Giovanni Arrighi

World Income Inequalities and the Future of Socialism

The thesis of this article is that the great political upheavals of our days—from Eastern Europe and the USSR to the Middle East—originate in a radical transformation of the social structure of the world-economy combined with a persistent, indeed deepening, income inequality among the regions and political jurisdictions into which the world-economy is divided.* The radical transformation I am referring to began shortly after the end of the Second World War. It gained momentum in the 1960s, and tapered off in the late 1970s and 1980s. As succinctly put by Eric Hobsbawm, 'the period from 1950 to 1975...saw the most spectacular, rapid, far-reaching, profound, and worldwide social change in global history...[This] is the first period in which the peasantry became a minority, not merely in industrial developed countries, in several of which it had remained very strong, but even in Third World countries.'[1] The change in question has cut across the great West–East and North–South divides and has been primarily the result of purposive actions aimed at narrowing the gaps that circa 1950 separated the wealth of the peoples situated on the privileged side of the two divides (the West/North) from the relative or absolute deprivation of the peoples situated on the underprivileged sides (the East and the South). The most important of these purposive actions was the pursuit of economic development by governments. By internalizing within their domains one or another of the features of the wealthier countries, such as industrialization and urbanization, governments hoped to capture the secret of their success and thus catch up with their wealth and power. Also important as a complement or as a substitute of governmental actions were actions undertaken by private organizations and individuals—most notably, the migration of labour, of capital and of entrepreneurial resources across state boundaries.

Individual successes notwithstanding, these actions failed in their attempt to promote a more equal distribution of wealth across the space of the capitalist world-economy. A handful of states did manage to shift some of the world's wealth their way, and many individuals achieved the same result by moving across state boundaries. But these achievements of a few states and of many individuals did not change the overall hierarchy of wealth. On the contrary, after more than thirty years of developmental efforts of all kinds, the gaps that separate the incomes of the East and of the South from those of the West/North are today wider than ever before.

In the 1980s, states in the East and in the South thus found themselves in a situation in which they had internalized elements of the social structure of wealthier countries through 'modernization', but had not succeeded in internalizing their wealth. As a consequence, their governments and ruling groups lacked the means of fulfilling the expectations and accommodating the demands of the social forces that they have brought into existence through modernization. And as these forces rebel a general crisis of developmentalist practices and ideologies begins to unfold. The crisis of Communism in Eastern Europe and the USSR is but one side of the coin of this general crisis of developmentalism. The other side of the coin is the crisis of the capitalist variant of developmentalism—a crisis which is most clearly visible in the rise of Islamic fundamentalism in the Middle East and North Africa but is apparent in one form or another throughout the South.

In what follows I shall focus on the increasing inequality of the global distribution of income, because in my view this is rapidly becoming the central issue of our times. I shall take for granted that processes of urbanization and industrialization have reached deep into the South and that numerous Third World countries have been industrializing

* This article is a revised and expanded version of a paper presented at the Sixth Conference on the Future of Socialism: Socialism and Economy organized by the Fundacion Sistema, Sevilla, 14–16 December 1990. I would like to thank Terence K. Hopkins, Mark Selden and Beverly Silver for their comments on an earlier version.

[1] Eric Hobsbawm, Comment in 'Reflecting on Labor in the West since Haymarket: A Roundtable Discussion', in J.B. Jenz and J.C. MacManus, eds., *The Newberry Papers in Family and Community History*, vol. 86, no. 2, 1986, p. 13.

rapidly. But I shall not assume, as most still do, that 'industrialization' and 'development' are one and the same thing.

The latter view is so ingrained that it has remained unchallenged notwithstanding the recent wave of deindustrialization among some of the wealthiest and most powerful states of the West. These states continue to be identified as 'industrial' or 'industrialized', while the corresponding rapid industrialization of comparatively poor states is taken at face value as the equivalent of 'development'. This view obscures the fact that industrialization has been pursued not as an end in itself but as a means in the pursuit of wealth. Whether or not industrialization has represented 'development' depends entirely on whether or not it has been an effective means in this pursuit. As we have shown elsewhere, the effectiveness of industrialization in delivering wealth in the world-economy at large has declined with its general spread until, on average, its returns have become negative.[2]

By focusing on the persistent and deepening inequalities in the distribution of income across the space of the capitalist world-economy, I simply want to underscore that—a few exceptions aside—the spread of industrialization has not delivered on its promises. There has been a lot of industrialization (and even more urbanization) with incalculable human and ecological costs for most of the people involved. But there has been little 'catching up' with the standard of wealth set by the West. Industrialization or, more generally, modernization has thus failed to deliver what it had promised, and this failure is at the root of the serious troubles currently faced by most states in the East and in the South. These serious troubles are neither local nor conjunctural. They are systemic and structural. They are troubles of the world-system to which the West/North belongs as much as the East and the South. Forecasts and projects concerning the future of socialism in the West/North that ignore the systemic origins and consequences of these troubles are at best irrelevant and at worst dangerously misleading.

I The Changing Standard of Economic Success and Failure

What do we mean when we say that Communism has 'failed' in Eastern Europe and in the USSR, or that capitalism has 'succeeded' in Japan and elsewhere in East Asia? Of course, different people mean different things. Yet, in the back of our minds there looms a fairly universal standard against which we assess the performance of political and economic regimes around the world. This standard is the wealth of the West/North—not of any particular region or political jurisdiction into which the West/North is divided, but of the West/North as an ensemble of differentiated units engaged in mutual cooperation and competition.

---

[2] Giovanni Arrighi, 'The Developmentalist Illusion: A Reconceptualization of the Semiperiphery', in W.G. Martin, ed., *Semiperipheral States in the World-Economy*, New York 1990, pp. 18–25; Giovanni Arrighi and Jessica Drangel, 'The Stratification of the World-Economy: An Exploration of the Semiperipheral Zone', *Review*, vol. 10, no. 4, pp. 53–7.

The fortunes of these constituent units relative to one another are subject to continuous ups and downs, which may matter a lot to the units most visibly affected by them, but appear as irrelevant—and rightly so—when it comes to assessing the performance of states and regions that do not belong, or did not belong until recently, to the West/North ensemble. Is it Sweden, or Germany, or France, or the UK, or the US, or Canada, or Australia that we refer to when we say that Communism has failed in Eastern Europe and capitalism has succeeded in Japan? Clearly, to all of them in general but to none of them in particular. What we are in fact referring to, knowingly or unknowingly, is some kind of average or composite standard of wealth that every region and political jurisdiction of the West/North has enjoyed to some degree for a long time, though not to the same degree all the time.

In order to make the assessment of success and failure in the contemporary world-economy less fuzzy than usual, I shall take as an indicator of this composite standard the GNP per capita of what I shall call the 'organic core' of the capitalist world-economy. For our present purposes I define the 'organic core' as consisting of all the states that over the last half-century or so have occupied the top positions of the global hierarchy of wealth and, in virtue of that position, have set (individually or collectively) the standards of wealth which all their governments have sought to maintain and all other governments have sought to attain.

These states belong to three distinct geographical regions. The most segmented of the three regions, culturally and jurisdictionally, is Western Europe—defined here to include the UK, the Scandinavian and the Benelux countries, former West Germany, Austria, Switzerland and France. The states lying on the western and southern outer rim of the region (that is, Ireland, Portugal, Spain, Italy and Greece) have not been included in the organic core because for most or all of the last fifty years they have been 'poor relations' of the wealthier Western European states—poor relations which did not contribute to the establishment of a global standard of wealth but were themselves, through their governments, struggling more or less successfully to catch up with the levels enjoyed by their neighbours. The other two regions included in the organic core are less segmented culturally and jurisdictionally. One is North America (US and Canada) and the other—small in population but large in territory—consists of Australia and New Zealand.

Table I shows for select years of the last half-century the GNP per capita of each of these three regions as a percentage of the GNP per capita of the organic core—that is, of these same regions taken as a unit. In brackets, the table also shows the population of each region as a percentage of the total population of the organic core. The most noteworthy feature of the table is a sharp widening, followed by a steady narrowing, and an eventual closing, of the income gap between North America and Western Europe—the two regions in which most of the population of the West/North has been concentrated.

Table I.

Comparative economic performance in the 'West' (organic core)

	1938	1948	1960	1970	1980	1988
I. Western Europe	83.2	56.5	65.7	73.5	103.0	91.4
	(57.0)	(51.2)	(48.9)	(47.7)	(45.7)	(44.1)
II. North America	121.6	149.3	137.0	127.4	98.6	109.7
	(40.5)	(46.0)	(48.0)	(49.0)	(50.7)	(52.1)
III. Australia & New Zealand	134.4	84.6	67.4	76.3	81.7	67.0
	(2.4)	(2.8)	(3.1)	(3.3)	(3.6)	(3.8)
Weighted Average	100.0	100.0	100.0	100.0	100.0	100.0
(Total)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Notes:
1. The figures represent GNP per capita of each region divided by the GNP per capita of the three regions taken together times 100. In brackets, population of the region as a percentage of the total population of the three regions taken together.
2. Western Europe consists of the Benelux and Scandinavian countries, (West) Germany, Austria, Switzerland, France and the United Kingdom. North America consists of the US and Canada.

Sources: The GNPs per capita of the regions have been calculated from data provided in W.S. Woytinsky and E.S. Woytinsky, *World Population and Production: Trends and Outlook*, New York 1953, for 1938 and 1948; and from World Bank, *World Development Report*, Washington D.C. 1982 and 1990, and *World Tables*, vols 1 and 2, Washington D.C. 1984, for the other years.

This trajectory reflects well-known trends of the capitalist world-economy during the period under consideration. The initial widening gap reflects the 'great leap forward' experienced by the North American economy in the course of the Second World War and the immediate postwar years. Thanks to this great leap forward, North America jumped ahead of all the other regions of the world-economy—Western Europe included. A new and higher standard of wealth was thereby established, and a race to catch up with that standard began in earnest. In the pursuit of this objective and with considerable financial and institutional assistance from the new hegemonic power (the US), Western European states rapidly restructured their domestic economies to the image and in the likeness of the North American economy.

As shown by Table I, the pursuit has been highly successful. By 1970 the income gap that separated Western Europe from North America was back to where it was in 1938, and by 1980 it had disappeared. The table actually shows that in 1980 the per-capita income of Western Europe surpassed that of North America but fell behind it once again in the 1980s. These latest ups and downs in the relative fortunes of the Western European and North American regions are largely due to fluctuations in the value of the US dollar relative to Western

European currencies. Whether these fluctuations are just cyclical adjustments that mark the end of the process of catching-up of the previous thirty years, or are the harbingers of underlying structural changes that prepare a new major differentiation in the fortunes of the two regions, as happened between 1938 and 1948, is a question that falls beyond the scope of this article. For present purposes suffice it to say that over the last half-century income inequalities among the regions of the organic core have never been smaller than they were in the 1980s.

This conclusion holds even if we take into account the more erratic trajectory of the Australian region—demographically by far the least significant of the three. In 1938, this region was the wealthiest region of the organic core. Like Western Europe, it experienced a sharp worsening of its position relative to North America between 1938 and 1948 but, unlike Western Europe, it continued to lose ground between 1948 and 1960. After 1960 its relative position began to improve but, after 1980, it deteriorated again. Having started out as the wealthiest of the wealthiest regions, Australia and New Zealand end up in 1988 as the poorest of the three.

This erratic trajectory does not change the conclusion that over the last half-century income differentials among the regions of the organic core of the world-economy have never been lower than in the 1980s. Thus, the ratio of the highest to the lowest of the three regional GNPs per capita stood at 1.6 in 1938, 2.6 in 1948, 2.1 in 1960, 1.7 in 1970, 1.3 in 1980 and 1.6 in 1988. In sum, if we confine our attention to the wealthiest regions of the world-economy, some of the most fundamental claims of procapitalist ideologies seem to be borne out. Only once in fifty years has there been a major increase in income inequalities, and that increase—by spurring laggards to compete more effectively—has activated forces that over time have reduced the inequalities. Moreover, within this narrow and stable band of inequalities, there seems to have been considerable upward and downward mobility. The last can indeed become first and the first last.

II Miracles and Mirages

Procapitalist doctrines further maintain that the small group of nations that sets the standards of wealth in the world-economy is an open 'club' that any nation can join by proving its worth through appropriate developmental efforts and policies. This belief has been buttressed by the existence of some conspicuous cases of upward mobility in the hierarchy of wealth of the world-economy—cases that have in fact been so few as to deserve the designation of 'economic miracles'. How many of these miracles have there been? How 'real' have they been? How do they compare with one another?

Table II provides us with an overview of the most important instances of actual or alleged 'economic miracles'. It shows—for the same years as Table I—the GNP per capita of the locations listed on the left-hand side of the table as a percentage of the GNP per capita of the organic core. In brackets, the table also shows the population of those same locations as a percentage of the total population of the organic core.

Table II.

Comparative 'economic miracles'

		1938	1948	1960	1970	1980	1988
I.	East Asia						
I.1	Japan	20.7	14.5	23.2	52.1	76.3	117.9
		(20.3)	(23.1)	(22.8)	(22.6)	(23.5)	(23.4)
I.2	S. Korea	n.a.	n.a.	7.7	7.2	12.7	20.2
				(6.0)	(7.0)	(7.7)	(8.0)
II.	Southern Europe						
II.1	Italy	32.0	22.8	37.0	50.4	60.9	74.8
		(12.6)	(13.2)	(12.1)	(11.6)	(11.3)	(11.0)
II.2	Spain	41.6	18.4	18.6	28.9	48.0	43.4
		(4.8)	(8.0)	(7.4)	(7.3)	(7.5)	(7.5)
III.	Latin America						
III.1	Brazil	12.0	11.3	12.1	12.7	17.5	12.1
		(11.4)	(14.1)	(17.6)	(20.7)	(23.8)	(27.6)

Note:
The figures represent GNP per capita of state divided by the GNP per capita of the organic core (see Table I) times 100. In brackets, population of state as a percentage of the total population of the organic core.

Sources: As Table I.

To avoid misunderstandings let us state at the outset that we do not take relative per-capita income—as measured by the ratio of the GNPs per capita—to be a valid and reliable indicator of the welfare of the inhabitants of the region or jurisdiction to which the ratio refers relative to that of the inhabitants of the organic core. Thus, when we say that the GNP per capita of Brazil has been for most of the last half-century about one-eighth (12 per cent or so) of the GNP per capita of the organic core—as shown in Table II—we are not saying that the welfare of the inhabitants of Brazil has been eight times less than that of the inhabitants of the organic core. It might have been more or less than that, depending on a whole series of circumstances—such as differences in the distribution of incomes or in the human and social costs involved in producing a given income—about which our indicator says nothing. Nor do we take the ratios of GNPs per capita to be valid and reliable indicators of the average productiveness of the inhabitants of the region or jurisdiction to which the ratio refers relative to the average productiveness of the inhabitants of the organic core. Also from this standpoint, whether or not the average productiveness of the inhabitants of Brazil has actually remained constant at one-eighth of the average productiveness of the inhabitants of the core depends on circumstances—such as differences/changes in terms of trade, exchange rates, claims on the incomes of the inhabitants of other states, transfer payments to/from the region or jurisdiction, and so forth—about which our indicator says nothing.

What the ratio of GNPs per capita is an indicator of—and a better indicator than anything else that is readily available—is the command of the inhabitants of the region or jurisdiction to which it refers over the human and natural resources of the organic core, relative to the command of the inhabitants of the organic core over the human and natural resources of that region or jurisdiction. Thus, our indicator tells us that the average command of the inhabitants of Brazil over the human and natural resources of the organic core is, and has been for most of the last fifty years, about eight times less than the average command of the inhabitants of the organic core over the human and natural resources of Brazil.

This relationship of unequal economic command between two locations of the world-economy should not be confused with Emmanuel's notion of 'unequal exchange'.[3] At least in principle, a relationship of unequal economic command may exist and persist between two locations in the absence of any relationship of unequal exchange in Emmanuel's sense; and, what's more, unequal exchange may become a factor undermining relationships of unequal economic command.[4] But whatever the relationship between the two kinds of inequalities might actually be at a particular time and in particular places, the relative economic command measured by our indicator is an expression not of unequal exchange as such, but of the totality of power relations (political, economic and cultural) that has been privileging the inhabitants of the organic core in their direct and indirect deals with the inhabitants of the regions and jurisdictions that lay outside the organic core.

Turning now to the data of Table II, the list is topped by the miracle of miracles: Japan. Our indicator provides a quite vivid image of the Japanese exploit. It shows both the extraordinary economic distance 'travelled' by Japan, and the extraordinary speed with which that distance has been travelled. With a GNP per capita slightly over one-fifth (20.7 per cent) of the GNP per capita of the organic core, Japan in 1938 was firmly saddled in the middle-income ('semiperipheral') group of states. In 1988, in contrast, the GNP per capita of Japan was almost 20 per cent higher than the average GNP per capita of the organic core. This ascent is all the more impressive in that, between 1938 and 1948, Japan's GNP per capita fell from 20.7 per cent to 14.5 per cent of the GNP per capita of the organic core. Thus, in just forty years Japan has caught up with and surpassed the standard of wealth of regions whose GNP per capita was almost seven times higher than its own.

The next country on the list is South Korea—demographically the largest of the so-called 'Four Tigers'. The other three 'Tigers' are not listed, either because of a lack of comparable data (as in the case of Taiwan, for which none of our sources give any data) or because they are city-states (Hong Kong and Singapore) whose economic performance must be assessed in conjunction with that of the regional economies of which they are an inseparable component.

---

[3] Arghiri Emmanuel, *Unequal Exchange*, New York 1972.

[4] See Arrighi, 'The Developmentalist Illusion', pp. 11–14.

South Korea is often said to be on its way to replicating the exploit of Japan. This might well be so, but the data of Table II suggest caution. South Korea, unlike Japan, began gaining ground relative to the standard of wealth of the organic core only in the 1970s and 1980s. Moreover, its ascent started from a much lower level of per-capita income than Japan. As a result, South Korea's position relative to the organic core in 1988 was almost exactly what Japan's position had been fifty years earlier in 1938. It follows that—however impressive from other points of view—South Korea's economic ascent still has a long way to go before it can be said to have replicated Japan's exploit. It is possible that, if we had comparable data, Taiwan would appear to have done just as well as or even better than South Korea. In any event, we should bear in mind that the South Korean economic miracle (and even more the Taiwanese) has uplifted a much smaller demographic mass than did the Japanese.

The second group of economic miracles listed in Table II concerns the two largest countries of Southern Europe, Italy and Spain. In the 1980s, Italy was sometimes referred to as the 'Japan of Europe', and Spain was often taken by Eastern Europeans (particularly in Poland) as a model of what their countries could have achieved had they not been under Communist rule. A comparison of the Italian and Japanese indicators does indeed reveal an important analogy between their trajectories: they both decrease sharply between 1938 and 1948, and then increase steadily up through the 1980s. The main difference—apart from the greater demographic weight of Japan—is that the Italian trajectory is flatter than the Japanese: it starts at a higher level (32 as against 20.7) and ends at a lower level (74.8 as against 117.9). Italy thus never caught up with (let alone surpassed, as Japan did) the standard of wealth of the organic core. Yet, by 1988 Italy had become wealthier than the poorer region of the organic core (Australia and New Zealand), and its GNP per capita was only 25 per cent lower than that of the organic core as a whole.

The Spanish trajectory is even 'flatter' than the Italian. It drops very markedly between 1938 and 1948, rises between 1960 and 1980, and decreases slightly in the 1980s. As a result of these fluctuations, the GNP per capita of Spain as a percentage of the GNP per capita of the organic core was in 1988 roughly the same as in 1938 (43.4 per cent as against 41.6 per cent). From this point of view, the Spanish miracle—such as it was—resembles not so much the Japanese miracle as the Brazilian 'miracle', which attracted a lot of attention in the late 1970s only to be perceived more as a mirage in the 1980s.

The most striking feature of the Brazilian trajectory as revealed by our indicator is its absolute and almost uninterrupted flatness. From 1938 to 1970 Brazil's GNP per capita remained stuck at about 12 per cent of the GNP per capita of the organic core. Between 1970 and 1980 it went up to 17.5 per cent, but by 1988 it had gone back to its usual 12 per cent. It was this temporary upward jump that in the late 1970s led many to announce that a new economic miracle was in the making and that Brazil was on its way to catching up with core standards of wealth.

As it turned out, the upward jump was nothing but a blip on an otherwise absolutely flat curve. Yet, we should not be too hasty in declaring the Brazilian miracle just a mirage. In comparison with miracles Japanese-style—or even Italian- and Korean-style—the Brazilian and Spanish trajectories may seem to depict a minor failure rather than a major success story. But this assessment is based on a highly distorted view of what has been a normal achievement in the capitalist world-economy of the last fifty years. Before we pass a final judgement on the apparently unimpressive performance of Brazil and Spain, let us therefore widen the horizon of our observations to encompass those regions that account for an ever-growing majority of the world population.

III The Widening Income Gap between Rich and Poor

The overall picture that emerges from Table III (compiled in the same way as Table II) is one of a major widening of the already large income gap that fifty years ago separated the peoples of the South from the peoples of the organic core of the capitalist world-economy. To be sure, the gap has widened very unevenly in space and time, as we shall see presently. Yet, the overall long-term tendency is unmistakable: the vast majority of the world's populations have fallen increasingly behind the standards of wealth set by the West.

This general worsening in economic standing has not affected equally all the regions and smaller aggregates listed in Table III. Limiting our consideration to the regions and aggregates for which we have data both for 1938 and 1988, the worsening has been least for Latin America (regardless of whether we include or exclude Brazil) and greatest for South Asia, followed closely by Southern and Central Africa. More specifically, between 1938 and 1988 the income gaps between the units listed in Table III and the organic core—as measured by the ratio of the GNP per capita of the organic core to the GNP per capita of each unit—have increased by a factor of 1.8 in the case of Latin America (of 2.4 if we exclude Brazil), by a factor of 2.6 in the case of Southeast Asia (as measured by the Indonesia and Philippines aggregate), by a factor of 2.7 in the case of the Middle East and North Africa (as measured by the Turkey and Egypt aggregate), by a factor of 4.1 in the case of Southern and Central Africa, and by a factor of 4.6 in the case of South Asia.

This uneveness in the extent to which the relative economic position of poor regions has worsened over the last fifty years has led to a further widening rather than to a narrowing of income differentials among the poor regions themselves. Thus, the ratio of the highest to the lowest GNP per capita of the five units under consideration stood at 4.2 in 1938, 4.6 in 1960, 5.5 in 1970, 9.9 in 1980 and 5.9 in 1988. (We do not know what the ratio for 1948 was because no data are available for the Southeast Asian aggregate, which at the time presumably still had the lowest per-capita income of all five units. However, it is plausible to assume that between 1938 and 1948 the Southeast Asian index did not fall sufficiently [27 per cent or more] to raise the ratio in question above its 1938 value.)

Table III.

Comparative economic performance in the 'South'

		1938	1948	1960	1970	1980	1988
I.	Latin America	19.5 (31.1)	14.4 (38.3)	16.7 (45.7)	15.5 (53.7)	19.8 (63.8)	10.6 (72.9)
I.1	Excl. Brazil	23.8 (19.7)	16.2 (24.2)	19.6 (28.1)	17.3 (33.0)	21.1 (40.0)	9.7 (45.3)
II.	Middle East and North Africa	n.a.	n.a.	11.5 (19.6)	8.1 (22.5)	11.1 (27.5)	7.1 (32.0)
II.1	'Turkey and Egypt'	14.9 (9.8)	13.0 (10.9)	12.8 (12.9)	7.7 (14.8)	8.1 (17.5)	5.6 (19.9)
III	Subsaharan Africa						
III.1	Western and Eastern	n.a.	n.a.	3.6 (36.8)	3.4 (42.3)	4.7 (51.7)	1.6 (65.1)
III.2	Southern and Central	25.2 (6.9)	18.3 (7.6)	10.5 (10.1)	11.3 (11.4)	n.a.	6.1 (16.1)
IV.	South Asia	8.2 (109.6)	7.5 (123.3)	3.6 (131.6)	2.8 (149.1)	2.0 (173.4)	1.8 (200.3)
V.	Southeast Asia	n.a.	n.a.	6.6 (38.4)	3.8 (43.8)	5.7 (52.0)	3.7 (58.9)
V.1	'Indonesia and Philippines'	6.0 (24.1)	n.a.	6.4 (29.5)	2.8 (33.1)	4.6 (39.2)	2.3 (44.8)

Notes:
1. The figures represent GNP per capita of region or aggregate divided by the GNP per capita of the organic core times 100. In brackets, population of region (or aggregate) as a percentage of the population of the organic core.
2. Aggregate I consists of Argentina, Bolivia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Jamaica, Mexico, Paraguay, Peru, Venezuela. Aggregate II consists of Algeria, Egypt, Libya, Sudan, Syria and Turkey. Aggregate III.1 consists of Benin, Burundi, Cameroon, Chad, Ethiopia, Ivory Coast, Kenya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Senegal, Somalia, Tanzania, Upper Volta. Aggregate III.2 consists of South Africa, Zaire, Zambia, and Zimbabwe. Aggregate IV consists of Bangladesh, India, Pakistan and Sri Lanka. Aggregate V consists of Indonesia, Malaysia, Philippines, Thailand and Singapore.

Sources: As Tables I and II.

In sum, over the last fifty years income inequalities among the poorer regions of the world-economy have followed a pattern that in key respects is the exact opposite of the pattern followed by income inequalities among the wealthy regions (see section I, above). Between 1938 and 1948, when income inequalities among the wealthy regions increased sharply, those among the poorer regions probably remained the same or decreased. Between 1948 and 1980, when income inequalities among the wealthy regions decreased steadily, those among the poorer regions increased steadily. And between 1980 and 1988, when income inequalities among the wealthy regions increased, those among the poorer regions decreased sharply. As a result of these opposite movements, the trend in income inequalities over the last fifty years has been towards a decline among the wealthy regions, but towards a rise among the poorer regions.

The increasing income gap between rich and poor has developed extremely unevenly not just in space but also in time. Most of the losses of the South relative to the West have been concentrated in the first and last decades of the fifty-year period under consideration. Only one region (South Asia) has experienced a steady, uninterrupted deterioration of its economic position relative to the organic core over the last fifty years. At one time or another all the other regions have experienced a reversal of the tendency: Latin America in 1948–60 and again in 1970–80, Southern and Central Africa in 1960–70, and all the other regions (except South Asia) in 1970–80. But no region improved its position relative to the organic core between 1938–48 or between 1980–88. During these two periods all the regions listed in Table III lost ground relative to the standard of wealth set by the organic core and, on average, the losses were much heavier in these two periods than at any other time.

The losses of the period 1938–48 are for the most part a reflection of the great leap forward of the North American economy during this decade (see section I above). This great leap forward made all the other regions of the world-economy—including traditionally wealthy regions such as Western Europe—look and feel poorer in 1948 than they did in 1938. To be sure, the destructions and disruptions of the Second World War had made many regions and countries poorer not just in relative but in absolute terms as well. But neither in absolute nor in relative terms did the regions of the South do any worse than core regions other than North America or than the sites of subsequent economic miracles. As a matter of fact, comparatively speaking they did well. Thus, all the indicators of Table III fell between 1938 and 1948—the Latin American by 27 per cent (by 32 per cent if we exclude Brazil), the Southern and Central African by 26 per cent, the Middle Eastern and North African by 13 per cent, and the South Asian by 8 per cent. But these contractions are either of the same order as, or significantly smaller than, the contractions in the indicators of Western Europe (32 per cent), Australia and New Zealand (37 per cent), Japan (30 per cent), Italy (29 per cent) and Spain (56 per cent) (calculated from Tables I and II).

By establishing a new and higher standard of wealth in the world-economy, the great leap forward of the North American economy set the stage for the developmental efforts of the subsequent thirty years. As a matter of fact, the new hegemonic power itself (the US) proclaimed that under its leadership old and new nations alike could attain that standard, provided of course that they followed as best as they could the American way to economic prosperity. As later codified in W.W. Rostow's 'Non-Communist Manifesto', this doctrine conceived of nations as passing through an essentially similar series of stages of political and economic development—stages that led from tradition-bound poverty to high-mass-consumption prosperity. Most nations were still caught up in one or another of the early stages. But adherence to the principles of free enterprise assured that eventually each and every nation would reach the stage of high mass-consumption.[5]

One variant or another of this doctrine provided the ideological cement that gave cohesion to the US world order until the doctrine was tacitly abandoned in the 1980s. For about thirty years Third World nations were continually spurred into sustained developmental efforts aimed at catching up with the standards of high mass-consumption enjoyed by the people of North America and, increasingly, of the entire West, which came to include Japan as honorary member. There were several partial and temporary successes, as witnessed by the numerous increases in the indicators of Table III noted above. But precisely at the moment when all the indicators seemed to be headed upward—as they were circa 1980 with the only exception of South Asia—they all collapsed without exception in the course of the next decade.

The collapse of the 1980s differs from the contraction of the 1940s quantitatively and qualitatively. Quantitatively it has been much sharper. Between 1980 and 1988, the indicator for Latin America (including Brazil) fell by 46 per cent (54 per cent if we exclude Brazil), the indicator for the Middle East and North Africa fell by 27 per cent (31 per cent for the smaller 'Turkey and Egypt' aggregate), the indicator for Western and Eastern Africa fell by 66 per cent, the indicator for South Asia fell by 10 per cent and that for Southeast Asia by 35 per cent (50 per cent for the smaller 'Indonesia and Philippines' aggregate). Notwithstanding the fact that these contractions refer to an eight-year period instead of a ten-year period, they are all higher—most of them much higher—than the corresponding contractions of the period 1938–48 listed earlier (see p. 50 above).

But the main difference between the two contractions is qualitative rather than quantitative. As we have seen, the earlier contraction was largely a reflection of the great leap forward of the North American economy and marked the beginning of sustained developmental efforts aimed at catching up with North American standards of high mass-consumption. The contraction of the 1980s, in contrast, has been a reflection of the general collapse of these efforts and marks their abandonment in the face of mounting challenges from above and below.

The main challenge from above has come from a turnabout in the policies and ideology of the world-hegemonic power. Circa 1980 the US abandoned the doctrine of development for all in favour of the doctrine that poor countries should concentrate their efforts on economizing as much as they could as a means to the end of enhancing their capabilities to service debts and to preserve their creditworthiness. Solvency rather than development has become the password. At the same time, US governmental agencies and enterprises

[5] See W.W. Rostow, *The Stages of Economic Growth. A Non-Communist Manifesto*, Cambridge 1960.

stepped up their own indebtedness—nationally and internationally—and began competing aggressively with poorer states in world financial markets.

This turnabout has probably been the most important single factor in the sudden collapse of Third World incomes in the early 1980s. But it has not been the only factor. Developmental efforts have been challenged as much from below as from above. Challenges from below were extremely diversified depending on local circumstances. Widespread and persistent labour unrest, the proliferation of grassroot organizations of mutual aid, poor-people's religious movements (such as the Shi'ite revival in Islam or liberation theology in Latin America), human-rights and democracy movements, may seem to have little in common with one another. Yet, over the last decade or so they have been variants of the resistance of Third World peoples against developmentalist ideologies and practices that imposed exorbitant social and human costs on subordinate groups and classes without delivering much or anything of what they promised.

Caught between challenges from above and challenges from below, an increasing number of Third World governments have been forced or induced to give up their developmental efforts and to settle—more or less grudgingly—for a subordinate position in the global hierarchy of wealth. Today, very few of those in office in the South—or for that matter in the North—still believe in the fairy tale of Rostow's 'Non-Communist Manifesto'. Most of them know—even when they do not say so—that the nations of the world are not all walking along the same road to high mass-consumption. Rather, they are differentially situated in a rigid hierarchy of wealth in which the occasional ascent of a nation or two leaves all the others more firmly entrenched than ever where they were before.

The legitimation of this harsh reality in the minds and hearts of the peoples condemned to dwell on the lower rungs of the global hierarchy of wealth—peoples who make up the vast majority of the human race—is and will remain problematic. For the moment, however, the legitimation of the unprecedented world income inequalities that have emerged in the 1980s has been eased by a general perception of the crisis of developmentalism as being symptomatic of the failure, not of historical capitalism as world-system, but of its opponents—first and foremost of Communism and, by reflection, of socialism. Let us briefly look at the nature and origins of this perception.

IV The Failure of Communism in World-Historical Perspective

Communism as a mode of rule has failed in many respects. By general admission, however, its greatest failure has been economic—the failure, that is, to create within its domains an abundance of means comparable to that existing in the West. The scantiness of comparable data makes it difficult to assess accurately the historic dimensions of this failure. Nevertheless, our sources do provide sufficient comparable data to enable us to make some plausible guesstimates.

These comparable data have been used to compute the indicators of Table IV, which has been calculated in the same way as the indicators of Tables II and III. Scanty as they are, the indicators of Table IV give us some idea of the historic proportions of what is commonly understood by the failure of Communism. Far from catching up with the standards of wealth of the West, the East has fallen increasingly behind those standards. Between 1938 and 1988 the income gap between the organic core and the three units for which we have comparable data at the appropriate points in time has increased by a factor of 2.3 in the case of China, by a factor of 2.4 in the case of the aggregate 'Hungary and Poland', and by a factor of 2.9 in the case of Yugoslavia. Since in all three instances the Communist regimes were established circa 1948, their performance should in fact be assessed from that year rather than from 1938. Unfortunately the only comparable data we have for 1948 concern 'Hungary and Poland'. Judging from this single case the performance has been somewhat better in the forty years of Communist rule than in the longer period—its relative economic position having worsened by a factor of 1.7 over four decades instead of 2.4 over five decades. However, the performance is not so much better as to prevent us from concluding that Communist regimes have failed, not just to catch up with Western standards of wealth, but also to maintain their distance below those standards.

Table IV.

Comparative economic performance in the 'East'

		1938	1948	1960	1970	1980	1988
I.	USSR	25.2 (48.9)	18.3 (55.6)	n.a.	n. a.	n. a.	n.a.
II.	Eastern Europe						
II.1	'Hungary and Poland'	26.7 (12.7)	18.4 (9.5)	n.a.	n.a.	n.a.	11.1 (9.3)
II.2	Yugoslavia	41.1 (4.4)	n.a.	28.4 (4.4)	18.0 (4.4)	22.5 (4.5)	14.1 (4.5)
III.	China	4.1 (129.4)	n.a.	n.a.	n.a.	2.5 (196.9)	1.8 (208.0)

Sources: The indicators are calculated in the same way and from the same sources as the indicators of Tables II and III.

Needless to say, the failure assumes catastrophic proportions if we compare the economic performance of the domains of Communist rule with the most conspicuous cases of upward mobility within the capitalist world. Thus, in 1938 Japan's GNP per capita was about one-half that of Yugoslavia, about four-fifths that of 'Hungary and Poland', and about five times that of China. In 1988, in contrast, it was more than eight times that of Yugoslavia, more than ten times that of 'Hungary and Poland', and more than sixty-five times that of China. Moreover, in so far, as we can judge from the 'Hungary and Poland' indicator, in this comparison—or for that matter in an analagous comparison with Italy or Spain—the relative losses of the last fifty years have been concentrated in the forty years of Communist rule (1948–88). Thus, between 1938 and 1948 the GNP per capita of 'Hungary and Poland' lost almost nothing relative to that of Japan or Italy and actually gained relative to that of Spain. In the next forty years, in contrast, it declined by a factor of 13.4 relative to the Japanese GNP per capita, by a factor of 5.6 relative to the Italian and by a factor of 3.9 relative to the Spanish.

The comparisons made so far lead to the inescapable conclusion that Communist regimes have failed utterly in fulfilling their expectations and promises to be in a position to outcompete the capitalist West in the creation of abundance. Since we have no reason for believing that the USSR and its other Eastern European satellites, for which comparable data are missing, did much better than 'Hungary and Poland' or Yugoslavia, we can extend this conclusion to the Soviet 'empire' as a whole. Granted this, it does *not* follow, as many think, that the East as a whole—as opposed to some of its components—would have done any better economically than it actually did had it not been under Communist rule.

Even though many of the peoples of Eastern Europe and the USSR feel that Communist rule prevented them from matching at least the Spanish performance, this feeling has neither a factual nor a logical foundation. Factually, it disregards what the norm—as opposed to the exception—has been under capitalist rule. And logically, it is based on the false premiss that the standard of wealth set by the West could have been generalized to a much larger proportion of world population than it has been. Let us deal with the lack of factual foundations first.

As argued in the previous section, the few cases of 'upward mobility' in the hierarchy of wealth of the capitalist world-economy of the last half-century are quite exceptional and well deserve the designation of economic miracles. The rule for low- and middle-income states and regions has been neither to catch up with the standards of wealth set by the West (as Japan and Italy did) nor even to maintain their distance below these standards (as Brazil and Spain did). Rather, the rule has been (i) for the distance between wealthy and poor regions and states to widen and (ii) for wealthy regions and states to remain wealthy and for poor regions and states to remain poor with practically no turnover between the two.

This rule has applied to the domains of Communist rule as much as it has to all other domains. A comparison of the indicators of Tables III and IV immediately reveal that the economic performance of the domains of Communist rule has been neither better nor worse than that of the regions that back in 1938 or 1948 occupied a similar position in the global hierarchy of wealth. In so far as Eastern Europe and the USSR are concerned, these regions were Latin America (including or excluding Brazil), Southern and Central Africa—a region which by a curious statistical accident had exactly the same GNP per capita as the USSR both in 1938 and 1948—and, to a lesser extent, the Middle East and North Africa as measured by the 'Turkey and Egypt' aggregate. As for China, the relevant comparisons are with South Asia and with Southeast Asia as measured by the 'Indonesia and Philippines' aggregate.

In the first set of comparisons, between 1938 and 1988 Yugoslavia did worse than Latin America (regardless of whether we include or exclude Brazil), more or less the same as 'Turkey and Egypt' and much better than Southern and Central Africa; and between 1948 and 1988 'Hungary and Poland' did much better than both Southern and Central Africa and 'Turkey and Egypt', only slightly worse than Latin America including Brazil, and exactly the same as Latin America excluding Brazil. The long-term stability of the ratio of the GNP per capita of 'Hungary and Poland' to that of Latin America excluding Brazil is particularly striking: it was 1.12 in 1938, 1.14 in 1948 and 1.14 again in 1988.

In so far as these indicators are any guide at all to the overall performance of Eastern Europe and the USSR as a whole, we can conclude that the economic failure of Communist regimes in this region has been a failure only relative to the promise and expectation that a centrally planned developmental effort and an effort at 'delinking' from the global circuits of capital could create within the domains of Communist rule an abundance of means comparable to or even greater than that existing in the capitalist West. But it is not a failure relative to what other middle-income regions that did not resort to central planning and did not delink from the global circuits of capital have achieved over the same period of time. Central planning or no central planning, delinking or no delinking, middle-income regions have tended to remain middle-income regions, losing ground relative to high-income regions and gaining ground relative to low-income regions.

This does not mean, of course, that one or more of the political jurisdictions in which Eastern Europe has been divided—and in which the USSR itself might have been divided had it broken up during the Second World War—could not have been blessed by some kind of economic miracle of the Spanish or Brazilian variety (perhaps, even of the Japanese or Italian variety) had they not been delinked during the last forty years. But in so far as the bulk of the population of the region is concerned, I cannot see any valid reason why the present and former domains of Communist rule in Eastern Europe and the USSR would have done any better, let us say, than Latin America if they had not been centrally planned and delinked. As a matter of fact, I can think of very good reasons why they probably would not have. Before we discuss what these reasons are, let us briefly compare the performance of China with that of South Asia and Southeast Asia.

For what the data are worth, this comparison establishes even stronger circumstantial evidence in support of the conclusion just reached on the basis of a comparison of the Eastern European performance with that of other middle-income regions. According to our source for 1938, China was then by far the poorest region of Asia. Its per-capita income was one-half that of South Asia and slightly over two-thirds that of Southeast Asia as gauged by the 'Indonesia and Philippines' aggregate. We have no data for 1948. However, since the destructions and disruptions undergone by China between 1938 and 1948, as a consequence of Japanese invasion and the civil war, have been much greater than those undergone by the other two regions—particularly South Asia—China's relative position on the eve of the establishment of Communist rule in 1948 could not have been any better than it was in 1938.

If this is indeed the case, the forty years of Communist rule have witnessed a major gain relative to South Asia and a minor gain (or a minor loss) relative to Southeast Asia. For in 1988 the Chinese GNP per capita was the same as that of South Asia (as against only one-half in 1938 and, presumably, in 1948) and 78 per cent of that of 'Indonesia and Philippines' (as against 68 per cent in 1938). (Since from 1960 onwards 'Indonesia and Philippines' has done worse than the larger Southeast Asian aggregate [see Table IV], it is quite possible that China's minor gain vis-à-vis Southeast Asia was in fact a minor loss.)

But whether China gained or lost relative to Southeast Asia, the gain or the loss was minor—certainly not as big as China's gain vis-à-vis South Asia—so that our previous conclusion stands. The economic failure of Communism is a failure only relative to the wholly unrealistic expectations and promises of the Communists themselves, who thought that they could uplift large demographic masses to match the standards of wealth of the West through a systematic delinking from the global circuits of capital. However, by no stretch of the imagination can this failure be called a failure relative to what has been achieved by regimes that ruled over regions at levels of income comparable to those of the regions under Communist rule, and that *did not* delink from the global circuits of capital. Closure or openness to the global circuits of capital seem to have made little difference in halting, let alone reversing, the overall trend towards an increasingly unequal global distribution of income.

Closure versus openness to the global circuits of capital has of course made a big difference in other respects. Most of all, it has made a difference in terms of status and power in the world system. For more than thirty years after the end of the Second World War, jointly or separately the USSR and China have managed to keep in check the global reach of US hegemony and to extend their own power networks into the South—from the Caribbean to Indochina, from Southern and Eastern Africa to the Middle East. Even at this moment of crisis, the weight of the USSR in world politics is far greater than that of all Latin American states put together, and that of China is far greater than that of all South Asian states put together—to take regions of comparable demographic size and per-capita income.

In addition, closure versus openness has made a big difference in the status and welfare of the lower social strata of the regions in question—strata that in middle- and low-income regions constitute anything between one-half and two-thirds of the population. As argued above, the USSR has probably done no better (and may have done worse) than Latin America in the 'race' to catch up with the standards of wealth set by the West. Yet, the lower social strata of its population have done incomparably better than the lower social strata of the population of Latin America (Brazil included) in improving their nutritional, health and educational standards. And the improvement has been even greater for the lower social strata of China in comparison with those of South Asia or Southeast Asia.

Though forgotten in this moment of crisis, these political and social achievements were and remain impressive. However, they were all along obscured and undermined by the claim and belief of the ruling groups of the Communist states (of the USSR in particular) that their domains were in the process of catching up with the standards of wealth set by the West when in fact they were falling increasingly behind those standards. As they fell behind, the capability of competing with the West militarily, diplomatically, culturally and scientifically diminished dramatically, while the social forces that had been brought into existence by relentless modernization began challenging the competence of the ruling elites to deliver what they had been promising. In the end, the structural inability of low- and middle-income regions to 'climb up' the global hierarchy of wealth became a factor of political and ideological crisis as much in the East as in the South. The greater political and social achievements of the regimes of the East simply made their crisis more visible and spectacular than that of the South.

V Ogligarchic Wealth and the Reproduction of Income Inequalities

The time has come to provide some plausible explanation of the seemingly 'iron law' of a global hierarchy of wealth that stays in place no matter what the governments on the lower rungs of the hierarchy do or do not do—regardless, that is, of whether they delink or do not delink from the global circuits of capital, pursue or do not pursue power and status in the interstate system, eliminate or do not eliminate inequalities among their subjects. It seems to me that a necessary step in the direction of such an explanation is to acknowledge that the standards of wealth enjoyed by the West correspond to what Roy Harrod once defined as 'oligarchic wealth' in opposition to 'democratic wealth'. These opposite notions were defined by Harrod with reference to personal wealth—broadly defined as long-term income—regardless of the nationality or residence of the persons concerned. Nevertheless, with few substantive modifications the same notions can be applied to the long-term incomes of individuals as members of particular 'national households' (states) enmeshed in global networks of trade and competing with one another for control over the human and natural resources of the planet.

In Harrod's conceptualization, democratic and oligarchic wealth are separated by 'an unbridgeable gulf'. Democratic wealth is the kind of command over resources that, in principle, is available to everyone in direct relation to the intensity and efficiency of his or her efforts. Oligarchic wealth, in contrast, bears no relation to the intensity and efficiency of the efforts of its recipients, and is never available to all no matter how intense and efficient their efforts are. This is so, according to Harrod, for two main reasons. The first reason corresponds to what we normally understand by *exploitation*. We cannot *all* command services and products that embody the time and effort of more than one person of average efficiency. If someone does, it means that somebody else is labouring for less than what he or she would command if all efforts of equal intensity and efficiency were rewarded equally. In addition, and this is the second reason, some resources are scarce in an absolute or relative sense, or are subject to congestion or crowding through extensive use. Their use or enjoyment, therefore, presupposes the *exclusion* of others either through a pricing or a rationing system and leads to the formation of rents and quasi-rents.[6]

The struggle to attain oligarchic wealth is thus inherently self-defeating. As underscored by Fred Hirsch—who rescued Harrod's notion of oligarchic wealth from oblivion—the idea that all can attain it is an illusion.

> Acting alone, each individual seeks to make the best of his or her position. But satisfaction of these individual preferences itself alters the situation that faces others seeking to satisfy similar wants. A round of transactions to act out personal wants of this kind therefore leaves each individual with a worse bargain than was reckoned with when the transaction was undertaken, because the sum of such acts does not correspondingly improve the position of all individuals taken together. There is an 'adding-up' problem. Opportunities for economic advance, as they present themselves serially to one person after another, do not constitute equivalent opportunities for economic advance by all. What each one of us can achieve, all cannot.[7]

States pursuing national wealth in a capitalist world-economy face an 'adding-up' problem similar to, and in many ways more serious than, the one faced by individuals when they pursue personal wealth in a national economy. Opportunities for economic advance, as they present themselves serially to one state after another, do not constitute equivalent opportunities for economic advance by all states. Economic development in this sense is an illusion. The wealth of the West is analogous to Harrod's oligarchic wealth. It cannot be generalized because it is based on relational processes of exploitation and relational processes of exclusion that presuppose the continually reproduced relative deprivation of the majority of the world population.

Processes of exclusion are as important as processes of exploitation.

[6] See Roy Harrod, 'The Possibility of Economic Satiety—Use of Economic Growth for Improving the Quality of Education and Leisure', in Committee for Economic Development, *Problems of United States Economic Development*, Volume 1, New York 1958.
[7] Fred Hirsch, *Social Limits to Growth*, Cambridge, Mass. 1976, pp. 4–5.

As used here, the latter refer to the fact that the absolute or relative poverty of the states situated on the lower rungs of the hierarchy of wealth of the world-economy continually induces the rulers and subjects of these states to participate in the world division of labour for marginal rewards that leave the bulk of the benefits in the hands of the rulers and subjects of the states positioned on the upper rungs. Processes of exclusion, in contrast, refer to the fact that the oligarchic wealth of the states on the upper rungs provides their rulers and subjects with the means necessary to exclude the rulers and subjects of the states on the lower rungs from the use and enjoyment of resources that are scarce or subject to congestion.

The two processes are distinct but complementary. Processes of exploitation provide wealthy states and their agents with the means to initiate and sustain processes of exclusion. And processes of exclusion generate the poverty necessary to induce the rulers and subjects of comparatively poor states to continually seek re-entry into the world division of labour on conditions favourable to wealthy states.

These complementary processes operate very unevenly in time and space. As a matter of fact, there are periods when they operate so ineffectively as to create the impression that many states are actually 'developing'—that is, that they are bridging the unbridgeable gulf that separates their poverty or modest wealth from the oligarchic wealth of the West. These are periods of systemic crisis during which the attempts of the majority to attain oligarchic wealth—which by definition cannot be generalized—threaten to make it vanish for the minority as well.

Crises of this kind tend to come about whenever the productive expansion of capital in core locations begins to face decreasing returns. This is what happened in the late 1960s and early 1970s. At that time a 'pay explosion'—as Phelps Brown has aptly called it[8]—swept most of Western Europe and, to a lesser extent, North America and Japan. It was the first sign that the productive expansion of capital in core locations was fast approaching the point of decreasing returns. The pay explosion was still in full swing when there occurred the first 'oil shock' of 1973, itself the most visible sign of a more general increase in the prices of primary products after twenty years of relative losses. Reduced by both rising wages and rising prices of imported raw materials, the profitability of productive expansion in core locations declined and capital sought valorization in new directions.

Two main directions were open to capitalist expansion. On the one hand, productive expansion could continue in more peripheral locations that had not been affected by rising labour costs or had benefited from the higher prices of primary products. On the other hand, productive expansion could cease and profits and other pecuniary surpluses could be invested in financial speculation aimed

[8] E.H. Phelps Brown, 'A Non-Monetarist View of the Pay Explosion', *Three Banks Review*, 1975, p. 105.

at acquiring rent-bearing assets and claims to governmental revenues at bargain prices. For most of the 1970s these two kinds of expansion sustained one another in generating a massive flow of capital and other resources towards low- and middle-income states. In the 1980s, in contrast, the second kind of expansion eclipsed the first and led to a major swing of financial and other resources back to core locations.

The swing in both directions (towards more peripheral locations and away from them) was made more violent by the fact that in the 1970s most governments in the West—first and foremost the US government—continued to pursue productive expansion within their territorial domains without realizing that such an expansion was undermining profitability, and thereby killing the goose that lay the golden eggs. As profitability in core locations was driven further down by governmental policies, capital flew towards more peripheral locations and towards forms of investment—such as dollar-denominated deposits in select Western European banks—that were beyond the reach of governments.

This disjuncture between the requirements of core capital and the policies of core governments created the conditions for the general economic advance of the 1970s—the only time in fifty years when all the low- and middle-income regions and jurisdictions for which we have data (with the only exception of South Asia) seemed to be narrowing the income gaps that separated them from the organic core (see Tables II, III and IV). It was at this time that low- and, above all, middle-income states were flooded with offers by core capitalist institutions of practically unlimited credit lines for productive or unproductive investments as well as of joint ventures and other forms of assistance in setting up production facilities in competition with one another and with core locations. Not even Communist states were discriminated against. On the contrary, some of them were among the main beneficiaries of this sudden cornucopia and moved quickly to hook up to the global circuits of capital by assuming financial obligations among the heaviest in the world.[9]

The cornucopia—such as it was—was bound to be short-lived. For one thing, the sudden abundance of means enjoyed by low- and middle-income states led to a generalization and intensification of competing developmental efforts oriented towards one form or another of industrialization. These efforts were inherently self-defeating. On the one hand, they tightened world scarcities of inputs that were crucial to their success. On the other hand, they created an overabundance of their most typical outputs, thereby depreciating their value on world markets. Sooner or later the moment of truth would come—the moment, that is, when only the most competitive of these efforts would reap the benefits of industrialization, while all the other efforts would be stranded with benefits that fell far short of the costs—including the costs of servicing the debts incurred in the process. At that point, the cornucopia turned into its opposite. Credit and other kinds of assistance were tightened and the losers were

[9] See Iliana Zloch-Christy, *Debt Problems of Eastern Europe*, Cambridge 1987.

forced to alienate their most valuable assets, or their future revenues, or both, as the only way in which they could prevent losing all credit.

Moreover, the abundance of means enjoyed by low- and middle-income states in the 1970s tended to eliminate the disjuncture between the enhanced speculative predispositions of core capital and the policies of core governments. The more core capital trickled down to low- and middle-income states, the more core governments realized that their attempts to harness capital to productive expansion within their domains were not only ineffectual but were leading to a generalization of developmental efforts that threatened the stability of the hierarchy of wealth on which their power rested. At the same time, the more valorization of core capital came to depend on the alienation of the revenues and assets of low- and middle-income states, the more core capital required the assistance of core governments in legitimating and enforcing the alienation.

Between 1979 (second 'oil shock') and 1982 (Mexican default) the tide turned. The Reagan–Thatcher counterrevolution set in, and the general crisis of developmental efforts (South and East) was precipitated. Core governments began offering maximum freedom of action to capitalist institutions engaged in financial speculation, and further encouraged this tendency by alienating their own assets and future revenues at bargain prices. On top of it, core governments acting separately or in concert offered to core capital all the assistance that was in their power to give in inducing low- and middle-income states to fulfil their debt obligations.

Needless to say, capital responded enthusiastically to this 'new deal' with which neither the South nor the East could possibily compete. Thus, while the party for the South and the East was over, the peoples of the West—or at least their upper strata—came to enjoy a *belle epoque* in many ways reminiscent of the 'beautiful times' of the European bourgeoisie eighty years earlier. The most striking similarity between the two *belles epoques* is the almost complete lack of realization on the part of their beneficiaries that the sudden and unprecedented prosperity that they had come to enjoy did not rest on a resolution of the crisis of accumulation that had preceded the beautiful times. On the contrary, the newly found prosperity rested on a shift of the crisis from one set of relations to another set of relations. It was only a question of time before the crisis would 'bounce back' in far more troublesome forms on those who thought that they never had it so good.

VI The Tadpole Philosophy and the Future of Socialism

The *belle epoque* of the early twentieth century ended in a period of systemic chaos (1914–48) characterized by wars, revolutions and a deepening crisis of global processes of capital accumulation. It is quite possible that the *belle epoque* of the late twentieth century is about to end in a period of systemic chaos in some respects analogous to (but in other respects quite different from) the period 1914–48. If that is the case, the collapse of Communism in Eastern Europe will be seen in retrospect as the end rather than as the beginning of an era of prosperity and security for the West. The fact that the collapse of Communism was immediately followed by the Iraqi–Kuwaiti crisis and the first serious recession of the US economy since 1982 suggests that this might well be the case.

There is no point in speculating on the form and the sequence of the events that will characterize the period of systemic chaos that lies in front of us. To a large extent they are unpredictable and, in any case, they are irrelevant to the purposes of the article. Nevertheless, the world-systemic tendencies that will shape the events for some time to come are neither unpredictable nor irrelevant to our present purposes. In this final section of the article, I shall therefore outline briefly these tendencies and spell out their main implications for the future of socialism.

In geopolitical terms, the main factor underlying the systemic chaos of 1914–48 was a deepening and widening conflict internal to the West—with Japan already joining in as an honorary member—over the territorial division of the world among rising and declining powers (so-called 'imperialism'). And its main outcome was the rise of antisystemic forces that eventually led to the institution of the West, East and South as distinct and relatively autonomous geopolitical entities. The main factor underlying the systemic chaos that lies ahead of us, in contrast, is a deepening and widening conflict internal to the disintegrating East and South over increasingly scarce world-economic resources. And its main outcome is likely to be the creation of structures of world government—initially promoted by the West—which will eventually lead to a more or less complete supersession of the already crumbling geopolitical tripartition of the world into West, East and South. In short, what was 'made' in the course of the previous period of systemic chaos is likely to be 'unmade' in the course of the next.

This pattern has already been in evidence over the last ten years or so. Thus, the Iraqi–Kuwaiti feud, itself rooted in the previous and far more serious Iraqi–Iranian conflict, has induced the US and its closest allies to boost back into life dormant structures of world government—most notably, the UN Security Council—as the one and only way in which they could legitimately and successfully intervene to solve intra-South conflicts to their own satisfaction. Moreover, neither the escalation of conflicts within the South over the appropriation and utilization of oil rent, nor the use by the US and its allies of the UN Security Council as an instrument of violent conflict-resolution, would have been possible without the prior partial disintegration of the East under the pressure of conflicts of its own.

The social forces that underlie this pattern can be expected to grow stronger rather than weaker over the next decade or two. For these forces are the expression, on the one hand, of the irreversible changes that have occurred in the social structure of the world-economy between 1950 and 1980 and, on the other hand, of the situation of absolute and relative deprivation engendered by those changes in the

South and in the East in the 1980s. As long as the processes of exploitation and exclusion that continually reproduce the oligarchic wealth of the West and the absolute and relative deprivation of the South and of the East remain in place, conflicts in low- and middle-income regions will be endemic and will pose increasingly intractable problems of world-system regulation for the West. Since for the time being the dominant disposition of the West is to use its power and plenty to preserve at all costs rather than reform (let alone revolutionize) the existing hierarchy of wealth, we can confidently predict that for some time to come each conflict resolution imposed or sponsored by the West will be but a preamble to a further escalation of conflicts at some later point in time.

The continual, though not continuous, escalation of conflicts in the South and in the East, in turn, can be expected to generate contradictory tendencies within the West itself. On the one hand, the governments and peoples of the West will be induced to develop ever closer forms of mutual cooperation aimed at administering and protecting the global networks of trade and accumulation on which their oligarchic wealth rests. On the other hand, an increasing number and variety of peoples in the West will find that in so far as they are concerned the costs of protecting oligarchic wealth are exceeding the benefits that they derive from it. While the first tendency can be expected to lead to a further strengthening of existing structures of world government and to the creation of new ones, the second tendency can be expected to lead to major conflicts over the distribution of the costs involved in the protection of oligarchic wealth or even over the advisability of continuing to pursue oligarchic wealth when its costs equal or exceed its benefits for an increasing number of strata in the West.

The combination of these two tendencies will present socialist forces in the West with a major dilemma. Throughout the twentieth century, these forces have wittingly or unwittingly identified themselves ever more closely with one variant or another of developmentalism. As Immanuel Wallerstein has pointed out, this identification constitutes a major departure from the ideals of human solidarity and equality that constitute the essence of the socialist creed. For developmental ideology is merely the global version of R.H. Tawney's Tadpole Philosophy.[10]

> It is possible that intelligent tadpoles reconcile themselves to the inconveniences of their position, by reflecting that, though most of them will live and die as tadpoles and nothing more, the more fortunate of the species will one day shed their tails, distend their mouths and stomachs, hop nimbly on to dry land, and croak addresses to their former friends on the virtues by means of which tadpoles of character and capacity can rise to be frogs. This conception of society may be described, perhaps, as the Tadpole Philosophy, since the consolation which it offers for social evils consists in the statement that exceptional individuals can succeed in evading them . . . And what a view of human life such an attitude implies! As though opportunities for talents to rise could be equalized in a society

[10] Immanuel Wallerstein, *The Capitalist World-Economy*, New York 1979, p. 76.

> where circumstances surrounding it from birth are themselves unequal! As though, if they could, it were natural and proper that the position of the mass of mankind should permanently be such that they can attain civilization only by escaping from it! As though the noblest use of exceptional powers were to scramble to shore, undeterred by the thought of drowning companions![11]

After quoting this passage, Wallerstein goes on to say that '[for] those who do not wish to "scramble to shore", the alternative is to seek to transform the system as a whole rather than profit from it. This I take to be the defining feature of a socialist movement. The touchstone of legitimacy of such a movement would be the extent to which the totality of its actions contributed, to the maximum degree possible, to the rapid transformation of the present world-system, involving the eventual replacement of the capitalist world-economy by a socialist world government.'[12]

Fifteen years ago—when the above was written—Wallerstein's advice to work towards the creation of a socialist world government sounded fanciful or worse. While the very notion of a world government seemed wholly unrealistic, the notion of a *socialist* world government had been completely discredited by the practices of the various Socialist Internationals, which had either failed in their purposes or had turned into instruments of domination of the weak by the powerful. Moreover, in the 1970s most variants of developmentalism (socialist variants included) seemed to be delivering at least something of what they had promised. To work towards the creation of a socialist world government thus appeared as neither feasible nor advisable.

Today, the notion of a world government seems less fanciful than fifteen years ago. The Group of Seven has been meeting regularly and has come to look more and more like a committee for managing the common affairs of the world bourgeoisie. In the 1980s, the IMF and the World Bank have acted increasingly like a world ministry of finance. Last but not least, the 1990s have been inaugurated by the refurbishing of the UN Security Council as a world ministry of police. In totally unplanned fashion, a structure of world government is being put in place bit by bit under the pressure of events by the great economic and political powers themselves.

To be sure, the whole process of world-government formation has been sponsored and controlled by conservative forces preoccupied almost exclusively with the legitimation and enforcement of the extremely unequal global distribution of wealth that has emerged with the collapse of the developmental efforts of the South and of the East in the 1980s. As a matter of fact, it can hardly have been an accident that the process of world-government formation sped up precisely when the developmental efforts collapsed. Most likely, the speed-up has been nothing but a pragmatic response to the political and

[11] R.H. Tawney, *Equality*, New York 1961, pp. 108–9.
[12] Wallerstein, p. 101.

ideological void left in the interstate system by the collapse of developmentalism. How—it might well be asked—can a process that has developed to legitimate and enforce world inequalities be turned into a means to the end of promoting greater world equality and solidarity?

In an age of rampant greed and of collapse of the socialist projects of the past, the endeavour naturally looks hopeless. Yet, take another fifteen-year step forward—this time into the future. As mentioned, the structural problems that lay at the roots of the process of world-government formation can be expected to have become more rather than less serious. But while the process of world-government formation will be far more advanced than it is now, the costs of systemic chaos for the peoples of the West will also be much higher. Protection costs in particular—broadly understood to include not just investments in means of violence and armed forces, but also bribes and other payments to clients and friendly forces in the disintegrating East and South, as well as costly or irreparable damages to the human psyche—will have escalated to the point where the pursuit of oligarchic wealth will begin to appear to many as what it has always been: a highly destructive endeavour that shifts the costs of the prosperity and security of a minority (no more, and probably less, than one-sixth of the human race) onto the majority and onto the future generations of the minority itself.

At that point, the addresses croaked by Western 'frogs' to the 'tadpoles' of the former East and South will sound anachronistic to the 'frogs' themselves, or at least to a growing number of them. Western socialists will then face their own moment of truth. Either they will join forces with Eastern and Southern associates and come up with an intellectual project and a political programme capable of transforming systemic chaos into a more equal and solidary world order, or their appeals to human progress and social justice will lose all residual credibility.

Inequality within countries and inequality between countries. Data Quality & Definition.Â We will further develop our work on this topic in the future (to cover it in the same detail as for example our entry on World Population Growth). If you have expertise in this area and would like to contribute, apply here to join us as a researcher. This entry presents the evidence on global economic inequality.Â A related entry on Our World in Data presents the empirical evidence of how income inequality has changed over time, and how the levels of inequality in different countries can vary significantly. It also presents some of the research on the factors driving the inequality of incomes. All our charts on Global Economic Inequality. Population by income levelWorld Bank. The UNU-WIDER World Income Inequality Database â€• widely known by its acronym WIID â€• provides information on income inequality for 189 developed, developing, and transition countries (including historical entities) in an organized and user-friendly manner. Two decades ago the first version of the database was compiled.Â To get some structure, we started by defining a preferred set of features for the conceptual base and the underlying data. With the conceptual base we mean the definitions of income or consumption/expenditure, the statistical units to be adopted, the use of equivalence scales and weighting. Income or consumption? The first issue to address is whether inequality estimates based on income or consumption should be preferred. Higher unemployment rates, gender disparity, income and wealth inequality: these are some of the side effects of the coronavirus pandemic. While a number of vaccines against Covid-19 was developed in record time, it might take decades to undo the social and economic damage caused by the virus. The crisis has exacerbated inequalities across all major fault lines in society and undone hard-won gains in poverty reduction across the globe.Â In November, the World Inequality Labâ€"a research center based at the Paris School of Economicsâ€"released a massive update of global inequality data for 173 countries, making up 97% of the world population and 7.5 billion people. It provides a sobering picture of the state of global inequality right before the pandemic. Inequality is unlikely to fall much in the future unless our attitudes turn unequivocally against it. Among other things, we will need to accept that how much people earn in the market is often not what they deserve, and that the tax they pay is not taking from what is rightfully theirs. One crucial reason why we have done so little to reduce inequality in recent years is that we downplay the role of luck in achieving success.Â High earners may truly believe that they deserve their income because they are vividly aware of how hard they have worked and the obstacles they have had to overcome to be successful. But this is not true everywhere. Support for the idea that you deserve what you get varies from country to country. Effects of income inequality, researchers have found, include higher rates of health and social problems, and lower rates of social goods, a lower population-wide satisfaction and happiness and even a lower level of economic growth when human capital is neglected for high-end consumption. For the top 21 industrialised countries, counting each person equally, life expectancy is lower in more unequal countries (r = -.907). A similar relationship exists among US states (r = -.620).