audiences of the acts belong to the same local cultural or political context, on the global scene such large scale orchestration of action and meanings is more difficult to establish

(although given increasingly higher levels of globalization this roadblock should be of diminishing importance). I argue that without the common set of understandings, meanings, and awareness of global roles produced by world cultural integration, this complex process of indirect communication through political violence is difficult to organize and coordinate. Therefore, it is difficult for there to be a conversion of the local grievances produced by globalization processes into the global action that is manifested as direct attempts at political violence against U.S. hegemony without the availability of schemata of action contained in world culture.

Ongoing research by Susan Olzak (forthcoming) finds support for this view. Using longitudinal cross-national data on ethnic episodes of collective violence, she finds that increasing integration into the world polity is *positively* associated with rates of ethnic mobilization and violence, especially in the periphery and semiperiphery of the world system. She theorizes that cultural globalization allows local actors to articulate their grievances and gain legitimacy for their claims from the larger institutional environment. I propose that a similar dynamic should be expected to obtain in the case of anti-U.S. terrorist activity:

H4: Cultural Globalization has a positive effect on the rate of anti-U.S. terrorist activity.

4. DATA

4.1 Dependent Variable

The dependent variable in the following analyses consists of a yearly count of international terrorist events directed at American targets or “interests” as collected by the State Department; these are broadly characterized as American property or citizens around the world. In order to be included in the series, the event must meet the definition of transnational terrorism described above: terrorist acts committed by domestic actors against American targets are not included in this series. This information has been collected yearly by the State Department since 1968.

I use the portion of the series that covers the 30-year period from 1971–2000; this series has also been described and analyzed by Johnson (2001), Sobek and Braithwaite (2005), Sandler and Enders (2004), and Sandler (2003: 783, table 1, [from which the data can be obtained]).⁷ Table 1 shows a selected sample of the

⁷ The reader might wonder why I end the series in the year 2000. The year 2001 is not an outlier in terms of the *number* of events recorded (219 anti-U.S. attacks occurred in that year, only 19 more than in the previous year) which would make it no a problem to include it in the multivariate analysis. However, the year 2001 is an obvious outlier

Table 1 – Selected Sample of Terrorist Attacks against U.S. Interests Included in the State Department’s Annual Count

| Date of Incident | Description |
|------------------|---|
| May 4, 1973 | U.S. Consul General in Guadalajara, Mexico Terrance Leonhardy was kidnapped by members of the People’s Revolutionary Armed Forces. |
| August 31, 1981 | The Red Army exploded a bomb at the U.S. Air Force Base at Ramstein, West Germany. |
| April 24, 1987 | Sixteen U.S. servicemen riding in a Greek Air Force bus near Athens, Greece were injured in an apparent bombing attack, carried out by the revolutionary organization known as 17 November. |
| January 15, 1990 | The Tupac Amaru Revolutionary Movement bombed the U.S. Embassy in Lima, Peru |
| March 8, 1995 | Two unidentified gunmen killed two U.S. diplomats and wounded a third in Karachi, Pakistan. |

some of the most “significant” incidents included in this series as reported by the State Department. As can be appreciated from the table, the series errs on the side of inclusion, with attacks directed at both inanimate objects (e.g. buildings) and persons (e.g. ambassadors) included in the series. Further there are attacks perpetrated by both unknown individuals and internationally recognized terrorist organizations (e.g. the German Red Army). Finally the series counts as “U.S. interests or targets” any attack directed at or indirectly involving American civilian, diplomatic, economic or political figures; for more details on this series, see Sobek and Braithwaite (2005) and Sandler and Enders (2004). Attacks on U.S. interests account for a large portion of the number of total events recorded by the U.S. state department even though very few attacks do occur on U.S. soil. Hoffman (1995) also observes that the majority of transnational terrorist attacks in the world take U.S. targets and interests as their focus (Sobek and Braithwaite 2005).

when it comes to the number of deaths and the number wounded. Because I use these supplementary series in the sensitivity analyses reported below I do not include the year 2001 in the analyses reported below. None of the substantive results are changed—the effect of world culture is in fact strengthened—when analyzing the series with the year 2001 included (results available on request).

4.2 Independent Variables

In order to test the above hypotheses I use aggregate world-level data composed of indicator measures of economic globalization, cultural globalization and yearly count data of the number of attacks against U.S. interests for a 30 year period (1971–2001). Globalization data were obtained from an online database maintained by the *Global Policy Forum*, a non-profit organization affiliated with the United Nations.⁸ I measure *trade globalization* with two variables. The first variable is equivalent to the total number of regional free-trade agreements in the world for each year of the 30-year time-period under consideration (1970–2001). The second variable equals total world trade as a percentage of Gross World Product (GWP), a measure of the portion of the global economy that is international in nature. These two measures of globalization can be thought of as tapping the more “integrative” aspects of economic globalization that are usually emphasized by the civilizing globalization theorists. However, global economic integration is not the only facet of economic globalization. To this end, I include a *financial globalization* variable which is measured as total world foreign direct investment (FDI) as a proportion of Gross World Product. This is a measure of the extent and intensity of global capital mobility, monetary flows and currency transfers, which can be considered more closely attuned to the predatory and exploitative aspects of globalization emphasized by destructive globalization accounts.⁹

Finally, following previous research in the world polity tradition (Boli and Thomas 1999) *cultural globalization* is measured as the total number of International Non-Governmental Organizations (INGOs) that are affiliated

⁸ These databases can be accessed at <http://www.globalpolicy.org>. The world trade globalization data (world trade as a percentage of GWP) were obtained from <http://www.globalpolicy.org/globaliz/charts/tradepertable.htm>. The FDI data come from <http://www.globalpolicy.org/globaliz/charts/fdipertable.htm>; and the regional trade agreements data can be accessed at <http://www.globalpolicy.org/globaliz/charts/rtatable.htm>.

⁹ A reviewer wondered whether there is a tension across levels of analysis in using global variables to predict terrorist events “which are specific and local.” It is important to keep in mind that the terrorist event *is not* the unit of observation in this analysis. Since the number of yearly anti-U.S. terrorist incidents represent an aggregate across the world, the *rate* of anti-U.S. terrorism is the dependent variable (Long 1997). The count model assumes that the number of events is a function of this systematic rate and a stochastic disturbance (for the negative binomial model). This rate can be considered a purely global property (since events can occur anywhere in the world and can be carried out by actors hailing from all parts of the globe), and it is thus plausible to think of it as being determined by global-level factors.

with the United Nations (Willets 1996).¹⁰ As Boli and Thomas (1999: 6) note, INGOs are “the primary organizational field in which world culture takes structural form.” This is because their “primary concern is enacting, codifying, modifying, and propagating world-cultural structures and principles.” While Boli and Thomas (1999) concentrate their attention on all INGOs listed with the Union of International Associations, I operationalize the spread of world culture using the more restricted population of INGOs who are formally affiliated with the United Nations. (This population is in general smaller, but is also better able to track the growing global legitimacy of world cultural precepts, insofar as the U.N. constitutes the primary non-state actor on the global scene.) The data that I use includes three types of INGOs: (1) “General Status” INGOs which are “global, large membership and work on many issues”; (2) “Special Status” INGOs that are “regional and general or specialist and high status”; and (3) “Roster” INGOs which are smaller and “highly specialist” organizations who work in close cooperation with U.N. agencies.¹¹

4.3 Control Variables

I include three control variables associated with the composition of the interstate system and the foreign policy and international conflict environment that might affect the rate of terrorist activity: First I employ a period effect dummy variable for the *post cold war period* (1989–2002) in order to take into account the transition from the bipolar cold war international order to the unipolar post-cold-war arrangement (Pollins 1996: 2). Secondly I control for the *total number of states* in the system, as the opportunity structure of sponsorship, and the dynam-

¹⁰ These data were obtained from the online database maintained by Peter Willets at <http://www.staff.city.ac.uk/p.willets/NGOS/NGO-GRPH.HsTM#data>.

¹¹ A reviewer noted that since terrorist organizations are themselves transnational NGOs, using INGO density as predictor of the rate of anti-U.S. terrorism may not be appropriate since terrorist organizations are “just another INGO, growing with the rest of them.” While this comment is suggestive, I follow Tarrow (2004: 12) in analytically and empirically differentiating organizations whose primary behavioral script is non-violent (or non-contentious), and those which are primarily formed to produce contentious and/or violent actions against states or other actors. In this sense INGOs are radically different from transnational social movement organizations or terrorist actors, in that even though they may share similar ideologies, “...the main distinction between INGOs and social movements becomes primarily behavioral. Although both may have social change goals, transnational social movements engage in sustained contentious interaction with states, multinational actors, or international institutions, whereas INGOs engage in routine transactions with the same kinds of actors and provide services to citizens of other states.”

ics associated with ethno-nationalist and separatist struggles associated with the proliferation of the nation-state form may affect the rate of terrorism (Hoffman 1998).¹² Finally in order to adjust for the possible inciting effect of U.S. military interventions across the world, I include a variable equal to the *number of militarized interstate disputes (MIDs) involving the U.S.* for that year.¹³ This “blowback” hypothesis has recently been popularized by political scientist Chalmers Johnson. According to Johnson (2003) terrorist activity is in large part motivated by U.S. military operations around the world, which serve to support reactionary and sometimes oppressive domestic governments. Terrorist groups then direct their activity toward U.S. targets as an attempt to avenge what they see as unlawful and illegitimate interference and support of foreign U.S. economic and political interests in their focal region. In this manner, Johnson conceives of contemporary terrorism as the unintended side-effect of U.S. imperial military adventures across the globe (Johnson 2003: xv–xxii).

All variables mentioned above are differenced one time-step to remove secular trends; that is, instead of using the value X_t of I I use the value of $(X_t - X_{t-1})$. Figure 1 shows the yearly distribution of the variables used in the analysis.

5. METHODS

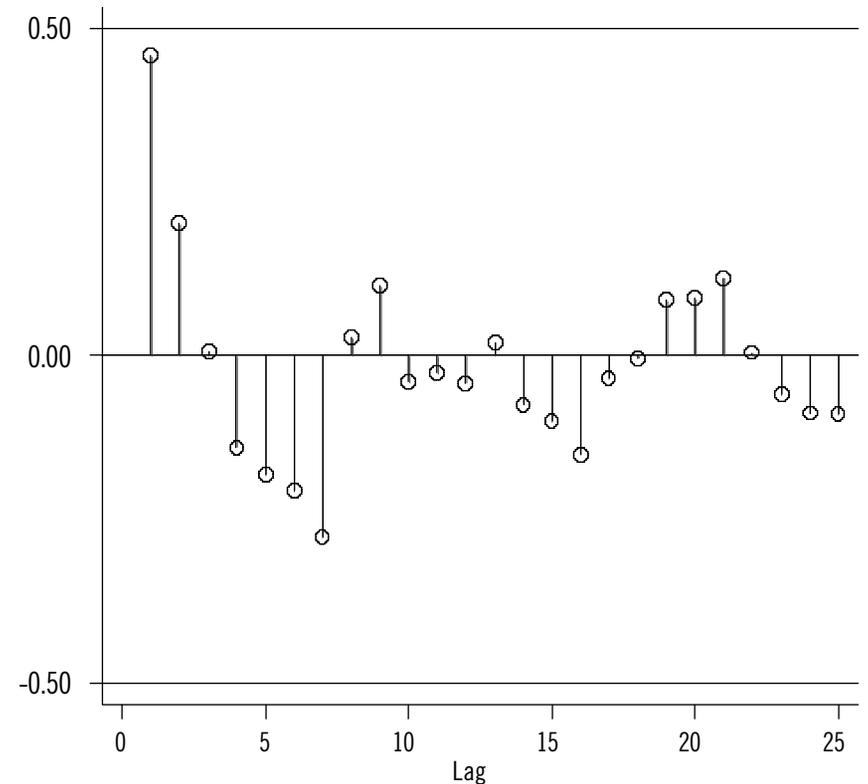
5.1 Negative Binomial Models for Counts

Because the dependent variable consists of annual event counts—meaning that the dependent variable is always positive and cannot take a value below zero—I use a general linear model (Hardin and Hilbe 2001) in which the expected count is assumed to come from a negative binomial distribution with the systematic part of this process (which is a linear function of the predictors) “linked” to the expected by way of a logarithmic function to ensure exclusively positive predictions. Modeling the expected count as coming from a negative binomial distribution is appropriate here because in contrast to the simple Poisson model (which is a common model for count data), which assumes equal mean and variance in the counts, the negative binomial distribution is more flexible in that it relaxes this somewhat restrictive assumption. This is important since most empirical counts—such as the one of interest here—are characterized by either *underdispersion* (variance is smaller than the mean) or *overdispersion* (variance is

¹² These data come from the Correlates of War Project Interstate system membership file (Correlates of War Project 2005).

¹³ These data were obtained from version 3.02 of the Militarized Interstate Dispute data set (Ghosn and Bennett 2003).

Figure 1 – Autocorrelation Function Plot of the Attacks Series



Bartlett's formula for MA(q) 95% confidence bands

larger than the mean), which makes the negative binomial model a more realistic choice than the Poisson model (Long 1997).¹⁴

5.2 Accounting for Autocorrelation

With time series data the dependence of the count in a given year on the value of the dependent variable on the year before (usually referred to as autocorrelation) is always a concern. This may motivate the usage of models which take

¹⁴ The attacks series under consideration here is extremely underdispersed with a mean of 162.6 and a standard deviation of 48.5, which means that the expected value is about 3.3 times larger than the dispersion.

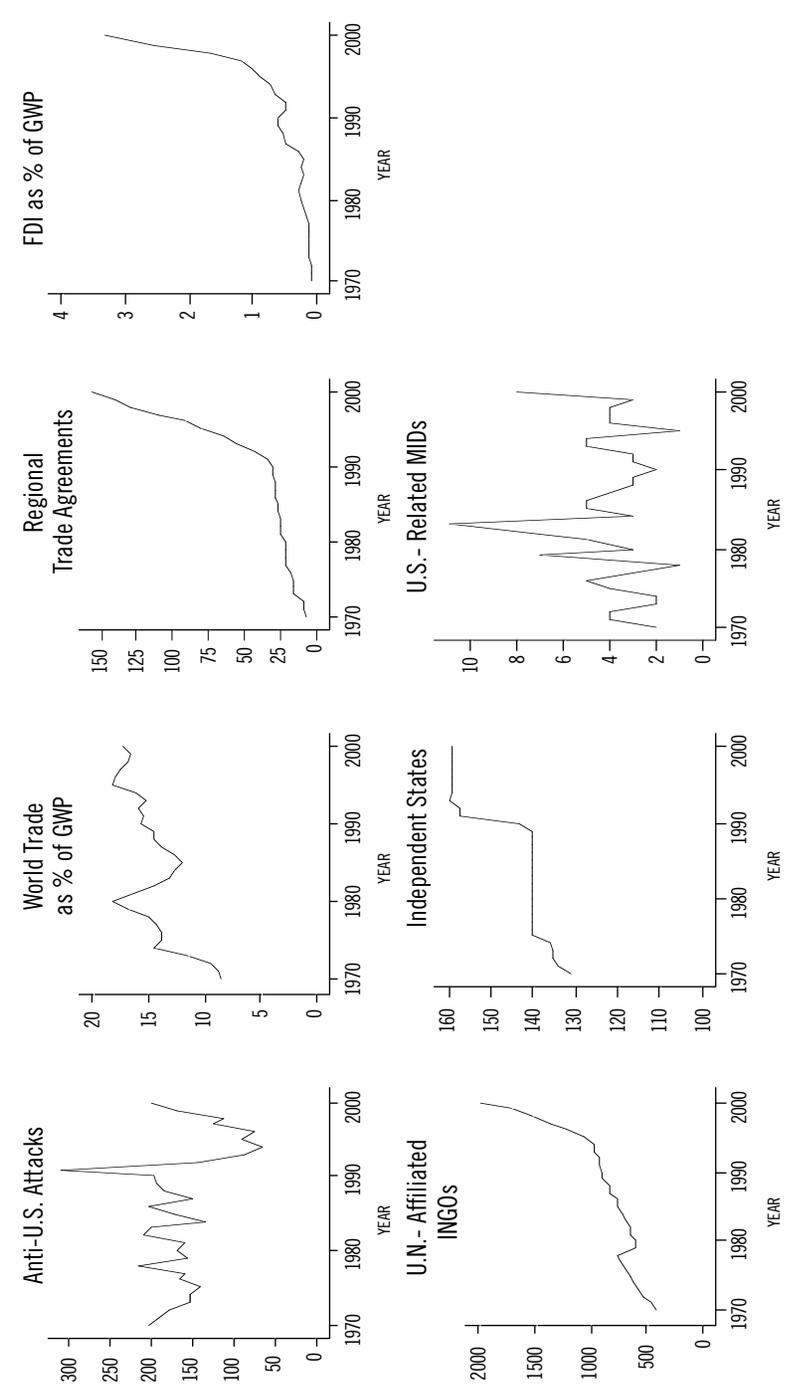
into account more complex patterns of time-dependence such as autoregressive integrated moving average (ARIMA) models, it has been shown that negative binomial count models that include a lagged dependent variable do a good job of accounting for time-dependence whenever the structure of this dependence is no more complex than a simple autoregressive (AR) process (Hannan 1991; Barron 1992).¹⁵ Previous examinations of the series used here (namely Sobek and Braithwaite 2005) have shown that this is indeed the case with these data. In order to verify this assumption, figure 1 shows the auto correlation function (ACF) diagram for this series. The vertical length of the lines indicates the magnitude of the correlation of the count at that period with the count at the preceding time period, and the horizontal bands point to the 95% confidence interval. As suspected, only the first lag appears to be significant within conventional levels. While there appear to be some slight negative autocorrelation at the 5th and 6th lags, the magnitude of the effects do not appear to be substantial. Consequently, I will limit myself to the presentation of NBR models with a lagged dependent variable and dispense with the use of more elaborate ARIMA specifications.

5.3 Non-Independence of the Error Terms

GLMs, like other linear models, work under the assumption that the errors are independent (the homoskedasticity assumption). However, with time series data this assumption seldom obtains, since in each year some number of unmeasured events that affected the dependent variable in previous periods may have an impact on the focal period, producing some non-trivial degree of correlation between the contemporaneous error term and those that belong to previous years. Furthermore, the effects of these random “shocks” may survive (in a weaker form) beyond a single lag up to an unknown span. One way around this problem is to impose some parametric function on the error correlation (a “moving average” model); another option is to dispense with the error independence assumption without attempting to specify the form of the correlation using the well-known “robust” estimator of the error-variance. For time series models, it is possible to specify an unstructured auto-correlation of the error terms up to some lag selected by the analyst, a technique recommended by Newey and West (1987). I opt for this last approach here. Thus, all models presented below are calculated using Newey-West heteroskedasticity and autocorrelation consistent (HAC) estimator of the variance up to eight lags (increasing the number of lags

¹⁵ An autoregressive process is defined as a correlation (negative or positive) between the count at time t and the count at time $t-n$ where n is the time period (first, second, third, etc.) preceding it. Thus an autoregressive process of order 1 entails a correlation between the count at some time period and the count at the preceding period.

Figure 2 – Yearly Distribution of the Variables Used in the Analysis



do not change the results). Since this type of “robust” estimation precludes model comparison by way of traditional likelihood-ratio tests, I present other measures of model fit: the model deviance statistic (with smaller values indicating a better fit) and an *r*-squared statistic designed for GLMs (Zheng and Agresti 2000). This pseudo *R*-squared statistic is simply the zero-order correlation between the fitted response and the observed response values.

6. RESULTS

Table 2 presents the results of four models showing the effects of world economic and cultural globalization on the number of terrorist acts directed at U.S. interests for the period of 1970–2001. Each model includes a lagged version of the dependent variable as a current predictor of its values in order to account for first-order autoregression effects. I tested specifications that included higher order (second and third) autoregression coefficients, but no lag of order higher than one proved to be significant. This is consistent with results obtained by Sobek and Braithwaite (2005) using the same series, and with the ACF diagram shown in figure 1.

6.1 A Baseline Model

Model 1 is a baseline model in which the dependent variable is regressed against its lagged counterpart in the preceding period; improved model fit can then be gauged with decreases in the model deviance statistic and increases in the *R*-squared statistics in comparison to this model. The baseline model shows that as expected, an autocorrelation effect of order one is present in the data ($t=5.23$), accounting for about 15% of the variance. This autocorrelation effect is—as should be expected—positive and significant, suggesting that, as shown in previous research (see Enders and Sandler 1999; also Midlarsky et al. 1980), a higher rate of activity in a previous period serves to encourage further terrorist activity in future periods (i.e. a “contagion” effect).

Model 2 introduces the three control variables, the cold war period variable, the number of states in the international system, and the number of U.S.-related militarized interstate disputes. The introduction of these variables significantly improves the fit of the model, with the *R*-squared more than tripling (going from 0.15 to 0.52). The post cold war period effect variable has a negative and statistically significant effect on the number of terrorist attacks against U.S. targets ($t=-2.18$), while the effect of the size of the interstate system is positive and also significant ($t=3.01$). The “blowback” effect on the other hand, while in the expected

Table 2 – Negative Binomial GLMs Regression Coefficients of the Global Predictors of the Number of Terrorist Attacks against U.S. Interests, 1970–2001

| | Model 1 | Model 2 | Model 3 | Model 4 |
|----------------------------------|-------------------|---------------------|---------------------|---------------------|
| Lagged N. of Attacks | 0.0037* (5.23) | 0.0020* (3.01) | 0.0018* (2.43) | 0.0019* (2.57) |
| N. of States | | 0.0488* (3.12) | 0.0610* (3.92) | 0.0562* (3.31) |
| Cold War | | -0.2546* (-2.18) | -0.2712 (-1.82) | -0.2404 (-1.54) |
| Number of MIDs Involving U.S. | | 0.0091 (0.65) | -0.0010 (-0.05) | 0.0006 (0.04) |
| World Trade as % of GWP | | | -0.0328* (-3.01) | -0.0266* (-3.00) |
| N. of Regional Trade Agreements | | | -0.0187 (-1.54) | -0.0230 (-1.81) |
| FDI as % of GWP | | | 0.7260* (5.70) | 0.5547* (4.25) |
| N. of U.N. Affiliated INGOs/1000 | | | | 0.7732* (2.45) |
| Model deviance | 2.19 | 1.55 | 1.08 | 1.05 |
| Pseudo <i>R</i> -Squared | 0.15 | 0.52 | 0.63 | 0.64 |
| N | 30 | 30 | 30 | 30 |

* $p < 0.05$ (*t*-statistics in parentheses)

positive direction, is not statistically distinguishable from zero ($t=0.65$).¹⁶ The positive effect of the number of states in the international system is consistent

¹⁶ Exploratory models show that a bivariate model including only the blowback effect reveals a sizable and statistically significant positive effect ($t=2.69$) of U.S. related MIDs on the rate of anti-U.S. terrorist activity as predicted by the blowback thesis. The blowback effect disappears, however, once we introduce a control for the rate of terrorist activity at time $t-1$. This suggests that the positive correlation between U.S. military interventions and terrorist attacks is spurious, since both appear to be driven by previous levels of terrorist activity (a possibility that Johnson [2003] himself acknowledges as consistent with a “baiting” strategy by terrorist groups). Using lagged values (up to ten years) of levels of U.S. military interventions in other countries—to allow time for U.S.-created grievances to “simmer”—does not change the pattern of results.

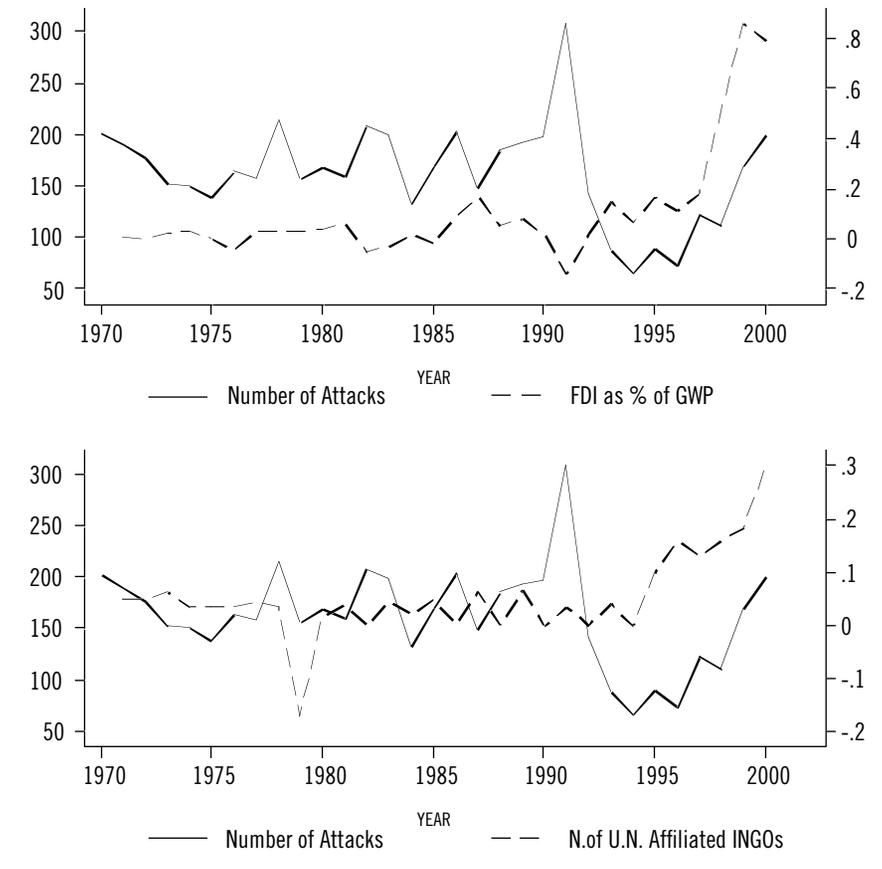
with previous claims regarding the facilitating influence that the proliferation of weak states in the periphery and semiperiphery of the world system, especially after the 1960s, has had on transnational terrorist activity (Hoffman 1998; Jenkins 2001). The negative sign of the cold war dummy supports the contention that the *rate* of anti-u.s. terrorism has been on the decline since its heyday in the late 1970s and early 1980s (Enders and Sandler 1999; Johnson 2001) even though the actual *lethality* of the attacks is on the rise (this is also visually evident in the attack series as shown in figure 1).

6.2 The Effects of Economic Globalization

Model 3 is the simple “economic globalization” model which includes the number of free-trade agreements, world trade as a percentage of gross world product and financial globalization in the form of FDI as a percentage of GWP. Both the deviance statistic and the R-squared measure of predictive power show that the inclusion of these variables substantially improves model fit. The model deviance is decreased by 31% and the R-squared measure increases from 52% to 63% percent, suggesting that economic globalization plays an important role in determining anti-u.s. terrorist action. The direction of world trade coefficients offers some solid support for civilizing globalization claims, and some mixed support for the destructive globalization model. In contradiction to expectations derived from the destructive globalization perspective (hypothesis 1) and as would be expected given the civilizing globalization point of view (hypothesis 2), economic globalization (higher rates of international trade and economic integration through trade agreements) appears to have a *negative* association with the rate of anti-u.s. terrorism, although the negative effect of the trade agreement measure does not reach standard levels of statistical significance ($t=1.54$). The overall level of world trade as a percentage of total world production on the other hand has a strong negative association with anti-u.s. terrorism ($t=-3.01$). These effects are consistent with the results reported in Li and Schaub (2004), who find evidence that the negative impact of integrative economic globalization is indirect because it is mediated by economic growth. Notice also that after taking into account the economic globalization effects, the negative effect of the cold war period variable disappears, suggesting the post 1989 decline in anti-u.s. transnational terrorism is completely accounted for by world economic conditions.

In accordance with destructive globalization accounts however, the economic globalization variable that most directly taps the extent to which the poorer countries are exploited in international economic arrangements—by way of increasing capital mobility and the creation of financial dependent relations—*foreign direct investment as a percentage of the total world economy* is positively associated with

Figure 3 – Plot of the Attacks Series Against the Differenced Foreign Investment and INGO Series



the rate of terrorist attacks against the u.s. ($t=5.70$). The upper panel of figure 3 shows the joint plot of the differenced financial globalization variable and the number of attacks against time. After 1990, these two series track each other surprisingly well, with the post-Cold War recovery in anti-u.s. terrorism coinciding with the exponential growth in global financial flows during the 1990s. This suggests that the intensification of finance capitalism towards the end of the century—a development which Arrighi (2005: 88) refers to as the “Belle Époque” of American hegemonic decline—may have served to intensify and give life to a new (“fourth”) wave of anti-hegemonic resistance by non-state terrorist groups,

providing a possible mechanism linking transnational terrorism and hegemonic decline (Bergesen and Lizardo 2005).

6.3 The Effects of Cultural Globalization

Model 4 is a “cultural globalization” model which includes the measure of world cultural diffusion. In accordance with the world polity account (hypothesis 4), cultural globalization is in fact associated with *higher* and not lower (as predicted by (hypothesis 3) levels of anti-U.S. terrorist activity ($t=2.45$). The inclusion of this coefficient improves the fit of the model, according to both the deviance and the R-squared criteria. Looking at the economic globalization coefficients in model 4, we can see that cultural globalization appears to partially mediate the negative effect of world economic integration through trade (which is reduced by about 19%) and the positive-effect of financial globalization (which is decreased by more than a fifth [23%] with the inclusion of the cultural globalization effect). Thus cultural globalization appears to be an important mechanism linking world trade integration to lower rates of terrorist activity.

As can be observed in the lower panel of figure 3, the growth of INGOs had been in a rather flat state since the 1970s (except for a dip in the late 1970s), but has accelerated since the early 1990s. Notice that the recent recovery of transnational terrorist attacks against the U.S. is closely synchronized with the post 1989 acceleration in the growth of transnational organizations in global civil society. The cultural globalization series is similar to the financial globalization series in that both seem to do a good job of accounting for the *post-cold war* recovery of anti-U.S. terrorism (although as shown in model 3 both have a net effect even when holding the other constant). In all, the positive effect of cultural globalization is in stark contrast from what we would expect given an “end of history” account, but is compatible with an alternative model of the process, which views the globalization of cultural models as a facilitator of transnational anti-systemic action.

6.4 Sensitivity Checks

As a sensitivity check on these results, I fit a model with the same specification as in model 4 of table 3, this time using the number of terrorist attacks reported by the state department that did *not* include U.S. targets or interests.¹⁷ I repeat the same procedure with a third and a fourth series: the total number of deaths and the number of individuals wounded (not shown). None of the economic or cultural globalization variables that were significant predictors of anti-

U.S. terrorist attacks in table 2 reach statistical significance in these models. The only exception appears to be financial globalization, which has a *positive* impact on the number of deaths. This result is consistent with the fact that the financial globalization series picks up after the cold war, the same period in which the “new” (deadlier) terrorist wave comes to the fore. The fact that none of these alternative series is adequately predicted by the globalization variables is a good indication that the U.S.-related events series is more systematic (and therefore connected to global economic and cultural currents) than the non-U.S., death and wounded series. In all probability this is due to the fact that the former series is much closer to the total population of events, given that (a) this population is smaller and (b) that it was collected by the U.S. State Department; and the good fit of the previous four models shows that this systematic component of the anti-U.S. attacks series is well accounted for by the predictors.

7. DISCUSSION AND CONCLUSION

The above results provide strong evidence for an alternative way of conceptualizing the association between economic globalization, cultural globalization and transnational terrorism. Purely economic perspectives of either a civilizing globalization or destructive globalization bent, point to either the enabling or constraining role of globalization processes of an exclusively economic nature on organized political violence against representatives of the dominant order. In this paper, I introduce the role of *cultural globalization*, and in particular the type of cultural globalization that carries with it modern institutionalized conceptions of individuality, organization and social action (Meyer et al. 1997), as a key mechanism that enables actors to form a link between the local grievances caused transnational capital flows and transnational action directed against U.S. hegemonic power. The results show that both the negative effects of economic trade integration pointed to by civilizing globalization accounts and the positive effects of financial globalization isolated by the destructive globalization camp are partly mediated by the effect of cultural globalization.

From this perspective, the post-WWII globalization of cultural models and recipes for action is seen as having the unintended effect of serving as an empowering resource for affected populations that endows them with the capacity to see themselves as efficacious actors successfully engaging in anti-systemic battles against the dominant powers in the global arena. In this vein, it is tempting to speculate if previous bouts of terrorist activity in the recent historical past, such as the anarchist wave that swept Europe during the last half of the 19th century (Bergesen and Lizardo 2004) was also enabled by the then rising level of integration of the world polity. Suggestively, both the 19th century terrorist wave and

¹⁷ These results are available upon request.

first wave of world cultural diffusion would go on to be interrupted at about the same time by the outbreak of World War I (Boli and Lechner 2002; Rapoport 2001).

In this respect, it is important to note that the destructive globalization thesis, which points to a direct link between some forms of economic globalization and anti-systemic reaction in the form of anti-U.S. terrorism, does not receive unqualified empirical support in the present analysis. It appears that trade globalization has a *constraining* effect on expressions of anti-U.S. political violence, as would be expected from the point of view of civilizing globalization perspectives that understand increasing world integration through trade and transnational capital flows as producing gains in wealth and quality of life that defuse the motivation for anti-systemic political violence. However, the form of globalization which is most *predatory*, that measured by financial globalization in the form of transnational capital flows as a proportion of the world economy, does have a positive association with anti-U.S. terrorism, supporting the contention that local grievances caused by inequality-fostering mechanisms in the international economic arena are at least partially responsible for recurring bouts of anti-U.S. transnational violent action.

Thus it appears that the incompleteness of the most generalist destructive globalization and civilizing globalization accounts is ultimately related both to their reflexive equation of high-levels of globalization with high-levels of anti-systemic action and vice versa, and to their exclusion of other globalizing processes beyond those related to economic factors. This is related to the inability of both destructive globalization and civilizing globalization theorists to distinguish between different forms of economic integration and economic penetration (Kentor and Boswell 2003), that may be mixed in most outcomes of interest. The results reported here suggest that both the sanguine and fatalistic accounts of the effects of economic globalization espoused by civilizing globalization and destructive globalization perspectives respectively, are too simplistic. Economic globalization is a multifaceted process, and as such is both a constraining and enabling force for transnational political violence in the global forum.

An important contribution of this article has to do with both establishing the role of a specific form of cultural globalization in affecting patterns of radical political action in the transnational arena, and with showing that its effects hold net of the standard factors associated with material exchanges at the global level. Thus, I show that cultural globalization in the form of the spread of international organizations which serve as institutional carriers of global models for action, has a strong positive impact on the rate of anti-U.S. terrorist activity. This is expected given a model that sees political action as not only motivated by rationalistic and instrumental goals (such as material deprivation and other local grievances [i.e.

Gurr 1970]) but also constituted and facilitated by transposable schemas of perception, action and organization that diffuse throughout the global field (Olzak forthcoming; Hironaka 2005).

In this sense the anti-systemic global action of local terrorist groups while certainly spurred by the grievances produced by growing levels of inequality and material deprivation throughout the globe, must also wait for the diffusion of the forms of knowledge necessary to situate those grievances in their proper transnational context to become available. These in their turn serve to widen the “political event horizon” of local non-state actors with limited indigenous opportunities for grievance-expression to include transnational audiences, or to use transnational actors as an indirect link in the complex communication chain of the terrorist act (Schmid and Jongman 1988). Cultural globalization may also make possible the development and diffusion of transnational collective identities (e.g. Pan-Slavism in the 19th century; or Pan-Indigenism in Latin America today) that facilitate cooperation, the establishment and maintenance of networks of trust (Tilly 2004) and the coordination of action between non-state actors located in different national, ethnic and geographical contexts.

This analysis also moves beyond theoretically impoverished conceptions of terrorists as rational-calculative actors couched in the language of methodological individualism and game theory (see Sandler and Arce 2003; Sandler and Enders 2004) by emphasizing the constitutive and interpretive basis for action that leads to political violence and by paying attention to processes that occur at a purely global level of analysis (Bergesen and Lizardo 2002). I focus on culture without resorting to the anti-rationalist reaction of viewing terrorism as a throw-back to “medieval” or “primordial” cultural modes of organization and thinking. This latter account is as incapable as unrealistic game-theoretic models of explaining the fact that it has been the spread of a *modern, rationalized and Western* global culture that is associated with a rise in anti-U.S. terrorism during the past 30 years (Gray 2003). While models that focus on lower levels of analysis have made important contributions to the study of terrorism (see Crenshaw 1992 and Bergesen and Lizardo 2004 for a review), the fact that transnational political violence has become a global phenomenon necessitates a shift in perspective toward a more encompassing global level of analysis (Bergesen and Lizardo 2005).

The present account also differs from other macro-level accounts of the influence of culture on global conflict by moving beyond mechanical and simplistic neo-conservative descriptions of a “clash of civilizations” or neo-Hegelian homogenizing teleological accounts of the “end of history.” Thus, In contrast to Huntington (1997) I consider not the ultimate incompatibility between Western and non-Western cultural models as contributing to the rise of radical modes of political violence, but see modern terrorism as an inherently *modern* phenomenon,

“a facet of modern politics” and “principally associated with the rise of nationalism, anarchism and revolutionary socialism” (Crenshaw 1981: 380). From this perspective, transnational terrorism is inseparable from Western cultural models that are the ultimate building blocks of rationalized modes of the individual and social action (Weber 1946), including “rational” action. It is in this sense that modern terrorism has more in common with modern anarchism (Ferguson 2001; Lizardo and Bergesen 2003) than with a return to medieval obscurantism or primordialist “Islamofascism.” In opposition to Fukuyama (1992) this view of the enabling powers of Western cultural schemas even in regard to actions that are putatively against most of what the West stands for does not excise conflict from the current historical juncture. Instead, as Friedland (2001) has noted, this perspective acknowledges that cultural battles regarding the role of the individual, the state and civil society but fought *within the framework of the modern conception of the politics of nationalism* and even the contradictory ideological role of individualism in anti-systemic action will be a recurring feature of the transnational arena for years to come.

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REVIEW ESSAY

Globalization, Development and Ordinary Cities: A Review Essay

James C. Fraser

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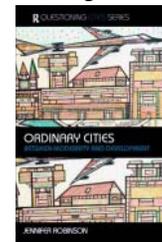
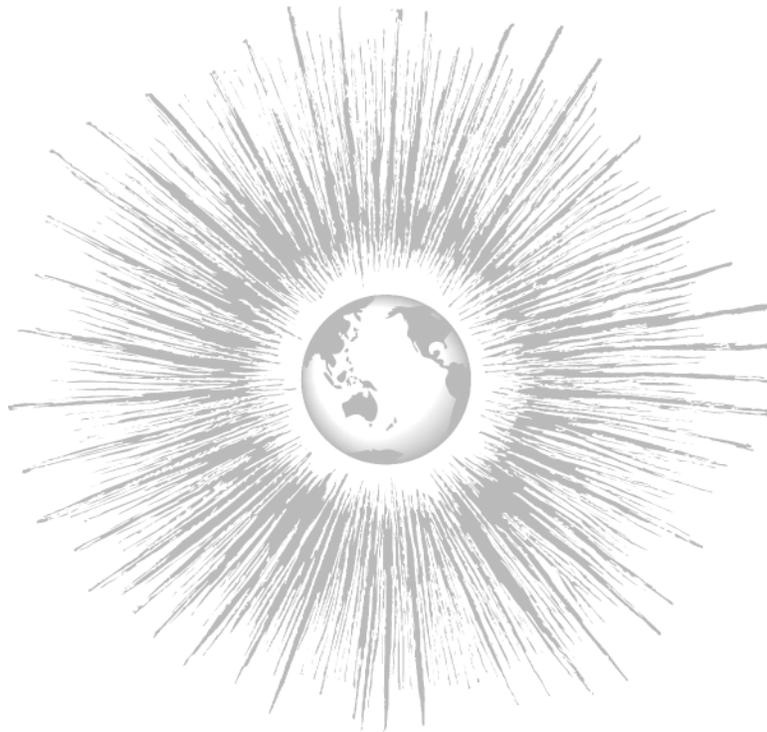
INTRODUCTION

What are the underlying spatial assumptions about the world that renders some cities exemplars of modernity and innovation, while others are cast as being behind, and worse yet, forgotten places? This is a key question that has emerged in geography and sociology, and is addressed in Jennifer Robinson's book *Ordinary Cities: Between Modernity and Development*. The purpose of this essay is two-fold in that it provides a review of Robinson's book and it also uses her text as a vehicle to interrogate the geo-politics of urban theory development. In particular, scholars have voiced concern over the manner in which "world cities" and then "global cities" have the power/knowledge effect of reifying the idea that there is one "world system" that can be measured objectively.

Interestingly, much of the critique does not dispute the ability of researchers to theorize, create constructs and develop associated measures in order to know a single world system. Rather a growing body of work in critical geography/sociology has challenged the geo-politics involved in mapping cities onto a hierarchical political-economic continuum that rank orders them, because it may perpetuate a colonial/imperial mode of understanding cities where some are modern and others are in need of development. While these scholars are diverse

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in their orientations toward knowing cities, the “spatial turn” in the social sciences has hypothesized that the very ways in which we conceive of space makes certain accounts about cities possible and manifest while others are less likely to be recognized.

This concern about urban spatial narratives revolves around a practical politics as much as it does theory building. A growing number of scholars have suggested that globalization, conceptualized as an increasing mobility of capital to flow largely unfettered by place attachment, has produced a “truth effect” of a singular axis on which to know the world. All places can be conceived as being on the same trajectory, thus theorizing urban space can be reduced to the project of creating ever more exacting measures to gauge the competition between places in their ‘globalness,’ ‘globality’ or ‘centrality.’ This underlying spatial orientation toward the world is nicely juxtaposed in the following quotes, and sets the tone for the central issues Robinson critically examines and contests. The world is being flattened.

I didn't start it and you can't stop it, except at great cost to human development and your own future. But we can manage it, for better or worse.

Thomas Friedman, *The World is Flat*, 2005:469

On the one hand globalization is represented as ineluctable—a force in the face of which we must adapt or be cast into oblivion. On the other hand some of the most powerful agencies in the world are utterly intent on its production.... How easy it is to slip into ways of thinking that repress the challenge of space; and how politically significant spatial imageries can be. ‘Globalization,’ told in this way, is like the old story of modernity. Once again it convenes spatial difference into temporal sequence, and thereby denies the possibility of multiple trajectories; the future is not held open.

Doreen Massey, *For Space*, 2005:84–87

Friedman laments that a world is being unified into one space, yet he also states as well that any alternative framework that challenges this unified object is not only incorrect but morally bankrupt in its impact. On the other hand, Massey takes an approach that there is a positive diversity of spaces in the world that cannot be known in a singular manner. She points toward the “hegemony” effect of grand global frameworks seeking to order every space on one axis.

Ordinary Cities takes as its starting point theoretical projects that are engaged in deploying a global, hierarchical way of knowing cities based on their ordering on a singular grid/axis of “modern” or “primitive” (undeveloped), “global” or “non-global” (forgotten), or core versus peripheral. These binaries shape the ways in which cities are known, and Robinson suggests that “these conceptual fields continue to ascribe innovation and dynamism—modernity—to cities in

rich countries, while imposing a catch-up fiction of modernization on the poorest” (p.2). Her aim in *Ordinary Cities* is to show how this has led to urban theorizing that is truncated by developmentalism. Developmentalism has produced a view of the West as modern by defining its “others,” cities and people who are not viewed as modern, and therefore are excluded as potential sites and authors, respectively, of significant ways of understanding the urban. She embarks on a project of “refuting these divisions within the field of the urban,” and posits a post-colonial urbanism that recognizes “difference as diversity rather than hierarchical division” (p.4).

GLOBALIZATION AND CITIES

Robinson's undertaking, in part, is to expose the politics of scale that underpin the ways in which globalization and cities have been paired in theorization. In order to provide some backdrop for this endeavor critiques of the use of the ‘global’ as an object that frames the way we know cities are covered. There has been a tendency in the urban literatures to employ a scalar imagination and discourse that treats cities as places that are ‘local’ operating in the context of hyper-flexible, global capitalist relations (Harvey 1989). This conceptual scaffolding has been deployed in the global cities literature (see Beaverstock et al. 2000; Friedmann and Wolff 1982; Friedmann 1986; Godfrey and Zhou 1999; Knox and Taylor 1995; Sassen 1991, 2002). Peter Taylor (2004) notes, this [global cities] literature has used the “central theme of globalization” as an attempt to understand cities and spatial arrangements in the context of economic restructuring and the international division of labor following the 1970s economic crisis, coupled with the rise of complex communications technology (p.21). This type of theorizing situates the primacy of market relations as the tie that binds relationally constructed places. It posits a network of relative dominance between cities that are central nodes in networks of exchange relations (i.e., constituted by flows of people, material goods, and knowledge) and those urban locales which are constituted as peripheral (Smith and Timberlake 2002).

Given this epistemological positioning, it is not surprising that cities are treated as being in competition for scarce resources, with corresponding winners and losers. The winners in urban studies are distinguished from other places based on which certain transnational economic functions occur, and these places are ascribed a status of being metaphorically large (e.g., world cities, global cities). Other places are viewed as less significant in that they could not hope to play lead roles in the unfolding drama of globalization because they simply respond to conditions which they have largely not been a part of, and, therefore are viewed as playing an insignificant role in the increasingly global division of labor. These places are literally off the intellectual map as being important sites

to gain an understanding of urbanization (morphology), urbanism (ways of life), or how globalization may be constituted of actual relations that take place “on the ground” —therefore, renders globalization processes in a less ephemeral manner (Robinson 2002).

There has been a growing critique of this way of conceptualizing urban spaces. Scholars in both the global cities tradition and elsewhere have recently acknowledged that it is important to “map” economic activities and transnational networks that operate in multiple places on the globe. Clark suggests that, “Though a limited number of ‘global cities’ have attracted considerable attention as command and control centers of the global economy, neither the forces of globalization nor their consequences are limited to these cities” (2000:465). As the social and economic networks that sustain capital flows expand and infiltrate more and more geographic areas, a growing number of cities play increasingly important roles in linking their local resources to these networks, forming what Sassen refers to as “geographies of centrality” (2002:2).

ENTER ORDINARY CITIES

In *Ordinary Cities*, Robinson recognizes the contributions made in the global cities paradigm, but, she quickly asserts her goal to abandon a piecemeal approach of simply adding new criteria so that an increasing number of cities can become important sites for understanding. Instead she takes a different path by claiming *all* cities are places that have innovative and dynamic aspects to them as well as challenges and barriers. “Ordinary cities” as a term, not only suggests that we treat all cities as ordinary, thereby breaking down the binary of innovative-imitative places, but also suggests that these distinctions are, naively or not, activating a colonial way of thinking about different parts of the world.

Specifically she maintains that rank ordering perspectives contain deep political implications as some urban places are defined as modern and others as sites that are in need of development, justifying a range of potential interventions. She adds that these ways of knowing cities, implicitly or manifestly, are many times freighted with the message that these are places that are occupied by people who are not in themselves entirely capable of creatively crafting responses to their situation. A parallel to Robinson’s assertion can be found in other urban literatures, for example, on studies of developing impoverished inner-city neighborhoods, where these places are conceptualized as needing to build the capacity and cultural practices that more successful neighborhoods already have in order to become truly modern (Fraser et al. 2003). It can also be found in the critique of modernization approaches raised by dependency and world system theorization. Notwithstanding uneven access to economic resources, whether that be

between places around the globe or in a city, a great deal of urban theorization has focused on “differences between cities that are assumed to be at different stages of advancement and has embedded hierarchical assumptions about the relations amongst cities into the analysis of cities...” (Robinson 2006:5). This is significant to Robinson due to the cultural politics embedded in such an orientation, which shape the urban development projects that cities might conceive and implement.

Ordinary Cities begins in chapter one, “Dislocating Modernity,” with a critique of the emergence of an urban perspective of mapping of modernity versus tradition. Robinson reads the Chicago School theorists [urban sociologists] as engaged in developing an understanding of the city as a site of modernity, which is known only in relation to the rural, implicitly conceived as more primitive. More generally, she asserts that this conceptualization of modernity aligns “historically specific social formations with the idea of progress” (p.14). The temporal-spatial configuration she is working against equates a “here and now” with modernity (“Western” cities) in contrast to a “there and then” designation for places that are conceived as less developed and existing in another time-space. One aspect of Robinson’s analysis that could be incorporated into studies of more resource privileged places, like a “Western” city, is the unevenness within these places and how parallel (colonial) approaches continue to be deployed in understanding this uneven development and resulting geographies of poverty within (Fraser and Kick 2004). Robinson uses much of the remaining chapter outlining ways to understand the limitations of “translating chronology into spatiality,” which conceals the diversity of spaces (co-presence of spaces) that exist in the “now,” and draws upon Walter Benjamin and others to posit a way of seeing that “insists on the co-presence and mutual interdependence of concepts of modernity and tradition” (p.28).

Chapter 2, “Re-Imaging the City Through Comparative Urbanism: on (Not) Being Blasé,” continues to build on this idea of the multiplicity of ways of urban life, emphasizing that “difference can be gathered as diversity, rather than as hierarchical ordering of incommensurability.... without any suggestions that a universal theory of urbanism is possible” (p.41). Through a review of comparative urbanism, in particular juxtaposing the accounts of urban life that stemmed from the Chicago School and the Manchester School, Robinson seeks to activate a post-colonial urban theory. Robinson effectively critiques the way the Chicago School tended to draw urban-rural distinctions, creating two separate places with ways of being, and comparing it to the urban sociology/anthropology of the Manchester School, which generally concluded that distinctions between town and country concealed much about the interconnections between them. For example, in speaking of migrants that moved to central Africa (i.e., the

Copperbelt) during the latter, mid-twentieth century scholars noted that these diverse people “associated the cities of Africa with modernity and associated urban modernity very clearly with cultural practices that had previously been considered outside the realms of urban ways of life” (p.52). She concludes that this type of comparative work on cities is an important move toward a post-colonial urbanism because it reveals positive difference.

In addition, she notes that cities are also characterized in part by the inter-urban relations that stem from trans-local networks. In this move, she explicitly recognizes that widespread “structural and economic forces, including the dynamics of imperialism, for example, or trade and international finance regimes in the contemporary period, might play an important role in placing some cities” (p.62). That said, Robinson maintains that it is important not to permit this fact from being the foundational or sole way of theorizing cities, replacing the diversity of space with linear chronology.

Chapter three, “Ways of Being Modern: Towards a Cosmopolitan Urban Studies,” furthers the theme of understanding the ways in which the built environment of cities are attributed meaning. Through an accounting of transnational circuits that have informed the building of cities in different parts of the world, Robinson shows how forms of urban modernity are borrowed and created everywhere, and that there is a sense of “creative adaptation” through the circulation of ideas and styles. In terms of elements borrowed and adapted, all cities can theoretically be conceived of in this manner wherein, “claiming the right to be modern, for cities of all kinds need not diminish awareness of the interdependence of any city on a wide range of other places and contexts, nor should it undermine attention to obvious differences in wealth, infrastructural capacity and economic power amongst cities” (p.76). What is significant is that the search for the traditional versus modern city must be jettisoned in favor of a more nuanced analysis of how cities places are constituted by modern traditions and traditional modernities.

It is during chapter four, “World Cities, or a World of Ordinary Cities,” that Robinson deals with the challenge of developing a cosmopolitan urban studies, on which is characterized by an “ordinary cities” approach. In a review of the world and global studies literatures Robinson develops, in parallel with many scholars discontented with these general approaches, a critique of viewing the world through a hierarchical lens. The issues range from the exclusion of many places around the world as insignificant players, at best, to the ascription of being “connected through subordination” to more global cities. Among the debates Robinson inserts in this chapter two in particular stand out. First, it is important to point out that cities are interconnected through a wide range of activities beyond a narrowly selected set of economic sector operations that have been

culturally given the status of making a place global. One of the, arguably perhaps, unintended consequences of the global-local binary which underpins the possibility that some places are global and others are not, is that in the name of competing to become an important global node city leaders engage in development projects that do not work. Robinson suggests, “a stronger focus on the politics of urban development initiatives, as suggested by scholars of cities off the world-cities map, would expose the range of interests that find it useful to harness the global- and world-cities analyses to their ambitions. It would also bring into view the diversity of interests which are available to contest and shape the future of cities” (p.113). Second, and as a related point, a focus on the unevenness within cities would fit well into this alternative agenda.

Chapter five, “Bringing the City Back In: Beyond Developmentalism and Globalization,” asserts the need for city-wide analyses of urban change that not only examine institutions and actors that reside at the municipal/regional levels, but also how organizations that operate throughout larger geographies—nationally and trans-nationally. In part, these would include examinations of how city development strategies are created and implemented, as well as the intersections of state, market, and societal actors and institutions that play a role in the unfolding drama of city building. These processes are significant for understanding the connection that different urban stakeholders have within a city as a locale for neoliberal policy experiments (Fraser et al. 2003). It may also be that through examining policy initiatives and their related projects activism and contestation strategies become more visible. In this chapter Robinson demonstrates what can be gained for a detailed analysis of “the politics of city visioning” in Johannesburg, South Africa. Through this case study a methodological strategy is demonstrated, which takes into consideration the specific context of the city along with the actors for different places that insert themselves into the process, including the World Bank. The point to further examine is that urban public policies are not just imposed upon cities, but that they intersect with the unique characteristics in each unique locale.

Chapter six, “City Futures: Urban Policy for Ordinary Cities,” follows up on the previous points by making the case that what is being proposed, a post-colonial urbanism, is one way of articulating an openness to multiple modernities—“Without a strong sense of the city’s potential dynamism and creativity, imaginations about urban futures are truncated, perhaps by consigning futures to the limited imagination of developmentalist interventions, or through a narrow focus on globalizing sectors of the economy” (p.142). What is at stake is believing that all cities ought to have the right to shape distinctive futures whatever power position they hold in relation to other places. This is not only extended to city leaders in the state and market sectors, but also the diversity of people that

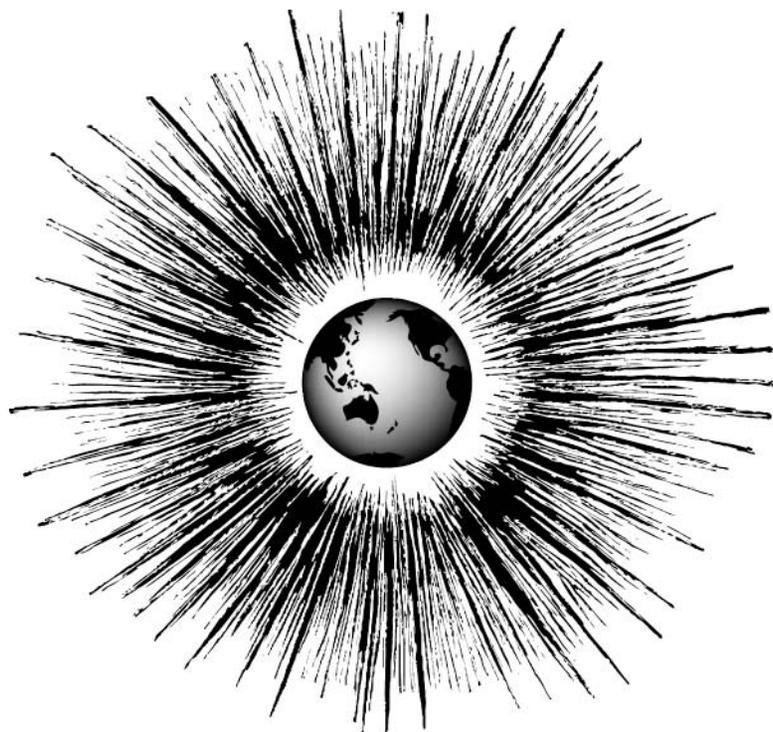
are a part of the city. Place-specific social, political, and economic relations, along with the extended ties that shape them, bring into vision the different strategies for developing economic resources, for example, with implications that may be quite different from the competitive cities approach of creating local conditions favoring a trans-national capitalist class and small urban elite. Robinson closes the chapter by asserting that diverse economies and ordinary cities, as concepts, share the same struggle to be recognized as part of urban theory, and, as such, as alternative ways to orient toward the study of cities and their connections to a continually globalizing world.

In conclusion, *Ordinary Cities: Between Modernity and Development* provides readers with an invigorated call to develop a post-colonial urbanism that is cosmopolitan in the sense of conceiving all cities as sites of modernity. This does not diminish the stark differences between places that are differentially connected to networks across the globe, and it does not ignore the differential challenges cities face as a result of uneven development patterns and unequal resources. Yet, these differences, according to Robinson, need not be the foundation for hierarchically ordering cities and viewing more privileged places as sites of modernity and all others as evidence of that modernity through their depiction as atavistic or primitive. This path, as Robinson notes, has disadvantaging effects in multiple ways. It denies and conceals spatial diversity, while superimposing a singular trajectory upon which all places are known. It marks some people and places as in need of interventions which, in themselves, have been problematic in their imperialism. Last, it opens debate about paths toward developing equitable and just cities that take seriously the knowledge produced in all places. If cities are to be understood as multiple and diverse in their becoming, and if there is to be a politics of possibility that permits the unfolding of these imaginations, then *Ordinary Cities* represents an entrée to what it may take to actualize these goals.

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BOOK REVIEWS

Mohammed Bamyeh
The Ends of Globalization
Reviewed by Bruce Podobnik

Hansen Blom and Finn Stepputat (eds.)
Sovereign Bodies: Citizens, Migrants and States in the Postcolonial World
Reviewed by Omar A. Lizardo

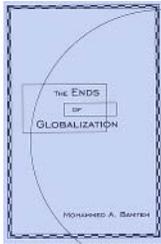
Ernest S. Burch Jr.
Alliance and Conflict: The World System of the Inupiaq Eskimos
Reviewed by Jon D. Carlson

Christopher Chase-Dunn and E.N. Anderson (eds.)
The Historical Evolution of World-Systems
Reviewed by Thomas D. Hall

Joshua S. Goldstein
The Real Price of War: How You Pay for the War on Terror
Reviewed by Emanuel Gregory Boussios

Bamyeh, Mohammed. 2000. *The Ends of Globalization*. MN, University of Minnesota Press. 208 pages, ISBN 0-8166-3592-7 cloth, ISBN 0-8166-3593-5 paper. http://www.upress.umn.edu/Books/B/bamyeh_globalization.html

When the world undergoes significant change, from one apparent era to another, the effect on existing scholarship can be profound. In some cases, books published just prior to watershed events can appear prescient, if they hinted at what was coming. In other cases, books can be caught like treatises in amber—with their diligent investigations of a specific moment overtaken by new and unpredicted events.



The insurgent attacks of September 11, 2001, and the subsequent responses by the United States and its coalition partners, are widely believed to have reshaped the world's political, economic, and cultural foundations. And, given that we are now a few years into this new era of heightened conflict, a host

of studies are emerging that explore the current features and possible trajectories of a post-9/11 world. Key questions in this scholarship include: How might tensions between local cultures and national governments fuel regional and even global conflict? What kinds of global political-military conflicts can we expect to experience over the coming decades? And how might global capitalism intensify or ease the new threats of our times?

Interestingly, precisely these kinds of questions were laid out in the pre-9/11 book *The Ends of Globalization*, by Mohammed Bamyeh. Written in the late 1990s, when large-scale geopolitical relations were peaceful and yet genocides in Rwanda and the former Yugoslavia were fresh in our minds, *The Ends of Globalization* offers one attempt to define the major trajectories of change that were underway as a new century began. And, though Bamyeh's analysis has been at least partially covered in amber by post 9/11 events, his book does have the virtue of raising crucial questions that remain relevant today.

Bamyeh's central objective is to map out transformations in the cultural, political, and economic features of a world that was just absorbing the impact of the collapse of the Soviet Union and its socialist allies in Eastern Europe. It was, as Bamyeh points out, a time of unbridled optimism in the United States. Treatises proclaiming the triumph of capitalism and representative democracy abounded. But, as Bamyeh correctly demonstrates, there were problems on the horizon. Drawing in particular on cases from the Middle East, Bamyeh explores the tensions that were building within many postcolonial states—as populations found their aspirations for a better future thwarted by unbridled capitalism and often rapacious, authoritarian nation-states.

Indeed, a strength of *The Ends of Globalization* lies in its investigation of the social and cultural tensions that are emerging within nations of the global south, as post-colonial dreams give way to the harsh realities of an increasingly polarized, unforgiving capitalist world-economy. Bamyeh's nuanced analysis of the cultural contradictions embedded in many nation-states sheds important light on the new 'totalitarianisms' that were beginning to emerge in the developing world. And he also pointed out that leaders in the United States were busy trying to identify new enemies, defined not as communists but instead as rogue nations, terrorists, and fanatics. In a particularly astute phrase, Bamyeh points out that these new American adversaries "are typified by total unpredictability and possess a mysterious capacity or desire to strike at random, anywhere" (p. 74). Less than a year after *The Ends of Globalization* was published, of course, an unprecedented set of attacks was launched against the World Trade Center and Pentagon by terrorists linked to Al Qaeda. Subsequent strikes in other countries demonstrated that this loose network has the capacity to support or inspire insurgent operations in many different contexts. Surely, this is an adversary that is even more mysterious, unpredictable, and dangerous than anyone realized prior to Sept. 11, 2001.

If Bamyeh's analysis of cultural contradictions is strong, his examination of geopolitical dynamics is less convincing. He argues that a "new imperialism" is emerging that is "less attached to economic or other material interests than the traditional theory of imperialism had supposed" (p. 64). He suggests that powerful states will become less predictable in their behavior—in that they will undertake political-military campaigns more for symbolic than materially-rational reasons. But, missing from this analysis is any discussion of the possibility that competition for raw materials like oil, gas, or even water will fuel rising geopolitical tensions. This interpretation of imperialism, while certainly imaginative, does not seem to explain the recent intervention by the US in Iraq—or many future geopolitical conflicts that are likely to occur in this century as tensions over natural resources intensify.

Bamyeh's discussion of the likely trajectory of global capitalism—in its economic dimension—is also somewhat problematic. He argues that "...one of the fundamental economic features of globalization is that capital has managed to reacquire the sense of autonomy from politically inspired regulation that it lost several decades ago" (p. 147). Prior to Sept. 11, 2001, this argument about the rising power of the global corporation was advanced by many analysts. After the attack, though, there was a turn of the screw, and corporations were again revealed to be highly dependent on the political-military protection of nation-states. While "free market" and "deregulation" debates rage within specific countries, on a global level it has again been demonstrated that there

is an inter-dependent relationship between leading states and corporations. Bamyeh's analysis, therefore, reflects a temporary reality that was overturned by subsequent events.

The Ends of Globalization concludes with an interesting analysis of possible strategies for reforming the global system. Bamyeh begins by dismissing the idea that constructing a world state should be part of any project of reform. He asserts that such a state would likely become "the most totalitarian institution that humanity has ever known" (p. 149). Instead, he argues in favor of a movement of global solidarity that integrates a wide variety of spiritually-based, class-based, and identity-based groups into a campaign designed to enhance "the possibilities of freedom in the world" (p. 157). Bamyeh's argument here is again prescient, given that soon after the book was written a multi-faceted "anti-globalization" and anti-war movement did indeed emerge to contest elite-driven forms of globalization and militarism.

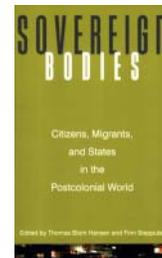
In the end, Bamyeh's analysis has both areas of strength and of weakness. His discussions of geopolitical and economic dynamics have been at least partly covered in amber, as the onset of a new era of political and military conflict have rendered his analysis (and those of many others) somewhat obsolete. On the other hand, his examination of the cultural contradictions of the global capitalist system provides a useful overview of factors underlying the rise of modern fundamentalism in the world. Readers interested in this aspect of our age will certainly profit by reading *The Ends of Globalization*.

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Blom, Hansen, and Finn Stepputat, eds. 2005. *Sovereign Bodies: Citizens, Migrants and States in the Postcolonial World*. Princeton, NJ: Princeton University Press. 360 pages, ISBN: 0691121184 cloth, ISBN: 0691121192 paper.
<http://www.pupress.princeton.edu/titles/7996.html>

In the wake of events of 9/11 scholar across the social sciences have been forced to rethink a host of basic assumptions and theoretical commitments. One of the most important of these concerns the idea of state sovereignty in the contemporary world system. The traditional conception of sovereignty, wedded to the Weberian distinction between the arbitrary use of force of the traditional despot and the legitimate monopoly of violence of the representatives of

the modern centralized state, is central to our conception of the distinctiveness of the contemporary inter-state system. This is evident in the fact that, along with an international economy centered around competitive markets, the Westphalian system of states subject to the logic of mutual recognition of each other's internal territorial sovereignty and the repudiation of a centralized imperial control system is—according to Wallerstein's influential formulation—the *sine qua non* of the modern Euro-American-centered world-system.



In the volume under consideration here, Blom Hansen (Professor of Anthropology at Yale University) and Finn Stepputat (Senior Researcher at the Danish Institute for International Studies) bring together a collection of readings designed to make us reassess the ease with which we assume sovereignty as an inherent and unproblematic property of modern states. The book can be read as in a state of critical dialogue with Hardt and Negri's *Empire*, the first major salvo against traditional notions of imperial authority as centralized as localizable. The book's authors take to heart Hardt and Negri's call to begin to think of sovereignty as decentered and mobile, but bring with it a concern to move beyond general theoretical pronouncements. They productively focus on local empirical materials that attest to how state sovereignty is undergirded by local and translocal links and flows and is sustained by a discontinuous process of iteration and performance.

In the excellent introductory chapter, the editors lay out their larger programmatic perspective. In their view, it is time to question "...the obviousness of the state-territory-sovereignty link." Instead of assuming sovereignty as a natural "capability" of state entities (as in most neo-realist treatments in IR), the volume attempts to "...conceptualize the territorial state and sovereignty as social constructions" (p. 2). Thankfully, at this point the reader is spared yet another rehashing of the now tired debate between "realism" and "constructivism" in IR theory. Instead, the authors move beyond the usual constructivist positions associated with a "macro-phenomenological" view of the discursive and narrative construction of the identities and commitments of international actors (and the associated concern with a normative "logic of appropriateness" over a calculative "logic of consequences"), and move toward a post-constructivist concern with how state sovereignty manifests itself at the micro-level.

For Hansen and Stepputat, the multifarious process of externalization of power at the level of practices takes the form of iterative performances of violence, state power, and the colonization of the bodies and minds of those subject to the "civilizing" imperatives of state action. These take the form of micropractices of domination and the "subjection" and normalization of bodies

through mechanisms of control, physical conscription, bodily regulation and unconscious habituation. In this respect, the authors move beyond the sometimes problematic idealism of constructivist theory, which is sometimes perceived to flounder when faced with the empirical realities that form the core of this volume: those associated with state violence, abuse of power and the internalization of rituals of life and death for the purpose of the staging of the ultimate and unquestioned authority of the legal framework of the state (6–19). This concern with the very physical basis of state sovereignty and the unabashed treatment and consideration of the violent foundations of the legal order of the modern state, leads the editors to draw on relatively neglected sources in contemporary theorizing of the politics of sovereignty.

In particular, Hansen and Stepputat are able to frame their project as a creative blend of the Neo-Spinozist Marxism of Hardt and Negri, tempered with a clear sense of the need to supplement this overarching macro-theoretical stance with a post-Foucauldian sense of the importance of iteration and “performance” (by interested state agents and other competing centers of power) for the establishment of both routinized and unstable (or emergent) regimes of state sovereignty (a theme that while broached by Hardt and Negri is never developed beyond the general sense that the “micro-politics of bodies” should be an important concern of contemporary theorists).

However, those who think that this “dramaturgical” framework is still too closely tied to post-structuralist concerns with language and discourse to properly deal with the “hard” realities of violence and the imposition of state power through force in the contemporary scene of the “new world disorder”, should breathe a sigh of relief. The contributors’ concern with the *empirical realities* of the *bodily* and *physical* procedures and consequences of the imposition of force by centralized state agents prevent them from falling into the post-structuralist vice of hypostatizing signs. Instead, the authors draw on contemporary re-interpretations of the work of the middle and late Foucault (especially his concern with governmentality and political practices), Bataille’s radical sociology of the violent excess hidden behind the façade of the “routinized” rational-legal authority of the modern state and even the Schmittian formulation of the radically “illegal” basis of legality and the differentiation between friend and enemy, citizen and non-citizen, outsider and insider as the fundamental performative act of establishment of political authority and sovereignty.

This theoretical scaffolding is supplemented by an overall attentiveness to the historical development of the ideological systems and the institutional practices associated with the concept of state sovereignty. A particular strength of the book is that instead of offering a purely “Europe-Centered” account of the process through which European states achieved their idiosyncratic sense of

the importance of sovereignty in the realm of political conduct (as in the work of Tilly and Mann for instance), we are given a broader account of the process of the development of the European performative sense of sovereignty, one that is situated in the larger colonial project of the 19th century, and which takes into consideration the sometimes complex process of importation and exportation of procedures, institutional practices and ideas regarding sovereignty from metropolitan centers to colonial outposts and back again (here the pioneering work of Benedict Anderson is of central importance). The authors show how Europe’s own sense of the distinctiveness of its political project was only possible through the contrast and exclusionary practices made possible by the existence of the “parallel world” of the colonies, which like the subjugated body of the criminal in Foucault’s *Discipline and Punish*, forms the proper inversion of the sublime body of the King represented by the colonial centers.

As the authors make clear the colonies far from being a static point of comparison (or simply a “symbolic” presence that allowed European identity to acquire its own sense of significance through a Saussurian logic of difference) was in fact a real-life laboratory, where the liberalizing project of citizenship in the European metropolis was supplemented by a virtual real-life “laboratory” in which alternative practices—often of a deeply violent and illiberal cast—were developed in the colonial context that deemed local indigenous populations as “quasi-citizens” not endowed with the full-complements of rights and freedoms that were slowly doled out to the residents of the European core. In this sense, not only is the Euro-American experience of political “exceptionalism” (a core theme in the current “war on terror” being waged by the American establishment) unintelligible without understanding the exclusionary practices of domination of the European powers, but neither is the contemporary experience of fractured and multiple forms of sovereignty that populate the “chaotic” post-colonial zones of Latin America, Africa and South-East Asia. These constitute reflexive “late-modern” attempts to impose practices of sovereignty and domination that were developed throughout the colonial period as a result of the mixing of European conceptions of the right of the colonizers, and their related realization that complete subjugation of indigenous populations (without mediation by local elites) was not possible. The result is mixed (and sometimes even productive and creative as well as violent) regimes of sovereignty that are spread throughout the post-colonial world, in which state, civil, and economic centers of sovereignty compete in sometimes complicated and overlapping ways even as they are embedded in ever widening circles of neo-imperial domination from the U.S. center and global capital flows of currency, laborers and technologies. This creates a patchwork state of fluctuating and overlapping zones and cycles of order and disorder that is both a product of and a reaction to the colonial experience.

Issues related to the fragility of citizen identities, and the performed nature of state authority cut across most of the contributions. The book opens with historical and cultural considerations of racial and ethnic identity (as these intermeshes with issues related to status and class) in a post-colonial context in Mexico and Peru. Partha Chatterjee goes on to explore the concept of *political society* as a counterweight to the neat division between politics and civil society in Western scholarship, a model that it is argued may not be applicable to post-colonial state entities. Political society is a mixed space where issues of governmentality and the conduct of everyday life are not clearly separate. He uses a study of conflict between government agents and local religious groups in India to illustrate the point. Navaro-Yashin uses the concept of “borders of the imagination” to understand how state boundaries and state power are performed in state rituals in the “Turkish Republic of North Cyprus.” Two contributions (by Lars Buur and Stefen Jensen) concentrate on the bottom-up reorganization of coercive authority (local police forces and “neighborhood watch” groups) in states (such as South Africa) that are too weak or racked with corruption to effectively provide these public goods. They note the constitutive role that violence plays in recreating a semblance of order and morality at the local level and how issues of ethnic and religious identity, local self-control and morality intertwine in complex ways. The Comaroff’s undertake a study of discourse surrounding “invasive plant species” in South Africa, which they deftly show parallels very closely xenophobic declarations regarding the impurity and invasive nature of immigrant populations. For the Comaroff’s, this “naturalization” of the nation by way of botanical and natural analogies represents an alternative way of reestablishing the racist overtones of national sovereignty and citizenship.

Another basic concern running through many of the contributions in the book revolves around a problematization of the issue of individual citizenship (as a relation of “belonging” to a particular state formation) and the related notion of a separate “civil society” under contemporary conditions of decentered imperial dominance. Barry Hindess, in an excellent introductory chapter to the last section of the book productively takes on Hardt and Negri’s contribution to this issue by focusing on how even as they promote radically new ideas regarding sovereignty and control, they continue to implicitly hold on to a traditional conception of citizenship as involving only intra-statal links between rulers and citizens. For Hindess (p. 242), this account is “seriously incomplete” because citizenship “should also be seen as part of a supranational governmental regime” composed of INGOs, TNCs and other international agencies and regulatory entities. The chapters that follow explore these issues in detail. Aihwa Ong uses the notion of “cosmopolitan citizenship” to study the variegated patterns of res-

idence and residential exchange between Vancouver and Hong Kong. Peter van der Veer explores how India’s entry into the global economy by way of exporting flexible labor in the IT industry—“body shopping”—creates complex connections between national identity, religion and capitalism between American corporations and Hindu modernity. Oivind Flugerud notes how Norwegian national identity has undergone radical changes sustaining a renewed emphasis on Norwegian uniqueness and the “quality” of locally made products while attempting to become integrated into a global system in its terms (i.e. by emphasizing the “Norwegian model” in foreign policy) and carefully protecting its boundaries from outside migration. Fuglerud notes how state sovereignty is transferred away from regulating economic flows to regulating population flows under these conditions. Finally, Simon Turner’s contribution enriches the concept of “suspended spaces” (i.e. internment camps) where state sovereignty is suspended and “special populations”, reduced to what Agamben refers to as “dead life”—become the purview of overlapping regimes of management and authority. He notes how Burundian refugees in Tanzania are subject to the regulation and control of both the local government and foreign INGOs, and how their attempts to begin to manage their own lives are carefully structured by these centers of authority.

Overall, the book provides an excellent overview of contemporary theory and research at the interstices of globalization and citizenship studies, International Relations theory, anthropology and political sociology. Like many works crafted when fields are undergoing paradigm shifts this work is full of new concepts, exciting turns of older ideas and radical reformulations, some of which seem more *prima facie* useful than others.

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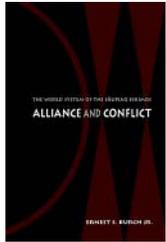
Burch, Ernest S., Jr. 2005. *Alliance and Conflict: The World System of the Inupiaq Eskimos*. Lincoln: University of Nebraska Press. 383 pages, ISBN 0-8032-1346-8 cloth, ISBN 0-8032-6238-8 paper. <http://unp.unl.edu/bookinfo/4772.html>

Ernest S. Burch, Jr.’s *Alliance and Conflict: The World System of the Inupiaq Eskimos* addresses what has been a sorely overlooked area in world systems analysis: what the structure of the world system in ancient times might have been, when societal relations were dominated by hunter-gatherer societies. Indeed, as

Burch points out, it is this type of system that was likely prevalent throughout the world prior to the emergence of organized agriculture, yet these systems have been difficult to study due to a lack of scholarly attention, written record, and historical distance. How does one answer the questions: What did the pre-modern, hunter-gatherer world system look like? How did this system make the transition to one of chiefdoms?

Burch applies his own considerable research experience—some four decades worth—studying the Iñupiaq Eskimos of Northwest Alaska to sketching a portrait of a hunter-gatherer world system. Burch's research includes an impressive amount of first-hand interview data with Native historians and indigenous people, anthropological and archaeological research, alongside the historical observations of Western traders and explorers. These sources taken together, combined with Burch's impressive body of knowledge and understanding of the region, give a credible account of what such a system looked like, at least in the region in question. Temporally, the study is justifiably limited to the period of 1800–1848, when the various sources of information available coincide with a period prior to considerable social disturbance and indigenous decline.

The emphasis of Burch's book is, self-admittedly, descriptive. In this, it excels. The level of detail and quality of research is impressive. Chapter One offers an introductory overview, addressing conceptual and methodological issues. For example, issues of boundaries and what constitutes a "nation" among mobile populations are addressed, and descriptions of the various peoples relevant to the study are detailed. Social delineations of ingroup/outgroup expression—such as language, dress, and personal appearance—are discussed, lending credence to the claim that the conceptual frame of distinct 'nations' can be used when discussing mobile social groups. Further, Burch does a good job of exploring notions of territoriality, trespass and the use of easements, which are concepts scholars of non-mobile social-political groups often do not need to explain and often can take for granted in discussion of more 'traditional' states. This is more relevant in a situation where competing groups often occupy or travel across shared territory, though at different times of year. Indeed, the 'rules of the game' in a world system of mobile hunter-gatherers are likely to be different than those for more explicitly geographically static systems. Finally, Burch concludes his first chapter with some methodological notes on the use of oral histories and his interviews. Notably, he admits to not compiling a relative chronology at the time of these initial interviews, something which would have made establishing a linear linking of events easier. However, the work does not suffer for this oversight, and it offers a caution to others doing similar fieldwork.



Burch's exploration of the world system of the Iñupiaq Eskimos ranges from examining social and geographic boundaries, to exploring the types of transactions that took place across these boundaries. Perhaps predictably, these transactions range from violence and death at one extreme, to peace, friendship, and biological interplay at the other. The middle two chapters in the book are divided into examining relations on the two sides of this spectrum. Chapter Two, "Hostile Relations", sets out to counter what Burch sees as a projection of the 'noble savage' image onto the Iñupiaq. Indeed, instead of the smiling and happy demeanor oft projected upon Eskimos, Burch argues that a "general mistrust and fear of strangers underlay Iñupiaq relations with all outsiders." Outsiders here include other indigenous people as well as Westerners, with a key variable influencing initial behavior being relative numbers and perceived strength. Indeed, much of what Burch presents bears more than a passing resemblance to a Hobbesian state of nature, albeit on an extended kinship-group level. This may not be surprising given the tenuous state of existence in the region, and begs the question—would hunter-gatherers in more resource-rich areas be similarly predisposed? In fact, much of the conflict described by Burch derives from a desire for personal vengeance (often for earlier acts of violence—creating an ongoing circle of retribution), and he explicitly attempts to refute arguments of 'economic imperative' or 'ethnic enmity' as key variables driving inter-group conflict. His refutation appears convincing, at least in the system under discussion. As a result, the system is characterized by a nearly continuous, low-level of conflict, including either planning for, defending against, or at least worrying about the possibility of attack.

Given such an environment, Chapter Three, "Friendly Relations" may be expected to be a very short chapter. Yet here is where some of the more complex relationships in the hunter-gatherer system of the Iñupiaq are explored, and Burch does an admirable job of examining and explaining these relationships. Here the reader can see the author's love of his subject, as Burch notes that "friendly relations were at least as widespread as hostile ones, but they had different focal points and connections." Indeed, context matters, and considerably complex social protocols emerged to signal friendly intent and desire in a region characterized by high levels of hostility. Paradoxically, Burch notes that conflict also results in one of the significant reasons for peaceful international relations: international marriages. Because of population pressures and availability (or lack) of spouses, marriage occasionally occurred across estate boundaries. Further, kin-based relationships, once established, further promoted interaction. Other unique social institutions like that of a 'trading partner' and 'comarriage spouse' carried obligations that underlay peaceful relations between groups. Also, perhaps offering a cosmopolitan-Kantian counter to the

semi-Hobbesian and conflictual perception of the region, Burch discusses the seasonal 'trade fairs' and 'messenger feast' gatherings. Both venues, "particularly the fairs, were also the only contexts in northwestern Alaska where people regularly could meet complete strangers under peaceful circumstances." Also based on trade, 'messenger feasts' were structured around established partnerships, especially those of chieftains, and took place after invitations were sent via messenger. The trade fairs will be of particular interest to world system scholars, as these also are instruments by which the extent of systemic interaction can be determined. Thousands of people gathered regularly at such events, giving credence to the consideration of the Inupiaq as part of a distinct world system, and one that encompasses a truly international trading system.

The final chapter, "Conclusions", is perhaps the weakest part of the book. But it is also the part that may offer the most promise, and this should not be taken too critically in a book that is strong throughout. Burch sets out to do two things with his work, and the first—to describe and analyze the relations of the early contact peoples with one another and the peoples with whom they are in contact—is accomplished in great detail and with considerable insight. Part of the second goal, to externalize a particular case study to a larger set of theoretical implications, is more difficult and is partially accomplished. Burch does an admirable job of lending his considerable expertise to an underdeveloped area of world systems scholarship: positing what a hunter-gatherer world system would look like. In that, the Inupiaq Eskimos ca. 1800–1850 offer a viable model. But that may be part of the problem with attempting to model hunter-gatherer societies and systems based on them; definitionally, they are more subject to and influenced by environmental factors than more complex societies. So, given different environmental conditions (e.g., more resources, fewer 'out groups', higher resultant populations), can we expect to see different behaviors and social institutions? So while this is certainly a model of a hunter-gatherer system, this book introduces an area of research that certainly needs more development before we can say it offers *the* model of such a society. In this, Burch succeeds in his desire to initiate the development of a general model of how international affairs were conducted in hunter-gatherer societies. In an explicit application to world systems theory, the analysis introduces several questions for consideration with regard to the transition of such societies to the emergence of those classified as 'chiefdoms' which are left unanswered. While such an analysis may be beyond the scope of Burch's work, it does provide a platform for other scholars to use. All in all, the volume is a rich foray through the detailed work of a considerable career. While it does not fully explore some of the theoretical questions that may be of particular interest to world systems scholars, it does provide a nuanced case study that will serve as a point of dis-

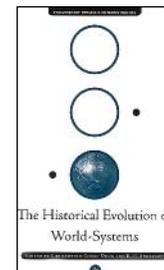
cussion henceforth. Further, it serves as an example of the important place detailed casework can play in theory building and hypothesis generation. The transition from a hunter-gatherer world system to one characterized by more complex chiefdoms is an important step in the evolutionary consideration of the 'modern' world system. This book offers an intriguing glimpse at the first half of that transitional equation.

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Chase-Dunn, Christopher, and E. N. Anderson, eds. 2005. *The Historical Evolution of World-Systems*. New York and London: Palgrave. 240 pages, ISBN 1-4039-6590-0 cloth. <http://www.palgrave-usa.com/catalog/product.aspx?isbn=1403965900>

This volume is one of three that emerged from the Political Economy of the World-System meetings held in Riverside, California in 2002. While it has the one of the main features of a conference volume—papers that are often snapshots of work in progress—it is much more coherent than is typically the case. All of the papers focus, in one way or another, on some aspect of world-systems evolution. The opening chapter by the editors, Christopher Chase-Dunn and E. N. Anderson use Ibn Khaldun's generational account for the rise and fall of states as a vehicle for discussion of the general problem of the rise and fall of states and world-systems. In addition to cohesiveness or solidarity, what Khaldun calls *asabiyyah*, they add climate shifts, ecological devastation, disease, war, and shifting trade links as factors that shape cycles of rise and fall. They link these with expansion of world-systems and the pivotal roles of semiperipheral states in the sporadic amalgamation of smaller world-systems into the modern world-system. Their final section assesses how these factors and processes figure in the various theories of rise and fall of states. This, in turn, serves to place the subsequent papers on a larger canvass.

William R. Thompson unpacks and expands Chernykh's models of ancient migrations, dubbed C-waves, as processes embedded in and driving world-system evolution. He notes that different regions, the Mediterranean, Europe, Central Asia, and China all had somewhat different dynamics. Shifts in internal dynamics render, for different reasons in each region, each more susceptible to the shock of external migrations. He concludes that Chernykh's emphasis on intermittent crises is very useful for understanding world-system change, but sees two, not



one, crises. Furthermore, these crises do link all of Eurasia generating considerable continuity, despite significant regional differences and important reorientations of trade patterns.

Sing C. Chew discusses a millennium and a half of ecological cycles drawing on his argument that as world-systems or civilizations grow they gradually exhaust their ecologies, leading to collapse with deurbanization and population loss over a 600 or so year cycle, which he labels dark ages. He compares and contrasts Harappa, Mesopotamia, Egypt and Mycenae. These Dark Ages lead to reorientations of trade. As with Thompson, he sees larger processes at work in regional variations.

Mitchell Allen unravels why in the late Bronze Age (first millennium BCE) empires underwent significant leap in size through a close examination of the Assyrian Empire. The basic explanation is that by improved administrative technology which entailed using currency, developing a lingua franca, and new taxation techniques all of which enabled them to maintain a large standing army for the first time in history. They also learned from their mistakes and successfully co-opted various frontier peoples to become agents of imperial administration, rather than raiders on the periphery. Most critically they kept other states outside the empire, but linked them into trade relations that were mutually beneficial, and integrated new ideas and technologies from the frontiers into the central empire.

Chase-Dunn and his students Alexis Alvarez and Daniel Pasiuti examine the roles of power and size in empire formation and urbanization. Their findings are somewhat mixed. There is a medium term association between city size and empire sizes in Europe and West Asia, less in Mesopotamia, almost none in South Asia, Egypt and East Asia. As yet they have no systematic explanation for these regional differences, though degree of centralization may be a major component. Another, in some ways more surprising finding is that the largest and second largest cities grow in tandem, along with empire size. Though spotty, the evidence supports contentions for the important roles of regional and inter-regional interactions in city and empire growth. These findings must be bracketed by the weaknesses in the data, especially for South Asia. Still, with a variety of indicators and types of associations reported in this chapter and in previous works, the findings appear to be robust. Thus, the most significant implication is the need for much better data to sort out what is, in fact, happening.

E. N. Anderson's chapter is one of the most innovative in recent world-system history. He uses food practices as shown in preserved court documents on food preparation regimes in 14th century China to chart hegemonic cycles, specifically the rise, and later decline of Mongol dominance of China. Mongols brought many new foods into China, few using rice. The court was prompted to continue this

trend under the Mings, both to show hospitality to visitors and to show its power "by serving food from all parts of its far-flung empire" (p.118). Anderson argues that rather than barbarians, the Mongols built the first global world-system, "complete with self-conscious globalization of knowledge and economy" (p. 118). The system became undone when the Mings realized that long-distance ocean trade was a losing proposition, even while trade with Southeast Asia remained profitable.

Eric Mielants compares the rise of South Asia and Europe, in an occasionally turgid, yet stimulating chapter. His analysis of incorporation uses Wallerstein's division of external arena and peripheralized areas. Yet, his discussion of why South Asia is different, on how frontiers function, and on roles of nomad invasions into the northeast of South Asia are insightful. South Asia is quintessentially in the middle: between West Asia/Europe and China, with a nobility stronger than that in Europe, but weaker than that in China, and urban autonomy more than in China, but less than in Europe. One of his more interesting jabs is that Andre Gunder Frank replaced Eurocentrism with Sinocentrism. His key point, however, bears repetition: lack of development in India must be understood as part of a world-systemic process, and not as a result of internal factors, nor through comparison with Europe. With these insights, one cannot help but wonder what else he might have uncovered had brought to bear the work of Thomas Barfield (*The Perilous Frontier*, Blackwell, 1989) or explicitly dealt with some of the other versions of world-system history in this volume. Still, this chapter is far richer than this summary suggests.

Ho-Fung Hung explains China's lack of development as a complex result of the conjuncture of several conditions and trends. He sees the lack of adoption of capitalism as rooted in legacies of Ming and Qing dynasties and in a gentry that preferred examinations and avoided capital accumulation through market participation. Furthermore, as the state devolved toward more localized control, local elites were freed to concentrate on accumulation of the means of violence in reaction to increased subaltern unrest fueled by ecologically rooted food shortages. He also notes that there was no labor absorbing frontier as there was for Europe. Finally, the legacy of the White Lotus millenarian religion made it easier for utopian socialism to take root.

The final chapter by Stephen G. Bunker and Paul S. Ciccantell is the boldest of the papers in this volume in seeking to present, in abbreviated form, a theory of world-system change that focuses on technology, matter, and space. This trinity is interconnected by transportation technology and costs and its role is examined by comparing Portugal, Holland, Great Britain, the United States, and Japan, focusing on dynamics, successive ascents, and causes and consequences of global inequality. In their view contemporary globalization is best seen as the latest iteration "in a

centuries-long, cumulative series of cycles” (p. 175). This is a self-reinforcing process entailed reduced cost of transportation of raw materials, further lowering the costs of transport mechanisms, which in turn required new organizational forms. Based on a nuanced discussion of these five cases they conclude that securing a reliable variety of cheap raw materials is paramount and becomes more difficult with each cycle. Running through all of this are contradictions of economies of scale which create discontinuities of space. Eventually this cycle will butt up against various natural limits which cannot be solved by financial responses. The issue then will be whether the central actors—states, firms, and sectors—“will be able to invent new forms of collaboration that do not require intensification or spatial expansion” (p. 208).

Collectively, these papers provide rich and nuanced accounts of world-system evolution or world-system history. Several demonstrate how regional differences are vital, yet must be understood in their larger world-systemic linkages. Readers familiar with monographic world-system literature will recognize that the power lies in demonstrating how both differences *and* similarities are simultaneous consequences of world-systemic forces and processes played out in the context of, and against, myriad, specific local conditions and processes. A second set of themes running through these papers are complex roles of ecological relationships of various world-systemic processes. Again, ecology is not a “master variable,” so much as a set of factors and processes that must be integrated into the mix of social factors and processes that explain world-system evolution.

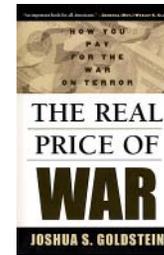
The volume might have benefited from a concluding chapter that brought out these and other themes connecting the papers. In many ways, however, the introduction serves that purpose. It could be read profitably as a concluding chapter. Overall, this volume is an important addition to the study of world-system history. The release of a less expensive paper version would make it a useful addition to various courses.

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Goldstein, Joshua S. 2004. *The Real Price of War: How You Pay for the War on Terror*. New York: New York University Press. 228 pages. ISBN 0814731619 cloth.
http://www.nyupress.org/books/The_Real_Price_of_War-products_id-4676.html

Goldstein is a political scientist who takes an interdisciplinary approach to the study of war. Goldstein’s argument is simple, yet powerful and persuasive: Americans have not spent enough to win the war on terror, and cannot afford

not to. *The Real Price of War* presents three arguments. The first argument concerns the costs of war. The war is considerably more costly than planned, particularly so when including hidden, indirect, and future costs. The second argument focuses on the theory that Americans are forced to pay the price and more than likely a rising price for war, in the immediate future. Third, the Bush Administration and Congress have camouflaged the real price of this present war, and have presented tax cuts as well which will only delay paying the costs of the present war to the future generation.



Goldstein argues that the war on terrorism is considerably more costly than Americans have been told. A tremendous influx of capital and resources must be utilized to win the war on terrorism or Americans will be asked to contribute *far more in the future*. Goldstein acknowledges that the American public often obtains information on war—related information from the press—and therefore these numbers for war costs are in a form that appear astronomical and out of touch with what most Americans’ understanding of what war is costing *them*. Goldstein’s model of war spending places the burden on the individual—how much the war effort is costing *you personally* through the cost of war per household in the United States. Goldstein breaks down billion-dollar government spending into the costs the average American household is paying through their taxes. Goldstein makes a clever analogy of war spending as a “parking meter in their living room” to an equivalent of approximately \$500 a month to finance war.

Goldstein also argues that the war effort and sacrifices stretch far beyond military spending to include casualties, lost tourism, strain on local government budgets, civilian-to-military hardships for personnel, etc. The longer the war continues, the more these costs grow. This is important to acknowledge. By highlighting upon this phenomena, Goldstein adds credibility to his model on war spending. Americans keep a watchful eye on continued war spending. However, the ‘real’ costs in human lives and quality of human life should never be underestimated. By explaining and emphasizing the importance of these costs beyond tax dollars, Goldstein has added an important *real life* dimension to his model. It may have benefited Goldstein’s work to have discussed in detail other considerations outside of direct costs of war—including public opinion of the war—although these ‘costs’ could never be truly quantified. Prior administrations have felt the heat of negative war opinion. A common example is President Johnson’s decision to not seek reelection in the 1968 presidential race due, in part, to the strong negative sentiment against the Vietnam War. Although public opinion costs could never be quantified in an effective manner, the burden on war policy making could be considerable. By discussing the

importance of public opinion, Goldstein could have considerably strengthened the backbone of his theoretical arguments.

For those who argue 'Americans are spending too much', Goldstein counters with that argument that a range of historical evidence exists to prove that Americans are spending much less in comparison to the spending for past wars. Goldstein's examples of spending in prior wars were well-founded in his research. Traditionally, governments have financed war by raising taxes. Others have done so by borrowing money (the US government has also partially adopted this strategy as well). This increases government debt, which could drive nation-states into bankruptcy as it did to Spain in 1557 and 1596. The two World Wars were enormous military efforts—mobilizing entire societies for war—conscripting labor and military service, inflating prices in markets for industrial goods and various natural resources, and shifting investments from civilian to military capital. Also, Goldstein argues that Americans have been told that the War on Terror is a war without sacrifice. But as Goldstein emphatically states: "These truths should be self-evident: The nation is at war. The war is expensive. Someone has to pay for it." As Goldstein presents in his argument, liberal readers will need to consider the possibility that the war deserves even more money and attention than President Bush has given it; conservative readers will need to consider the possibility that Americans need to raise taxes to cover the costs for the war.

Goldstein closes with the arguments that the in order to win the war on terror at a more rapid pace, Americans need to better finance the battle coffers. This increase in war spending would cost the average American \$100 per household per month. For this, Americans would see improvements in all branches of the military and its wings—including diplomacy.

Goldstein presents his arguments and the historical narrative of war spending in language suitable for most readers. Goldstein's writing style is suited for interdisciplinary readers. This makes his work attractive for graduate courses and undergraduate courses in various fields of study beyond political science alone.

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