A THEORETICAL FORMULATION AND EMPIRICAL TEST ON THE WORLD SYSTEMS SOURCES AND CAUSES OF STRATIFICATION

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ABSTRACT

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A holistic and comprehensive theory is developed in the study which attributes societal stratification to endogenous and exogenous factors as well as the interactions between the two sets of factors. Empirical analyses based on bivariate and multiple regression modelings confirm key theoretical assumptions which attribute societal stratification to a state's internal dynamics of development as well as status in the world systems. Interaction of development status and world systems position produce different stratification effects in different clusters of countries. These findings of the study suggest that previous attempts to theorize societal stratification on the basis of endogenous or exogenous factors only distort the underlying causes of this social problem.

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CHAPTER I

INTRODUCTION

A long time ago, as a young high school student, the author had developed a strong interest in learning and knowing more about the world that led to the desires to continue his education overseas. In January, 1981, before he arrived in the United States to pursue that objective, his general knowledge of the world had already revealed to him striking disparities in the developmental status of countries in the world community. In view of that recognition, the author resolved to discover the causes of those differences in order to help transform his native country from a developing to a developed one. The naivety and innocence of that resolve and determination led to the decision to pursue a course of study in political science, with the intentions of acquiring the skills and knowledge that will place him in a political position in his country from which he can pursue that objective of helping transform the society into a modern industrial one. With a deepened intellectual curiosity in college and an expanding understanding of the underlying causes of the differential status of states in the global community, it was recognized that the discipline of political science had not answered many of

the fundamental questions he posed on development; hence, his decision to study economics and history as a remedy to that deficiency.

As a graduate student in economics and history, the author became increasingly concerned that many of the courses were processed from a dominant Western perspective that did not harmonize with his life experiences and what those experiences were teaching him about development. It was at that point, sometime in the late 1980s, that the author became preoccupied with a self-learning process interposed with taking elective courses in other disciplines while continuing his program of study in economics and history. That combination marked what, until then, was the most significant turning point in the author's intellectual experience. The minimal knowledge gained from an elective course on sociological analysis provided him with the long-sought critical tools for a reassessment and evaluation of what he was learning in other disciplines. The results of applying those tools and his self-learning to a research project on, "An Assessment of the Net Effect of Foreign Investment in Brazil," for a graduate seminar economics course on International Trade in the fall of 1987 proved, to the author, the usefulness of advanced studies in sociology and contributed not insignificantly to the eventual decision to seek a doctoral degree in that discipline. That decision also represented a transformation from the ambition of a would-be politician and modernizing agent of his native society to that of an aspiring scholar. He has, since then, been seeking to uncover the essence of what is real

about the human condition with a view that the discovery can be beneficial to the human family well beyond the borders of his native tribe and country.

The subject of this study, "A Theoretical Exploration and Empirical Test on the World Systems Sources and Causes of Stratification," is a direct and "natural" outcome of these personal and intellectual experiences that seek to harmonize contributions to the creation of scholarly knowledge on a social problem with practical policies designed to solve such a problem. Expressed in another way, this means that the topic of this research was selected on the basis of the author's long-term search for an understanding of the logics of the differential development status of states in the world community and executed in a manner designed to produce practical ideas and findings useful in policymaking processes aimed at alleviating the social problem of stratification from a global perspective. Although contextualized in this personal history, the subject is accorded academic legitimacy by what has become a persistent and intractable condition of intrasocietal and intersocietal unequal access to global resources as well as by an existing gap in the contemporary knowledge base on the subject. With respect to the former, we can induce evidence from various socioeconomic indicators which clearly demonstrate worsening conditions of global inequalities as shown, for instance, in the rise by 45 percent from 1960 to 1990 in the ratio of the incomes of the richest to the poorest countries (Pritchett 1998) and the increase from 20 to 22 in the ratio of the average per capita output of the

developed countries vis-à-vis that of developing countries in the decades of 1980 and 1990, respectively (United Nations 1994). Further evidence includes a decline in the average per capita gross domestic product (per capita GDP) of the poorest third of the world's states from 3.1 to 1.9 percent of that of the richest third in the last three decades and the diminution from 12.5 to 11.4 percent in that of the middle third during this time period (World Bank 2000a). The rise from 0.63 to 0.66 in the Gini coefficient[1] of 91 countries between 1988 and 1993 (Milanovic 1999) also indicates the persistence and increasing trend of global inequalities.

The precariousness of the life circumstances of the world's citizens most adversely affected by the above indications of inequalities is sometimes clouded by misleading data that tend to emphasize perceived positive global improvements in socioeconomic welfare associated with a narrowing of the gap in productivities among wealthy and poor countries. That fanciful but misleading perspective, more prevalent in non-sociological literature on stratification, has resulted in the controversial debate on the subject of convergence and divergence among contemporary states in their share of world production and distribution of resources (Baumol, Nelson, and Wolff 1994; Seligson and Passe-

[1] Gini coefficient is an aggregate numerical indicator of income inequality that ranges from 0 (perfect equality) to 1 (perfect inequality). Generally speaking, societies that exhibit relatively equitable income distributions are characterized with coefficients in the range of 0.20 to 0.35. A Gini coefficient of 0.63 indicates, therefore, a condition of particularly high inequitable distribution of resources. Gini coefficient provides measures of the dependent variables in this study and is further addressed in Chapter IV with the research methodology.

Smith 1998). It is the author's position that proponents of the convergence perspective tend to exaggerate improvements in international economic organization and distribution. These "exaggerated improvements" then work to the detriment of the masses of the world population who continue to suffer from historic denials of access to the basic means of existence evident in the fact that the world systems in the twenty-first century is characterized by the largest divergence in history between the rich and the poor. This enormous gap in life circumstances between the rich and the poor is reflected in Table 1.1 which indicates that about 3,390 million citizens of the world, representing about 56 percent of its population, are theoretically accorded a mean gross national product per capita (GNP per capita) of $370 and a mean life expectancy of 54 years.

In contrast to the figures for the low-income countries, the high-income countries, with about 854 million citizens, that make up about 14 percent of the world's population, earn a mean GNP per capita of $23,110 and a life expectancy of 78 years. Figure 1.1 demonstrates another dimension of the magnitude and severity of this unequal production and distribution of resources with respect to the regional spread of poverty in the world.

Lurking behind these international differences in life circumstances are intranational inequalities that compound the problems of poverty. To cite but a

TABLE 1.1. Indicators of Disparities in Share of Global Resources: 1998

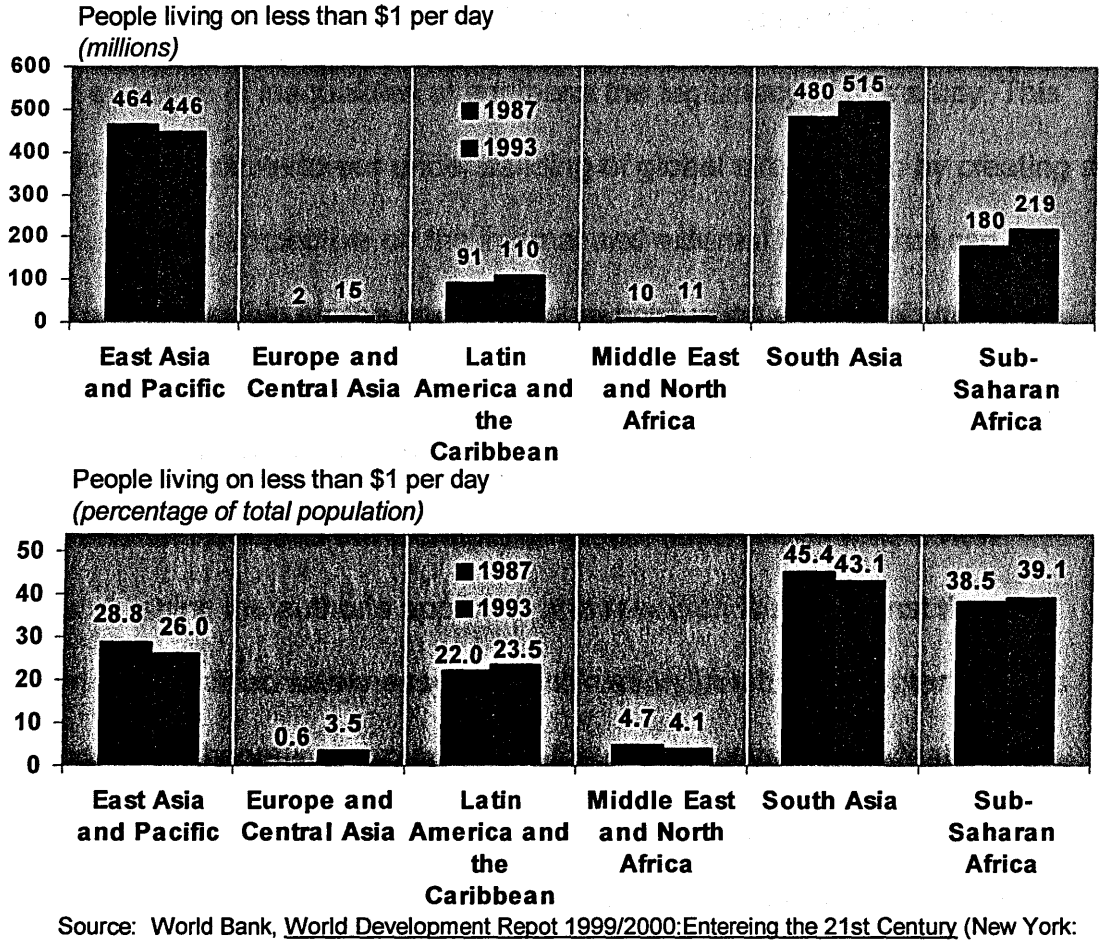
	Low Income Countries[a] $760 or Less	Lower Middle $761 to $3,030	Upper Middle $3,031 to $9,360	High Income Countries $9,361 or More
Number of Countries	**49**	**35**	**17**	**25**
GNP per capita				
Mean	$370	$1,638	$4,356	$23,110
Median	$330	$1,550	$3,900	$24,110
Low	$100	$810	$3,080	$9,760
High	$750	$2,880	$8,970	$40,080
Life Expectancy at Birth				
Mean	54 years	68 years	71 years	78 years
Median	54 years	69 years	73years	78 years
Low	38 years	50 years	46years	75 years
High	71 years	76 years	75 years	80 years
Population Distribution				
Total	3,390 millions	829 millions	503 millions	854 millions
% of World Population[b,c]	56%	14%	8%	14%

Source: Author's calculations based on data from World Bank, World Development Report 1999/2000:Entering the 21st Century (New York: Oxford University Press, 2000a) and UNDP, Human Development Report 2000 (New York: Oxford University Press, 2000).

a: Categorization based on the World Bank's classification of Income Status on the basis of GNP per capita.
b: World Population estimated at 6 Billions.
c: Does not round up to 100 percent because of excluded countries due to missing data.

few examples: in Brazil the income share of the poorest 50 percent of the population declined from 18 percent in 1960 to 11.6 percent in 1995; in El Salvador the urban literacy rate is 88 percent while the rural literacy rate is 66 percent; in Romania, 84 percent of rural dwellings are not equipped with piped water while only 12 percent of the urban dwellings are characterized by that deficiency (UNDP 1998). Combined, these intranational and international indicators constitute strong evidence of gross inequalities in the world community

FIGURE 1.1. Regional Distribution of Global Poverty



Source: World Bank, World Development Repot 1999/2000:Entereing the 21st Century (New York: Oxford University Press, 2000a), Figure 11.

where approximately 1.5 billion people live on one dollar or less per day and nearly 3 billion people, about half of the world's population, subsist on three dollars per day (World Bank 1999, 2000a). These conditions of absolute poverty exist against the backdrop of the industrial economies, with about 15 percent of the world's population accounting for 76 percent of global consumption expenditures (UNDP 1998).

The fact that our contemporary knowledge base on global stratification embraces the celebrated perspective of convergence in spite of the contrary statistical evidence of inequalities strengthens the legitimacy of this study. This work seeks to contribute to our understanding of global stratification by creating a holistic theoretical perspective on the internal and external factors that can be shown to be responsible for the unequal global production and distribution that impact the patterns of inequalities within contemporary states. In order to prepare the way for an extended discussion on these issues, the second chapter of the study reviews and critiques the literature on global stratification with a view toward establishing the author's approach and research focus against the background of identified weaknesses in stratification literature. Chapter III deals with an extensive theoretical exploration of the endogenous factors that induce and engender intrasocietal stratification at progressive stages of development with a focus on how the transition from a premodern to a modernizing industrial capitalist society conditions emergent patterns of inequalities within a particular social system. The theoretical explanation presented in Chapter III carefully balances the economic, political, and cultural basis of intrasocietal inequalities with the objective of providing a comprehensive insight into the intricacies of this phenomenon in modernizing and modern societies. Chapter IV presents a theoretical formulation of the exogenous factors that contribute to the determination of internal patterns of inequalities within a social system. The

theoretical construction in Chapter IV relates intrasocietal inequalities to a state's status in the world systems which regulates its share of global resources and surpluses. Among the unique features of the theoretical explanation offered in that chapter is the specification of the principal features of global economic agents, such as multinational corporations, that create and sustain dominance over the world economy.

Theoretical explorations in Chapters III and IV serve as a backdrop to the exposition in Chapter V which explains the processes whereby the identified endogenous and exogenous factors interact with one another to become independent sources and causes of intrasocietal and intersocietal stratification. Chapter V, therefore, identifies and explains how specific and similar external factors can produce varying development and stratification consequences by virtue of their interaction with differing internal factors in particular social systems. Against that background, Chapter V becomes a key theory section of the study that reconciles the endogenous with the exogenous factors of global stratification.

A description and explanation of the research methodology is presented in Chapter VI, which addresses the advantages of combining various methods of research within the framework of this study. The discussion on data and research methodology in Chapter VI incorporates a review and critique of the problems of data and methods of study in some previous works on some aspects of global

stratification. Accordingly, the remedies to existing methodological and data problems adopted by the author are elaborated in that chapter where careful specifications are presented on the empirical tests of the soundness of the constructed theory of global stratification. Chapter VII deals with analyses and interpretations of the research findings and the theoretical implications of such findings.

Chapter VIII forms the concluding part of the study, which provides a general overview of the accomplishments of this dissertation research. A very important aspect of that concluding chapter is a review of the potential policy implications of the findings of this research in light of the author's life-long yearnings for an understanding of the underlying causes of the variations in statuses among the states that make up the world community. The future directions of research in this area of study are also explored in the concluding chapter.

CHAPTER II

REVIEW AND CRITIQUE OF THE EVOLUTION OF STRATIFICATION THEORIES[1]

Among the seminal classical works that represent a change from the hitherto traditional focus on the factors of production to those of distribution are the works of David Ricardo.[2] Ricardo theorizes that landowners receive a disproportionate amount of national income in the course of development as

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[1] What follows is not intended to serve as an exhaustive review of stratification theories but, rather, a careful and judicious overview with emphasis on both the linear development of these theories and their relevance to the author's present assumptions on the subject of structured inequality. Extensive expositions on different stratification theories can be found in American Economic Association, Readings in the Theory of Income Distribution (Homewood, Illinois:Richard D. Irwin, Inc., 1951); Celia S. Heller, ed., Structured Social Inequality: A Reader in Comparative Social Stratification (New York: Macmillan Publishing Company, 1978); Harold Lydall, A Theory of Income Distribution (New York: Oxford University Press, 1979); Athanasios Asimakopulos, ed., Theory of Income Distribution (Boston: Kluwer Academic Publishers, 1988); Mauro Baranzini, A Theory of Wealth Distribution and Accumulation (New York: Oxford University Press, 1991); and David B. Grusky, ed., Social Stratification: Class, Race, and Gender in Sociological Perspective (Boulder, Colorado: Westview Press, 1994).

[2] Ricardo's contributions to the initiation of such a change is evident in his view that, "to determine the laws which regulate this distribution is the principal problem in Political Economy." David Ricardo, On the Principles of Political Economy and Taxation, ed. R.M. Hartwell (Middlesex, England: Penguin Books, Ltd., 1971), p. 49. The foregoing change in perspective should, however, not create the impression that modern scholarship did not deal with distributional problems until the appearance of Ricardo's work in 1817. Evidence of such interest is found in the eighteenth-century work of Jean-Jacques Rousseau, Discourse on the Origins of Inequality: Polemics and Political Economy, eds. Roger D. Masters and Christopher Kelly, trans. Judith R. Bush et al. (Hanover, New Hampshire: University Press of New England, 1992). Some premodern views on this subject can be found in Karl Polanyi, Primitive, Archaic, and Modern Economies: Essays of Karl Polanyi, ed. George Dalton (New York: Doubleday and Company, Inc., 1968).

economic growth brings correspondingly less fertile land into use thereby causing higher food prices to compensate for the cultivation of marginal lands with resulting windfall rents accruing to owners of fertile lands. In the long run, these economic changes are assumed to culminate in a stationary state of development due to the elimination of the primary source of savings and investments as profits for the capitalists approximate zero in response to gradual increases in wages necessary for the maintenance of a subsistence wage corresponding to the higher food prices. These conditions of stagnation can be avoided through the application of the principles of ***laissez faire*** which have the potential to depress the share of national income accruing to landowners and to relieve the pressure on profits through mechanisms such as free trade based on the laws of comparative economic advantage (Ricardo 1971).

Further classical economic expositions on stratification are provided in the works of Karl Marx and Friedrich Engels whose theory reveals an evolutionary trend in which the classlessness and conditions of relative equalities of primitive communal social systems are gradually transformed into structured inequalities due to historical changes in the mode of production that brought about slavery, feudalism, and capitalism as distinct social systems. The major factor associated with this development, private property, becomes a particularly antagonistic source of inequality in capitalist societies by serving as a cornerstone of the distinction between the bourgeoisie who own the means of production and the

propertyless proletariat who have only their labor power to sell. The exploitation of the proletariat by the bourgeoisie will end only when the crises inherent in the capitalist mode of production galvanize the proletariat to stage a revolution that will usher in an eventual communist system where similar conditions of relative equalities of the primitive social systems will prevail again (Marx and Engels 1955; Marx 1977; Engels 1978; Marx 1991, 1992, 1993). These classical economic assumptions are modified in the neoclassical theoretical perspective which attributes the distribution of economic rewards to the marginal productivity of factors of production including land, labor, and capital. This factor payment view espouses that no residual income accrues to any factor of production and, by implication, to any individual since their share of income is a direct result of their marginal products as determined under competitive market conditions (Marshall 1920; Walras 1954). The implications of a Pareto optimum[3] under the conditions of perfect competition in this neoclassical approach are questioned in some Keynesian distributional theories whose assumptions of imperfect competition assign a prominent role to the degree of monopoly among the determinants of respective factor shares of economic rewards (Kalecki 1954).

Some elements of the classical and neoclassical theories were later compressed into a labor-surplus theory depicting a pattern of initial increases in

[3] Pareto optimality exists when there are no potential changes in the status of distribution that would make some people better off without making anyone worse off. A discussion on the theoretical and mathematical implications of this assumption for stratification studies is provided in Amartya Sen, On Economic Inequality (New York: Oxford University Press, 1997).

inequalities that results from the initial rise in the share of capitalists in the modern sector of a dual economy and the migration of an increasing but relatively small number of laborers from subsistence wage activities to the higher wage levels of the modern sector of such an economy. The trend of inequalities is reversed with the eventual absorption of all surplus labor into modern-sector employment that converts labor into a scarce factor of production, producing a rise in the general wage level due to higher labor demands that sway labor from its marginal uses (Lewis 1954, 1955; Fei and Ranis 1964). These theoretical expositions entered another phase with a pioneer empirical analytical approach which, on the basis of income data for some developed countries, postulates that the processes of development in modern societies are characterized by structural changes that will generate wide distributional inequalities of income before a leveling off and a continuous downward trend towards relative distributional equalities at mature stages of development (Kuznets 1955, 1963). The resultant famous Kuznets hypothesis, that distributional inequalities exhibit a pattern of rise and decline in the form of an inverted U-shaped curve in progressive stages of development, continues to exercise a prominent influence on the theoretical and empirical approaches to studies of stratification from a developmental perspective (Lindert and Williamson 1985; Adelman and Robinson 1989; Ram 1989; Anand and Kanbur 1993; Ram 1995; Clarke 1995; Jha 1996).

In the field of sociology, this evolution of stratification theories has its parallels in the works of classical sociologists who generally associated the rise of structured inequalities with the increasing complexities of social systems but offered different predictions on the future trends of this unequal distribution of societal resources. Such differences can be deduced from a comparison of the works of Karl Marx and Friedrich Engels already referenced in this study with those of Max Weber which expanded the primarily economic analyses of stratification by Marx and Engels to embrace the social and political dimensions of this problem while still emphasizing its economic basis. In Weber's tripartite conceptualization of stratification, one's social class position is determined by one's place in the market place which, along with noneconomic factors, contribute to patterns of lifestyle as well as sets of interests and belief systems that place members of a social system in different status groups and parties, respectively. The basic economic determinant of class position, property, creates two social classes of property owners and the propertyless, with the former further divided into two classes of rentiers and entrepreneurs, while the nonpropertied class is further divided into several classes based on level of skills and the values of economic services rendered. These economic determinants of class positions promote differential lifestyles for the respective social classes such as patterns of friendships, marriage partners, and educational attainments which confer distinct social estimations of honor on status groups thereby adding

status inequalities to the economic inequalities of the market place. The economic and social advantages enjoyed by the privileged classes and status groups are usually reinforced through membership in parties that provide the vehicle for directing and influencing political processes to produce results, such as in the creation of laws that protect these advantages, thus perpetuating existing systems of stratification. In essence, the system of domination that exists within a social system can be manipulated via political actions to confer legitimacy on its structures of inequalities. Such structures may endure until inequalities produce dysfunctions or disruption that may lead to the emergence of a new system of domination as in a charismatic authority whose eventual routinization produces another system of domination based on traditional or rational-legal authority.

The emergence of a rational-legal system of domination in modern social systems introduces a dual complication to their stratification structures through the increasing bureaucratization of social life which, on the one hand, softens some conditions of inequalities, such as status inequality, through the bureaucratic principle of impartial treatment of people as members of social categories but not as unique individuals. On the other hand, new sources of inequality are created by means of the political power accorded those who occupy the strategic posts of these modern bureaucratic organizations. On the basis of this increasing rationalization and bureaucratization of social life in

modern society, Weber, unlike Marx and Engels, foresaw persistent domination and inequalities in the future that will be evidenced in the widespread proletarianization of the nonpropertied classes as well as in the increasing loss of individual freedom. Both conditions are seen by Weber as inevitable by-products of the concentration of bureaucratic power in major modern organizations that divorces an increasing number of working people, including those with high technical skills, from the means of production while the interactions with clients and customers who seek services in these organizations are characterized by impersonal secondary relations (Weber 1947, 1976, 1978).

Weber's pessimistic predictions on the futuristic conditions of domination and inequalities are softened in the theoretical expositions of another classical sociologist. Emile Durkheim foresaw declining inequalities as part of the inherent process of the ultimate adjustment of modern social systems to the principles of organic solidarity that constitute the fundamental basis for common moral codes and regulations that will eventually eliminate ascribed inequalities in such social systems while permitting other kinds of inequalities based on individual abilities and performances. Until such a stage is reached in the progression of modern social systems, their abnormal division of labor, indicative of the absence of common moral codes and regulations, will continue to promote various structured inequalities. For example, ascriptive factors, as in inheritance of wealth and other privileges, may produce class conflicts and antagonisms in the early stages

of modernization when the lingering influences of the strong collective conscience of premodern societies still induce the susceptibility on the part of many to accept the legitimacy of these kinds of inequalities. It is the gradual replacement of the strong collective conscience of the premodern condition with the abstract collective conscience of modernity that will finally eliminate the abnormalities of the new and complex modern division of labor by imbuing it with a common code of morality. Hence the withering away of ascribed inequalities and the prevalence of socioeconomic transactions whose prices are determined by the contents of their socially useful labor are predictable (Durkheim 1984).

The preceding postulates of directional linear changes in conditions of inequalities in modern societies are contradicted by the cyclical theories of other classical sociologists which posit the circularity and inevitability of inequalities on account of the distribution of unchanging, inherent nonrational instinctual attributes among human beings that will always give rise to ruling and ruled classes. According to one version of these cyclical theories developed by Vilfredo Pareto, these inherent instinctual attributes or drives correspond to certain sentiments and value orientations that distinguish the nonelites from the elites who make up the ruling classes either as lions who espouse conservative ideas, adherence to traditions, and reliance on force as an instrument of political control or as foxes who rely on diplomacy, fraud, deceit, and other propagandistic means to retain their power. Because one of the two elite groups tends to

predominate the ruling class at a particular time period, in the long run, its hold on power is usually weakened on account of the inclinations of its members to adopt extreme measures to prolong their rule with the likely adverse results of more exploitation and alienation of the nonelites. Yearnings for relief on the part of the nonelites may exert sufficient pressures to motivate a new class of elites with a different value orientation to dislodge the degenerate incumbents from their positions of power. This cyclical pattern in the circulation of elites compounds the stratification structures of social systems through its intersection with economic cycles that results in the correspondence of economic elites with political elites so that at any point in time one elite group with its peculiar ideologies and value orientation may constitute the dominant political and economic bloc in society to the detriment of the governed elites and the masses. For the masses, some relief from this cyclical and permanent pattern of inequalities may be attained under certain combinations of events that promote less inequality as in times of economic expansion and growing societal wealth typically characterized by the dominance of the "elite foxes" and economic speculators whose governmental policies are based primarily on the philosophical principles of liberalism. For the elites themselves, relief from this permanent pattern of inequalities is attainable through the cyclical patterns of circulation that under conditions of free competition provides the necessary impediments against the emergence of rigid class or caste systems. For

example, such pattern of circulation will ensure that the centralized political authority, political and economic conservatism of "elite lions" and rentiers inherently generates the alternate system of domination by "elite foxes" and speculators characterized by decentralized political authority as well as political and economic liberalism (Pareto 1935, 1968, 1984). For Gaetano Mosca, another cyclical theorist of stratification, this balance of forces that can mitigate the conflicts of circular inequalities is theorized as an equilibrating condition in which none of the respective elite classes that exercise dominion over the different sectors of the social system is allowed a preponderance of power that elevates its interests above those of other elites in the organization of societal affairs. The mitigation of structured inequalities associated with such a balance of social forces notwithstanding, there will always be two classes of the ruled and rulers that originate from the fundamental and constant psychological tendencies that promote a struggle for preeminence over wealth, power, and prestige in which the unorganized masses will always lose out to the organized elite statistical minority (Mosca 1939).

The reviewed classic assumptions on social stratification have promoted newer sociological understandings on this subject by way of some modern theories that emphasize either the power differentials that allow dominant groups to appropriate societal resources at the expense of the subordinate groups or the functional quality of stratification as a mechanism for fulfilling societal obligations

related to the scarcity of talents and corresponding personnel to fill critical social positions. The latter assumptions, associated with the ideas of functionalist theory, embody the views that structured inequalities arise out of the necessity of providing unequal rewards sufficient to motivate people to acquire the required skills and abilities needed for the most demanding positions and associated tasks within social systems which may otherwise not be accomplished due to the scarcity of such resources (Davis 1942; Davis and Moore 1945; Merton 1961; Parsons 1964). Although these functionalist views have exercised strong and long-lasting influence over sociological analyses of stratification, the assumption of continuous struggle for existence and preeminence associated with the conflict theoretical perspective has provided a prominent alternative by popularizing the view that it is the power and control that some groups exercise in the production and distribution of societal resources that form the basis of structured inequalities rather than the functional necessity of stratification (Mills 1959; Coser 1964; Dahrendorf 1965; Coser 1967; Collins 1975).

A major attempt to integrate the relevant assumptions of these different sociological perspectives into a single coherent theoretical explanation on stratification is reflected in the works of Gerhard Lenski whose ecological-evolutionary perspective presents a picture of transformations from conditions of relative equalities in the hunting and gathering societies to gradual and increasing inequalities in the horticultural, agrarian, and the early phase of

industrial societies. This integrative effort has resulted in a dominant theoretical orientation which espouses that the technology associated with the mode of production in a particular social system, the economic surpluses generated by means of this technology, and the power of control over these surpluses, are among the most important factors responsible for the transition from conditions of equality to those of structured inequalities before an eventual decline in such inequalities at advanced levels of development (Lenski 1966, 1970; Lenski and Lenski 1987; Lenski, Nolan, and Lenski 1995). Notwithstanding, Lenski's integrative analysis and the consistency of its predictions with the Kuznets hypothesis, which incidentally both contribute to a preconditioning of the convergence debate addressed in Chapter I, subsequent sociological theorizing has not promoted such an approach as evidenced in some of the newer and prominent theories of stratification which are more conflictual than functional in orientation.

This newer orientation characterizes the dependency and world systems theories which espouse that the exploitative nature of the relationships among countries constitute important mechanisms of intranational and international inequalities as reflected in the use of power to maintain a few core countries on top of the world stratification system, a relatively large number of countries in the middle layer of semiperiphery status, followed by the majority of countries at the lowest position of periphery. This arrangement impinges on the stratification

structures of individual countries as the operative forces of the global system promote development patterns that may either lead to greater reductions of inequalities in the core countries than in the noncore countries or significant reductions of inequalities in the former and a widening of such inequalities in the latter. Among the important assumed factors that produce such unequal outcome is the ability of the core countries to garner a disproportionate amount of global resources that can be applied to their distributional or redistributional programs thereby causing reductions in inequalities while the noncore countries with less reward from the system have limited resources that can be applied to a reduction in their intranational levels of inequalities (Baran 1957; Galtung 1971; Amin 1974, 1976; Wallerstein 1974; Frank 1979; Mandel 1980; Wallerstein 1980, 1989; Chase-Dunn 1991; Frank and Gills 1996). The continuous bifurcation of stratification theories reflected in these newer sociological perspectives has promoted renewed efforts to integrate and synthesize these theories into one comprehensive theoretical explanation on the sources and causes of inequalities (Milner, Jr. 1987).

An evaluation of the preceding review of the evolution of stratification theories indicates that they have been collectively useful in providing insights into some dynamics of stratification through the generation of successive theories that incorporate previously neglected or unknown factors into their explanations. These new theories, in turn, have generated their own criticisms and

corresponding modifications of some assumptions with a resultant further expansion of our knowledge on the subject.[4] The commendable contributions of this accumulated knowledge notwithstanding, there are important aspects of global stratification which are weakly articulated and understood because of these prevailing theoretical orientations and corresponding empirical works. One of the most obvious flaws of these orientations, which has produced an often ignored dichotomy in stratification knowledge, is the general practice of theorizing global stratification primarily either as an internally-induced phenomenon within a social system or as an externally-induced phenomenon imposed from without. These theoretical expositions have led to the prevalence of empirical studies which utilize operative variables that represent either the endogenous or exogenous factors of structured inequalities thereby placing limits on our potential to acquire a comprehensive understanding that can occur only through a balanced exploration of both the internal and external factors of intranational and international inequalities.

In situations where internal and external factors of the said inequalities are examined within the framework of one study, it is not unusual to place an undue

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[4] Among the sources where evidence for the author's observation can be deduced are William R. Cline, "Distribution and Development: A Survey of Literature," Journal of Development Economics 1 (February 1975): 359-400; Irma Adelman and Sherman Robinson, "Income Distribution and Development," In H. Chenery and T. N. Srinivasan, eds., Handbook of Development Economics, Volume II (Amsterdam: Elsevier Science Publishers B.V., 1989); Stephen K. Sanderson, Macrosociology: An Introduction to Human Societies (New York: Harper Collins College Publishers, 1995b); and Harold R. Kerbo, Social Stratification and Inequality: Class Conflict in Historical and Comparative Perspective (New York: The McGraw-Hill Companies, Inc., 1996).

weight on one set of factors or test the validity of both set of factors in ways that suggest or highlight the competing nature of endogenous or exogenous theories of stratification (Nolan and Lenski 1985; Chan 1989; Crenshaw 1992; Nielsen 1994; Nielsen and Alderson 1995). Such lopsided approaches to global stratification studies fail to address the empirical evidence of inverse relationships between a country's position in the world system and stratification (Rubinson 1976; Evans and Timberlake 1980; Nolan 1982; Stack and Zimmerman 1982; Nolan 1983; Bornschier and Chase-Dunn 1985; Prechel 1985; Chan 1989; London and Robinson 1989; Tsai 1995) as well as evidence of increasing global inequalities including intranational and international income differentials (Ward 1982; Berry, Bourguignon, and Morrisson 1983a, 1983b; Summers, Kravis, and Heston 1984; Breedlove and Nolan 1988; Epstein 1993; United Nations 1994; Ramos 1996; Korzeniewicz and Moran 1997; Passe-Smith 1998). Moreover, empirical evidence of negative relationships between advanced levels of development and stratification (Kuznets 1955; Weede 1980; Weede and Tiefenbach 1981a, 1981b; Ram 1989; Nielsen 1994; Nielsen and Alderson 1995; Jha 1996; Galor and Tsiddon 1996; Nielson and Alderson 1997) cannot be properly explained without a holistic examination of both the endogenous and exogenous sources and factors of contemporary distributive systems. The contradictory findings produced in some studies on the relationships between the levels of economic development and income inequality

as well as those on the associations between status in the world systems and intranational income inequality may also not be unconnected with the failure to adequately incorporate the internal and external factors of distribution into the models of many of these studies.[5] It can also be assumed that the recent reversals in the declines of inequalities in the most advanced industrialized societies (Green, Coder, and Ryscavage 1992; Cutler and Katz 1992; Levy and Murnane 1992; Gottschalk 1993; Fritzell 1993; Gottschalk and Smeeding 1997; Jantti 1997; Richardson 1997) are not unconnected with the juxtaposition of internal and external factors of development as these societies experience a relative shrinkage of their previous monopoly on global resources leading to fewer available resources for internal distribution. In view of implications of the foregoing critique that endogenous and exogenous conditions of a social system are not mutually exclusive causal elements of differential access and distribution of global resources, the next two chapters deal respectively with the internal and external processes as well as structures that produce this phenomenon. The fusion and transformation of internal and external factors into independent mechanisms of stratification are explored in the subsequent chapter.

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[5] Reviews of many of the studies with such contradictory findings on the internal factors of stratification along with explorations on the sources of the discrepant results are available in Jacques Lecaillon et al., Income Distribution and Economic Development: An Analytical Survey (Geneva: International Labor Office, 1984). Similar reviews on external factors of stratification are presented in Volker Bornschier and Christopher Chase-Dunn, Transnational Corporations and Underdevelopment (New York: Praeger Publishers, 1985).

CHAPTER III

A CLOSED MODEL ON ENDOGENOUS DEVELOPMENTAL CHANGES AND INTRASOCIETAL STRATIFICATION[1]

The theoretical perspectives articulated in the next three chapters of the study project the emergence of new patterns of inequalities as societies experience transformation from premodern to modern status. Internal processes and structures responsible for these new patterns of inequalities are impacted when in the course of modern industrial capitalist development a particular social system engages other social systems for exchange of vital socioeconomic, political, and/or cultural resources. From this arrangement, an external network of relationships and global division of labor emerges in which some societies are favorably placed to extract more global resources than others. Consequently, the

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[1] Styling this heading as a closed model indicates that the theoretical exploration in this chapter is primarily confined to internal processes of development and stratification within a social system. That restriction is made necessary by the fact that, as indicated in the introductory paragraph to this chapter, various aspects of this subject are inherently connected to external conditions outside a social system whose analysis is bound to detract from the potential benefits of a focus on endogenous factors. The obvious interconnected factors such as intersocietal exchanges not explored in this chapter in view of this closed-model approach, are dealt with in the next chapter along with other exogenous processes and structures of stratification.

internal processes of modern industrial capitalist development interact with these external features of the global system to determine the patterns of intrasocietal inequalities.

The transformation of a social system from a condition of premodernity to a modernizing industrial society inherently generates processual and structural changes that condition new patterns of intrasocietal stratification different from those characteristic of a premodern society. Those changes represent fundamental alterations in the social organization of a premodern society which gradually produce a dualistic social system whereby some segments maintain the primitive and/or traditional features of social life while other segments become increasingly modern in their social organizational behaviors. By virtue of the dynamics of such a dualistic social system, new patterns of intrasocietal inequalities will emerge through alterations in preexisting systems of distributions that now produce the accruement of resources in varying degrees to members of the society still embedded in its primitive and traditional segments and those primarily associated with the modernizing structures of the society. The dichotomy created by these processes is bound to induce a general structure of intrasectoral and intersectoral inequalities, increasingly widening the dispersion of income and distribution of other material resources at progressive stages of development. Eventually a turning point should be reached when a leveling off in that trend of progressive increases in inequalities is followed by a reversal and

continuing decline at a mature or advanced level of modern industrial capitalist development in which the primitive and traditional segments of the society are relatively but effectively absorbed into the overaching modernizing social system. This postulated inverted-U pattern of inequalities that accompany the alterations in a premodern social system is attributed to the generalized dualism and convergence embodied in the forces of modern industrial capitalist economic development, political dynamism, and the sociocultural buoyancy of a modernizing social system.

Modern economic development promotes new patterns of social stratification through the inducement of bifurcation in economic organization that can be seen in the existence of primitive and/or traditional agricultural sectors alongside modern capitalist industrial sectors, where differential techniques and exploitation of resources produce corresponding different returns and distributions in the two sectors with direct impact on the overall levels of social inequalities. Among the prominent features of economic organization and development that can be directly linked to these differential conditions and the consequent patterns of societal inequalities are the nature or forms and purposes of economic activities; the nature or forms and distribution of the factors of production; and the productivity generated by the techniques of production in each sector of a dualistic social system. Differences in the forms and purposes of economic activities that contribute to the emergence of new patterns of social

inequalities in a modernizing society emanate from the precapitalist agricultural economic structures of the primitive and traditional segments and the capitalist industrial economic organization of the modern sectors of the social system. In precapitalist agricultural systems there is limited differentiation in the forms of economic activities which basically center on clearing the land, planting, weeding, and harvesting for the primary purpose of attaining self-sufficiency by rural residents whose adult members generally possess the individual skills to perform all these basic agricultural activities. Beyond the direct undertaking of tilling and harnessing the resources of the soil, the rural population engaged in traditional economic activities can supplement their resources with the yields from other basic undertakings in the forms of hunting and gathering if, indeed, some segments of the rural economy are not predominantly primitive in character.

When the latter condition prevails, a modernizing social system is characterized by dualisms in the rural sectors involving traditional and primitive economies[2] and similar variations in the urban sectors manifested in the

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[2] We have been fortunate enough to have in the modern period a number of social systems with primitive subcultures as constituent units especially in Africa and Asia where ethnographic studies of these subcultures have illuminated our understanding of premodern lifestyles. Invaluable sources of knowledge on primitive subcultures include the collection of essays published as annual editions in the field of Cultural Anthropology. For Europe the coexistence of foragers and farmers within social systems is the subject of study in Susan Alling Gregg, Foragers and Farmers: Population Interaction and Agricultural Expansion in Prehistoric Europe (Chicago: The University of Chicago Press, 1988).

existence of modern industrial and traditional economic activities. Where primitive economies of foraging exist alongside traditional agricultural[3] systems at the early stages of development, the economic basis of intrasocietal inequalities is rooted in the self-sufficient, precapitalist agricultural activities of the traditional, rural sectors and the egalitarian organization of the primitive units as well as the more differentiated modern capitalist and traditional activities in the urban areas. If the primitive and traditional units of a modernizing social system are relatively distinct and isolated from one another, intrarural inequalities can be impacted under conditions of limited contacts between residents of both units. This can happen, for instance, through the participation by members of these two sectors in silent trade[4] which may not involve any direct contact or negotiation over the

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[3] On the coexistence of primitive cultures with modern cultures in contemporary world systems, Eurocentric scholarship has created the false beliefs and impressions that these primitive cultures and their peoples are in a primordial condition on the chain of evolution hence the superiority of modern peoples and their cultures. Because of the early beginnings of modernity on the continent of Europe that superiority has been assigned primarily to European peoples. These ethnocentric and unfortunate distortions of human history have been successfully debunked by Afrocentric scholarship which demonstrates that contemporary primitive cultures and peoples are not necessarily on a primordial state of development on the lower rungs of the evolutionary ladder, but rather, they represent the cyclical patterns of human civilizations whose processes of highest achievements are inevitably followed by decline and rebuilding. In the case of Africans, the reconstructed history of humanity in Afrocentric scholarship has produced insurmountable evidence of their seminal and unique role in the creation and dissemination of the first human civilizations. That scholarship can be accessed through the Journal of African Civilizations whose many fine articles have been published as anthologies edited by Ivan Van Sertima, one of the most eminent of contemporary Afrocentric scholars.

[4] In this kind of trade a participant group first displays items of exchange in an open area and thereafter retreats out of sight. The other party emerges out of hiding and following inspection of the displayed items, places its own items in amounts considered fair exchange to the former and retreats out of sight. The first group returns, evaluates the offer and, if satisfied, removes the exchanged items. If the group is not satisfied, it goes again into hiding with both sets of items untouched thus sending a signal

items of exchange. The principles of silent trade that deal with the exchange of one good for another the individual cannot produce is conducive to the self-sufficiency and egalitarianism for both the primitive peoples and traditional folks who share the same social system but do not interact regularly with one another. When the traditional and primitive social organizations do not exist as distinct units of rural cultures, the commingling of elements of both to form a predominant precapitalist agricultural economy, as in the author's native home of Ibibio tribe in Eastern Nigeria, produces lower inequalities as rural residents commonly combine the self-sufficiency associated with the cultivation of plants and animals with the egalitarian practices of hunting and gathering.

Non-agricultural economic activities in the rural sectors of a modernizing social system are also limited in differentiation with the result that a relatively small or negligible number of rural residents engage full time in such occupations as repair of goods, carpentry, building trades, weaving, tinsmithing, and blacksmithing. More often than not, the few individuals engaged in these occupations tend to do so on a part-time basis with the remainder of their productive skills, devoted to agricultural pursuits as the rest of the population. The preponderant character of the preceding forms of economic activities over

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about the imbalance in the exchange transactions. The process ends when a group removes the exchanged items which signifies that balance has finally been achieved.

others such as precapitalist trading[5] becomes conducive to low levels of social inequalities in the rural sectors of a dualistic social system because of the abilities of the generality of the population to perform any of these activities and because of their subsistence nature. This means that much of what is produced is directly consumed by the producers. Because most adult members can successfully engage in the limited forms of economic occupations in the rural sectors, they are bound to apply their personal skills to a particular undertaking if an exchange relationship is deemed unacceptably unequal. Conditions of intrarural inequalities are effectively suppressed to lower levels when most adult members can perform or are engaged in relatively similar kinds of occupations. The direct consumption of the products of one's labor accentuates this process by eliminating the pronounced inequalities bound to arise when the values of these products are determined in the market place through the operative forces of the law of supply and demand that tend to raise, ***ceteris paribus***, the prices and values of goods and services that exist in smaller quantities. Rural residents in a dualistic social system therefore experience relatively similar standards of

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[5] The predominance of these forms of economic activities in the rural areas of a modernizing industrial society does not inherently exclude the coexistence of rural manufacturing or the pursuit of some agricultural activities in the urban areas. In the subsequent section of this chapter this condition is evident in early modern European industrial experience in which significant parts of industrial work took place in rural areas under the putting out system. Insightful accounts of this early industrial experience are available in John U. Nef, "Industrial Europe at the Time of Reformation," The Journal of Political Economy XLIX (February 1941): 1-40.

living through the direct consumption of their products and services with very small proportions sold or exchanged in the local marketplace for the acquisition of non-food resources for basic existence such as those related to health services, clothing, and shelter. In many situations some of these non-food requirements of life, most notably housing, are produced through the collaborative efforts of a group or communal labor that further consolidate the process of direct consumption of the product of labor and its egalitarian effects on rural lifestyle. As a matter of fact, even the maintenance of some structural components of traditional houses, is sometimes achieved through collective labor. Among the Ibibios of Eastern Nigeria the seasonal replacement of the roofs of their traditional houses constructed with local materials is generally accomplished through the collective efforts of adult males who contribute both the materials and labor to refurbish each other's home in sequential arrangement.

With the introduction of paid labor into rural agricultural economies, low levels of intrarural inequalities can be maintained through various mechanisms including the supplementary nature of that labor, population dynamics, and the seasonal character of employment. For most of the rural residents, paid agricultural employment constitutes a supplementary and secondary source of generating the economic resources required for the achievement of the prevailing level of subsistence living when one's own resources cannot fulfill that

requirement. Under these circumstances, the primary purposes of economic activities still anchored in subsistence and self-sufficiency, are harmonious with low rural inequalities as paid labor produces the resource to balance the differences in standard of living and lifestyle attained by those with adequate material resources without the necessity of working for others. Rural population dynamics induces lower inequalities under conditions of paid agricultural labor by suppressing and maintaining the largely supplementary wages at low levels through the elastic supply of potential laborers created by high birth rates. Moreover, the prevailing orientation of subsistence and self-sufficiency encourages remunerations and/or rewards in kind at rates and levels that do not deviate significantly from meeting the minimal requirements of basic existence. These tendencies further benefit from the seasonal character of agricultural work which, by preventing regular and stable productive employment throughout the year, reproduces inherent and persistent structural underemployment in rural areas that perpetuates the elastic supply of workers remunerated or rewarded at equally low levels. As the predominant motive of economic activities, subsistence agriculture generates additional fissiparous effects on rural economic behaviors by inducing a corresponding low level of rewards, monetarily or in kind, for the few and limited non-agricultural occupations whose products are designed for sale or exchange primarily among the rural population. In essence, limited rural occupational differentiation at the early phases of modern industrial development

means this: the economically active adult population engages in the few available similar occupations that do not and cannot promote wide inequalities in rewards.

Low intrarural inequalities at the early stages of capitalist development are also made possible by the forms and distribution of factors of production that differ markedly from similar features in the urban industrial sectors of the economy. Harmonious with the predominant forms of traditional economic activities, the limited differentiation in factors of production create situations in which most adult rural residents can access with relative ease and efficiently operate or exploit the resources of each factor. This is most evident in operations of the two most important modes of production, labor and land, the former differentiated basically between low-skilled and unskilled-labor which every adult can acquire and, the latter, characterized by basic bimodal usage for farming and grazing which every adult can perform. Possessions of homogenous types and quantities of labor means that all economically active persons can potentially produce the amounts of goods they desire so that there are limited variations in output per person when other production factors are held constant. The dampening effects of homogenous labor on intrarural inequalities are also manifested in the uniform wages it attracts when local residents offer their labor power for sell. In this situation no group of workers can attract disproportional or commanding wages above the average wage as possible under conditions of remunerations for diverse skill and unskilled labor. Further equalizing effects of

homogenous labor are derived from its exchange-facilitating qualities whereby rural residents can voluntarily work for one another under conditions of balanced or generalized reciprocity.

Growing up as a boy in his village, the author was a regular participant in the balanced reciprocity of labor in which groups of children emulated the adult practice of coordinating their labor to work for one person at a time with similar amounts of work performed for all the participants generally within a tacit or flexibly defined time frame. Among the socioeconomic activities that benefit most from this labor exchange arrangement in Ibibio tribe is agricultural work where individual output is maximized through the cooperative labor of groups in the community.[6] Generalized reciprocity, the mode of exchange in which the value of a gift is uncalculated and time of repayment is unspecified, strengthens these cooperative efforts and their dampening effects on societal inequalities because with relatively homogenous labor and skills rural residents can perform a task and provide a service to anyone with the knowledge that if and when the provider

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[6] The experiential illustrations provided by the author in this chapter as they relate to his participations and observations in the primitive and traditional economy of Ibibio tribe are not necessarily unique to that tribe in view of the commonality of the cultural attributes of precolonial African tribes. Similar life experiences in other African tribes are available in Simmon Ottenberg and Phoebe Ottenberg, eds., Culture and Societies of Africa (New York: Random House, Inc., 1960); and James L. Gibbs, Jr., ed., People of Africa (New York: Holt, Rinehart and Winston, Inc., 1965a). It is also appropriate to indicate that the use of the concept of tribe in this study designates an ethnic group in view of the sometimes pejorative connotations that accompany the use of that concept in reference to African peoples in Eurocentric literature. In that context, the Ibibio and Ogoni tribes are similar units of societal organization as the Scottish and English tribes.

needs the assistance of others, a typical adult member in the community does possess the skills to render that assistance.

Apart from similar abilities to exploit the resources of land, land distribution patterns strengthen the tendencies for lower inequalities through collective ownership, widespread individual ownership, as well as generous and flexible lease arrangements that provide access to lands for planting and harvesting on a temporary basis before they revert to the owners. Collective ownership of land promotes these tendencies by providing most adult members of the society relatively equal opportunities to transform the resources associated with this factor of production into direct consumable goods and/or items of economic exchange for other desirable goods. Collective access to this natural factor of production which serves as one of the fundamental causes of egalitarianism in primitive societies (Lenski 1984; Harris 1989; Lenski, Nolan, and Lenksi 1995) can be maintained in a modernizing social system under a variety of arrangements. For example, when the concept of private ownership of land is completely absent in traditional societies, it is incumbent on the community or tribe to provide every citizen with access to sufficient quantities of land for food production that meets the basic requirements of subsistence living. With the onset of capitalist industrial development such cultural ethos of collective ownership of land is largely restricted to the rural areas of the social system. In some African and Asian societies, the view that land ultimately belongs to the

community dictates that decisions of access, usage, and disposition are made either by the group as a whole or by the chief on behalf of the community or group (Mukherjee 1957; Ottenberg and Ottenberg 1960; Gibbs, Jr. 1965a; Myrdal 1968; Adas 1974). Where the values of private ownership of land exist alongside those of communal ownership, some designated expanse of valuable land is collectively owned while individuals retain their private ownership of the remaining land in the community. Decisions on the collectively owned land are made by a council of elders who may lease out individualized plots for farming before the land reverts to the community. During the intervals when rural land is not due for farming, unrestricted access is provided to everyone for other economic activities such as hunting, the collection of firewood, and gathering of edible plant leaves, vegetables, and fruits. With few exceptions as in lumber production, everyone in the village and neighboring villages is entitled to unrestricted access to rural land whether privately or communally owned for purposes of these supplementary economic activities.

Generous access to rural land and its basic raw materials in traditional economies constitutes a singularly important mechanism that makes for lower levels of rural inequalities at the early stages of capitalist industrial development. For the few practitioners of craft manufacture, this generous access allows them to obtain significant material input into their work free of charge or at a modest price from the local environment. These materials may include the special type of

wood required for carpentry and carving or the special type of clay needed for sculpting. Low costs of material input into the production process exert effective downward pressures on the prices of the finished products with the results of abilities of purchase by most rural residents who need these products. The most pronounced effects of ample availability and generous access to raw materials on rural inequalities are manifested in cases of some traditional food crops or plants whose yields comprise the stable food of rural residents. Because a proportion of the harvest of these food items is normally preserved for the next round of planting, their wide availabilities at modest prices or free of charge guarantee sufficient input into the subsistence production requirements for every member of the social system. The availabilities and low prices of these items are strongly enhanced when part of the agricultural produce that is harvested for consumption is different from the part that is required for planting. The cassava plant, for instance, whose yields constitute one of the main staples among the various related tribes in Eastern Nigeria, provides an example of this condition, since the cassava tubers are harvested for consumption while the cassava stems are required for planting. Because there are always surplus quantities of cassava stems in excess of what can be planted in a particular season, it is very unusual for one to sell or buy the stems of this plant, notwithstanding the prominence of cassava products in the tribal cultures of Eastern Nigeria.

The equalizing effects of rural labor and land distribution are duplicated by the homogenous technologies of traditional economies that typically include the plow as well as simple hand tools such as bows and arrows, the digging stick and hoes, axe and machetes. The level of sophistication and component input into these techniques of production create situations in which many adults possess the skills for their manufacture that in turn depresses the prices of these equipments along with the low costs of production. Contributions of these characteristics of techniques of production to low inequalities are also embodied in the fact that because of the relative ease of production, some of them, including the digging stick, are usually distributed free of charge in spite of their enormous significance in economic production. Moreover, when particular techniques of production are widely available in a social system that emphasizes the importance of group welfare over individual rights, there is a tendency for general sharing of these equipments, notwithstanding the rights of individual ownership. Shared technologies in turn strongly promote the cultural practice of sharing portions of the produce of these technologies with their individual owners.

Homogenous and basic forms of technologies further impact the dynamics of rural inequalities by creating low levels of productivities for both individual work and the rural economy in general. Low individual productivities caused by the application of low skilled and unskilled labor to these technologies make possible

the production of similar amounts of economic resources which do not permit wide variations in standards of living. For paid rural employment, uniform productivities make possible the compensation of workers at similar rates, as the marginal product of each worker does not differ significantly from that of others. Collectively these low productivities amount to the creation and preservation of limited communal surpluses because much of what is produced is directly consumed and exchanged or sold to generate the required resources for non-food items. The absence of significant communal surpluses[7] deprives the elites of the material resources they need to exercise influence over the behaviors of rural residents and, in periods of shortfall in production, necessitates the distribution of agricultural produce among all the economically active persons in order to maintain a basic standard of living. When positive circumstances such as the prevalence of fertile lands result in the creation and accumulation of significant surpluses through the application of homogenous and basic technologies, intrarural inequalities can be limited by the absence of material goods that the holders of these surpluses can convert their resources into. In the rural areas in Ibibio tribe, where the application of the digging stick and hoe has

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[7] The creation and accumulation of surpluses is generally perceived as one of the fundamental factors in the rise of inequalities in human societies by many students of stratification. A concise and persuasive account of that relationship between societal surpluses and the origins of inequalities is available in Marvin Harris, Our Kind: Who are we, Where we came from, Where we are going (New York: Harper and Row Publishers, 1989).

traditionally produced substantial agricultural surpluses, inequalities were very limited in the early stages of modern industrial development on account of limited material goods these surpluses could have been converted into. The accumulation of agricultural surpluses in such instance contributes to wide distinctions in social prestige but not economic inequalities. Cultural ethos that espouses the principles of equality and communal welfare are other means of limiting societal inequalities against the backdrop of significant surpluses. In the absence of such ethos and the presence of material items of wealth, the accumulation of agricultural surpluses will promote high rural inequalities most notable in advanced agrarian societies.[8]

The preceding illustrated pattern of rural economic organization in a modernizing social system strongly indicates that prominent economic and technological factors combine to create levels of inequalities lower than those that may prevail in the urban segments of the same society. The convergence of the harmonious effects of limited forms and similar purposes of economic activities, relatively open access to uniform factors of production, and similar

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[8] That notability is reflective of the fact that agrarian societies are deemed by some students of stratification as the most highly stratified systems in the preindustrial eras. Useful analyses of agrarian stratification systems are available in Gerhard E. Lenski, Power and Privilege: A Theory of Social Stratification (Chapel Hill, North Carolina: The University of North Carolina Press, 1984); Gerhard Lenski, Patrick Nolan, and Jean Lenski, Human Societies: An Introduction to Macrosociology (New York: McGraw-Hill, Inc., 1995); and Stephen K. Sanderson, Macrosociology: An Introduction to Human Socieites New York: Harper Collins College Publishers, 1995b).

magnitudes of productivities, is inherently conducive to low amounts of inequalities in a social system. We expect the expressed limited differences in the material life circumstances of rural residents conditioned by these economic and technological factors to persist as long as the rural economy operates at a sufficient distance that prevents undue influence from the modern industrial capitalist urban economy.

The Economic Basis of Intraurban Inequalities

The preceding characteristic features of rural, traditional economies contributing to limited inequalities operate in opposite directions in the modern industrial sectors whose own dualisms induce higher levels of inequalities through the individual and combined effects of different forms or nature of economic activities, the nature or forms and distribution of factors of production, and the productivity generated by these modes of production. The onset of industrialization promotes this more unequal distribution in the modern, urban sectors of a modernizing social system by the emergence of new economic activities that create a bifurcation between the pre-industrial, traditional urban economy and the new industrial capitalist economic undertakings whose products and services are designed primarily for sell or exchange, hence, the non-consumption of much of the finished products directly by the producers. What this means for the urban economy is that a disproportionate volume of what

is produced must be exchanged or sold in the increasingly monetized markets of a modernizing social system in order to obtain the resources necessary for the purchase of consumable goods needed by the workers. In view of the necessity of these exchange relationships, those involved in the processing of modern industrial goods and services must be compensated with a neutral medium of exchange that represents the technical, rational calculations of economic values that inherently produce differential rewards in the forms of profits, salaries, and wages. On the basis of these differential rewards, some individuals are well situated within the modern urban economy to obtain resources that allow them to achieve a conspicuously high level of material comfort while those less situated experience a modest standard of living reflected in the limited ability to acquire the basic necessities of life. That stratification pattern typically leaves a substantial number of urban residents with meager compensations below the amounts of salaries and wages necessary for the maintenance of basic existence at the early stages of modern industrial development. Urban economic activities therefore advance material inequalities through the process of transforming the product of labor into direct consumable goods and services via a system of monetary compensations that results in the accruement of lopsided rewards and benefits to the few well-placed and dominant economic actors in the modern industrial sectors. Because urban residents cannot produce the basic necessities of life directly for consumption, either as individuals or cooperatively with others,

the early stages of modern industrial capitalism are bound to be characterized by higher levels of inequalities in the urban centers than in the rural areas where residents produce a large proportion of what is needed to sustain their standards of living. Meanwhile, this emergent pattern of urban inequalities suppresses the standard of living of those in the traditional urban economy, such as the producers of craft items who are compelled to compete for the sale of these items in a modernizing market economy favorably disposed to the mass-produced goods of the industrial capitalists. The disadvantaged positions of those in the traditional sectors of urban economy become inevitable push factors that lead many into the modern industrial sectors where they contribute to the expansion of the volume of the unemployed and lowly paid proletariat. Inevitably, this displacement magnifies the problem of urban poverty at the early stages of development that may be visible in increased homelessness, starvation, pandering, and social and psychological isolation.[9]

Intraurban inequalities that stem from the conversion of the product of labor into consumable items are also derived from the forms and distribution of the factors of production that concentrate disproportionate economic power in the

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[9] The subject of urban and rural poverty has itself experienced a vigorous intellectual debate in modern scholarship especially in the nineteenth century when socialist scholars such as Friedrich Engels and Karl Marx were inclined to depict the proletariat as the most deprived segments of modern societies. A particularly polemic expression of such sentiments is evident in Friedrich Engels, The Condition of Working Class in England, eds. and trans. W.O. Henderson and W.H. Chaloner (New York: The Macmillan Company, 1958).

hands of the owners of capital who play the leading role in determining the proportion of societal resources that accrue to respective economic agents in a capitalist economy. All other things being equal, the functional distribution of resources on the basis of factor input into the production process is bound to favor the financiers and entrepreneurs. For it is these financiers and entrepreneurs who respectively, provide and control critical investment resources in the modern industrial sectors of the economy, and the landowners, who possess the land needed for the construction of industrial projects as well as the expanding housing and food requirements of an industrial economy. In view of the fact that only a relatively small proportion of urban residents possess income-generating property and private financial capital or access to it at the early phases of capitalist development, the distribution of factor incomes in the forms of profits, interests, and rents initiates wide urban income dispersions that exclude the generality of the urban population from the enjoyment of the benefit of these resources created by its labor. This accruement of a disproportionate share of societal surpluses to the few owners of the private means of production becomes a further source of intraurban inequalities due to its unequal distribution on the basis of the type and size of business undertaking. Landed property, financial capital, incorporated and unincorporated businesses, among others, receive unequal amounts of the share of private capital in a capitalist economy. Property and self-employment incomes constitute a skewed share of resources

that are generally recognized as being among the most unequally distributed in the early stages of modern industrial development (Lydall 1979; Lecaillon et al. 1984). In order to address the imbalance in the share of the profits of private capital, some of the capitalists may seek the realization of excess profits and accumulation of surpluses that can only further the reductions in the proportion of income assigned to labor as a factor of production. Such reductions can occur through layoffs, constant wages, or actual declines in wages and salaries through various mechanisms including the lengthening of work periods at the same level of pay. It is this state of affairs that provides the basis for the Marxian prediction of a proletarian revolution that will overthrow a capitalist system whose persistent pursuits of profits and accumulation of surpluses increasingly intensifies the misery and impoverishment of the masses.

These narrow self-interests of the capitalists can also be pursued through the exercise of industrial monopoly over the production process that restricts entry and competition in particular markets. With the well-known market imperfections characteristic of the early and intermediate phases of capitalist development, industrial monopolies can only exacerbate the unequal distribution of factor incomes to the deepening advantages of the few owners of capital in society. The distortions of factor ownerships and rewards through market imperfections such as industrial monopolies have long been recognized by economists as sources of economic inefficiencies; though according to classical

and neoclassical economists, the self-adjustment capacities of the market will correct such imbalances in the long run. What such theorizing of economic behaviors does not address, however, is the fact that the magnitude of deprivations caused by these imperfections may very well result in the starvation and permanent dislocation of many urbanites by the time those long-run corrective mechanisms of the market manifest themselves.

Besides the allotment of limited amounts of surpluses to labor as a factor of production, labor itself serves as a prominent causal agent of urban stratification on account of its variation on a continuum of unskilled, semiskilled, skilled, and professional attributes that determine one's wage rate and salary in a capitalist economy. In the absence of countervailing market forces and discriminatory practices, individuals who possess the latter two attributes are poised to receive higher and disproportionate rewards in a modern industrial economy while the former two types of labor are allotted minimal compensation in the form of wages. For the unskilled laborers, it is not unusual for their wage structures to be maintained by their employers at a level that cannot meet the basic requirements of daily living at the early phases of industrial capitalism. These patterns of maldistribution of factor income that fails to take into account the necessity of satisfying the requirements of basic existence for all members of the social system are very difficult to reverse at that stage of development because of one of its most influential structural sources: limited opportunities and unequal access

to technical and educational training. Being so conditioned, the few urbanites who gain entry into these training programs emerge with highly marketable and applicable human capital that discriminates against the possessors of unskilled and semiskilled labor. Accordingly, the possessors of skilled labor and professional credentials become a select and favored category of workers sought after by the capitalists to operate and manage their newfound and sophisticated industrial techniques of production. The disparities in the number of workers in each skills category, determined in large part by the structure of education, reproduce an inelastic supply of professional and skilled labor which, inevitably, exerts an upward pressure on wages and salaries simultaneously with an elastic supply of unskilled and semiskilled labor bound to exert a downward pressure on wages.

In a related dimension, the contributions of variations in salaries and wages to urban inequalities emanate from the differentiation in occupations symbolized by the increasing division of labor of modern industrial development. The multiplication of economic activities through this process creates a structure of occupations in which the characteristics of many jobs become the primary determinants of the salaries or wages they pay. Under this circumstance, workers with similar skills and educational attainments who are employed at different jobs will be remunerated at significantly different scales of salaries or wages. The explanation sometimes offered for this incongruent pattern of

capitalist remuneration asserts that the skills or experiential training acquired on the job are more important than prior educational training in determining the significance of the job. Therefore, the marginal product of each job, but not that of the worker, determines the wage rate. Interpreted in another way, the logics of this explanation imply that educational differences exercise mainly indirect effects on variations in income distribution, for example, by improving one's position in the labor queue (Thurow and Lucas 1972). The enduring strength of this source of urban inequalities has reached historical proportions in many advanced capitalist economies where certain kinds of occupations and professions command prodigious salaries, compensations, and rewards that are not only offensive to human sensibilities but are also clearly incommensurate with the societal values they purportedly create. Chief executive officers of major corporations, movie stars, and other celebrities such as talk show hosts and professional athletes represent examples of categories of individuals in the United States whose undertakings are assigned these enormous shares of societal resources.

Illustrative evidence of unequal distribution of rewards associated with the diversity of skills and occupations that accompany capitalist industrial development is presented in Tables 3.1 and 3.2 below. The distribution of incomes in both tables indicates significant variations in average incomes in the

TABLE 3.1. Income Distributions by Sector of Activity in Four Modernizing Societies

Item	Indexed average income[a]	Percentage of households or of economically active persons	Percentages of income
Mexico (1968, households)			
Agriculture	57.3	46.7	26.7
Manufacturing industries	150.0	12.9	19.3
Construction and public works	93.3	5.5	5.1
Trade	120.2	14.7	17.7
Service industries	154.0	20.2	31.2
Hong Kong (1971, households)			
Agriculture	53.4	2.9	1.5
Fisheries	167.5	1.4	2.3
Manufacturing industries	79.0	40.7	32.2
Water, electricity	124.8	0.6	0.7
Construction and public works	81.1	7.4	6.0
Transport	96.6	10.1	9.8
Trade	111.5	19.8	22.1
Banking, insurance	219.8	2.9	6.4
Public and personal services	133.9	14.2	19.0
Iran (1965, economically active persons)			
Agriculture	63.9	47.1	30.4
Manufacturing industries (excluding textiles)	115.0	10.1	11.7
Textiles	42.2	9.1	3.8
Construction and public works	97.1	7.6	7.4
Transport	219.1	3.3	7.3
Trade	178.9	7.6	13.6
Service industries	150.1	10.4	15.5
Public sector	214.7	4.8	10.3
Malaysia (1968, economically active persons)			
Agriculture	56.9	50.1	28.5
Mining, quarries	129.7	2.4	3.1
Manufacturing industries	109.8	9.2	10.0
Construction and public works	119.4	3.3	3.9
Transport	133.6	3.8	5.1
Trade	145.6	13.8	20.1
Service Industries	167.8	17.4	29.3

Source: Jacques Lecaillon et al., Income Distribution and Economic Development: An Analytical Survey (Geneva: International Labor Office, 1984), Table 14.

[a] The indicators in this column are based on an index of 100 as the average income.

TABLE 3.2. Relative Wages and Salaries by Sector of Activity in Three Modernizing Societies

Sector	Average wage or salary (agriculture = 100)
United Republic of Cameroon (1971)	
Agriculture	100
Mining	275
Manufacturing industries	221
Construction and public works	215
Electricity, gas, water	354
Transport	267
Trade	354
Banking, insurance	585
Service industries	373
Madagascar (1965)	
Agriculture, domestic services	100
Mining	115
Manufacturing industries	188
Construction and public works	157
Electricity, water	384
Transport	307
Trade, banking, insurance	310
Service industries	227
Zambia (1970)	
Agriculture	100
Mining, quarries	355
Manufacturing industries	202
Construction and public works	140
Transport	278
Banking, insurance	311
Service industries	220

Source: Jacques Lecaillon et al., Income Distribution and Economic Development: An Analytical Survey (Geneva: International Labor Office, 1984), Table 15.

respective industries, with the implications that individuals with similar levels of skills and training will be differentially placed in societal income structure on the basis of industry of employment. The magnitude of these variations is vividly

respective industries, with the implications that individuals with similar levels of skills and training will be differentially placed in societal income structure on the basis of industry of employment. The magnitude of these variations is vividly demonstrated in the United Republic of Cameroon, with an average salary or wage index of 585 in Banking and Insurance industry in comparison to the index of 221 in Manufacturing industries where a large proportion of urban employment typically concentrates at progressive stages of industrialization before the predominance of the service industry. Inter-occupational income inequalities reflected in both tables are equally remarkable in the meager share of societal surpluses that are allotted to workers in construction and public works. When the fact that much of the economic activities associated with the occupations within these industries, except for agriculture and mining, are generally concentrated in the urban centers, we can extrapolate from the indicators in the two tables the supposition that occupational income differentials promote high intraurban inequalities in contrast to the low levels of intrarural inequalities derived from limited occupational variations in rural economies.

These disparities in income distributions within the urban economy can also be attributed to variations in productivities that provide a rational basis for calculations of the values of modern economic behaviors. Modern economic sectors where the new and sophisticated modern industrial techniques of production predominate are bound to be comparatively more efficient than the

traditional economic sectors; hence, the former generates higher levels of productivities that attract higher compensations and remunerations. Some of the specific features of modern industrial development responsible for creating these higher and varying levels of productivities with unequal rewards are superior managerial and organizational capabilities, capital intensiveness reflected in high quantities of capital per worker, and effective backward and forward linkages of modern industrial activities. The contributions of varying degrees of productivities to skewed income distributions is apparent in the generally higher average incomes of the service sectors in Tables 3.1 and 3.2 which are consistent with evidence of comparatively higher service sector productivities in the literature (Chenery and Syrquin 1975; World Bank 1979; Gregory 1986; Fiala 1987).

Productivity variations within the modern economic sectors are duplicated in the differentials in productivities between the traditional urban industries and their modern counterparts. Lower productivities in traditional urban occupations and their corresponding lower economic rewards are derived from similar factors which cause the comparatively lower amounts of output in the traditional agricultural economies in the rural areas: labor intensiveness in contrast to the capital intensiveness of modern industries, unsophisticated techniques of production as in the predominance of simple hand tools and unskilled labor, as well as smallness of the size of business operations which can not benefit as much from the advantages of economies of scale as the larger operations of

modern businesses. The extent of the productivity differences among the various economic sectors of a modernizing social system is captured in empirical measurements of the gross product per economically active person in non-agricultural and agricultural sectors which indicate, in favor of the former, ratios of 2.3 in Pakistan, 3.8 in Tunisia, 4.3 in Iran, and 5.7 in Mexico (Lecaillon et al. 1984).

Besides the direct influences of differential productivities as determinants of the wage and salary structures of modern industrial economies, higher productivities initiate a process whereby the elites, now presented with a consistent means and expanding volumes of surpluses, can appropriate these resources in ways that can only deepen the gap between their material life circumstances and that of the non-elites. We can infer from this assumption the ironic fact that increased efficiencies and resultant expanded societal surpluses serve to expand material differences exponentially at progressive levels of development until a point of declining marginal utility for the elites. Once this point is reached, it permits a reshuffling of the surpluses that increase the workers' shares while still leaving the elites with absolute gains and historic levels of accumulation of vital societal resources. Expanding material differences, made possible by enlarged societal surpluses, represent the new realities of modern industrial social systems whose sophisticated techniques of production are also applied to the creation of varying types and degrees of products, with

some of them beyond the reach of most members of the society. The availability of these diverse products is of paramount importance in differentiating between the economic sources of inequalities in the rural and urban areas of a modern society. Unlike the rural areas where the range of products and services is very limited, the urban economies are intentionally organized to manufacture a variety of expensive products and to create exotic services that become instruments of status symbols and sumptuous consumption by the elites. This has become one of the most enduring features of stratification in modern social systems as evidenced in the visible consumption of expensive products and services at advanced levels of development such as ownerships of private planes, golf courses, yachts, and expensive homes for aggrandizement in contemporary capitalist societies.

A related dimension of the above pattern of urban inequalities created by modern industrial capitalist development is that of interurban structural economic dualism embodied in the system of cities set into motion in large part by the organizational behaviors of modern economic elites. That dualism is promoted by the early agglomeration of economic elites to the first city that gives rise to modern development, which becomes the primate city that dominates economic exchanges on behalf of the core urban region as a whole to the detriment of peripheral cities. With the concentration of the capitalist elites in primate cities, their pivotal roles in the early stages of economic development, such as serving

as the original industrial centers, imbue these cities with features that subsequently make them the nuclei of the formal sectors of the economy where large business establishments and capital intensive operations predominate alongside the creation of high-paying bureaucratic and public administrative positions. Acting as the leading centers of development, the primate cities and the core urban regions that grow from them dictate the delegation of supporting or secondary roles to peripheral cities which may serve as sources of raw materials, labor, and market for the former's products. Associated with this unbalanced interurban division of labor is the greater and faster growth, as well as the development of the primate cities, with the resultant retention and control of mammoth proportions of societal profits and surpluses. This process of polarized development will continue until the exhaustion of the primate cities' potentials and impetus for growth and expansion when a polarization reversal may occur, making the peripheral cities and regions the faster growing segments of the urban economy. With such patterns of development, the systems of cities created by modern capitalist development are bound to produce a dual structure of inequalities. Such dualism creates the basis for the magnification of material differences as the sumptuous and conspicuous lifestyles of the elites in the original primate cities are reproduced in the newer primate cities. A higher dispersion of economic rewards is also manifest in these primate cities than in peripheral cities.

Changes in the status of cities at various stages of development are accompanied by corresponding changes in the agglomeration patterns of the economic elites which explain, for example, the prominence of American capitalist elites such as the Rockefellers in New York City, New York, and Bill Gates in Seattle, Washington. For interurban inequalities promoted by the systems of cities, there is ample evidence of variations in resource distribution among the cities and towns within particular social systems (Sassen 1994) that support earlier findings on this subject. Those earlier findings revealed that in the Philippines, for example, Manila's dispersion of income per family was double that of other Filipino urban centers and in Thailand the dispersion in Bangkok-Thonburi was 50 percent larger than the dispersions in other Thai urban areas (Oshima 1970). When this dual structure of urban inequalities created by the systems of cities are juxtaposed with the forms or nature and purposes of urban economic activities, the forms and distribution of the modes of production, and the differential productivities made possible by these factors, strong support emerges for the views that urban inequalities are higher than rural inequalities in the early phases of modern industrial development.

The Political Basis of Rural and Urban Inequalities

Following the inception of sociology as a scientific discipline, sociologists were quick to recognize that systems of structural inequalities are dependent on

the political means to sustain them, which characteristically include the use of political socialization to induce the masses' acceptance of their legitimacy. The emergence of social stratification in human societies is now known to have been particularly contingent on political conditions such as the concentration of power and authority in the hands of a few members of the society who exercised control and ultimately dictated the manner in which its surpluses were distributed (Harris 1989). That historical precedent presages the political determinants of rural and urban inequalities at progressive stages of modern development. At the onset of industrial development and a modern nation-state, its economic dualisms are matched by political dualisms involving the traditional political institutions and apparatuses of the rural areas and a burgeoning modern political philosophy and structure alongside the traditional political institutions of the urban regions. By virtue of this bifurcation, a modernizing industrial society is composed of many units in which primitive and traditional political systems predominate the organization of social life and a smaller number of units where the emerging modern political institutions and structures become increasingly influential in the regulation of social behaviors. From that arrangement, a triple set of political governances that emanate form rural and urban political structures, as well as the modern centralized political organization of the state, becomes the primary political basis for upholding the patterns of societal inequalities so far depicted in this chapter.

Within the rural areas of a modern state there may exist individually or collectively a complex of political administrative machinery ranging from the informal political features of bands to the uncentralized and centralized political organizations of tribes. In the rural areas where the social organization of bands dominate, members enjoy the luxury of an egalitarian distribution of power that results from the absence of formal authority structures. These features of a band are reflective of its essence as a small group of related households in a generally defined territory of occupation that periodically come together on an ad hoc basis without surrendering their sovereignty or political independence to the larger collective. Because there are no formal authority structures in bands, there is emphasis on consensus building in making group decisions including the settlement of disputes. Reliance on informal means of social control to regulate everyday behaviors minimizes the role of the bands' informal leaders who have no powers over group members or their followers. Lack of power by band leaders, which translates into their inabilities to punish any group member for transgressions, makes the uncoerced acceptance of band leadership a function of the group's recognition of a leader's individual abilities or skills not demonstrated by others. Continuing success in occupying these informal leadership positions requires the consistent demonstration of such proven abilities and corresponding retention of the confidence of the group. Relative equality of political powers or lack of political powers among members of a band

ensures equality of access and distribution of societal resources, since no members possess the instruments of coercion that can compel others to accept subordinate and unfavorable economic status. This congruity of the political and economic dynamics of bands is deemed responsible for the common association of a band's political organization with foraging economies. Modernizing social systems that contain bands within their territories will exhibit lower political inequalities and corresponding high economic equalities in the non-urban segments where this particular political organization predominates. Band political organizations are believed to be the oldest form of political arrangement created by our primitive ancestors. In addition to the direct contributions of the social structures of bands to lower rural inequalities, there are the indirect benefits arising from the emulation of some features of their equality consciousness by the more differentiated rural units of organization that come into contact with the bands if, indeed, the former have not directly inherited those features from their own history.

Presumed inheritance of some egalitarian features of band political organization render some explanatory light to the origins of the limited political inequalities in tribal systems with uncentralized or multicentric structures of governance. Among the Ibibios, supporting evidence of this origin of their limited political inequalities is derived from the coexistence of some features of band economic behaviors, such as hunting and gathering, alongside their horticultural

economic organization. As in other African tribal systems with uncentralized or multicentric political structures, the local communities in Ibibio tribe enjoy an almost absolute autonomy that subjects the regulation of everyday behaviors to the internal administrative apparatus of the village, with only occasional appeals to an informal clan political structure that exercises limited political influence over a number of communities or villages that make up a particular clan. Within each village kinship and marital ties provide the foundation for an informal administrative structure that is sensitive to knowing every villager on a personal basis as members of a band also do.

The informal administrative structure of the village is usually augmented with the activation of some temporary or ad hoc mechanisms for the implementation of local policies or decisions, which are disbanded following the fulfillment of the specified objectives so that with the exception of the largely ceremonial position of the village chief, which every adult accorded elderly status can occupy, no one maintains or holds formal, permanent position with jurisdiction over the community as a whole. In the absence of such positions, decisions that deal with the general welfare of the community, including the settlement of disputes outside of immediate family networks, are made by all the elders, with the chief serving as the presiding officer but exercising no greater authority than other representatives. The diffusion of political influence inherent in this organizational strategy, encourages and even necessitates the attainment of

consensus and just verdicts in public discourse, since no one elder or group possesses sufficient power or authority to impose decisions and dominate other community members. Consensus building in public discourse suppresses the rise of such power imbalances through the obligatory faithful incorporation of all relevant perspectives into the decision-making machinery of the community. The accommodating results of this process is sometimes manifested in the resolution of disputes by the elders whose verdicts, following a direct presentation of cases by the litigants, emphasize the maintenance of community solidarity notwithstanding the issuance of punitive or restitutive sanctions against the guilty party. That consensual basis for justice and the paramount objective of reintegration of deviant parties into the community explains the absence of prison systems among many African peoples until contact with European culture in modern times.

Beyond the village level, clans composed of a number of related villages or communities constitute another level of political organization in some tribal systems that may predominate the rural areas of a modernizing social system. Within the tribal systems in Eastern Nigeria the informal political organization of the village is usually duplicated at the clan level which, more often than not, is concerned with issues and problems that affect two or more villages and the general welfare of the clan at large. With no central authority structures in these tribes, the clan administrative machinery also operates on an ad hoc and

temporary basis when needed in the resolution of cases. Because the clan leaders, chosen from the elders of the respective villages that make up the clan, do not possess any formal power to implement their decisions, the goodwill of the parties involved achieves enormous significance in accepting these decisions. Disputants abide by these decisions on account of their goodwill and respect for the elders motivated, of course, by genuine fears of ostracization from the community. Tantamount to the situation in bands, the diffusion of political power and authority characteristic of uncentralized tribal systems of a modern society becomes very conducive to lower conditions of economic inequalities due to the absence of political elites who take charge of the distribution of societal resources and surpluses. Perhaps more importantly, the absence of formal political leadership with a regimen of officers suppresses the rise or increases in economic inequalities by eliminating the siphoning of societal surpluses to maintain the lifestyle of economically unproductive political elites. Since no one group accumulates a sufficient amount of power to alter the relationships within and between the autonomous local communities of uncentralized tribal systems, the limited amounts of rural economic inequalities described in this study are reinforced at the early stages of modern industrial development.

A different pattern of premodern social organization in tribal societies that promotes lower rural-political and concomitant lower economic inequalities exists in the form of age-grade systems which designate community functions, rights,

and privileges to specific age grades. Where age grades serve as the primary instrument of organizing social life, as is the case among many tribal peoples in East Africa, passage into each age grade is usually achieved through the collective initiation of cohorts or persons of generally similar chronological age who are destined to progress together on the life-course cycle. Although these age grades are stratified with respect to their duties and privileges, thus making membership in one grade more desirable than others, a net leveling of such inequalities results from the fact that in the course of one's lifetime, the individual is generally well placed to pass through all relevant age grades and enjoy the associated rights and privileges.

Among the Masai of Kenya and Tanzania, the much coveted status of the Moran or warrior is achievable by every male who successfully progressed to the age grade of warriorhood from the age grades of childhood and boyhood, respectively. Entry into the fourth and last major age grade of elderhood whose members serve as the leaders of the tribe concludes one's faithful fulfillment of societal obligations and responsibilities as well as the enjoyment of privileges during a lifetime (Ole Saitoti 1980; Spencer 1988; Blauer 1998). For another East African group with similar age-graded social structure, the Tiriki of Kenya, important societal functions performed in progression through the age grades include guardian of the community by the warriors, administration and diplomacy

by elder warriors, adjudication by judicial elders, and the performance of religious functions by ritual elders (Sangree 1965).

The diffusion of political power and authority that characterizes the uncentralized polity of non-urban communities can coexist alongside the centralized political organization of other and distinct rural communities within the same modernizing state. In the context of some of the illustrative examples already referenced, the modernizing state of Nigeria illuminates the coexistence of uncentralized and centralized political organization in the different tribal systems that form the constituent units of that state. Unlike the major tribes in Eastern Nigeria which have no centralized tribal polity, the Yorubas of Southwestern Nigeria and the Hausas and Fulanis who inhabit the northern region of that country are organized into distinct polities with paramount leaders and royal households that preside over subordinate leaders or local chiefs and lesser administrators hierarchically linked to the center of power. As in other formal vertical power and authority structures, these tribal systems are imbued with unequal distribution of power that translate into differential access to societal resources. Leaders and subordinate officers in these systems can amass greater amounts of material resources than ordinary members of the tribes depending on their position in the chain of authority. Special levies designed to contribute to the maintenance of the royal households, control over natural resources such as land, the deployment of free labor, and the accumulation of surpluses for

redistribution, for example, through lavish community festivals, are among the mechanisms by which centralized traditional political organizations have historically induced material inequalities in a social system. Accentuation of these inequalities occur when the statuses of political leadership are earned by ascription whereby one who ascends to an office inherits the accumulated material wealth of the predecessor and can actually expand it. Rural residents in a modern state obtain relief from these kinds of material inequalities through a variety of conditions: the abundance of natural resources such as land that guarantees adequate share to every household for meeting the basic requirements of life, in spite of the preponderant share of the elites; limited amounts of surpluses which risk starvation if the elites appropriate these vital resources; and the prevalence of cultural ethos that emphasize the obligation of the leaders to the general welfare and well-being of the larger community. The absence of these and other equalizing factors will promote high and visible rural inequalities reminiscent of the stratification structures of some premodern, advanced horticultural and agrarian societies.

Unlike the wide range of political administrative typologies of the rural segments of a modernizing industrial society, the urban sectors are generally bound to require formal organizational structures with a centralized system of governance because of their comparatively more complex socioeconomic features formed in large part by larger population densities. Necessities for

formal organizational structures mean that some kind of criteria must be established for the selection and recruitment of personnel for the various layers of city and town political administration. At the early stages of modernization, that process, imbued with vestiges of premodern urban governance, is discriminatory against most urban residents who do not possess the perquisites for political leadership or the skills for administrative functions in contradistinction to the rural milieus where, basically, every adult resident is capable of performing their daily administrative functions.

We can gain insights into the political status of urban communes at the seminal stages of modern industrial development through an examination of the politics and administration of European cities and towns towards the end of the middle ages and the beginnings of the modern period which both intersect with the sixteenth century.[10] In this European setting we find that despite variations in the nature of towns and cities, primarily on the basis of their economic strength and size, most of them commonly duplicated in their organization the three-

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[10] What follows has been influenced by the author's readings from A General History of Europe series edited by Denys Hay and the series on The Rise of Modern Europe edited by William L. Langer. For the former series two works are of particular importance to this period of European history: Denys Hay, Europe in the Fourteenth and Fifteenth Centuries (New York: Holt, Rinehart and Winston, Inc., 1966) and H.G. Koenigsberger, George L. Mosse, and G.Q. Bowler, Europe in the Sixteenth Century (New York: Longman Inc., 1989). In the Langer's series, Myron P. Gilmore, The World of Humanism 1453-1517 (New York: Harper and Row Publishers, 1952) is a very useful source of historical knowledge on early modern European history. Much newer scholarship on various aspects of modern European history that has also benefited this section of the study is presented in Thomas A. Brady, Jr., Heiko A. Oberman, and James D. Tracy, eds., Handbook of European History 1400-1600: Late Middle Ages, Renaissance and Reformation, Volumes 1 and 2 (Leiden, The Netherlands: E.J. Brill, 1994).

layered stratification structure of the society at large, which placed people in a descending order into three estates composed of the clergy, the nobility, and townspeople as well as the peasants. In the hierarchical structures of city and town political organization, their first estate, if we can figuratively portray it as such, was composed of magistrates and politicians who exercised the political leadership associated with the highest political positions of the communes. This most exclusive layer of urban governance was often monopolized by oligarchies of property owners and wealthy merchants who commonly dominated town councils, in some cases, in the form of dynastic rule. The degree of exclusivity an urban dynastic rule can attain was demonstrated in the city of Venice where its patriciate reportedly admitted no new members to its ranks from 1381 until 1646, this in a Mediterranean region that was comparatively the most urbanized area of Europe in this time period. Although this was, even for this time period, an extreme form of exclusion, it serves as a demonstration of the smallness and restricted circles of political elites who occupied the highest political positions in city or town government.

To ensure the relative impenetration of urban political elite circles, some cities took the extraordinary step of creating an official record that stipulated the privileged families whose members were eligible for high political or administrative office. Venice was one of the cities where this exclusionary practice still existed in the early modern period, a practice imitated in other cities

including Frankfurt and Nuremberg. As a matter of fact, the admittance of merchants into these exclusive political circles that dominated city councils on the continent was itself some kind of progressive enlargement of political leadership achieved towards the end of the middle ages (Koenigsberger, Mosse, and Bowler 1989; Friedrichs 1995). That enlargement notwithstanding, urban political inequality was further strengthened by the widespread reliance on voluntary service in leadership and administrative positions, which practically further excluded the generality of urban residents from political governance; since many were not materially well-off to afford that level of free service to their community. For these individuals, solace could be sought in regular voluntary activities they were called upon to perform from time to time as in tax collection, military service, and preparations for festivals. The equally widespread conduct of executive councils' businesses and deliberation of policies in secrecy meant that most urban residents were far removed from the public policy-making process that governed their everyday behaviors and life chances. The bulk of the urban citizenry, which had very few meaningful political rights in the sixteenth century, had an indirect access to those processes through memberships in guilds that increasingly had gained the rights of representation in town councils. These rights were most embracing in the Swiss cities where, by the turn of the sixteenth century, the political power of the nobility and the privileged had been sufficiently softened.

Political inequalities created by the second estate of urban organizational structures were derived from unequal access to the expanding but limited bureaucratic administrative positions of city and town government. Increasing social differentiation and corresponding complexities of urban communes at progressive stages of modernity necessitated the expansion of governmental services that demand skilled professionals for their administration. Modern bureaucratic personnel required for the drafting of legal codes and administration of justice, fiscal planning and control including administration of taxes and management of public debts, as well as the general administration of provisioning and record keeping typifies the skills and knowledge that an aspirant to the administrative positions of urban government was expected to possess. With limited opportunities and high costs of training for the acquisition of these skills and technical expertise in the early modern period, very few urban residents could afford the privileges or rights of occupying these positions. Not surprisingly, this situation produced an undue duplication of political stratification in which the political elites who dominated the first estate of urban governance also predominated its high administrative positions in the second estate either by directly occupying these positions or providing their children with the privileged training that enabled them to occupy such positions. Children of merchants were particular beneficiaries of the limited educational training opportunities for the legal and administrative positions that placed urban employees in the top

echelon of public officials. Simultaneous occupation of multiple offices by urban political elites created situations in some European cities and towns in which a member in a city council could also serve at the same time as a legal advisor to the same city as well as an administrator in a department. When that monopoly of political and administrative authority is interlaced with the fact that many of these positions were maintained by the occupants till the end of their lifetimes, or thereabout, a clearer picture emerges of a freezing out of most urban residents from meaningful direct participation in the affairs of their communities. This situation was made worse in some cities and towns where the public sale of offices to the highest bidder or the appointment of wealthy urbanites to high offices for loans remained important features of urban political culture in early modern Europe. Since wealth was one of the most important entry requirements into urban elite circles, such practices constituted an inherent conferment of political privileges on an already restrictive urban economic class. Combined with the lingering premodern sentiments of favoring one's kinfolks in employment and campaigns for public office, the sale of offices and appointment for loans sometimes produced a disproportionate representation of closely related individuals in urban government. Ultimately, then, most urban residents desirous of a share in the political and administrative management of their communes had to settle for competition for service in the third layer of governance structures

where the unattractive positions and services, such as those of custodians, guards, messengers, and porters prevail.[11]

Other differences in rural and urban political organization with implications for intrasocietal inequalities stem from the greater power of city and town government that can be mobilized to influence the rural hinterlands to pursue policies and implement programs that serve the interests of townspeople at the expense of rural residents. The subjugation of rural domains and weak towns to the political and military power of dominant towns and cities within a social system can be calculated to produce favorable urban economic benefits ranging from the supply of consumable food resources to the supply of raw materials for production and serving as a secondary market for exotic town goods and services. Townspeople may also be motivated by their selfish economic interests to take measures to prevent rural residents from engagement in economic activities that represent a competition in similar undertakings in urban communes. These economic interests may coexist with non-economic interests that may include the exercise of sufficient influence and control over subordinate

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[11]Although this reconstruction of political stratification proceeds from a macro perspective of general applicability to early modern European cities and towns, the soundness of its assumptions is confirmed by their consistency with historical facts derived from focused studies on individual urban communes. Among such studies which have informed the author's view of this subject are Alan D. Dyer, The City of Worcester in the Sixteenth Century (Leicester, United Kingdom: Leicester University Press, 1973); Gerald Strauss, Nuremberg in the Sixteenth Century: City Politics and Life Between Middle Ages and Modern Times (Bloomington, Indiana: Indiana University Press, 1976); Judith C. Brown, In the Shadow of Florence: Provincial Society in Renaissance Pescia (New York: Oxford University Press, 1982); and R. Burr Litchfield, Emergence of a Bureaucracy: The Florentine Patricians 1530-1790 (Princeton, New Jersey: Princeton University Press, 1986).

domains to provide a reliable source of acquiring additional personnel to fulfill critical requirements in an urban crisis such as offensive or defensive military campaigns. Whatever the rationale, the exercise of urban dominion over subordinate units of a social system during the early phases of modern industrial development is bound to alter the premodern distribution of societal power at the expense of the rural milieus, either by the direct concentration of greater political power in towns and cities or by their indirect exercise of disproportional power at the increasingly centralized organs of an infant modern state. In fact, the strength of these urban communes is determinative of the birth and growth of a new and emerging nation state. For where cities and towns were able to maintain their relative high degree of autonomy and independence, the rise of a modern state has been known to have been unduly delayed for a long time in contrast to the rise and faster centralized growth of modern states with weak or weakened urban centers. The early birth of some modern European countries in the sixteenth century such as France, United Kingdom, and Russia is attributed in part to the latter factor in contrast to the late emergence of Italy as a modern state caused in part by its independent and mighty cities.

These assertions on rural-urban political relationships and their impact on intrasocietal inequities are given evidentiary credence by the historic relationships among many European towns and cities and adjacent rural communes in the late middle ages and the early modern period. In what

essentially amounted to city imperialism, extensive adjoining villages and some weak towns were brought into direct political rule of very powerful towns and cities which perceived the annexed territories as legitimate constituencies for exploitation. That practice of imperialism, most common among the Italian city states, Spanish, south-German, and Swiss towns, but most embedded in Italian political culture and history, was designed to achieve several economic benefits, with one of the most prominent being securing a reliable source of food supply to the more populous metropolitan cities and towns. Another prominent economic objective of political rule over these contadi, as the Italians call them, preventing competition with the urban economy, was often achieved with prohibitive regulations sometimes supported with punitive measures. The cities of Ghent and Bruges demonstrated that combination in the sixteenth century when their urban weavers from time to time invaded the adjoining rural communities to destroy peasant looms in order to prevent rural weaving of woolens that was one of the main occupations in these two cities during that time period. Where such direct assault on rural manufacturing was eventually deemed undesirable, urban economic agents devised means of controlling that enterprise by integrating it with city or town industrial organization, as was the case with the Florentine cloth industry and that of Bury St. Edmunds, England.

Other municipal authorities preferred the practice of restricting competitive rural economic activities as a means of bolstering a dwindling urban industry.

The many instances of this version of urban economic imperialism are reflected in the numerous municipal statutes and ordinances that specified precise restrictions against rural industrial work in this period, such as the 1590 ordinance in Ipswich, England, that commanded its urban clothier against contracting more than half of his work to the country if the clothier could get the work done at a similar level of efficiency within the town without special leave of the bailiffs. Still, other municipal governments sanctioned restrictions against rural competition through immigration requirements that denied rural workers entry into the city but exploited their labor by forcing them to remain in their adjacent native villages and work for urban employers. The city of Basle had achieved these objectives in its contado by restricting workers without property from migrating to its urban environs (Unwin 1904; Koenigsberger, Mosse, and Bowler 1989). All these measures prove that even when rural communities were made an integral component of urban political organization, the rural residents in the subsequent contadi were rarely accorded the rights and privileges of the city or town citizen.

Urban domination of European rural hinterlands also occurred through the use of greater political and military power to influence events in areas that were not under urban administrative jurisdiction. Political and military pressures were regularly brought to bear on rural communes to reverse policies or programs that were deemed inimical to the interests of a city or town that were sometimes

defined to include the establishment of a competitive market in the rural areas. At the early stages of modern industrial development and state formation, such domination is particularly lacking in remedial measures until the central organs of the state government are strong enough to bring the mighty cities and towns under effective national control. The extension of urban political power at the early phase of development to areas outside a city's or town's jurisdiction was duplicated in the sell or grant of resident's rights to individuals who were known as outburghers. Purchase or conferment of these rights, which persisted in some early modern European urban communes in spite of prohibitions, was generally accompanied by the offer of protection to the outburgher by means of the town's political and military prowess (Edwards 1982; Scott 1986). If such offers of protection seem pretentious, it should be remembered that despite the general decline of city powers and autonomy in the course of the sixteenth century, a number of cities and towns had successfully retained adequate degrees of independence and military strength to defy princely and imperial powers or to challenge a foreign power in a manner that would be characterized today as international military diplomacy. Successful defiance of princely and imperial powers was clearly demonstrated by Swiss towns which renounced the imperial authority of what was left of the Holy Roman Empire and asserted full independence and autonomy, safeguarded and strengthened with organization of these towns and some Swiss villages into a Swiss Confederation.

For successful military assault on foreign powers the city of Lubeck, leader of the once powerful Hanseatic League, provides an example in the sixteenth century through its military defeat of Denmark in 1522 that led to the ascension of a new Danish king, Frederick I, to the throne in 1523 and the strengthening of his hold on power by Gustavus I of Sweden on whose side Lubeck had entered the conflict with Denmark. The concessions of revived dominant trading rights extended to Lubeck and the Hanseatic League by the two kings by virtue of this military triumph was however short-lived when Lubeck's larger designs to break up the kingdom of Denmark brought about its defeat in 1534 through the alliance and collective military campaigns of Denmark, Norway, Prussia, and Sweden (Maland 1973; Koenigsberger, Mosse, and Bowler 1989). Lubeck's city imperialism was matched only, if not surpassed, by the very well known domestic and foreign intrigues of the Italian city-states that sometimes required an alliance of major European powers to subdue even in the sixteenth century.

Urban Political Dominance via National Instruments of Governance

As cities and towns are subdued and made an integral part of a modernizing industrial state, their direct political and administrative domination over rural communes becomes increasingly transformed into an exercise of disproportionate powers and authority over these communes via the instruments and institutions of the central government. Transformed processes and

structures of political inequalities within the domain of a new modern state can be attributed to the newfound status of some urban communes as capital cities and provincial headquarters, the extension of national governance apparatus to the rural regions, and the subordination of all local communities within a state to the higher interests and rule of the central government. Urban communes that serve as capital cities and/or provincial seats of governments impact the prevailing conditions of intrasocietal inequalities through the empowerment of a new class of urban political and administrative elites, which make and implement laws and regulations which require the utilization of societal resources that may include taxation for the creation of modern infrastructures and purchase of equipments for government operations concentrated in these urban communes. Because only a select number of privileged cities or towns can enjoy these advantages at the early stages of state development, it amounts to the use of lopsided political power to generate resources from the society at large for the greater benefits of a few urban environs.

The status of national and/or regional capital is further conducive to increased political inequalities at the early stages of development by providing urban residents in general, and urban elites in particular, closer access to the sources and holders of power and authority who may be inclined to react favorably to the concerns or requests of citizens. At the early phases of industrial development when the means of communication and transportation conspire to

create long distances among the various units of a social system, direct access to the centers and holders of power confers a not insignificant benefit on these privileged urban communes that place distant communities and residents at a great political disadvantage. Although this source of political inequality was most acute at the early modern period when many of the present western European countries emerged as modern states,[12] its distancing effects, though greatly reduced, have not dissipated even at the beginning of the twenty-first century. Many developing countries are still characterized with constrained access to their respective seats of national and regional governments because of inefficient communication and transportation systems. In fact, a recognition of this source of political and associated economic inequalities has contributed to the rationale of some national governments to relocate their capitals in developing countries sometimes at great financial costs. Nigeria's relocation of its capital in the 1980s from Lagos to Abuja, a relatively uninhabited part of the country centrally located to provide reasonably distributed uniform distance from the farthest regions, represents an example of these changes which, in this case, was also influenced

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[12] The slowness of communication is evident in the estimated timeframe for the speed of news and delivery of documents on the continent in the late fifteenth century. From Venice to Augsburg it took a maximum of 21 days to a minimum of 5 days and from Venice to Paris a maximum of 34 days and a minimum of 7 days. From Venice to Vienna it took an estimated maximum of 32 days and a minimum of 8 days. These and other indications on the slowness of communication and transportation in this time period are presented in Denys Hay, Europe in the Fourteenth and Fifteenth Centuries (New York: Holt, Rinehart and Winston, Inc., 1966).

by the congestion of its premier capital and tribal politics. Extensions of national governance apparatus to rural regions offset existing balance of power and authority structures by introducing political inequalities into areas where none or limited amounts exist, and strengthening them where there are large gaps between the rulers and the ruled. Alterations in rural political and administrative structures occur through the cooptation of local leaders to serve in dual capacities that allow them to act simultaneously as agents of national and regional authorities without relinquishing their local positions. The extent of changes in political relationships associated with this arrangement is a function of the nature of power or authority accorded these local leaders by the state government and the incentives for them to exercise that power or authority. If the cooptation is based primarily on the recognition and valuing of traditional authority and institutions by officers of the modern state, local leaders can perform their double function by serving as officials of the state with salaries and other compensations without necessarily offsetting the local distribution of power and authority. In such situations, co-opted leaders are ceremonial officials of the state who may act to legitimize its authority through their presence in the local communities, but who have no incentives to alter the extant political relations of the populace. The relationships between traditional chiefs and various post-independence Nigerian governments are consistent with this persistence of prevailing local political relations in spite of the newfound dual position of the

chiefs though that persistence has occasionally experienced some temporary disruption when the government supports one local faction over another in chieftaincy issues.

When the dual positions of traditional leaders make them active agents of the state with the power to enforce laws and implement programs, extant political relations are radically transformed. For example, new or increased political and associated inequalities are bound to occur when traditional leaders are empowered to collect taxes and other levies on behalf of the state and/or regional governments and are rewarded with commissions, in addition to their official state salaries. Because of the incentives associated with these commissions, these dual leaders are likely to increase the cost of resources levied on the local population or intensify their collection efforts of the levies stipulated by the state in order to generate sufficient surpluses with good returns for their shares. The relationships between the respective chiefdoms and the Liberian government in West Africa, for instance, symbolizes increases in political and economic inequalities that can result from such grant of power and authority to traditional leaders. Increases in rural inequalities in Liberia that stem from the interaction of the state and traditional authority structures are manifested in the enhanced status and expanded power of the paramount chiefs who, in their dual capacity as local leaders and state officials, are responsible for collecting taxes and other levies on a commission basis for the central

government. There are therefore sufficient incentives for these leaders to employ their expanded power within their respective chiefdoms to exploit the rural population in order to generate increased surpluses that can be shared disproportionately to the advantage of the modern Liberian state (Gibbs, Jr. 1965b).

The domination of the modern state over the rural segments of a social system via the exalted positions of urban elites is also revealed in the inherently unequal systems of political representations that characterize the early stages of development. Because the institutions and organizational structures of the state are designed primarily by urban elites, they are frequently subject to manipulation for their own self-interests, sometimes to the point of effective subversion of the potential positive attributes of these modern institutions and organizations for the rural segments of a social system. A case in point is the frequent subversion of the principle and practice of representative government through self-aggrandizement of urban elites who superimpose themselves on the rural population as its representatives by creating or manipulating residency requirements in ways that allow them to contest elections where they do not live. The prominence of this source of political inequalities is embodied in the fact that in the early and intermediate stages of modern industrial development, as is the case with many of the present developing societies, it is not unusual for urbanites to be elected as representatives of rural legislative districts based on the mere

fact that they were born in these districts. Nigeria's most basic level of national political organization, the local government units, ostensibly created to bring modern institutions and structures of the state closer to the people, are so effectively permeated by these influences that urban political elites are regularly elected in rural districts as chair, the highest position of authority in these local governments. Nigeria's national and regional legislative assemblies are equally permeated by these influences and undemocratic representations.

Disproportional representations of urban segments of a social system in the major organs of a modernizing state along with the leading role of urban elites in shaping and interpreting its institutions and aspirations ultimately conspire to widen rural-urban political and economic inequalities due to lack of significant input into the decision making processes and resultant societal policies by rural residents at the early stages of development. This unbalanced constellation of power and authority to the advantages of the urban regions of a modern state is directly responsible for the introduction of laws and regulations that typically impose an unfair share of the burdens of modern industrial development on rural economies and population. These burdens frequently include the excessive extraction and withdrawal of rural natural resources purportedly needed for the industrialization projects of the state sometimes without any compensation. Historical instances of the use of state power to direct rural resources into industrialization projects that favor urban residents are evident in the history of

the Soviet Union under its socialist government in the first half of the twentieth century. During this period, especially in the 1920s and 1930s, the confiscation of landlord properties and state-ordered withdrawals of rural resources contributed to shortages of food and starvation among some rural residents who were forced to give up a large share of their agricultural produce to help support urban residents, some of whom were engaged in the former Soviet Union's industrialization projects (Heller and Nekrich 1986). In the nineteenth century, the high-handed taxation of the peasantry in Meiji Japan was rationalized as a method of stimulating productive investment and societal development. Much earlier in the century, rural dwellers encountered similar experiences in the United Kingdom when the practice of enclosures amounted to a deliberate policy of displacement of peasants from land converted into pastures for husbandry whose final products were consumed mainly by European elites of the early modern period.[13]

State support of urban elites in their exploitative economic relationships with rural residents in the early modern European period is also manifested in English parliamentary acts singularly created to promote and protect the economic undertakings of the former at the expense of the latter. A parliamentary act

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[13] A comparative analysis of the experiences of English and Japanese peasantry against the backdrop of these hostile policies is presented in chapter five of E. Herbert Norman, Japan's Emergence as a Modern State: Political and Economic Problems of the Meiji Period (New York: Institute of Pacific Relations, 1940).

passed in 1523 mandated that no worsteds woven outside of the town of Norwich were to be further processed outside that town and that no worsteds not so processed can be exported. Another act passed in 1523 forbade the sale of clothes to foreign merchants except at ports or fairs thus forcing rural manufacturers with difficulties of access to such trading places to dispose of their wares through urban merchants who consequently dominated that trade to the detriment of the rural-based manufacturing and capitalists (Unwin 1904). Contemporary trends of this urban favoritism, which has otherwise been theorized as urban bias (Lipton 1984), are manifested in various disparities in rural-urban socioeconomic status, including lower rural consumption patterns caused by development policies based on increasing savings to stimulate investment; higher rural unemployment sustained by reliance on capital-intensive methods of development that utilize very limited rural labor; and less desirable rural life circumstances produced by unequal access to modern amenities including safe drinking water, health services, transportation, and electricity which, oftentimes, is provided to urban residents from dams constructed in rural settings. Insights into the extent and seriousness of these rural-urban disparities in life experiences at the early stages of development is provided through the select data in Table 3.3.

TABLE 3.3. Distribution of Urban and Rural Poverty in Select Countries

		National poverty lines		
		Population below the poverty line (%)		
Country	Survey Year	Rural	Urban	Total
Algeria	1988	16.6	7.3	12.2
Bangladesh	1991-92	46.0	23.3	42.7
Brazil	1990	32.6	13.1	17.4
Cambodia	1993-94	43.1	24.8	39.0
Cameroon	1984	32.4	44.4	40.0
Chad	1995-96	67.0	63.0	64.0
China	1994	11.8	<2	8.4
Colombia	1991	29.0	7.8	16.9
Dominican Republic	1989	27.4	23.3	24.5
Ecuador	1994	47.0	25.0	35.0
El Salvador	1992	55.7	43.1	48.3
Ghana	1992	34.3	26.7	31.4
Honduras	1992	46.0	56.0	50.0
India	1992	43.5	33.7	40.9
Indonesia	1987	16.4	20.1	17.4
Kenya	1992	46.4	29.3	42.0
Lao PDR	1993	53.0	24.0	46.1
Lesotho	1993	53.9	27.8	49.2
Mongolia	1995	33.1	38.5	36.3
Morocco	1984-85	32.6	17.3	26.0
Nepal	1995-96	44.0	23.0	42.0
Nicaragua	1993	76.1	31.9	50.3
Niger	1989-93	66.0	52.0	63.0
Nigeria	1985	49.5	31.7	43.0
Pakistan	1991	36.9	28.0	34.0
Paraguay	1991	28.5	19.7	21.8
Peru	1994	67.0	46.1	53.5
Philippines	1994	53.1	28.0	40.6
Romania	1994	27.9	20.4	21.5
Senegal	1991	40.4	16.4	33.4
Sierra Leone	1989	76.0	53.0	68.0
Sri Lanka	1985-86	45.5	26.8	40.6
Tunisia	1985	29.2	12.0	19.9
Vietnam	1993	57.2	25.9	50.9
Yemen, Rep.	1992	19.2	18.6	19.1
Zambia	1991	88.0	46.0	68.0

Source: World Bank, World Development Report 1999/2000:Entering the 21st Century (New York: Oxford University Press, 2000a), Table 4.

Juxtaposed with these expanded rural-urban inequalities at the early stages of development is a generalized intrasocietal political stratification introduced by related forces unleashed by the transition from a premodern to a modernizing social system. Generalized intrasocietal political stratification associated with this transition emanates from the stringent requirements and criteria for direct meaningful participation in modern political processes as well as those for selecting the planning and administrative personnel that help formulate and implement the political decisions of a modern state. In many cases the transition from premodernity to modernity produces a small group of political elites and power holders who determine the requirements and criteria for the direct involvement of the populace in the political life of the modern state. Historically these elite groups from the monarchies and princely authorities to capitalists, colonial powers, and army generals have demonstrated remarkable proclivities for imposing prohibitive restrictions against collective participation in the political life of the society. Within the range of these restrictions are property requirements that prevent non-property owners from holding important political offices and exercising the franchise; literacy qualifications that denied these rights to non-literate persons; ascribed requirements that preserve certain political positions to individuals of noble birth; and residency credentials that foreclose political offices and voting rights to certain members of a modern state.

Against the backdrop of these prohibitions, large segments of the population of the state, from women to members of racial and ethnic minority groups, are effectively excluded from the political life of their society, hence, a generalized rise in political inequality. Due to the complexity of social life in a modern society that brings about the mandatory involvement of the state in economic organization, those who are excluded from political decision making processes are equally disadvantaged in the economic realm because their lack of input into the former generally means a subordinate role in the latter that more often than not, represents the transformation of political into economic stratification.

Requirements and criteria for selection of the planning and administrative personnel of a modern state reinforces the preceding patterns of stratification by expanding intrasocietal gaps in authority structures as a relatively small proportion of individuals are presented with the opportunities to obtain the training and skills that fulfill these requirements. With limited opportunities for formal educational training and associated technical competence, the few individuals who are granted this privileged training become a greatly sought-after group of elites that supply the personnel for the planning and implementation of the various programs of the modern state conceived in general form by politicians. Because of the enormous authority that the new and higher technocratic and bureaucratic positions of a modern state command, the privileged group of trained individuals which occupy these positions inherits the

rights and legitimacy to determine how and when to implement governmental decisions and programs that very often affect practically every member of the society. This monopoly of the higher authority positions of the state represents another form of exclusion from societal affairs that further enlarges the gaps between the rulers and the ruled at the early stages of development. Politicians and bureaucrats therefore become the greatest beneficiaries of the power and authority of the modern state that bring to them corresponding economic rewards that most members of the society can not duplicate at that level of societal growth and development. With the expansion of educational training opportunities at progressive stages of development, the pool of qualified bureaucratic administrators is gradually enlarged to include an increasing share of lower class members and rural residents who accordingly obtain improved chances of selection for these positions. Improvements in the bureaucratic employment status of a modern state notwithstanding, high intrasocietal political and authority stratification still remains a reality when this enlarged pool of potential administrators is divided into two categories of elites composed of a larger group that supplies the candidates for the low to medium positions of modern polity and a very small group from which the candidates are selected for the highest positions of the polity. At higher levels of development, this process still remains an important operative factor of national governance, explaining the persistent preponderant influence and number of positions occupied by upper

middle class and upper class individuals at the highest levels of state political and administrative organizations. On that basis, the preponderance of the societal political power of the elites conforms to the assumptions of Mosca and Pareto on the persistence of two classes of the ruled and rulers reviewed in Chapter II while the ubiquitous influences of bureaucratic elites harmonizes with Weber's predictions on the stratification effects of bureaucracy and bureaucrats in modern societies.

The Cultural Basis of Stratification in the Early Stages of Development

The dualistic structures of development and stratification depicted in the preceding section are anchored in similar dualistic cultural ethos that create and legitimize different life circumstances in distinct units of a modernizing society. Because most or greater proportions of residents in a modernizing society usually reside in rural environments, rural cultural ethos tend to play a predominant role in maintaining and recreating the inherited premodern views that inform their systems of production and distribution. In spite of the obvious presence of stratification in the distribution of economic and political resources in some rural regions of a developing society, rural cultural ethos are generally imbued with values and norms that attenuate the excesses of such inequalities with a resultant lower toleration of unequal access to resources than urban residents. Such cultural values as cooperation, generosity, hospitality, sharing,

as well as group and communal welfare are accorded so high a significance in many rural environments that the wealthy and privileged are culturally compelled to engage in acts that curb the worst manifestations of inequalities. These cultural provisions and behaviors explain, for instance, the general absence of homelessness in rural regions of a modern society while it may be prevalent in urban regions where material surpluses are actually more abundant. Rural cultural ethos prohibiting extreme deprivations are represented in many aspects of daily life ranging from folktales to millenarian predictions, plays, popular arts, songs, and religious mythologies to serve as a regular reminder of the consequences of violating the norms that promote and safeguard these ethos.

Early modern Europe expressions of these cultural sentiments include the views of country folks who regarded some kings as concerned fathers of the people who may only be misled by the officials into taking actions that are antithetical to their interests and welfares. French country folks manifested that attitude in the popular belief that their King, Louis XII, had cried when he was confronted with the necessity of taxing his people. The admiration and popularity of St. Nicholas on the continent who was reputed to have thrown his money into the house of a poor man at night in order to provide his daughters with the dowries they needed, served as a regular reminder of the virtues of such deeds. French popular culture celebrated the fictional figure, Bonhomme Misere, as a poor but kind peasant whose hospitality to two travelers led to the granting of his

wish that anyone who climbed his pear tree, his only property in the world, should not be able to come down until he wished it. The now very well known Robin Hood stories of one who robs the rich to help the poor were not uncommon in some regions of Europe in this time period. For those who did not comply with these cultural ethos but preferred to perpetuate material inequalities between the country folks and the wealthy and privileged, popular culture left no doubt about the consequences of their behaviors. A Catalan ballad expresses the poignant view that the Count's ghost confesses that he is in hell for having underpaid his workers while similar sentiments were echoed all over the continent warning businesspeople who engaged in perceived nefarious dealings, such as charging interest on monetary loans and hoarding goods, about their doomed fate in hell fire unless they repent.[14]

While the preceding cultural ethos are calculated to minimize inequalities in the midst of legitimized material distinctions, other cultural practices are directly designed to eliminate or regulate the accumulation of economic resources in order to prevent high levels of economic and associated inequalities. Among the most elaborate of the cultural beliefs and practices developed with specific intentions to produce communal leveling through restrictions on the accumulation

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[14] These folktales and cultural mythologies are taken from Peter Burke, Popular Culture in Early Modern Europe (New York: Harper Torchbooks, 1978). Their stratificational implications are assumed by the present author.

of economic surpluses is the cargo system of the Maya Indians. Under this system of civil-religions hierarchical organization of communal offices, each male citizen is expected and obligated to occupy one of the offices at least once in his lifetime when he expends accumulated personal economic resources on relevant community functions and festivals including the rite of passage that marks the end of one's term of office and transition back into regular community life. All the expenses associated with the functions of a particular office, including those for food, drinks, and music as well as payments in cash or in kind to those involved in conducting the feasts, can reach such high proportions that one's economic resources accumulated in years are depleted during a particular term in office that usually lasts for one year. Strong social pressures applied to male citizens of the tribe to participate in the cargo system even produce situations in which those without sufficient accumulated material surpluses are compelled to seek work and create the resources that satisfy the requirements for entry into an office in order to give away those resources. Because services in an office do not attract any remunerations or economic compensations, the depletion of surpluses during one's term necessitates renewed accumulation following the departure from office that generates new social pressures to apply for a higher office which the wealthy must oblige in this perpetual cyclical pattern of leveling mechanisms. In view of the pyramidal structure of statuses and offices in the cargo system, the highest offices carry with them higher greater economic

demands that provide the wealthiest members of the community the mechanisms and rationalization for giving away their surpluses thereby maintaining the desired levels of egalitarianism in society. Incidentally, the achievement of effective communal control over material differences among the Maya Indians produces the unwished-for consequences of expanding the social prestige of higher positions in the hierarchy which ironically create higher incentives for the wealthy to aspire to these positions (Haviland 1989, 1996).

Other culturally sanctioned leveling mechanisms that predominate the traditional segments of a modernizing society include the Big Man feasts and the Kula Ring trading systems of the native people of Papua New Guinea. In the former practice, individuals with ambitions of occupying the status of a Big Man are required to generously expend their economic resources by organizing sumptuous feasts for the community. Because elevation to the status of Big Man earns great amounts of social honor and potential political influence, Big Men who aspire to retain their positions must ceremoniously give away accumulated material surplus including significant food items in cyclical competition to gain a higher standing. By generously giving away and sharing surpluses that are laboriously produced and preserved in the periods preceding these competitions, material differences are significantly diminished in the community in exchange for social prestige and leadership roles with no formal office nor institutionalized power (Oliver 1955; Sahlins 1963; Harris 1989). In the Kula Ring trading system,

leveling is attained through the regular exchange of precious items, particularly armshells and necklaces, in inter-island trade voyages that sometimes last for weeks or months at a time. Periodic circulation of these items whose values are measured by their longevity and the prestige of previous possessors ensures that no one participant maintains a particular item for a very long time regardless of its value and the associated social prestige of the possessor. Because every male participant in this exchange system can potentially acquire any of these items for a limited time period before it passes on to a new possessor, the kind of material inequalities that prevail under conditions of permanent hoarding or possession of wealth items are strictly curtailed in this system (Malinowski 1950; Leach and Leach 1983; Bates 1996).

The potlatches of the northwest coast Indians of Canada and the United States also serve as effective means of controlling the excessive accumulation of economic wealth that can disrupt the goodwill and social solidarity in the traditional segments of a modernizing industrial society. Potlatching operates as an effective instrument of redistribution of economic surpluses through the generous feasting, grandiose gift giving, and sometimes the public burning or destruction of valuable items that are designed to validate a potlatch giver's claim in the minds of the guests. Although as a cultural practice potlatches are held to celebrate many aspects of life experiences by the Indians including births, marriages, and even deaths, the most sumptuous potlatchings which, therefore,

involve the greatest redistribution, are those given for rivalry especially among competing redistributor-chiefs. Since the gifts given away or publicly destroyed are a means of demonstrating to the guests the potlatch giver's wealth and generosity, there is a strong incentive to outperform one's competitor in organizing a subsequent potlatch in order to validate a claim over a rival. Of particular importance are the gifts given to high-ranking chiefs at a potlatch; for although generally every guest is entitled to a gift, these chiefs will receive the most valuable items which vary in proportions in accordance with their ranks among those in attendance. Recipients of high-priced items as measured in symbolic value either as gifts or witnesses to their destruction are apt to be donors or destroyers of still higher-priced items for their benefactors in subsequent potlatchings so that with the gifts given to less prestigious guests a wide range of items can be dispensed in one potlatch, which sometimes lasts for days. Among the known items of potlatchings are fish oil, flour, kettles, blankets, furniture, pool tables, sewing machines, artisanally designed copper whose potlatch history determines its values, as well as money, and, in the distant past, slaves. The enduring incentives and motivations to participate in rivalrous potlatches that dispense this variety of items in the midst of communal feasting stem from the fact that inabilities to regularly outperform a rival and upgrade one's status inevitably generate a shifting of alliance to the more successful redistributor-chiefs (Benedict 1961; Piddocke 1965; Rohner and Rohner 1970;

Harris 1987). Therefore similar to the cargo system of the Maya Indians, potlatchings form a cultural cyclical pattern of redistribution that place a desirable check against excessive economic disparities.

When these various cultural systems characterize the society at large, their salubrious effects on inequalities are experienced at a macro level. However, as they become increasingly confined to the rural and traditional segments of a modernizing industrial capitalist society, each cultural system becomes an equalizing agent in these segments while modern urban cultures promote and legitimize inequalities through the rationalization of social life and the attendant preoccupation with the pursuits of self interest. To be sure, modern cultures do contain elements that seek to address extreme deprivations among its residents at the early stages of development, but such cultural values are aimed at preserving limited surpluses for periodical distribution to the most needy and, therefore, do not function as compelling forces against economic inequalities in the fashion of the rural and traditional cultural systems. As a matter of fact, the reverse is generally the case as the birth of modern capitalism in urban cultures advocates and legitimizes the realization of profits as the underlying and fundamental motive for economic pursuits while the unbounded accumulation of wealth and the sanctity of private property become the hallmark of achievements and high status in society. Because these modern cultural ethos emanate from the urban communes where they eventually radiate to the traditional sectors of a

modernizing society, they inevitably sanction higher urban inequalities at the early stages of capitalist industrial development.

About the development of ideas in urban communes and their spread to rural environments, modern scholarship has created an ethnocentric view of superior, more worthy urban culture with a civilizing mission for village or country folks. On the basis of that ethnocentric view, modern scholarship has often mischaracterized village culture as static, unprogressive, and inhibiting of dynamic development while the villager molded by these cultural attributes has been commonly perceived as ignorant, uninformed, rigid, and unreflective. As a villager born into a traditional African society with strong elements of primitivism, the author is compelled to contribute to the emerging new voices in contemporary academia that seek to dismantle these patently absurd views of the villager and village community especially against the backdrop of his uncomfortable life experiences in different urban settings across modernizing, modern, and postmodern societies. Notwithstanding the risks of digressing beyond the scope of the present study, it is pertinent to offer a modest refutation of these unscholarly views by drawing attention to the naturalistic, authentic, cooperative, and realistic life orientations in village communes in virtually all African civilizations. Outside of African civilizations we can also find evidence of dynamic village communities in early modern Europe which effectively counters the unsound notion of static and rigid rural cultures in spite of the domination of

these communities by rural and urban overlords.[15] From a global perspective, it can be proven that none of the major modern socioeconomic, political, and religious movements from the Protestant Reformation of the sixteenth century to the Industrial Revolution of the nineteenth century, and the subsequent Bolshevik and Chinese socialist revolutions of the twentieth century, could have achieved their successes without the resources of the village and the enthusiastic participation of the villager. Rural preferences for stability in social organization and obedience to legitimate authority along with its predilection for reasoned gradual social changes should no longer be mistaken as evidence of morbid worldviews.

Stratification Implications of the Integration of Component Units of Modernizing Societies

So far our theoretical exploration has exposed a multiplicity of dualisms that characterize the socioeconomic, political, and cultural systems of societies at the early stages of modern capitalist industrial development with consequent results of varying degrees of intrasocietal inequalities. Our exploration has also revealed that the rural and traditional segments of a modernizing social system

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[15] A similar sympathetic view is available in Thomas W. Robisheaux, "The World of the Village," In Thomas A. Brady, Jr., Heiko A. Oberman, and James D. Tracy, eds. Handbook of European History 1400-1600: Late Middle Ages, Renaissance and Reformation Volume 1: Structures and Assertions (Leiden, The Netherlands: E.J. Brill, 1994).

are more likely to exhibit lower levels of inequalities than the urban and modern sectors at the early and intermediate stages of development. Given this situation, the population distribution of a social system at these stages of development becomes a crucial factor that conditions the transformation of dualistic system of inequalities into a distinct pattern of overall intrasocietal stratification. In the absence of countervailing forces, that pattern is bound to be one in which the segments of the society with the larger populations exercise greater and undue influence on the overall level of intrasocietal inequalities. Because the rural and traditional sectors of a modernizing society are imbued with larger populations than the urban and modern sectors at the early phases of development, the overall levels of inequalities should be relatively low on account of the greater weight of these populations which reside in areas of less inequalities.

The assumption that rural, traditional units contain larger populations than the urban, modern sectors at the early phases of development is derived from the fact that urbanization itself is one of the important characteristic features of modern industrial development and, therefore, its limited presence at the beginnings of that process can only accommodate a few members of the society. Gradual expansion of that developmental process is intimately associated with corresponding expansion of urbanization that accordingly increases the urban shares of the general population. Evidentiary data on these demographic

patterns indicate that the bulk of the population of the most advanced industrialized societies resides in the urban regions while the reverse condition of higher rural than urban populations prevail in those developing countries minimally or modestly affected by modern industrial processes. For example, among the sub-Saharan African countries, the average urban population as a share of total population was about 32.7 percent in 1998 while that of the member states of Organization of Economic Cooperation and Development (OECD) was 76.9 percent. The upper and lower limits of an individual country's urban share of total population were recorded by Botswana with 68.8 percent and Rwanda with 5.9 percent in the sub-Saharan region in comparison with Belgium with 97.2 percent and Portugal at 37.0 percent in the OECD region (UNDP 2000). This trend of increasing urbanization at progressive stages of modern industrial development is consistent with the demographic transition of the western European countries[16] which experienced this phenomenon much earlier than others, although the pace of that transition is much faster in the present developing societies. As long as a significantly larger share of a social system's population reside in the areas of lower inequalities, the weight of that population will induce lower overall inequalities.

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[16] Among the relatively recent useful reviews and analyses of European population dynamics in the early modern period is Jan deVries, "Population," In Thomas A. Brady, Jr., Heiko A. Oberman, and James D. Tracy, eds., Handbook of European History 1400-1600: Late Middle Ages, Renaissance and Reformation Volume 1: Structures and Assertions (Leiden, The Netherlands: E.J. Brill, 1994).

An unbalancing of this status of lower overall levels of intrasocietal stratification commences when the forces of modernization initiate or accelerate increasing interaction and integration of the diverse component units of the social system which compromise the status quo in the differential distribution patterns of rural and urban communes. Prominent among the forces of modernization that unleash such changes are the centralizing tendencies of a modern nation state that seeks to extend its domain and bring all component units under effective control as well as variegated life conditions that constitute urban pull and rural push factors to the modernizing industrial centers of the society. Increasingly strengthening the incorporation of diverse premodern and modernizing communes into the social organization of a modern state facilitates responses to the urban pull and rural push factors of intrasocietal migration by force of national laws and regulations that provide similar rights of freedom of movement and residency to all citizens except in cases of discrimination against certain minorities. With guarantees of freedom of movement and rights of residency, rural push factors, associated with population pressures generated by the larger population shares in the traditional agricultural economic sectors that become increasingly more subordinate to the modern industrial economy of urban communes, are given generous outlets that take increasing number of rural residents to these communes. Where there is a limited amount of fertile land or where a disproportionate amount of fertile land is controlled by a small

number of elite landlords as in many Asian and Latin American countries, rural population pressures are known to produce many negative socioeconomic consequences reflected in fragmentation of lands and attendant lower productivities that promote the land flight, which very often takes many rural residents to the urban areas in search of work in the new modern industrial economic establishments.

Increased interaction among the traditional agricultural sectors and the modern industrial sectors at progressive stages of development also creates deteriorating terms of trade for the former evident in the exchange of greater quantities of goods or resources for similar amounts of modern industrial products from the urban communes. Such deteriorating terms of trade along with limited employment opportunities with high economic rewards as well as inadequate educational opportunities for acquiring the skills and knowledge highly demanded in the modern urban sectors become additional rural push factors that motivate migration to these modern sectors of the economy. Perceived lack of the conveniences of modern lifestyles also serves as a push factor that combine with considerations of higher economic rewards to attract some rural residents to the urban communities of a modern state. When these

push factors are combined with the urban pull factors[17] of higher economic rewards in the form of incomes and profits, diversity of employment opportunities, expanding opportunities for educational and technical training, and the conveniences of social life related to modern technologies, an irresistible attraction for rural-urban migration becomes a prominent fixture on the minds of many residents.

This is especially true for the young adult members who transform that migration fixture into realities by migrating in search of work and a share of the modern life experience in urban communes. Focused analyses of these push and pull factors of migration indicate that the size and rate of increase in rural labor migration is a function of the differential expected real earnings that takes into account the probabilities of finding employment in an urban economy. The net effects of existing rural-urban economic differences encourage rural out-migration as long as the migrant's calculations indicate acceptable levels of

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[17] The literature on rural-urban migratory patterns and their effects on societal development and stratification has grown over the past two decades to the point of transforming this subject into a sub-specialty in the social sciences. Notable examples of the expanding interest in this area of study are Glenn Firebaugh, "Structural Determinants of Urbanization in Asia and Latin America, 1950-1970," American Sociological Review 44 (April 1979): 199-215; Michael Timberlake and Jeffrey Kentor, "Economic Dependence, Overurbanization, and Economic Growth: A Study of Less Developed Countries," The Sociological Quarterly 24 (Autumn 1983): 489-507; Robert E. Mazur, "Reversal of Migration in the Labor Reserves of Zimbabwe? Prospects for Change," Studies in Comparative International Development XXI (Winter 1986-87): 55-87; Bruce London, "Structural Determinants of Third World Urban Change: An Ecological and Political Economic Analysis," American Sociological Review 52 (February 1987): 28-43; York W. Bradshaw, "Urbanization, Personal Income, and Physical Quality of Life: The Case of Kenya," Studies in Comparative International Development 23 (Winter 1988): 15-40; and Bruce London and David A. Smith, "Urban Bias, Dependence, and Economic Stagnation in Noncore Nations," American Sociological Review 53 (June 1988): 454-463.

probabilities of earning relatively higher future permanent incomes in the urban areas (Todaro 1969, Harris and Todaro 1970).

Sustained rural-urban migration and corresponding exchanges set into motion a new important dynamic that alters the conditions of life and relationships among the predominantly premodern, rural units of a modernizing society and its increasingly modern, urban communes. For the rural units, that new dynamic is reflected in the deepening subordination of its premodern economic systems to the modern industrial capitalist economic system of the larger society. With that subordination, initial rural out-migration can generate salubrious effects on rural economies in the event that the migrants were not gainfully employed under conditions of capitalist economic calculations before their departures. In that situation, the migration of rural residents becomes a vehicle for the release of surplus labor and suppressed economic resources previously unemployed and underemployed or underutilized. Diminution of surplus labor expands gainful employment positions for the remaining rural residents whose productivities should be higher under these circumstances, with resultant higher incomes for some that increase the proportion of residents with high-income earnings. At a certain stage in that migration process, rural economies will experience a leveling off and reversal of this trend through the loss of significant amounts of human capital as continuing migration entails the

shrinkage of the most active population categories that usually make up the largest proportion of a productive workforce.

Intensifying exchanges between rural and urban economies also affect the former via the import of modern industrial technologies which represents one of the most important aspects in the transformation of agriculture at progressive stages of capitalist industrial development: the enhancing prominence of mechanized and commercialized agriculture over subsistence economic endeavors. Commercialized agriculture aided with imported modern technologies disrupts the equalizing features of subsistence agriculture by various means, including changes in the means of production and their distribution as well as in the purposes of economic activities. Imported technologies introduce a dimension of means of production that only a small number of rural residents can afford, in effect, creating a dualistic structure of premodern and modern techniques of production with varying degrees of productivities and rewards. The relatively small but economically advantaged group of farmers who can afford the modern techniques becomes the greatest beneficiaries of their higher productivities and corresponding higher incomes while the majority of rural residents still dependent on their premodern technologies experience lower productivities and returns. Intrarural dualisms introduced by these changes in the forms and ownership of modes of production further weaken the equalizing features of rural economies when the application of

the new techniques causes the displacement or significant reductions in farm labor. Small-size landowners are also susceptible to this displacement consequence of commercialized and mechanized agriculture when their lands are purchased by the newly rich farmers and converted into extensive plantations for cash crops. It is this kind of interconnected set of adverse consequences of exchanges between the rural traditional economies and modern urban economies that sustain the impetus for consistent rural residents' exodus to urban communes.

The incongruity of these exchanges with rural life circumstances is apparent in the fact that some of the well-known cases of rural labor displacements are associated with the premature import and application of capital-intensive technologies in segments of the social system where population increases continually replenish the labor pool. With their labor-saving biases, the adverse impact of capital-intensive techniques of production is most pronounced among the poorest rural resident laborers who are deprived of the basic agricultural activities that constitute the core of their work obligations such as those of tillage, planting, weeding, and harvesting now taken over by new machineries that require minimal labor input. Beyond labor displacement and the stimulation of minimal direct employment, the application of modern technologies characterized by capital intensiveness promotes an inegalitarian distribution of economic rewards due to their unique abilities to concentrate income among a small

number of large-scale production units and their limited backward linkages that generate low amounts of indirect employment. Conversely, traditional technological systems characterized by labor-intensive methods of production tend to promote an egalitarian distribution of economic rewards by generating high amounts of direct employment and wide geographical shares of incomes among many small-scale units of production. Labor-intensive traditional technological systems are more conducive to the generation of large backward linkage effects including substantial indirect employment as well as the consumption of a relatively high proportion of the products derived from the application of these technologies within the traditional economies (James and Khan 1997).

For the small-scale farmers, the adverse effects of capital-intensive techniques of production on their economic status are derived from their inabilities to compete with the large farm owners of these techniques whose positions are strengthened by favorable access to private and public credits as well as subsidies that finance their purchases. Large-scale farmers also benefit from the economies of scale that allow them to optimize the incorporation of rural resources into their production process as well as from privileged relationships with urban elites and businesses that provide the partnerships and market access for the purchase of agricultural input and sale of output. Disparities in rural communes arising from these one-sided advantages are sometimes

manifested in the purchase of modern machineries such as tractors by large-scale farm owners on generous credit terms or subsidies only to turn around and lease them on expensive terms to small farmers who may mortgage or lose their lands due to inabilities to meet debt obligations and remain competitive against the backdrop of widening mechanized farming. Among the unfavorable circumstances that make it extremely difficult for the small-scale and medium-size farmers to remain competitive with their large-scale counterparts is the ability of the latter to withhold their products from the markets during the harvest seasons, thus selling them at higher prices for higher profits at a future date when the capitalist principles of supply and demand work better in their favor. Small-scale and medium-size farmers with limited produce for the markets cannot afford to emulate this strategy in view of the requirements of immediate financial needs to meet various obligations, especially those of debt payments.

Changes in the forms and purposes of economic activities engendered by the fastened interconnections among the traditional rural sectors and the modern urban sectors also contribute to transformations in the prevailing premodern patterns of distribution in the rural areas. With expanded economic differentiation made possible by the intrusion of modern industrial techniques, a wider range of occupational categories reflected in the above three-layered groups of farmers emerges, attracting economic rewards in very unequal amounts to each category. Farm laborers also experience heightened unequal rewards on the

basis of the quality of skills and degree of productivities that is determined primarily by the distinction between the operators of modern technologies and operators of traditional techniques of production. Collectively, these economic changes culminate in a reversal of the purposes of economic activities from production primarily for direct consumption and limited exchange to that of production, essentially for profits or sell in the increasingly monetized modern markets. Sell of economic produce in a modern industrial capitalist economy is necessitated by the monetary requirements for the purchase of increasingly differentiated products and services at progressive stages of development. The profundity of the reversal in the forms and purposes of rural economic activities, which basically represents the distinction between commercialized and mechanized agriculture on one hand and subsistence agriculture on the other, is observable in the fact that the premium now placed on a cash crop due to its high-income generating quality depresses the value of food crop. Accordingly, it is not unusual at that stage of development to bid land away from planting consumption crops in spite of their crucial importance in providing the food requirements of rural residents. It is this competition between consumption and cash crops that explains the disparities between average income from subsistence agriculture and that of traditional agriculture for the market that has been estimated to be as high as 1 to 3.4 in some developing economies. The magnitude of intrarural inequalities attributable to the growing importance of cash

crops at progressive stages of development before a balancing of economic factors occurs is equally reflected in the fact that, with cash crops, the farmer's income is reportedly often higher than the income of an urban unskilled laborer in contrast to a lower income without cash crops (Lecaillon et al. 1984).

From the foregoing structural changes in intrarural economic organization, it is evident that increasing integration of component units of a modernizing society at the early and intermediate levels of development constitutes a net outcome of a lop-sided package of blessings and distortions beneficial to the few residents associated with the modern aspects of agricultural pursuits at the expense of most rural residents still embedded in the traditional agricultural sectors. Ultimately, this disparity is captured in the expanding visible distinct lifestyles of the former depicted in their disproportionate consumption of imported consumer goods and services from the modern urban sectors of the economy. With the availability and introduction of consumer items such as bicycles, radios, cars, and televisions into the rural areas, the small groups of local residents whose economic surpluses previously conferred on them mainly higher social status are now transformed into economic elites with possessions of modern material objects that set them apart from their neighbors. In view of the leveling mechanisms previously exercised in rural communes by the relative or absolute absence of these items, these differential lifestyles represent significant alterations in rural subcultures that gradually weaken their solidarity through such

instruments as the accelerated replacement of exchange relationships with money as a neutral mode of socioeconomic transactions.

Where intrarural inequalities were already high before these structural changes unleashed by the forces of modernity, a compounded chasm now separates the rural elites from the masses. Insights into the magnitude of that chasm can be gained from a typological breakdown of the new-found socioeconomic groups that now characterizes the rural regions at progressive stages of capitalist development: unskilled and skilled farm workers, self-employed farmers in traditional subsistence agriculture, self-employed farmers in traditional agriculture for the market, and self-employed farmers in modern commercialized agriculture. Among these categories the unskilled laborers and self-employed farmers engaged in subsistence agriculture are the worst off with respect to their shares of national income and material life circumstances. A similar but more comprehensive categorization of socioeconomic groups and income distribution in seven developing societies reveals a correspondence of lower developmental status with high-income inequalities within and between the categories (Lecaillon et al. 1984).

Intrarural structural dualisms created or enhanced by progressive interactions of component units of a modernizing social system are duplicated in the urban regions where rural migrants contribute to the accentuation of the distinction among various economic sectors that can be distinguished on the

basis of the formal and informal modern sectors as well as traditional units of economic organization. In the formal modern economic sectors, variations in the ownership of the means of production contribute to widening unequal distribution of rewards on the basis of profits and wages. At the low to intermediate levels of development, the unequal functional distribution of economic rewards characteristic of the early stages of modern industrial development is expanded as disproportionate amounts of national income that accrue to owners of capital as profits in comparison with the lower amounts of income that accrue to labor as a means of production in the form of wages. Among the owners of capital, the share of profits is very widely dispersed with the results of concentration of profits among a few economic elites such as industrialists and financiers on the basis of the amount of invested capital and type of business. Variations in income earnings by sale of labor power in the formal sectors of modern industries are more or less equally magnified on the basis of the capital intensiveness of the industry, range of skills possessed by workers, and the nature of business undertakings. Higher average wages and salaries in some urban industries produce a more unequal intraindustry distribution of income precisely because of a combination of these factors that often include a disproportional mix of skilled and unskilled workers along with supervisory and executive staff. Conversely, urban industrial sectors with lower average wages and salaries experience lower unequal distribution of income on account of different sets of combination of

these factors. Existing intrasocietal evidence of higher average wages and salaries as well as their corresponding greater dispersions in modern industries as those of banking and trade confirm the preceding assumptions, since these dispersions and higher incomes have been directly linked to the comparatively higher level of capital intensiveness and proportion of skilled to unskilled labor in these industries (Wada 1975).

Expanded interactions among the urban and rural sectors contribute to these patterns of intraurban inequalities through the supply of rural migrants who widen the pool of urban labor and depress the share of national income to labor as a factor of production. For unskilled and semi-skilled workers in the formal sectors of modern industries, the presence of migrant laborers in conjunction with urban population growth at the intermediate levels of development, is detrimental to their labor power as their employment or potential employment constantly help to maintain wages at unacceptably low levels in the face of high wages and salaries for skilled and professional workers. Even with an expanding modern urban economy, the availability and constant renewals of surplus labor translate into an infinitely elastic supply of labor beyond the absorptive capacities of a modernizing industrial economy, hence the association of rural migration with urban unemployment and underemployment. With their general lack of modern technical skills, rural migrants fortunate enough to find employment in the formal sectors of the economy are concentrated in poorly and lowly paid positions that

in many situations do not provide sufficient income to live above the poverty line. Because a greater proportion of such workers with minimal or no formal education or technical training is concentrated in certain industries and occupations especially the labor intensive ones, rural migration accentuates intraurban inequalities through its contributions to intraindustry and interindustry wage and salary variances.

An additional dimension of adverse rural impact on urban inequalities derives from the commingling of the fate of many rural migrants with that of native urban residents whose inabilities to obtain employment in the formal sectors lead to a search for means of making a living in the informal sectors of urban economy. Here in the informal sectors, where an estimated forty to seventy percent of urban labor force in some developing societies seeks employment (Sethuraman 1981), we find a variety of small-scale individual employment alongside family-based entrepreneurships whose small numbers of marginal employees are often relatives. It is among this group of urban residents that we find street vendors, day laborers, hawkers, mechanics, carpenters, beauticians, car washers, servants, and even drug peddlers who all struggle for a share of the urban economic resources to earn a living. Their common characteristics of limited investment capital and lack of access to credit as well as limited or no formal education ensure very meager economic returns in the forms of low incomes and profits in contrast to the higher rewards of the formal sectors.

These comparatively lower rewards for the informal economic sectors, in spite of their significance to the modern urban economy as a source of cheap material input for the formal sectors and as a reservoir for inexpensive labor with invaluable work experience or apprenticeship,[18] are frequently rationalized as outcomes of their lower productivities which, in turn, are attributed to their labor intensive techniques.

The efficiency of the techniques of production is equally compromised in the traditional sectors of urban economies where the use of simple hand tools as in hand spinning, sewing, and weaving generate comparatively lower rewards than the modern techniques of production in the formal sectors. Together with the informal sectors, traditional economic undertakings in urban centers perpetuate intraurban inequalities before a mature stage of development by trapping an approximate one half of urban labor force in subordinate economic statuses that give rise to a wide range of new socioeconomic categories, with the most prominent for stratification consequences being the bourgeoisie and the proletariat. Until that mature stage of capitalist industrial development is attained, the collectivity of the preceding structural alterations, produced by

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[18] The significance of the informal sectors in the economies of a cross-section of developing societies is evidenced in S.V. Sethuraman, ed., The Urban Informal Sector in Developing Countries: Employment, Poverty and Environment (Geneva: International Labor Office, 1981). A timely review of the literature on the informal sector debate is undertaken by Cathy A. Rakowski, "Convergence and Divergence in the Informal Sector Debate: A Focus on Latin America, 1984-92," World Development 22 (April 1994): 501-516.

expanding interactions of component units of a modernizing society, is bound to serve as causal agents of an upward and increasing trend of overall intrasocietal inequalities, because these forces represent movements from areas of low inequalities to those of high inequalities. In other words, as rural out-migration and urban population growth enlarge the weight of the more unequal segments of a modernizing industrial capitalist society simultaneously with intensifying intrasectional distributional differences, an upward pattern of overall inequalities emerges as a structural and accompanying feature of that process that will not reverse itself until mature stages of capitalist development.

Modern Sociocultural Ethos and the Expansion of Intrasocietal Inequalities

The projected new patterns of upward-moving, overall intrasocietal inequalities are associated with profound sociocultural transformations numbered among the contributory factors of varied modern skills and attributes that account for unequal access to societal resources. In the urban areas where these transformations from premodern to modern sociocultural orientations first manifest themselves, we find a rapidly increasing application of the emergent modern belief and value systems to various aspects of life experiences most visible initially in economic behaviors. That application is apparent in the transformation of the premodern modes of production through industrial techniques whose revolutionary subjugation of some important aspects of natural

forces to mechanical control produce corresponding new orientations among an increasing number of urban residents. Urban residents with these new orientations, more so than in the past, now conceive of the operative forces of the natural environment as intelligible and comprehensible through the imaginative workings of a rational mind. Groups of urbanites who acquire this outlook are distinguishable from those who still uphold inherited premodern worldviews, especially in their approach to social life now dominated by their technical, mechanical, and rational understandings of realities. From their rational interpretational and mechanical influence over aspects of the physical environment, these groups of urbanites make a logical link to an objective understanding and explanation of the dynamics of social life in their personal outlook, interpersonal relationships, as well as in societal organization. The modern man and woman at this stage of sociocultural transformation create and display strong tendencies for rational introspection that culminate in the predilection for cost-benefit analyses of one's undertakings, openness and desires for new experiences, and expanded consciousness about the physical and social universe that leads to a compulsion for control of the natural

environment especially those aspects of it with direct bearing on daily survivability.[19]

Among these new sociocultural attributes, the rational approach to the conduct of social intercourse produces the most pervasive influences on interpersonal relationships as the aforementioned cost-benefit analyses introduce corresponding new criteria and requirements for social behaviors and activities that culminate in the predominance of secondary impersonal relationships over primary personal ones. At the societal level, the results of these modern sociocultural attributes initiate the increasing secularization and interdependency of institutions and organizations; the disentanglement or separation of particularistic loyalty to traditional authority from universal loyalty to public authority; high compartmentalization of social roles; sustained emphasis on generalized media of exchange; and long-term planning and projections on the future of the social system. Very importantly, these modern attributes initiate an expanding reliance on rational instruments of social organization with

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[19] Seminal works on the consequences of the attributes of modern man and woman to societal development include A. Inkeles, "Industrial Man: The Relation of Status, Experience and Value," American Journal of Sociology 66 (July 1960): 1-31; David McClelland, The Achieving Society (Princeton: D. Van Nostrand and Company, 1961); Alex Inkeles, "Making Men Modern: On the Causes and Consequences of Individual Change in Six Developing Countries," American Journal of Sociology 75 (September 1969): 208-225; Alex Inkeles and David H. Smith, Becoming Modern: Individual Changes in Six Developing Countries (Cambridge, Massachusetts: Harvard University Press, 1974); and David McClelland, Motives, Personality and Society: Selected Papers (New York: Praeger Publishers, 1984). These works tend to emphasize the relationship between modern attributes and development thus making the approach taken by the present author one of the few focused analyses on the stratificational consequences of modern attributes.

bureaucracy as the most dominant one that reinforces the predominance of secondary relations in society at progressive stages of development.

The stratificational implications of these sociocultural ethos can be seen in the varying levels of influences modernized individuals exercise in societal affairs. The absorptive capacities of the new culture and the modernized individuals' possession of relevant skills grant greater access to societal resources and rewards, than what is accorded those individuals still lodged primarily in the traditional sociocultural mode. The large profits of urban capitalist entrepreneurs that play a decisive role in expanding intraurban and overall inequalities at the early and intermediate levels of development can be attributed to their rational approach to life that imbues them with qualities of high tolerance for risk-taking. High levels of risk tolerance by modern urban entrepreneurs are not unconnected with their extraordinary motivations for achievement and corresponding mobility, as well as their obstinate desires to create new and imaginative techniques to overcome difficult situations. These and other similar factors combine to make the modern entrepreneurs the premier economic actors in a modern industrial capitalist economy. Urban capitalists who first acquire these characteristics and associated behaviors therefore receive prodigious and disproportionate economic rewards compared with those of traditional, premodern orientations to economic organization.

Within the ranks of urban employees, this sociocultural dichotomy becomes the basis of the differential rewards that favor those with higher educational and technical training whose processes produce the assimilation and reinforcement of the modern attributes of a rational approach to social life. Predominance of contractual work relationships with stipulations of objective requirements for occupying particular positions as well as specified duration of work and scale of payments constitute very important aspects of this modern approach to human behaviors. The results of these objectivistic features of work, as in varying and higher salaries and wages for skilled laborers and professionals, represent another decisive source of upward urban and overall inequalities. Possessions of modern sociocultural attributes and their application to modern industrial techniques of production generate higher and varying productivities than traditional economic undertakings that become the basis for differential rewards. Extension of this phenomenon to the public spheres of societal organization produces similar results as public officials such as high-level bureaucrats and administrators with higher educational and professional training receive larger salaries and nonmonetary rewards than those with low amounts of this training. Intensified unequal distributions of economic rewards among the multiple socioeconomic and occupational groups previously identified among rural residents at progressive stages of capitalist development are also derived from cultural changes that represent the penetration of rural, premodern orientations

by some influential modern sociocultural elements. With that penetration, we can explain rural inequalities among and between modern and traditional farmers as well as between and among skilled and unskilled farm workers, partly on the basis of the new cultural dynamics.

Outside of its direct influences on economic behaviors that condition the skewed patterns of distribution emanating from accelerated development, modern sociocultural orientations also impact societal distribution systems indirectly via their effects on social intercourse. Channels of indirect effects of modern culture on societal stratification are reflected in a rational approach to social intercourse that stimulates alterations in the family structures of a modernizing society at differing rates with resultant economic consequences. When the seminal faithful adherents to modern sociocultural value systems, who are mostly urbanites, apply their new orientations to raising children, many of them are bound to perceive this particular life experience as an impediment or hindrance to the pursuit of the newfound multiple interests and sources of personal fulfillment in a modern society. On the basis of such cost-benefit analyses, they can react by delaying the onset of their reproductive functions and/or by limiting the number of children in their already restricted nuclear family domain; a strategy whose success is enhanced by the availability of modern medicine, the application of which greatly increases the survivability of children, thus supporting the logicality of lower birth rates. Consequently, the modern

humans who adapt their family life to this new orientation will be rewarded with the sharing of their resources with a limited number of persons, unlike the stretching of resources by those urbanites whose premodern family values encourage large family sizes. Intraurban inequalities, which play a prominent role in expanding overall societal inequalities, are affected by these two differing family value systems because of these economic consequences.

These particular indirect effects of modern sociocultural factors on stratification are relatively inconsequential or minimized in the rural regions where necessities of traditional modes of reproduction and limited or lack of access to modern health technologies reinforce cultural beliefs espousing large families. Since most members of the rural segments of a modernizing social system are similarly situated with respect to large and extended family structures, the net effects of wealthy residents' abilities to give more to their family members are less severe than in the urban regions where the rich share their wealth among a very small number of individuals. What this means is that in the rural regions of a modernizing society, premodern cultural beliefs and values on some dimensions of life such as the family, are very resistant to penetration by the forces of modernity hence the cherishing of large family sizes by the rich and the poor. Accordingly, although wealthy rural residents can provide more resources to family members, their unshrunk family sizes minimize the impact of such advantages on intrarural inequalities at intermediate levels of development.

We can extract from these varying impact of modern sociocultural attributes another important implication for stratification systems when they serve as legitimization agents that provide the rationale and justification for social changes, with undesirable consequences for many members of a society at critical stages of capitalist development. The significance of the legitimization function of modern sociocultural attributes relates to the fact that without establishing a justification for rapid increases in inequalities in a social system undergoing major transformations, the risks of rebellions rise disproportionately, especially among the displaced members of the society who will not otherwise be motivated to support a system with these unfavorable social changes. By constituting a rational basis and justification for modern stratification systems that can be seen, for example, in the linkage of the distribution of economic rewards to productivity differentials and levels of risk tolerance, modern sociocultural values and beliefs insidiously direct the energies of the unfavorably disposed towards the acquisition of those factors, believed to provide wider access and larger amounts of societal surpluses to a small proportion of the population. For many members of modernizing capitalist society, this means directing their resources into participation in formal educational programs and technical training. For the rural residents in particular, this rationalization and consequent responses translate into serious encroachments on their premodern worldviews which subsequently attenuate the values and beliefs responsible for keeping

inequalities at a minimal to modest level before the advent of modern capitalist development.

The Leveling-Off and Decline of Intrasocietal Inequalities

The depicted changes and unbalancing of a modernizing social system by means of the gradual integration of its rural with urban units should produce a leveling-of in the overall levels of intrasocietal inequalities and subsequent declines at mature or advanced level of capitalist development through the eventual and relative harmonization of rural-urban economic resources,[20] political differences, and sociocultural lifestyles. Such postulated depressing effects of a mature modern industrial social system on inequalities represent the effective permeation of relevant units of the system by the prominent features of modernity accompanying the societal spread of industrial techniques of production and the eventual fusion of rural-urban socioeconomic and political resources. Economically, the features of mature industrial development that contribute to declining inequalities involve the integration of dispersed units of a social system into a holistic capitalist economy strongly aided by modern techniques of

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[20] The early views on the harmonization of economic resources and eventual declines in intrasocietal income inequalities belong to Simon Kuznets, "Economic Growth and Income Inequality," The American Economic Review XLV (March 1955): 1-28; and Simon Kuznets, "Quantitative Aspects of the Economic Growth of Nations: VIII. Distribution of Income by Size," Economic Development and Cultural Change XI (January 1963): 1-80.

transportation and communications, which shrink the physical distance and space among these otherwise disparate units of rural and urban economies.

These forces can be seen at work when declining inequalities become upshots of equilibrating tendencies in the labor market created by the regular movements of labor from the rural, agricultural sectors to the urban, industrial sectors of the social system. Relative exhaustion of rural surplus labor via employment in the urban economy creates an equilibrium in the employment market at a point where the demand for labor by profit-maximizing employers intersects with the supply of labor by utility-maximizing job seekers. The equilibrium money wage established in the labor market by the equivalence of aggregate supply and aggregate demand of labor at a proportional price level means that the rural migrants and indigenous urban unemployed residents at the early and intermediate levels of development are gainfully employed at progressively higher developmental levels, with monetary compensations that now provide adequate means of living for the generality of the population of a modern industrial capitalist social system. Market-driven increases in wages and salaries that further narrow the gap among the different income categories at progressive stages of development become an important feature of this process of diminishing inequalities from the point that the eventual absorption of all societal surplus labor into modern-sector employment converts labor into a scarce factor of production, thereby necessitating higher labor demands in the

face of lower labor supply. Because the eventual absorption of societal labor at progressive stages of development represents movements of labor from regions of low economic productivities to regions of high economic productivities, the corresponding increases in wages and salaries are also a response to the obvious increases in the marginal productivity of individual workers which, collectively, leads to expanded output of goods and services. Gradual expansion of societal aggregate output generates further implications conducive to diminishing inequalities at mature levels of dynamic and self-enhancing development by virtue of creating large surpluses the elites can appropriate to maintain absolute gains in their share of societal resources with sufficient leftovers for the nonelites to attain a modest standard of living.[21] For the generality of the population, this modest standard of living is higher than their material life circumstances in premodern social systems as well as in the early phases of their transformations into modernizing social systems.

The equalizing effects of the integration of rural and urban economies involving the eventual absorption of the largest proportion of societal labor into modern economic activities are also attributable to the resultant increasing shares of income from work at higher levels of development, especially when the

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[21] A comprehensive listing of other factors that allow the elites to maintain disproportional amounts of societal resources with sufficient leftovers for the nonelites is available in Harold R. Kerbo, Social Stratification and Inequality: Class Conflict in Historical and Comparative Perspective (New York: The McGraw-Hill Companies, Inc., 1996), pp. 76-77.

shares of income from capital tend to experience a downward trend. In view of the fact that this inverse situation entails the declining weight of the more unequal source of income, increases in the proportion of the more equal remunerated employment should bring about reductions in inequalities as the bulk of the economically active population receives its income in the form of wages and salaries. Increasing shares and weight of the more equal employee compensation in modern distribution systems, to the detriment of capital and asset incomes, also provide very strong indications of the preference for remunerated employment over self-employment and informal family work at higher stages of a modern industrial capitalist economy. As capitalist economic development advances, more and more individuals are apt to abandon the practice of self-employment in favor of paid employment expected to provide a more reliable source and amount of earnings. The business vacuum created by this enticing crossover to capitalist employment at progressive stages of development is typically filled by the expansion of new forms of capitalist ventures, corporate forms of businesses, which may, ironically, also contribute to the initial impetus for this phenomenon of crossover to remunerated employment. Such contribution is derived from corporate employment opportunities and compensations which are generally attractive enough to lure many into abandoning their small-scale, self-employment activities at progressive developmental stages.

The rise of corporate forms of business at progressive stages of development also strengthen regular competition for the creation of new industries since the huge amounts required for capitalist investments at higher developmental levels can be more easily assembled by corporate investors than by individual entrepreneurs. New industries at higher developmental levels further contribute to declines in inequalities by forcing the offer of competitive salaries and wages and by preventing the undue concentration of societal surpluses in the older industries. As a matter of fact, some of the newer industrial establishments in a capitalist economy tend to generate larger societal surpluses in part by creating and/or benefiting from the latest technological innovations which are more productive and profitable than the older forms of modern technologies. Although corporate forms of businesses may themselves contribute to intrasocietal inequalities due to the unequal distribution of their surpluses, this condition can be appreciably softened in due course by the proportion of the societal workforce employed by these corporations and the expanded access to their income-generating instruments such as stocks and bonds. Among the contemporary most advanced modern capitalist societies, the latter equalizing tendencies of corporate forms of businesses are evident in the United States where an approximate fifty percent of the households maintain some form of assets in these corporations by means of bonds and stocks ownerships. In any case, all other things being equal, the distribution of corporate resources at

higher stages of development should be less unequal than the distribution of capitalist profits arising strictly from individual ownership of the mode of production.

Reductions in inequalities associated with changes in the distribution of the means of production are most effectively reflected in changes in income distribution reproduced by educational attainments at progressive phases of capitalist development. Perhaps more than any other mode of production in a capitalist economy, the acquisition of human capital through educational training provides a cross-section of the population with access to higher salaries and wages that place a large number of the workforce above the level of subsistence living. This equalizing effect of education is evident of the fact that once the structural impediments to its attainment are eliminated at progressive stages of development, such as in the establishment of a sufficient number of schools to accommodate the number of people who are desirous of learning at all levels of instruction, individual acumen becomes one of the single most important criteria determinative of success in these schools. Accordingly, most residents of a modern social system are able to access the training they desire and acquire the appropriate levels of skills with sufficiently high income rewards that enable these new entrants into the labor force to quickly close the gap in income differentials, vis-à-vis the first beneficiaries of this factor of production.

As a productive asset, educational training further dampens the widening of inequalities with its quality of direct noninheritability. In other words, individuals with accumulated productive skills and assets based on academic training and achievements cannot pass on these attributes to their descendants and, therefore, the latter are similarly situated with other members of the social system to seek and obtain the requisite training and qualifications necessary for the high-income professional and managerial jobs of a modern society. It is this inheritability of human capital embodied in educational attainments that presents the necessary impediments against the succession of current professionals and managers by their children and relatives who are forced into duplicating this learning experience, thus being similarly situated with nonrelatives of these individuals, with respect to personal investment in the acquisition of human capital. Because of the relatively equal access to high income and high prestige positions on the occupational structures of modern social systems made possible by these salubrious features of human capital, it can be said without exaggeration that education is the most prominent instrument for upward social mobility among the lower class members of modern capitalist industrial societies.

The ubiquitous application and utilization of the productive skills of education in different areas of employment opportunities, both between and within the public and private sectors, also impact the structures of modern stratification systems by means of the flexibilities of transfer of these skills from

positions of lower to higher rewards. Such flexibilities enable individuals to maintain less desirable positions when there are limited or no employment opportunities in more desirable positions with the ease or luxury of switching to the latter when conditions improve. For members of the lower classes, such movements may be predicated on transference to positions of authority and influence in the public sector such as the powerful bureaucratic positions associated with the implementation of important governmental policies. Beyond this advantage, the flexibilities of applying the productive skills of educational training to diverse positions and industries can contribute to reductions in inequalities by enforcing equilibrium levels of income rewards through inter-industry movements and competition among job seekers, thus equalizing the distribution of skilled labor across the economy.

Because of the increasing numbers of people who obtain technical and formal educational training in the course of modern industrial development, education as a factor of production is bound to have an immense positive impact on societal aggregate output in the form of increasing enlargement of its volume which reflects increasing growth and developmental progress. Expanded spread and acquisition of human capital play this important role in the course of development as they reinforce a deepening process of skills endowment that establishes the predominance of skilled and semiskilled labor over unskilled and low-productive labor. With that predominance and commensurate enhancement

of productivities, education, therefore, contributes to the creation of huge societal surpluses whose distribution and redistribution bring about reductions in the levels of inequalities. Furthermore, the preponderance of technically trained and educated individuals in the workforce represents the expansion of the share of societal resources acquired by workers in the form of wages and salaries. These resources, in turn, enforce reductions in inequalities through reversals in sectoral imbalances that assign disproportionate rewards to factors of production at the early and lower levels of development.

Other features of the harmonizing process of various units of a modern society bound to stimulate declining inequalities include the elimination or significant diminution of the disparities in economic organization arising from the dualistic existence of modern and premodern enterprises in both the rural and urban regions. At higher developmental levels, the distinctions among the various groups of rural farmers and farm workers are sufficiently attenuated to produce a balance in which agricultural pursuits become, predominantly, a mechanized and commercialized exercise designed for profit making. At that stage, small-scale farmers who are unable to engage in the predominant large-scale capitalist farming are effectively absorbed into this enterprise as skilled workers, if indeed, they have not migrated to the cities for urban industrial employment. Capitalist agriculture, in turn, generates the profitability and viability that enables it to compete effectively with non-agricultural industries, with the net result of

eliminating the unfavorable terms of trade with urban economies that was one source of inequalities at lower developmental levels. The generality of rural population and its economies being so absorbed into the mature industrial economy of the society at large, can now participate in any of the diverse modern occupations involving the sell of labor power for salaries and wages necessary for the purchases of life-sustaining products and services. In essence, the subsistence lifestyles of premodern rural regions at lower levels of development are decisively transformed into modern lifestyles governed by monetized market transactions without which members of the society find it exceedingly difficult, if not impossible, to survive at higher levels of capitalist development.

How pervasive is this phenomenon of transformation in lifestyles can be judged from the magnitude of urbanization associated with higher levels of development. Among the twenty most developed countries based on measures of Human Development Index,[22] the average share of urban population as a percentage of total population was eighty percent in 1998, indicating a very high level of integration of rural regions into urban structures at higher levels of

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[22] Human Development Index is a composite index of societal development based on three indicators namely: longevity, as measured by life expectancy at birth; educational attainment, as measured by a combination of adult literacy (two-thirds weight) and the combined gross primary, secondary and tertiary enrolment ratio (one-third weight); and standard of living, as measured by GDP per capita (PPP US$). The scale of measurement is from 0 for lowest human development to 1 for highest human development. This description is from UNDP, Human Development Report 2000 (New York: Oxford University Press, 2000), p. 279.

development. Within the urban economies themselves, mature stages of industrial capitalism correspond to the gradual and eventual disappearance of the previously large and influential informal sectors and traditional enterprises which operated among some of the major sources of increasing inequalities.[23] As most of the individuals who eked out a living in these sectors of the economy are absorbed into the formal modern industrial sectors, the vicissitudes of their existence are eliminated because the large inequalities in profits, wages, and salaries that existed among all economic sectors now belong relatively to the past, with consequent declines in overall societal stratification. No wonder, then, that, as a general rule, mature stages of capitalist industrial economies are marked with lower unemployment and underemployment than lower levels of capitalist economies.

Secular declines in intrasocietal inequalities subscribed to the synchronization of rural, traditional economies with urban, modern economic enterprises are also reflective of the corresponding diffusion of modern political processes and sociocultural attributes to all major units of a modernizing industrial society. Historically, the political changes that contribute to the

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[18]This disappearance of the initial informal sectors associated with early capitalist industrial development can be followed by newer informal sectors at higher stages of development with different dynamics for societal development and stratification. The drugs and smuggling informal industries in advanced capitalist societies such as the United States are examples of this assumed replacement of one informal sector by another at progressive stages of development.

reversals in the trend of rising inequality have included the emergence of new groups whose economic successes produced the crucial resources that enabled them to gain influence and eventual domination over the political system of modern societies. Among the most obvious examples of these sources of political power is the emergence of the bourgeoisie in early modern western European history, whose economic achievements produced the political capital, as in monetary resources and organizational skills, which ultimately brought about their decisive political influence and dominance over the clergy and the nobility, the holders of powers throughout the middle ages and the early modern period. The processes of dislodging the traditional holders of powers from their privileged positions and the ascendancy of the bourgeoisie to the pinnacle of societal power, have become synonymous with the modernization of the political culture of a modern industrial society as evidenced in the extension of economic changes to political conditions such as the increasing differentiation of political and administrative structures, the secularization of political ideas, as well as in the pervasive influence and legitimacy of governmental institutions and organizations at progressive stages of development.

Modern attributes of the political culture of advanced social systems can exercise dampening influence on inequalities by means of high-level governmental participation in the economic life of the society as effectively demonstrated in the making and implementation of macroeconomic policies.

Prominent examples of such policies are the monetary and fiscal policies known to be very crucial to dynamic economic growth and progress necessary to propel the economy through a threshold of development associated with declining inequalities. Besides direct governmental input into the acceleration of development beyond the threshold of declining inequalities, the expanded role of government in modern societies can exercise a depressing effect on overall stratification, with distributive and redistributive public policies and programs specifically designed to enhance access to societal resources and surpluses. Public policies and programs such as those dealing with public investment, progressive taxation, public expenditures including transfer payments or income supplements, minimum wage requirements, price controls, distribution or redistribution of the basic means of production such as land, and the provision of access to financial capital, are among the instruments through which the involvement of a modern government in the economic life of a society contribute to declining inequalities.[24]

Governmental contributions to secular declines in inequalities can be augmented or complemented with the widespread diffusion of democratic

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[24] The extent of government involvement in the economies and public life of modern societies is evidenced in David R. Cameron, "The Expansion of the Public Economy: A Comparative Analysis," American Political Science Review 72 (December 1978): 1243-1261; and Tom W. Rice, "The Determinants of Western European Government Growth 1950-1980," Comparative Political Studies 19 (July 1986): 233-257.

principles and ideas to all major segments of the social system at higher stages of development. Such a process can manifest itself when the principles of free and fair elections as well as the sanctity of the franchise enable members of the working and lower classes to capitalize on their numerical strengths to vote into office the kinds of governments that can transform their collective desires for greater access to societal resources into practice. For the working classes, the spread and institutionalized acceptance of democratic ideas can further improve their access to societal resources and share of the surpluses through their abilities to organize themselves into labor unions and gain concessions from their employers, especially those in the form of wage and salary increases. Equally importantly, the prevalence of democratic ideas that produce direct and proportional representation of all relevant segments of the population in societal political organizations is instrumental in narrowing the gap in the unequal accruement of resources to the rural and urban sectors of the social system. As development advances, the lopsided urban political dominance of a modern social system that promotes the excessive withdrawal of rural resources to the urban centers in the name of industrial development should be sufficiently weakened by a balanced system of representation that harmonizes urban economic interests with rural economic well-being. Because of that harmonization, the overall levels of intrasocietal inequalities should experience a

downward trend as rural and urban residents receive fewer unequal shares of societal resources and surpluses.

Separate from the choice of representatives by means of free and fair elections, a modernized political culture can lead to desirable changes in patterns of stratification. Such changes take place against the backdrop of emergent equality-conscious ideologies of particular governments that will be translated into egalitarian policies and programs primarily concerned with granting every member of the society relatively equal access to resources and surpluses. Socialist governments' emphasis on general access to educational training at minimal financial costs, their policies of deprivatization of the means of production and guarantees of full employment, illustrate the relationship between political modernization and reductions of inequalities. The fact that these governments can come to occupy the pinnacle of power through non-democratic means such as revolutions strongly indicates that democracy is not the only feature of a modernized political culture that can positively affect the development status of a social system with desirable destratification consequences. One of the most prevailing views in the literature on democracy and inequality espouses that non-democratic governments are better suited and are more likely to promote egalitarian development policies and destratification programs than their democratic counterparts.

Authoritarian regimes can be more protective of the interests of the lower and working classes by delivering to these classes their proportional shares of societal surpluses without fears of losing support and experiencing defeat in future elections induced by a recognition of the potential alliance of the middle and upper classes who may agitate for less apportionment of surpluses to the classes below them. In democratic systems, where members of the middle and upper classes possess the greater amount of material resources that can be converted into political capital, these resources tend to produce for the politically privileged decisive influence over the political process that effectively orient the distribution of surpluses in ways that maximize their own benefits at the expense of the masses. Democratic governments are more accommodating or tolerant of such machinations for fears of antagonizing powerful blocs in society, blocs capable of voting them out of office. Be that as it may, the numerical strength of the lower and working classes can be mobilized to support an equality-conscious government through a democratic process that can bring such a government to power. Other political mechanisms at mature stages of political development that can be relied upon to counter the undue influence of the upper classes include the formation of interest groups and lobbying organizations that promote the agenda of particular segments of the society at various levels of a democratic

government. Evidently therefore, democratic processes are also conducive to development and destratification as non-democratic processes, if not more so.[25]

Eventual balancing of the economic and political transformations of a modern industrial society that yields the projected curvilinear patterns of stratification is reflective of a corresponding diffusion and harmonization of modern sociocultural attributes at progressive stages of development. Although rural-urban cultural differences are not likely to disappear completely at any stage of societal maturation, sufficient interchange and absorption of the hybridized culture of modernity[26] by wider segments of a social system do occur at higher levels of development that is of sufficient weight and magnitude to effect the new patterns of stratification. Evidence of the penetration of the personality system of rural residents by the rational principles of social behaviors predominate in the urban centers at the early stages of development attests to this balancing of modern sociocultural attributes as development advances. We

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[25] A very useful review of the literature on political democracy, development, and stratification has been undertaken by Larry Sirowy and Alex Inkeles, "The Effects of Democracy on Economic Growth and Inequality: A Review," Studies in Comparative International Development 25 (Spring 1990): 126-157.

[26] The use of this concept is motivated by the author's life experiences and theoretical assumptions on the sociocultural transformations associated with the modernization process which strongly suggest that the traditional elements of life can still maintain a stronghold in a modern society thereby existing together with the modern traits of life in the form of a hybridized modern culture. This perspective represents a significant difference from the conventional modernization theory in sociological literature which, in the author's opinion, suggests unbounded sociocultural changes following societal transitions to a modern social system. Empirical results sympathetic to both the author's views and conventional modernization theory are found in Ronald Inglehart and Wayne E. Baker, "Modernization, Cultural Change, and the Persistence of Traditional Values," American Sociological Review 65 (February 2000): 19-51.

can observe the absorption of these modern features of social life by rural residents in the increasing contractual relations with one another, especially in their economic behaviors which, at advanced levels of development, favor the neutral and generalized mode of exchange in the form of money over traditional modes of exchange. Infusion of these modern sociocultural beliefs and the adoption of the associated rational approach to social life across a broad spectrum of the social system are fastened and strengthened by expanded access to educational institutions and organizations that serve as effective instruments through which rural residents can acquire these beliefs and lifestyles. One of the manifestations of that cultural transmission that constitute important dividends for societal destratification is in the eventual adoption of the belief system that sanctions the rationality of smaller family sizes in lieu of the hitherto preferences for large family sizes at lower and intermediate levels of development. When this happens, the relative convergence of rural and urban family sizes produces a stabilized societal demographic pattern at advanced stages of development with equilibrium in the labor markets that cannot be easily disturbed as surplus labor in the rural areas eventually become unreplenishable because of low to modest population growth.

Particularistic Factors of Development and Stratification

In the foregoing exposition, we have assumed a general curvilinear process a modernizing society goes through when its dynamics of development lead first to increasing inequalities before a leveling-off and destratification at mature stages of development. It is important to note that while this general process characterizes the typical or regular cases of transition from a premodern to a modern society, there are important particularistic factors capable of impacting that process in various directions. For instance, the progression of a modernizing social system to a developmental status marked by equilibrating harnessing of rural and urban resources crucial to the destratification process can be aided by its technoeconomic heritage from its premodern economy. In other words, the technoeconomic status of a premodern society can facilitate modern industrial development through a threshold of declining inequalities where that status and consequent heritage include the kind of technology that supports large and densely settled populations because of its strong carrying capacity; viable rural infrastructures; relatively sizable levels of premodern urbanization; occupational specializations; and elaborate administrative structures which all tend to prevail in premodern societies with plow technology. Under these circumstances, the integration of urban and rural economies can proceed at a fastened pace to reach the mature stages of development where declining inequalities occur without causing the extensive and prolonged disruptions of the dynamics of

social life usually manifested when these societal features emanate from modern industrial developmental processes themselves. Accordingly, modernizing societies with inherited plow technology should progress faster to a mature level of capitalist industrial development that initiates destratification than those societies whose technoeconomic heritage is that of the digging stick and/or hoe.[27]

Another particularistic factor that may affect the development and destratification processes of a modern social system is cultural diversity as reflected in the racial, ethnic, religious, and linguistic makeup of its population. The harmful effects of cultural diversity may manifest themselves in the political fragmentation and instabilities caused by struggles among the multiplicity of dominant and minority groups, making it difficult or impossible to attain policy compromises conducive to macro-societal development. In some cases, the political instability caused by the antagonisms and mutual distrusts among the various groupings of a culturally diverse social system may require the permanent or regular diversion of critical developmental resources to the

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[27] Suggestive evidence of the relationships among technoeconomic heritage, development, and stratification in contemporary states of the world systems can be found in Gerhard Lenski and Patrick D. Nolan, "Trajectories of Development: A Test of Ecological-Evolutionary Theory," Social Forces 63 (September 1984): 1-23; Patrick D. Nolan and Gerhard Lenski, "Technoeconomic Heritage, Patterns of Development, and the Advantage of Backwardness," Social Forces 64 (December 1985): 341-358; and Gerhard Lenski and Patrick D. Nolan, "Trajectories of Development: A Further Test," Social Forces 64 (March 1986): 794-795.

containment of such instability in order to prevent societal disintegration. Such a situation, along with weak levels of attachments to the social system by members of the minority groups, can compromise the developmental process of these societies by slowing or preventing their passage through a threshold of development and modernization associated with declining inequalities or by slowing the further accumulation of economic surpluses that can bring about continuing declines in inequalities with respect to societies already beyond such a threshold.

Discriminatory practices of differential access to societal resources are other mediating channels through which the effect of cultural diversity on intrasocietal stratification can manifest themselves in modern social systems. These practices may include exclusions of minority group members from key political and administrative positions that provide favorable access to societal resources; limited or restricted opportunities for educational training that can enhance upward social mobility; restrictions on internal migration across particular ethnic, religious, or linguistic enclaves; and subordinate roles in economic activities with marginal material rewards that make for lower standards of living for minority group members in comparison with their dominant group counterparts. This form of economic subordination in culturally diverse societies is usually associated with their segmented market structures and split labor markets whereby dominant and minority group members are differentially situated in the dual

production arrangement of their macro economy with corresponding unequal results and rewards. The operative forces of the segmented market structures of such an economy often situate a disproportionate number of dominant group members in primary economic sectors where large industrial firms with their capital intensive techniques and monopolistic privileges produce durable industrial goods with high and stable profit margins while members of minority groups predominate in the peripheral secondary sectors where small firms with labor intensive techniques produce mostly non-durable goods with low and unstable profit margins. In situations of split labor markets within a macro economy, inequalities can be caused by the prevalence of higher salaries and wages for members of the dominant groups employed in similar positions with minority group members as well as by the systematic structural channeling of the latter into undesirable or less desirable work positions with low and subsistence wages (Bonacich 1976; Fenwick 1982). On the basis of these disproportionate rewards accorded the dominant groups of a culturally diverse society, cultural diversity can therefore generate mediating structural imbalances conducive to the intensification of stratification within modern social systems. Against the background of these conditions, the effective absorption of minority groups into the relevant segments of a modern society once dominated by the privileged groups, should contribute to the salubrious effects on inequalities initiated by the diffusion of the traits associated with modern industrial economic development,

political transformation, and sociocultural buoyancy and dynamism to all sectors of the social system.

Particularistic factors of development and stratification have further implications for our theoretical exploration by preventing a mechanistic and unduly deterministic interpretation of the derived assumptions. If extraneous factors operating outside of our model such as cultural diversity can impact the processes of development and stratification, it should be recognized that the inherent factors within our model can equally impact the identified trajectory of increasing and declining inequalities. We can, for instance, project that the latest technological developments at mature stages of development may temporarily disrupt the association of the spread of technology with declining inequalities if these latest technologies are concentrated in the hands of a few members of the society who derive disproportionate material benefits at the expense of most members of the same society. In such instances, the trend of declining inequalities will be temporarily halted or reversed until the subsequent spread of the latest technologies within the social system renews that process. Consequently, the general principles of our model should operate in the predicted directions if intrusive factors are given sufficient time to reharmonize the process of modern industrial capitalist development and destratification.

CHAPTER IV

THE ROLE OF EXOGENOUS FACTORS ON INTRASOCIETAL STRATIFICATION

Societies with the seminal experience of the modern industrial development hitherto depicted may be motivated by the combination of the dynamics of this phenomenon, with their economic and sociopolitical interests, to extend the processes of that development to other societies. This is accomplished through interaction patterns that subsequently make these premier societies the dominant actors in global organization. Among the dynamics of industrialization which tend to promote the extension of modern economic development to premodern societies are the new techniques of transportation and communications conducive to enhanced contacts and interactions with distant societies. Also, this extension may be necessitated by the resource requirements of industrialization which may have to be obtained outside the boundaries of a particular social system. Additionally, the seminal industrial societies may also be motivated by calculations of profits to expand their developmental experiences to other societies. When this process involves more than one premier industrial society, a competition may arise that introduces political and other cultural considerations

into relationships between and among these industrial societies and the premodern social systems. The constellation of these forces encourages the integration of modern industrial capitalist economies with premodern and precapitalist economies in ways mutually beneficial for all participants. On the other hand, the integration of these diverse social systems may be designed to confer the greatest benefits on the former while the latter experience minimal benefits or absolute net losses due to their subordinate roles in this process.

Historical evidence reveals a constellation of socioeconomic and political forces in the early modern period which integrated the modern industrial and premodern systems in ways susceptible to disparity in the share of global resources. Premier societies higher on the trajectory of development relied on those lower on that trajectory to further their growth and development, with resultant huge and unequal global surpluses. Such historical evidence is embodied in the asymmetrical relationships between the dominant Western European colonial powers and the subordinate non-European colonies which constitute the fundamental basis of the logics of the modern world systems. What has emerged from these interaction patterns is a hierarchical global division of labor with assignments of differential tasks and responsibilities as well as corresponding outcomes and rewards to participant societies based primarily on length of experience with modern industrial capitalist development.

The unequal results of the operative forces of the global division of labor can be seen in the existence of social systems with continuing dynamic growth

and development with occasional punctuations simultaneously with the cultivation of attenuated growth and development in other social systems within the world economy. Attenuated growth and development in the latter prevent or slow down their passage through a threshold of modern industrial maturity associated with declining inequalities. Implications of this situation are that the internal growth and development patterns of some social systems are conditioned by the forces of the world systems in a manner enhancing greater productive capacities and consequent accumulation of disproportionate global surpluses whose distributions help to reduce their intrasocietal inequalities. On the other hand, other social systems, on account of their retarded or sluggish growth and development, are awarded limited global surpluses with consequent higher levels of inequalities due to a lack of sufficient material resources for distribution or redistribution. In essence, the dynamics of modernization and stratification theorized in the previous chapter do not occur independently of the external forces of the global systems. Characterized in another way, patterns of intrasocietal inequalities are conditioned by both the endogenous character of modern industrial development and the position of a society in the world systems vis-à-vis its role in a global division of labor typically beneficial to a relatively small number of societies at the expense of most participants in the world economy.

The Evolution Of The Modern World Systems

For the modern world systems, the external forces that contribute to the projected asymmetrical development and distribution patterns is reflected in the early experience of modern industrial development of a few western European states that formed the basis of their dominant role in an international division of labor. The division is characterized with fundamental changes over the past 200 years while maintaining its basic structural assignment of the most sophisticated roles and consequent greater rewards to a small number of countries. Among the fundamental changes characteristic of the international division of labor during this period are the evolution of leadership within the core countries juxtaposed with the expansion of a bipolar world economy to a tripartite structure which presently constitutes the primary basis for the operation of the global economy.

In the bipolar structure that existed from the nineteenth century to about the end of the Second World War (1939-1945), the western European countries constituted the core of the world economy with the United Kingdom and France exercising hegemonic leadership in socioeconomic and political interactions with their non-European colonies and other peripheral societies. By the end of the Second World War and shortly thereafter, the new realities of international geopolitics had given rise to a tripartite global organization in which the general patterns of economic activities were aligned to the capitalist countries of northwestern Europe with the United States as the leader; the socialist countries

of Eastern Europe with the former Soviet Union as the leader; and the Third World which included most of the world's countries with leading roles played by states such as the former Yugoslavia, Tanzania, Mexico, India, and Cuba. From about the 1970s, a reconfiguration of this tripartite structure took place and was subsequently enhanced by the disintegration of the socialist countries of Eastern Europe in the 1980s. By then Japan had established itself as an economic power that provided an important basis for the Asian connection in the present dominance of the world economy by a global triad involving North America, the European Union, as well as select countries in East and Southeast Asia.[1]

In the bipolar world economy led by the United Kingdom and France in the nineteenth century and the early part of the twentieth century, the subordinate colonized social systems were assigned the role of suppliers of raw materials and importers of manufactured goods, especially capital goods in the forms of machinery and equipments designed to aid in the production of these raw materials and primary commodities for export. With this arrangement, the

[1] Extensive accounts of the history and evolution of the modern world systems are available in Immanuel Wallerstein, The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century (New York: Academic Press, 1974); Immanuel Wallerstein, The Capitalist World-Economy (Cambridge, London: Cambridge University Press, 1979); Immanuel Wallerstein, The Modern World-System II: Mercantilism and the Consolidation of the European World-Economy, 1600-1750 (New York: Academic Press, 1980); and Immanuel Wallerstein, Modern World-System III: The Second Era of Great Expansion of the Capitalist World-Economy, 1720-1840s (New York: Academic Press, Incorporated, 1989). The extension of the history of the modern world system to an earlier period is the subject of Janet L. Abu-Lughod, Before European Hegemony: The World System A.D. 1250-1350 (New York: Oxford University Press, 1989); and Christopher Chase-Dunn and Thomas D. Hall, eds., Core/Periphery Relations in Precapitalist Worlds (Boulder, Colorado: Western Press, 1999). Newer ideas on the history of the modern world system are presented in Stephen K. Sanderson, ed., Civilizations and World Systems: Studying World-Historical Change (Walnut Creek, California: AltaMira Press, 1995a); Andre Gudner Frank and Barry K. Gills, eds., The World System: Five Hundred Years or Five Thousand (London: Routledge, 1996); and Andre Gunder Frank, ReOrient: Global Economy in the Asian Age (Berkeley, California: University of California Press, 1998).

imperial countries of Western Europe became the primary centers of manufactured goods involving the procurement and transformation of raw materials through a sequential value-added process which commands a much higher price in the market place because of higher technical input. Through an externally conditioned division of labor, a few countries became the source of capital and consumer goods with high contents of sophisticated technologies and high financial rewards while most societies receive minimal financial rewards for their primary commodities, raw materials, and craft production.

The dimension and magnitude of this unbalanced division of labor is reflected in the fact that on the eve of the Second World War, the few core countries of Northwest Europe and the European-derived countries of Canada, the United States, Australia, and New Zealand imported four-fifths of the primary products of peripheral societies which in turn purchased two-thirds of the manufactured goods of these core countries. Within the small group of core countries, only four of them produced a disproportionate 80 percent of world manufacturing production in that time period. The distribution of this monopoly of the world's manufacturing production in the 1936 to 1938 period places the United States ahead of others with 32.2 percent followed by Russia with 18.5 percent and Germany with about 10.7 percent (League of Nations 1945). Against the backdrop of these indicators, a few countries obviously monopolized world economic resources in the form of global profits and surpluses whose distribution contributed significantly to reductions in their intrasocietal levels of inequalities.

In the aftermath of the Second World War and leading into the 1970s, the bimodal division of labor was altered. The result included specializations in the manufacture of products with high and sophisticated technological contents, manufacture of intermediate goods with medium and less sophisticated contents which can be further processed in the preceding category, as well as the supply of primary commodities and raw materials along with the manufacture of goods with modest technological contents that would be further processed in the preceding two categories. Although an amalgamation of all three phases of specializations is typical in the core region, the noncore regions are relatively restricted to economic performances in the lowest and intermediate phases of this global division of labor.

This post-war international division of labor also reflected the geopolitical realities of the period as the capitalist countries of Northwestern Europe, led by the United States, became the ***de facto*** leaders in the manufacture of the most technologically advanced products. On the other hand, the socialist countries led by the former Soviet Union specialized primarily in the manufacture of goods with intermediate technological contents; a specialization shared with a few developing countries located mainly in Latin America as well as east and Southeast Asia. Most of the world's countries were assigned the perfunctory role of supplying primary commodities and raw materials, along with manufactured products with minimal technological contents, all of which attracted lower financial rewards in comparison with the core's enormous financial rewards.

Indications of the unequal benefits of international division of labor recorded in the Second World War period and its aftermath are discernable in the amounts of global resources processed and sold by the United States when it also became the strongest economic unit in the modern world systems. For example, in the period of the Second World War, the United States alone accounted for more than one-half of total global manufacturing. In the aftermath of the war, about one-third of global exports was supplied by the United States. These unique and enormous economic production capacities of one constituent unit of the world systems resulted in an increase in the country's gross national product (GNP) from $88.6 billion in 1939 to $135 billion in 1945, as measured in constant 1939 dollars (Kennedy 1987).

By the 1980s, this tripartite division of labor had produced structural changes in international economic alignment with Japan's ascension to a core status and the strengthening of the semicore status of the newly industrializing economies of Hong Kong, South Korea, Singapore, and Taiwan whose spectacular performances signaled an effective integration into the capitalist world economy. With the disintegration of the socialist governments of Eastern Europe in the 1980s, and the gradual consolidation of the European Union in the 1990s, the second dimension of these structural changes had emerged to combine with the continuing strength of the United States economy to form a tripolar economic axis of the European Union, North America, as well as East

and Southeast Asia.[2] This tripolar axis presently serves as the centrifugal focus of the contemporary world systems. In effect, this axis is comprised of a small number of states that occupy the core or semicore status of the world systems, which dominates the global economy through its specializations on various types of value-added manufacturing production and effective economic linkages among themselves than with the states outside of this axis.

Mechanisms of States' Differential Roles in the World Economy

Dominance of the global economy by the tripolar axis of European Union, North America, as well as some East and Southeast Asian states is crystally evidenced in Table 4.1 which indicates that all the sixteen highest ranked manufacturing states in 1999 are located in that axis. The fact that these sixteen states account for about 72 percent of total world production of manufactured goods in 1999 means that an enormous amount of global resources are processed in these societies, which attract preponderant amounts of global profits salubrious to continuing development and lower levels of intrasocietal inequalities. It is pertinent to observe that fourteen of the sixteen highest ranked manufacturing states in Table 4.1 were also among the sixteen highest ranked exporters in world trade in commercial services in 1999. In an ironic coincidence,

[2] In designating East and Southeast Asian economies as part of the tripolar economic axis of the contemporary world system, it is pertinent to note that only a relatively small number in the region are accorded that status, among them, China, Hong Kong, Japan, Malaysia, Singapore, South Korea, and Taiwan. What this means is that many of the states in that region are excluded from meaningful participation in the world economy.

the sixteen leading exporters in world trade in commercial services also provided about 72 percent of that trade in 1999, similar to the proportion of world merchandise export and trade supplied by the sixteen leading manufacturing states in the same year. The distribution in Table 4.1 also attests to the obvious disparity among these leading manufacturing and service states with further consequences for global stratification; only seven core countries in the group accounted for about 48 percent of world manufacturing, while eight countries accounted for about 55 percent of world services in 1999. An equally important aspect of the depicted global disparity in trade in Table 4.1 with consequences for intrasocietal inequalities relates to the fact that approximately 51 percent of world's value-added production in 1999 took place in the North American continent and Northwest Europe.

Overlapping the dominance of global production and trade by the three mega regions depicted above are regional economic blocs whose features also perpetuate the demonstrated unequal national participation in the world economy. Regional economic integration produces disparities in national share of global economic activities through its essentially discriminatory principles of restrictions on economic relationships with nonmembers in contrast to the removal of barriers against economic exchanges with member states. While the level of imposition and relaxation of restrictions are determined by the exact nature of a regional economic bloc, even the most basic form of integration, free

trade area,[3] can introduce sufficient restrictions that harm trade and investment by non-members.

TABLE 4.1. Leading Exporters and Importers in World Merchandise Trade, 1999
(Billion dollars and percentage)

Leading Exporters in World Merchandise Trade, 1999 (Billion dollars and percentage)

Rank	Exporters	Value	Share
1	United States	695.2	12.4
2	Germany	541.5	9.6
3	Japan	419.4	7.5
4	France	300.4	5.3
5	United Kingdom	269.0	4.8
6	Canada	238.4	4.2
7	Italy	230.6	4.1
8	Netherlands	200.4	3.6
9	China	195.2	3.5
10	Belgium	176.3	3.1
11	Hong Kong, China	174.4	3.1
	domestic exports	22.4	0.4
	re-exports	152.0	2.7
12	Korea Rep. Of	144.7	2.6
13	Mexico	136.7	2.4
14	Taipei, Chinese	121.6	2.2
15	Singapore	114.7	2.0
	domestic exports	68.7	1.2
	re-exports	46.0	0.8
16	Spain	110.1	2.0

Leading Exporters in World Trade in Commercial Services, 1999 (Billion dollars and percentage)

Rank	Exporters	Value	Share
1	United States	253.4	18.8
2	United Kingdom	101.5	7.5
3	France	82.6	6.1
4	Germany	79.3	5.9
5	Italy	61.2	4.5
6	Japan	60.3	4.5
7	Netherlands	54.2	4.0
8	Spain	53.0	3.9
9	Belgium-Luxembourg	39.0	2.9
10	Hong Kong, China	34.9	2.6
11	Canada	34.2	2.5
12	Austria	30.5	2.3
13	Switzerland	26.3	1.9
14	Korea, Rep. Of	24.8	1.8
15	China	23.7	1.8
16	Singapore	23.6	1.7

Source: World Trade Organization, International Trade Statistics 2000 (Geneva: WTO Publications, 2000), Tables 1.5 and 1.7.

Free trade areas accomplish these results by removing trade restrictions among member states, which may not necessarily be extended to non-member states, as each member is allowed to maintain its individual economic policies

[3] In classifying forms of economic integration some authors sometimes include preferential tariff agreements among countries as the basic and lowest form of economic cooperation that precedes the free trade area. However, it is the contention of the present author that that distinction unnecessarily stretches the differences between preferential tariff agreements and the principles of free trade embodied in free trade areas hence our consideration of the latter as the basic form of economic integration. The stretched distinction between the two along with exemplary members is presented in chapter eleven of H. Peter Gray, International Economic Problems and Policies (New York: St. Martin's Press, Inc., 1987).

with these other states. A progressively higher level of inclusion and exclusion follows the other forms of regional economic blocs including customs union, common market, and economic union which, respectively, incorporate all the elements of the preceding from or forms of integration with new features establishing the uniqueness of the higher form of co-operation. That progression makes the economic union the highest and most complex regional economic arrangement which embraces the removal of trade restrictions characteristic of free trade areas. Members of an economic union also adopt common external trade policies towards non-members; a characteristic distinction between a customs union and a free trade area. The free movements of production factors among member states, a differentiating factor between common markets and a customs union as well as a free trade area constitutes another feature of economic unions along with their unique features of making macroeconomic policies subordinating national interests to supranational, regional interests which no other form of economic bloc acquires.[4]

Implications of these regional organizations for societal development and access to global resources are that their very positive aspects of increased economic growth achieved, for example, through expanded trade, employment,

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[4] Elaborate explanation on the distinction and intricacies of these different forms of regional economic integration can be found in Hugh Arbuthnott and Geoffrey Edwards, eds., A Common Man's Guide to the Common Market (London: Macmillan Publishers, 1979); V. Cable and D. Henderson, eds., Trade Blocs? The Future of Regional Integration (London: Royal Institute of International Affairs, 1994); R. Gibb and W. Michalak, eds., Continental Trading Blocs: The Growth of Regionalism in the World Economy (Chichester: Wiley Press, 1994); and R.Z. Lawrence, Regionalism, Multilateralism, and Deeper Integration (Washington, D.C.: The Brookings Institution, 1996).

and income increments in a particular region, may produce the countervailing consequences of weakening the growth of non-member states whose economic exchanges with that bloc tend to occur with added costs and restrictions. Non-member states of an economic bloc can experience declining economic growth through loss of trading partners who replace their previous trade transactions outside the region with intraregional trade partners following the achievement of economic integration. Declining growth can also occur by means of reductions in volumes of trade with members of a regional economic bloc as well as by the inabilities or reduced abilities of non-members to invest within a bloc due to increased costs of investments. Increases in investment costs for non-members of an economic bloc typically occur in contrast to lower costs of investment for regional firms induced by the elimination of previous restrictions and the introduction of intraregional standardization of business operations.

In the present world economy, the two most influential economic blocs with these implications of development and stratification -- which ironically also represent the lowest and highest forms of regional economic integration -- are the North American Free Trade Agreement (NAFTA) with Canada, Mexico, and the United States; and the European Union (EU) comprising of Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom. The correspondence of these two influential regional economic units with two of the three mega tripolar core units of the world systems clearly solidifies the

dominance of global production and disproportionate control of global surpluses by a very select number of states with a small proportion of the world's population. It means that the peripheral, noncore states are further constrained in their abilities to participate effectively in global production and distribution of value-added goods because of the restrictions imposed against non-members of these two colossal economic blocs. Evidence of these constraints can be deduced from the increased intraregional economic activities within each economic bloc that almost certainly would have involved non-member states in the absence of this arrangement. In 1998, the intraregional export shares of NAFTA was 51 percent in contrast to 41.4 percent in 1990 while that of the European Union was 62.5 percent in contrast to the already very high proportion of 59 percent in 1990 (IMF 1999).

No wonder then that the only member of the leading core states with no membership in an influential regional economic bloc, Japan, is supportive of NAFTA's inclusion in the emerging Asia-Pacific Economic Co-operation Forum (APEC) for fears of further eroding its access to the North American continental market while the United States consistently protects its membership in APEC to safeguard against the domination of this future free-trade area by Japan, its leading global economic competitor outside the European Union. Consequently, APEC, which is at the infancy stage of a regional economic integration, is composed of a heterogeneous grouping of East and Southeast Asian states along with Pacific and North American states with varying political interests and

levels of socioeconomic development which is bound to make this a less effective regional economic bloc when it formally acquires that status.

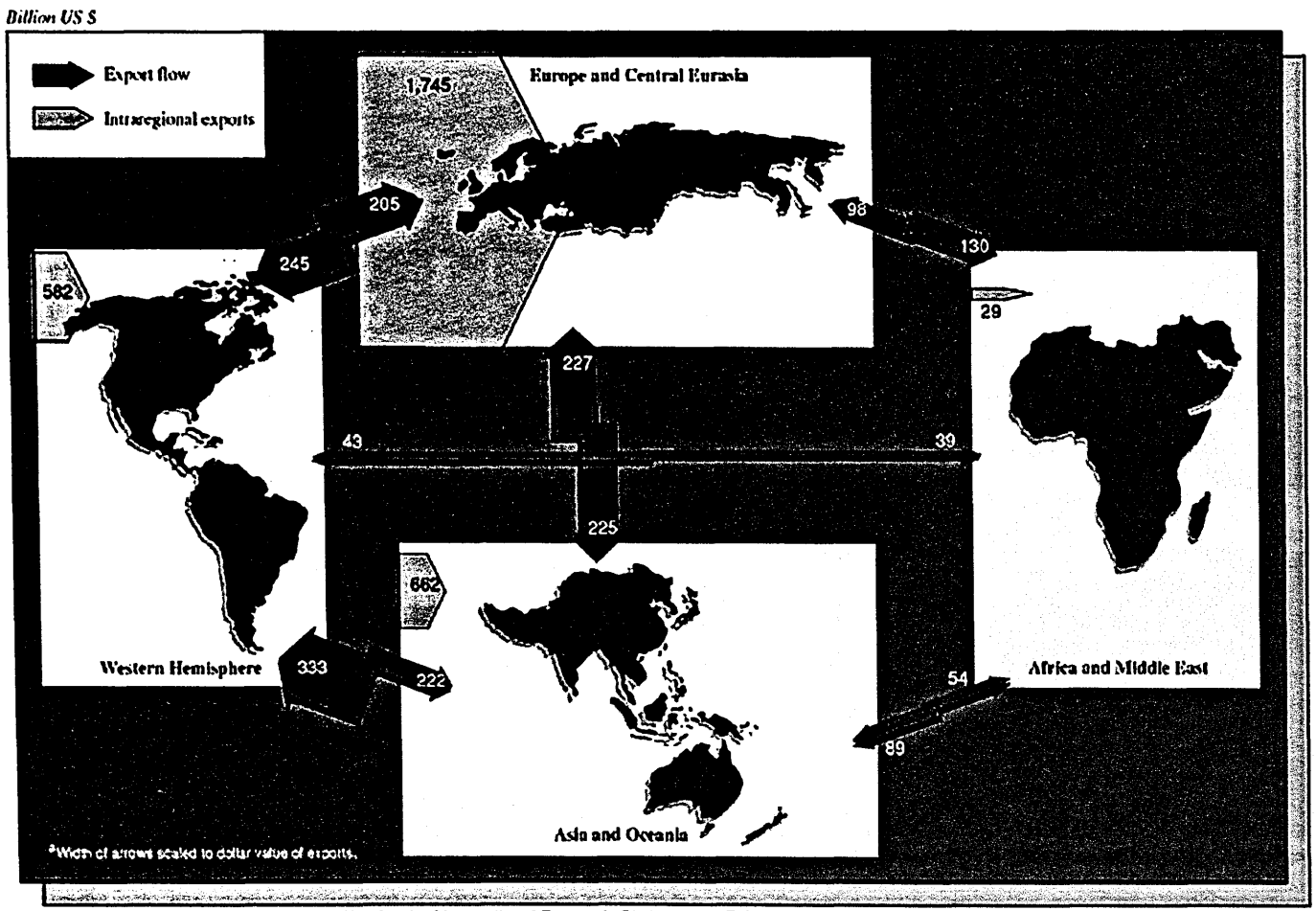
It should be recognized, however, that core states do not necessarily have a monopoly on regional economic orientation in the contemporary world systems as the proliferation of regional trading arrangements from 3 in the 1950s to 82 from 1990 to 1998 has involved many noncore states. Among these noncore regional economic integration are the Andean Common Market (ANCOM) consisting of Bolivia, Colombia, Ecuador, Peru, and Venezuela; the Asean Free Trade Area (AFTA) comprised of Brunei, Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam; the Caribbean Community (CARICOM) composed of Antigua & Barbuda, Bahamas, Barbados, Belize, San Cristobal, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, and Trinidad & Tobago; the Economic Community of West African States (ECOWAS) comprised of Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, as well as Togo; and the Southern Cone Common Market (MERCOSUR) made up of Argentina, Brazil, Paraguay, and Uruguay. Although some of these noncore regional orientations have produced notable economic improvements by means of intraregional increases in trade and investments, their discriminatory features also mean increased tendencies towards inward regional growth and

development that is tantamount to a ***de facto*** legitimation of the existing unfavorable global trading patterns and division of labor.

Notable improvements in noncore regional economic orientations include the more than triple increase in intraregional trade to $12 billion within MERCOSUR and the replacement of the United States by Brazil as Argentina's largest trading partner in a short span of four years, following signatures to the original integration treaty in 1990. Increases in intraregional export shares from 3.8 percent in 1990 to 10 percent in 1998 within ANCOM and from 8.9 percent to 24.8 percent within MERCOSUR (IMF 1999) serve as other indications of these improved regional noncore economic activities. It is the author's contention that these positive results of noncore economic integration notwithstanding, in the context of the present philosophy and structural parameters of the capitalist world economy, any arrangements that limit access to the dynamic markets of the core region and/or do not fundamentally alter the extant global division of labor can only promote more and not less inequalities in share of global resources and surpluses.

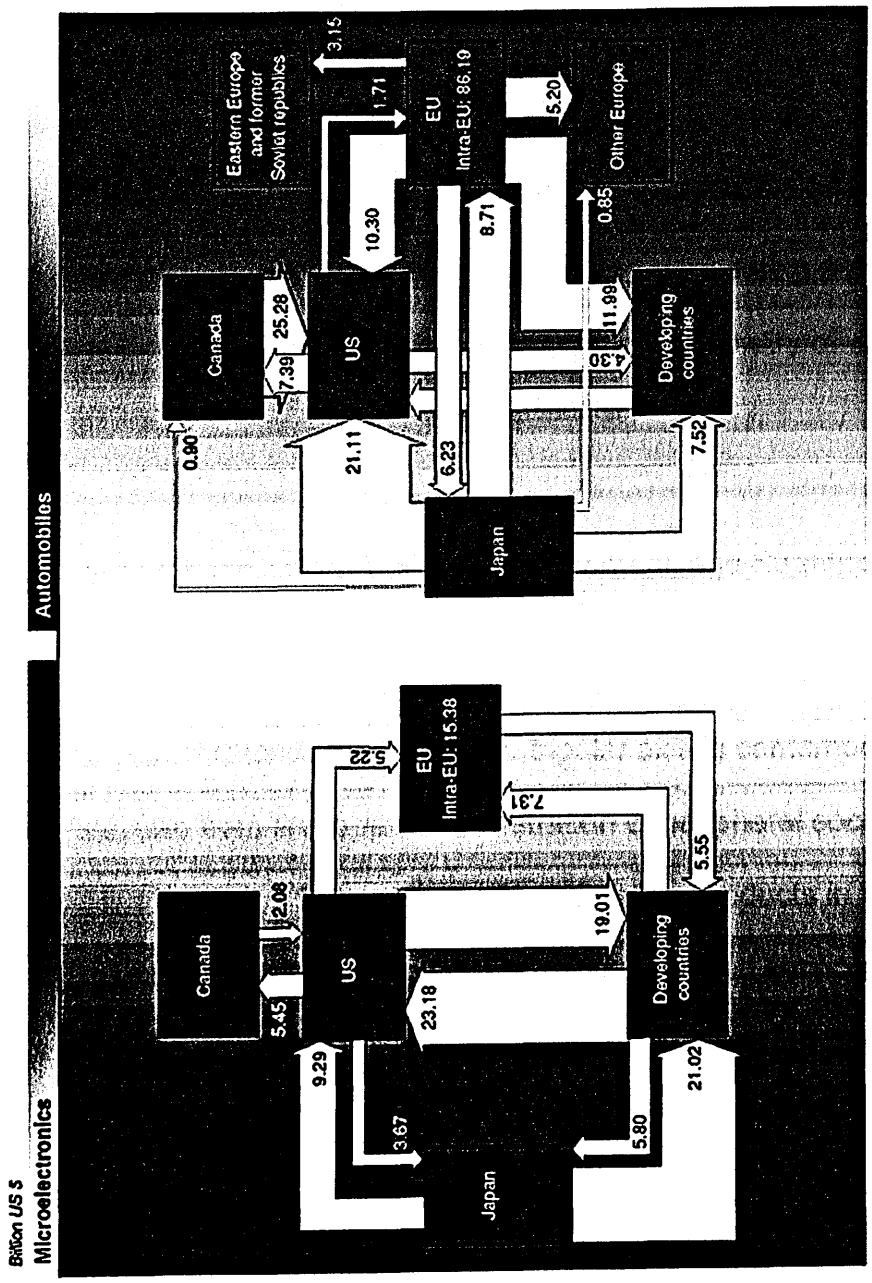
This contention is given credence and support by the data in Figures 4.1 and 4.2 below. In Figure 4.1, the patterns of world trade demonstrate regional domination with extreme disproportion in the shares of trade among the different regions in the global community. Underlying these asymmetrical global trade patterns is the already observed undue influence of the comparatively few countries in the tripolar axis of the European Union, North America, as well as

FIGURE 4.1. Scale of World Trade Within and Between Major Regions, 1996



Source: U.S. Central Intelligence Agency, Handbook of International Economic Statistics, 1997 (Washington, D.C.: U.S. Government Printing Office, 1997), Figure 21.

FIGURE 4.2. Global Trade Flows: Microelectronics and Automobiles, 1995



Source: U.S. Central Intelligence Agency, Handbook of International Economic Statistics, 1997 (Washington, D.C.: U.S. Government Printing Office, 1997), Figure 22.

trading among all the regions in the world economy, with the greater volumes of trade among themselves, while many countries in the developing regions produce comparatively limited trading activities with all the trading blocs in the

world. Intraregional exports in Figure 4.1 mirror these unequal trading activities and are illustrative of the negative influences of powerful economic blocs noted above. These kinds of export data also reveal the limited comparative amount of trade among the developing countries in spite of recent improvements in intraperipheral trade.[5] Figure 4.2 can be perceived as representing a partial disaggregation of the data in Figure 4.1 confirming the asymmetry of world trade in individual products.

Economic Penetration, Uneven Development, and Stratification

Further implications of the unequal role in the global division of labor, reinforced by regional economic blocs and the tripolar axis in contemporary world economy, are deduced from the lopsided penetration of peripheral societies for their raw materials subsequently transformed into finished products in the core and semicore regions. These finished products and associated services are, in turn, traded among the countries in these two regions as well as among the peripheral sates, where modest trading in manufactured goods takes place. Penetration of periphery states for their raw materials that command modest rewards in the global market place, in comparison with the high rewards of the

[5] Empirical evidence on improvements in intraperiphery trade in comparison with periphery-core trade tends to be contradictory depending on the measures used and time periods in the past few decades covered. Among the works with these contradictory evidence are John W. Sewell and Stewart K. Tucker, eds., Growth, Exports, and Jobs in a Changing World Economy: Agenda 1988 (New Brunswick, New Jersey: Transaction Books, 1988); and Frances Stewart, North-South and South-South: Essays on International Economics (New York: St. Martin's Press, 1992).

finished products of these materials processed mainly in the core and semicore regions, represents feudal interaction patterns among the constituent units of the world systems. Such interaction patterns denote limited integration of some states and effective integration of others into the world economy with consequential dynamic development in the latter and attenuated development in the former due to their limited effective exchanges of economic ideas and resources among themselves and a broad-based number of core and semicore states. We have already seen evidence of the significance of external markets as sources of acquiring global resources for the leading core and semicore states in Table 4.1, where a few states dominate the distribution of world manufacturing trade and commercial services, respectively. Because in the capitalist economic system these states do not typically engage directly in the production and marketing processes of most goods and services, these international differences in access to global resources and appropriation of their surplus values are associated primarily with the activities of individual capitalists or group of capitalists. Therefore, the feudal interaction patterns of the modern world systems overlap private agents of capitalism with their respective native states.

Prominent among these private agents of world capitalism are the transnational corporations[6] whose historic role in contemporary world economy is

[6] The literature on this entity indicates preferences for the use of transnational or multinational corporations. Transnational corporation denotes the operation of a firm in at least two states including the firm's home state and is, therefore, a more generic concept than multinational corporation that denotes the operation of a firm in a large number of countries. In this study, the two concepts are used to confer the two distinct meanings.

instrumental to the internationalization and increasing globalization of the production process. Since their inception, these corporations have become one of the premier, if not the premier, instruments of simultaneous penetrations of different state economies, thereby helping to enshrine the globalization of the capitalist mode of production as a unique feature of the modern world systems. Through this process multinational corporations have taken over from the strong states, albeit with their collaboration, the function of integrating social systems at varying stages of development into a unified global division of labor that promote uneven development and uneven distribution of rewards for the respective states in the world economy. The results are that the core states, from where most of these corporations originate, possess powerful vehicles of access to global resources that promote and sustain their dynamic economies while the states without indigenous transnational corporations are deprived of similar access and forced, as a consequence, to serve only as host to their operations with fewer resultant benefits.

Home countries of multinational corporations become the greatest beneficiaries of their activities through a globalization process that is capitalized by these corporations to maximize their profits by exploiting geographical differences in the distribution of production factors such as capital, natural resources, and labor as well as differential state economic policies that relate favorably to taxes, production standards, business subsidies, and environmental responsibilities. When a multinational corporation perceives a combination of

these factors as favorable, it accordingly extends its operations to a new location usually through foreign subsidiaries that integrate new or expanding markets to its existing economic network including the market of the home country. These foreign subsidiaries perform a vital role for their parent corporations by providing external structures of manufacturing and marketing of goods and services at lower production costs derived from the advantages of economies of scale at a global level. The flexibilities in business operations inherent in the abilities to locate and relocate to practically any part of the world illustrate the significance of this advantage to multinational corporations.

In addition to the establishment of foreign subsidiaries, lower production costs derived from geographical differences in business operations are achievable through subcontracting or outsourcing, strategic global alliances, as well as host countries' incentives.[7] International subcontracting or outsourcing, one of the most significant developments in the globalization of production and marketing of goods and services by multinational corporations, allows firms to benefit from geographic disparities in the costs of business operations either by the subcontracting of the manufacture of an entire product by a principal firm to a subcontractor according to the former's specifications, a practice known as commercial subcontracting, or by outsourcing certain or specific processes and

[7] Among the works whose analyses of the global system have benefited the author's thinking in this section of the study are Dimitri Germidis, ed., International Subcontracting: A New Form of Investment (Paris: OECD, 1980); Harvey S. James, Jr., and Murray Weidenbaum, When Businesses Cross International Borders: Strategic Alliances and their Alternatives (Wesport, Connecticut: Praeger Publishers, 1993); and Peter Dicken, Global Shift: Transforming the World Economy (New York: The Guilford Press, 1998).

components of the production chain to a subcontractor (Germidis 1980; Donaghu and Barff 1990; James, Jr., and Weidenbaum 1993). The latter arrangement, known as industrial subcontracting, has been widely used by multinational corporations in many industries including agrofoods, apparel, automobile, and electronics (Gereffi and Korzeniewicz 1994).

Among the noteworthy unique features of industrial subcontracting is its flexibility that allows corporations to internally manufacture components of particular products with very high capital and sophisticated technological contents while externalizing the production phases of these products requiring intensive labor to international locations with abundant labor at low costs. The predominant role of India as the leading international outsource location for the computer software industry, where less-skilled phases of the production chain in software manufacture are performed, illustrates the benefit of this unique feature of international subcontracting to multinational corporations. It perpetuates the accruement of larger amounts of profits to these corporations and their home states and less rewards for the participant noncore states because of their subordinate role in this process. This spatial hierarchy of global production, in which certain stages of production processes that require intensive capital input and sophisticated technological contents are performed in the core states, while less capital and less technologically demanding stages such as assembling of products are performed in noncore states, has other special implications for intersocietal and intrasocietal stratification through the interactions of internal and

external features of inequalities theorized in the next chapter. The expansion of this structure of production into more products and industries has been strongly aided by the offshore assembly economic policies of some core countries designed to permit the export of domestic materials or components of such materials to other countries for processing while charging import duties only on the value of the products added overseas following their reimportation into the home country.

Global strategic alliances are other forms of business organizational structures in the contemporary world systems relied upon by multinational corporations to extract benefits from geographical differences in factors of production for profit maximization. In these kinds of alliances, a corporation enters into a contract with another independent firm, often its competitor, on a specified business goal and objective it otherwise may not be able to achieve on its own, ensuring in the process, the sharing of both potential risks and rewards through collective responsibility for the joint venture. When such collaboration takes place between multinational corporations, they benefit from the dual outcomes of maintaining their competitive edge in many areas of their operations and cooperating in those areas in which they lack decisive economic advantages.

Through such collaboration, a multinational corporation can gain access to a business venture with very high investment costs, gain entry to restricted markets, keep up with accelerating technological changes, modify risks in high

risk ventures, lower current production costs, or achieve a global standardization of a particular product. Examples of interfirm global alliances known to achieve these results include joint ventures on research and development useful in reducing the costs of inventing new products and technologies and conducive to the spread of risks of failure. Joint manufacturing agreements with lower production costs and cross-distribution arrangements useful in allowing the marketing of each other's products in markets otherwise closed to particular corporations are other forms of global alliances exploited by multinational corporations to increase their profits. Partnerships in bidding which enable signatory corporations to share in a contract that each cannot win on its own because of magnitude and corresponding executing costs of the project also serve as useful mechanisms for accessing global surpluses by multinational corporations (Hagedoorn and Schakenraad 1990; Anderson 1995; UNCTAD 2000).

Beyond the preceding practices, multinational corporations can exploit global variations in economic conditions to enhance their investment returns by taking advantage of the increasingly intense competition both in the core and noncore states to attract foreign investments to their territories. As states attempt to outbid one another in an attempt to attract a particular form of foreign investment, it is not unusual to offer a composite package of incentives including financial and fiscal concessions, social and physical infrastructures, and sometimes, even political concessions highlighting the locational advantages of

one state over another. For the noncore states, among the most visible illustrations of these concessions, which are motivated by considerations of the investment's potential contributions to their industrialization process, are the establishment of export-processing zones within their territories. Export processing zones operate as rather small, geographically isolated enclaves within a country whose primary function is to attract export-oriented industries by offering special and favorable investment and trade conditions not available in the country outside these zones (Din 1994; Chen 1995; Abbott 1997; Johansson and Nilsson 1997).[8] The Chinese Special Economic Zones, with their generous incentives to foreign investment in the forms of modern infrastructures, tax concessions, and duty-free import, represent the increasing use of export-processing zones to aid development in noncore societies with substantial benefits for multinational corporations. Concessions and benefits extended to multinational corporations in these Chinese special economic zones are motivated by the desires to promote export production and generate foreign exchange in order to create the resources beneficial to the country's industrialization programs (Sit 1988; Ming 1992; Chen 1995). Similar incentives are common in the export-processing zones of many other developing countries including those in Africa (Weissman 1996; Chigbo 2001), Asia (Rondinelli 1987;

[8] These references also contain positive and adverse effects of export-processing zones on developing economies.

Yuan and Eden 1992), Latin America (Kaplinsky 1993), as well as the Middle East (U.S. Department of Commerce 1986).

For the core countries, the attraction of foreign investment on generous terms and concessions tends to be motivated by employment considerations and the contributions of investment activities to the spread of national development to areas with limited or no dynamic domestic investment, especially in high-tech industries. An offer of $254,451 in financial investment per worker to attract an investment of $2,603 million by AutoEuropa to Setubal, Portugal, and incentive expenditures of $250 million by Alabama, United States, to attract a $300 million investment by Mercedes-Benz to Tuscaloosa, represent the substantial benefits transnational corporations receive in contemporary world systems due to competitive bidding for their presence in national economics (UNCTAD 1995). Increasingly, this competition involves intense intranational rivalry to lure a foreign subsidiary to a particular community. Setubal's and Tuscaloosa's fate bespeaks another invaluable functional mechanism of the world systems; that of unequally situated cities with a few of them intimately integrated into the innermost organizational layers of production and distribution systems.

Otherwise styled global cities or transnational urban systems, these intimately integrated micro entities of the world systems serve as centers of major and disproportional economic activities that attract similar disproportional global surpluses. Their unique status in the world economy, seen in their harboring of a very high percentage of the headquarters of these multinational

corporations, explains the eminence of global cities among which are Amsterdam, Frankfurt, Geneva, London, New York, Paris, Rome, and Tokyo. In view of the unique positions and eminent role of these mighty cities in the world economy, they serve as effective conduit for attraction of surpluses to their respective states in amounts bound to dampen intranational inequalities at the expense of those states without such external instruments of production and distribution.[9]

Specializations in the delivery of multiple products and services by one corporation serve as other dimensions of domination in the global economy with stratificational consequences due to disproportional access to resources and subsequent share of global profits produced by such a delivery system. Provision of multiple products and services by a multinational corporation freezes out or strictly limits the participation of many potential firms or individual entrepreneurs in the process of transforming resources into goods and services, thereby disrupting a balanced division of labor usually beneficial to a wider segment of the business community through differentiated input into production processes. From a business perspective, the most disadvantaged firms under these conditions are the providers of services such as financial, insurance, transportation, and advertisement which typically serve as necessary input into

[9] Among the works known to the author that deal specifically with analysis of cities in the world economy, a highly commendable one is Saskia Sassen, Cities in a World Economy (Thousand Oaks, California: Pine Forge Press, 1994). Chapters one and two that deal, respectively, with Place and Production in the Global Economy as well as The Urban Impact of Economic Globalization provide particular illustrative insights into this subject.

the production process but are combined with the production functions of an all-purpose multinational corporation.

The pervasive influence of these all-purpose multinational firms can be deduced from the operations of the leading Japanese so-called ***sogo shosha*** or general trading company (Fairlamb 1986; The Economist 1995). Many of the Japanese ***sogo shosha*** are multinational corporations which offer composite products and services that combine manufacturing production, financial services, commercial undertakings, among others, within the organizational structure of one corporation. With their ubiquitous network of subsidiaries all over the world, the six leading Japanese general trading companies comprised of Itochu, Marubeni, Mitsubishi, Mitsui, Nissho-Iwai, and Sumitomo exercise a particularly domineering influence in contemporary world economy by accumulating a preponderant amount of global surpluses from diverse business operations.[10]

Further insights into the pervasive influence of global firms that restricts entry into some industries by dealing with multiple products and services can be extracted from the results of business restructuring which sometimes create smaller independent enterprises out of a large conglomerate. Recent announcement and plans to restructure AT&T Corporation into four separately traded companies, following acquisitions worth an estimated $100 billion within the past three years, reveal the consequences of the undue extension of

[10] The fluctuating fortunes of these corporations in some aspects of their multi-purpose investments in recent years are discussed in Jean-Francois Tremblay, "Shrinking Presence for Sogo Shosha," Chemical and Engineering News 78 (April 3, 2000): 23-24.

business activities to areas that could be successfully operated by other firms (http://dailynews.yahoo.com /h/nm/20001025/ts/telecoms_att_dc_7.html). The potential viability of these four traded companies out of the once giant AT&T conglomerate symbolizes the restrictions to business activities in the relevant industry posed by AT&T's previous multipurpose business behaviors.

Ironically, the restructuring of AT&T and similar other corporate reorganizations are occurring against the backdrop of acquisitions and mergers serving as one of the most unique features of contemporary global economy conducive to the accruement of global surpluses in unequal amounts to different economic actors. During the past two decades of the 1980s and 1990s the importance of mergers and acquisitions as a feature of the global economy is revealed in their growth at an average annual rate of 42 percent and a transaction value of $ 2.3 trillion by 1999. Relying on this mode of operations to create or expand corporate presence outside a home country, the so-called cross-border mergers and acquisitions, parallels this global trend with a rise in value from $75 billion in 1987 to $720 billion in 1999. More spectacularly, there has been a steady increase in the number and value of cross-border mergers and acquisitions that qualify for inclusion in the category of "mega deals," a transaction of $1 billion or more in value, as evidenced in Table 4.2. Although the larger proportion of these cross-border transactions has taken place within the developed economies, the developing countries are experiencing notable increases in the use of this mode of entry by multinational corporations to

TABLE 4.2. The World's 50 Largest Privatization Deals Involving Foreign Firms, 1987-1999

Rank	Privatized firm	Year	Value of acquisition (billion dollars)	Country	Acquiring foreign firm	Acquiring Country[a]
1	YPF SA	1999	13.2	Argentina	Repsol SA	Spain
2	Argentina-Airports(33)	1998	5.1	Argentina	Aeropuertos Argentina 2000	United States
3	TELESP(Telebras)	1998	5.0	Brazil	Investor Group	Spain
4	Victoria-Loy Yang A Power	1997	3.8	Australia	Investor Group	United States
5	Energie Baden-Wuerttemberg AG	1999	3.4	Germany	Investor Group	France
6	Telesp Celular Participacoes	1998	3.1	Brazil	Investor Group	Portugal
7	Credit Communal de Belgique SA	1996	3.1	Belgium	Credit Local de France Sa	France
8	Nobel Industrier Sweden AB	1994	3.0	Sweden	Akzo NV	Netherlands
9	Coca-Cola Bottlers Philippines	1997	2.7	Philippines	Coca-Cola Amatil Ltd	Australia
10	Belgacom	1996	2.5	Belgium	ADSB Telecommunications	United States
11	Telekom Austria	1998	2.4	Austria	Telecom Italia SpA	Italy
12	Embratel(Telebras)	1998	2.3	Brazil	MCI Communications Corp	United States
13	YPF SA	1999	2.0	Argentina	Repsol SA	Spain
14	PowerNet Victoria(GPU Inc)	1997	2.0	Australia	GPU Inc	United States
15	Entel Peru SA, Cia Peruana	1994	2.0	Peru	Investor Group	Spain
16	Stockholm Energi AB	1998	2.0	Sweden	Gullspangs Kraft	Sweden
17	CA Nacional Telefonos de VE	1991	1.9	Venezuela	VenWorld Telecom CA	United States
18	Svyazinvest	1997	1.9	Russia	Mustcom Ltd	Cyprus
19	Yalloum Energy	1996	1.8	Australia	Investor Group	United
20	Hazelwood Power Station	1996	1.8	Australia	Hazelwood Power Partnership	United
21	Sidor	1998	1.8	Venezuela	Consorico Siderurgia	Argentina
22	Telecentro Sul (Telebras)	1998	1.8	Brazil	Investor Group	Italy
23	Light SE	1996	1.7	Brazil	Investor Group	United States
24	Telmex	1990	1.7	Mexico	Investor Group	United States
25	Australia-Dampier to Bunbury	1998	1.6	Australia	Epic Energy Inc	Canada
26	Eastern Energy Ltd	1995	1.6	Australia	Texas Utilities Co	United States
27	Cia de Electricidade do Estado	1997	1.6	Brazil	Investor Group	Spain
28	Powercor Australia	1995	1.6	Australia	Investor Group	United States
29	Elsag Bailey Process	1999	1.5	Netherlands	ABB Transportation	Netherlands
30	SPT Telecom	1995	1.5	Czech Republic	Telsource consortium	Netherlands/ Switzerland
31	Ferrocarril del Noreste	1997	1.4	Mexico	Transportacion Ferroviaria	Mexico
32	Cie Centro Oeste	1997	1.4	Brazil	AES Corp	United States
33	Kaztelekom	1997	1.4	Kazakhstan	Daewoo Corp	Republic of Korea
34	Citipower Ltd(Entergy Corp)	1996	1.3	Australia	Entergy Corp	United States
35	Telkom South Africa	1997	1.3	South Africa	Investor Group	United States
36	Ikon Energy/Mutinet Gas	1999	1.3	Australia	Energy Partnership	United States
37	Santa Fe Exploration	1996	1.2	United	Saga Petroleum AS	Norway
38	Codensa	1997	1.2	Colombia	Investor Group	Spain
39	Retevision	1997	1.2	Spain	Investor Group	Italy
40	OK Petroleum AB	1994	1.2	Sweden	Corral Petroleum Holdings AB	Sweden
41	Telesudeste Celular(Telebras)	1998	1.2	Brazil	Investor Group	Spain
42	FSM	1992	1.1	Poland	Fiat Auto SpA(Fiat SpA)	Italy
43	Ceskoslovenska Obchodni Banka	1999	1.1	Czech	KBC Bancassurance Holding	Belgium
44	Tengizchevroil	1996	1.1	Kazakhstan	Mobil Corp	United States
45	Bank Polska Kasa Opieki SA	1999	1.1	Poland	Investor Group	Italy
46	ASLK-CGER Insurance, ASLK-	1993	1.1	Belgium	Fortis International NV	Netherlands
47	Cemig(Minas Gerais)	1997	1.1	Brazil	Southern Electric Brazil	United States
48	Cellulose du Pin-Paper & Pkg	1994	1.0	France	Jefferson Smurfit Group PLC	Ireland
49	Cia Riograndense de Telecomun	1998	1.0	Brazil	Investor Group	Spain
50	Kinetik Energy/Westar	1999	1.0	Australia	Texas Utilities Australia Pty	Australia

Source: UNCTAD, World Investment Report 2000: Cross-border Mergers and Acquisitions and Development (Geneva: United Nations Publication, 2000),Table IV.8.

[a] For deals whose host and acquiring countries are the same, the ultimate parent country is different.

establish a presence within their territories. For example, available assessment indicates that there has been an increase in the ratio of the value of cross-border mergers and acquisitions to foreign direct investment inflows or greenfield investments[11] in the developing countries from one-tenth in the 1987 to 1989 period to more than one-third in the 1997 to 1999 period (UNCTAD 2000).

The relative ease of business purchase or merger made possible by the superior technological, organizational, and financial resources of multinational corporations has contributed significantly to the existence of global oligopolistic structures in certain industries that make entry into particular lines of business activities extremely difficult and expensive. Market concentrations in the past few years in key industries such as automobiles, banking, pharmaceuticals, telecommunications, insurance, and energy have been attributed in large part to these international acquisitions of one firm by another and the merging of multiple firms into a single business entity. In the banking industry, this concentration is evident in the fact that in 1996 the largest 25 banks, based on measurements of assets, accounted for 28 percent of the assets of the 1000 largest banks in comparison with 33 percent in 1999. For the pharmaceutical industry, evidence of concentration is derived from the fact that, in 1999, the top five and ten largest multinational corporations accounted for 28 and 46 percent of the world sales of pharmaceutical products respectively, in comparison with 19

[11] Greenfield investments are new foreign direct investments which are not established through mergers and acquisitions.

and 33 percent in 1995, respectively. Similar trends are evident in the automobile industry, where in 1999 the ten largest firms accounted for 80 percent of the world vehicle production in contrast to 69 percent in 1996 (UNCTAD 2000). Although there have been instances in which these forms of business organization or reorganization have induced efficiency and productivity within an industry, the end result is the accruement of global profits to a few multinational conglomerates in ways that exacerbate global and international inequalities as the home countries of these corporations receive the largest shares of these profits.

The oligopolistic structures in the contemporary organization of the global economy engendered by mergers and acquisitions in certain critical industries have forced many firms and states to rely on an increasingly small number of corporations for products and services they cannot obtain from any other source. Because in many situations some of the capital and consumption products manufactured by these oligopolistic corporations cannot be produced by other firms, at least in the short run, the fulfillments of the needs of most citizens of the world are dependent on the practices of the few. This incongruous dependency is compounded by the bargaining strength of these corporations bolstered by the existence of multiple and often vulnerable sources of obtaining the critical raw materials that serve as input into their production processes. It is this situation that makes the exploitation of the needs of the many not only feasible but also economically beneficial to the few producers in oligopolistic global industries who

usually end up with large profits even in the face of small profit margins. Small profit margins can generate huge global surpluses by virtue of the large share of the global market dominated by each of the oligopolistic producers.

Perhaps more significant than the issue of share of global profits and surpluses in relation to mergers and acquisitions, is the potential of eliminating a domestic firm entirely from segments of a particular industry, thus cutting off crucial societal economic linkages with that elimination. These extreme effects of international acquisitions and mergers can be seen in the electronics industry, where domestic firms have been effectively eliminated from the manufacturing process of a particular product. That elimination pertains to the United States, a leading core country, where the production of televisions by native firms ceased when the last American corporation that manufactured this item, Zenith Corporation, sold its television operations to a South Korean transnational corporation, LG Electronics.

Other special features of multinational corporations providing them with the unique advantage of control over the world economy for the benefits of their home countries include the restrictions of crucial research and development activities (R&D) to their headquarters in respective home countries or to regional headquarters in other core countries. Analyses of the typology and locational trends of corporate research strategies indicate that high level R&D activities are most commonly restricted to the home countries of multinational corporations in contrast to low level R&D activities such as the technical adaptation of the parent

corporation's technology to local market conditions commonly dispersed to noncore affiliates (Patel 1995; Doremus et al 1998; UNCTAD 1999).[12] The concentration of high-level research activities in a select number of countries is confirmed by recent estimates that reveal that when R&D spending is used as a proxy for "input" of technological effort at the macroeconomic level, about ninety percent of world R&D expenditure is accounted for by the Organization for Economic Cooperation and Development Countries (OECD); seven countries within that group account for about ninety percent of R&D with the United States by itself accounting for 40 percent of these expenditures (UNCTAD 1999). Such concentration of research and development activities in a few countries has profound consequences for national development outcomes and stratification with respect to the technological benefits of these activities.

Through the technological results of high-level research projects, multinational corporations are consistently able to produce new products and enhance the manufacturing processes of existing ones, thus consolidating their domination or influences in global markets where these value-added products yield substantial profits. The native homes of these corporations become the beneficiaries of these technologically-derived global surpluses not only through

[12] A sympathetic view that developing countries with the required innovative environment have attracted strategic R&D activities in recent years through affiliates of multinational corporations is presented in P. Reddy, "New Trends in Globalization of Corporate R&D and Implications for Innovation Capability in Host Countries: A Survey from India," World Development 25 (1997): 1821-1838. The pros and cons of technology transfer from the core to the periphery are examined in Linsu Kim, "Pros and Cons of International Technology Transfer: A Developing Country's View," In Tamir Agmon and Mary Ann Von Glinow, eds., Technolog Transfer in International Business (New York: Oxford University Press, 1991).

the repatriation of corporate earnings from overseas markets but through the backward and forward linkages of research activities within the native economies as well. One of the most visible examples of these linkages exists in the automobile industry, where technical inventions and improvements in manufacturing processes affect many industries associated with the contribution of important input or components to the finished automobile products. An initial impetus for technological inventions and improvements within the automobile industry produces irresistible spin-over effects in related industries where the production of important auto components require similar improvements in techniques. When these technological interlinkages are reinforced with inter-firm and cross-industry purchases of resource input, intermediate, and finished products, societal development is strongly enhanced through the backward and forward linkages whose initial stimulation may have come from one particular industry.

In essence, the concentration of high-level R&D activities in the home offices of multinational corporations advances sustainable development in their home countries through spin-over effects that perpetuate the technological edge of these corporations over others. This process underlies the historic and extant dominance of a few corporations in the leading industry or industries, the so-called "industry of industry, " known to generate the most singular widespread spin-over effects across the economy at a particular point in time. In the modern world systems, domination in an "industry of industry" at one point in time tends

to propel the leading corporations and, by extension, the leading countries to domination in the subsequent generations of "industry of industry." Suggestive evidence of that trend can be deduced from American domination of the automobile industry and its subsequent controlling influence in the computer industry.

Restrictions of primary R&D activities to a few corporations and their home countries strongly suggest patterns of intentional organizational behaviors designed to prevent a balanced sharing of technical know-how among constituent units of the global community. A balanced sharing of technological knowledge is crucial to mutually beneficial alterations in the current global division of labor we have already seen tends to perpetuate international inequalities through the assignment of much greater surpluses to the makers of the most technologically advanced goods and services. This condition also debunks the aspects of globalization perspective which create the impressions of denationalization of multinational corporations through their ubiquitous presence in the diverse social units of contemporary world systems.

While such globalization views accurately depict the extensiveness of the operations of these firms in the world economy, they do not address the equally salient fact of the persistent native cultural influences on the behaviors and direction of these firms. It is a well-known fact of modern history that the cultural affinities and affiliations of some states have dictated and encouraged the generous sharing of advanced technical know-how with one another. The

clearest manifestation of this source of international inequalities with due implications for intrasocietal inequalities is the spread of modern industrial techniques of production among western European countries and the European-derived countries of Australia, Canada, New Zealand, and the United States in spite of the fact that the industrial revolution did not occur simultaneously in these European countries in the nineteenth century. The special political relationships between the United States and Japan during the Cold War in the second half of the twentieth century also account, in part, for the technological advancement of Japanese society through exchanges of technical know-how with American corporations and its eventual co-optation into the core stratum of the global system.

Among the newly industrializing states of Asia -- the much-celebrated four so-called "little dragons" comprised of Hong Kong, Singapore, South Korea, and Taiwan -- have also received significant external support in their technological drives through special political relationships and/or general cultural ties with western European countries including the United States. In Hong Kong and Singapore, their current semicore status is inextricably linked to their unique colonial background reflected in their effective integration into the economic structures of the British metropolitan country throughout the colonial period which, in the case of Hong Kong, ended only recently with the reassertion of sovereignty by China. For South Korea and Taiwan, the external foundation and impetus for their high modern industrial status is associated, in part, with the

special political relationships with the United States during the Cold War, when both countries were viewed as frontline or buffer states against communist threats and expansionism by China and North Korea. The resultant effective integration of the economies of these Asian states into the world systems, necessitated by the political and economic interests of some Western European countries, continues to function in mutually beneficial ways to all the states involved.

It is asserted therefore that the present controlling influence over the world economy by the global triad of Western Europe, North America, as well as some East and Southeast Asian states already alluded to is not unconnected with the cultural affinities and special political relationships of the states in these regions in the modern period. When these relationships are contrasted with the refusals by western multinational corporations to assist in providing the foundational structures of industrialization in other societies, sometimes through non-participation in contractual projects sponsored by the national governments of these societies, the assumption of multinational corporations' general adherence to a home country's attitudes and policies towards other peoples is greatly strengthened.

Global Surplus Leakages and Stratificational Implications

So far, our exposition has been concerned with the prominent economic actors in the world economy, the features that sustain domination and subordination within that economy, as well as how the relationships among these economic actors constitute the structure of the world systems. The nature of the relationships so far revealed in our exposition requires an enunciation of the processes and techniques underlying the distribution and redistribution of global surpluses among these economic actors in order to discern how the logics of the world systems determines the patterns of these rewards.

First and foremost among these techniques are withdrawals of economic resources from one society to another through an external instrument of economic penetration, as in multinational corporations, which have already been shown to play unique roles in the world economy including serving as effective mechanisms of accessing global economic resources and surpluses. Under conditions of unbalanced access as in the modern world economy, these withdrawals amount to the deprivation of one society of vital global surpluses for investments and distribution that are channeled to a different unit of the world systems for these same activities, with resultant lower levels of inequalities in the latter. Among the interlocking instruments of these withdrawals are the repatriation of portions of foreign investment resources in the forms of profits and dividends, license and patent fees, transfer pricing, as well as by means of

payments of external debt obligations and negative terms of trade with respect to the net balance of a state's import and export trade.

The magnitude of societal financial leakages through the repatriation of foreign investment-generated resources can be inferred from Table 4.3, which indicates that a substantial proportion of the total sales of most of the world's largest 100 corporations in 1998 came from foreign sales. Particularly high proportions of foreign sales are recorded by 70 of the 100 transnational corporations in Table 4.3 whose individual foreign sales amounted to fifty percent or more of its total business returns in 1998. Equally noteworthy is the fact that, for thirteen of these corporations, more than ninety percent of their individual total sales came from foreign sales. An additional remarkable indication in that table relates to the substantial ratio of foreign to total sales in some industries with dominating presence in peripheral economies such as the petroleum industry. In six of the ten transnational corporations in the petroleum industry listed in Table 4.3, more than fifty percent of their individual sales emanated from foreign sources. In view of the typical transfers of the bulk of these resources to the parent corporations and, in effect, to the home states of these corporations, many of the host societies that contribute to the generation of these earnings are deprived of significant investment and distributional resources that should make for lower inequalities. This negative consequence, created by the logics of a world system with differential production capacities of its component units, can

TABLE 4.3. The World's 100 Largest TNC's, Ranked by Foreign Assets, 1998

(Billions of dollars and number of employees)

Ranking 1998 by Foreign assets	TNI[a]	Corporation	Country	Industry[b]	Assets		Sales		Employment		TNI[a] (percent)
					Foreign	Total	Foreign	Total	Foreign	Total	
1	75	General Electric	United States	Electronics	128.6	355.9	28.7	100.5	130 000	293 000	36.3
2	85	General Motors	United States	Motor Vehicles	73.1	246.7	49.9	155.5	...	396 000	30.9
3	45	Royal Dutch/Shell Group[c]	Netherlands/United Kingdom	Petroleum expl./ref./distr.	67.0	110.0	50.0	94.0	61 000	102 000	58.0
4	76	Ford Motor Company	United States	Motor Vehicles	...	237.5	43.8	144.4	171 276	345 175	35.4
5	19	Exxon Corporation[d]	United States	Petroleum expl./ref./distr.	50.1	70.0	92.7	115.4	...	79 000	75.9
6	60	Toyota	Japan	Motor Vehicles	44.9	131.5	55.2	101.0	113 216	183 879	50.1
7	54	IBM	United States	Computers	43.6	86.1	46.4	81.7	149 934	291 067	53.0
8	21	BP AMOCO	United Kingdom	Petroleum expl./ref./distr.	40.5	54.9	48.6	68.3	78 950	98 900	74.9
9	59	DaimlerChrysler	Germany	Motor Vehicles	36.7	159.7	125.4	154.6	208 502	441 502	50.4
10	3	Nestlé SA	Switzerland	Food/Beverage	35.6	41.1	51.2	52.0	225 665	231 881	94.2
11	51	Volkswagen Group	Germany	Motor Vehicles	...	70.1	52.3	80.2	142 481	297 916	53.8
12	7	Unilever	Netherlands/United Kingdom	Food/Beverage	32.9	35.8	39.4	44.9	240 845	265 103	90.1
13	63	Suez Lyonnaise Des Eaux	France	Diversified/utility	...	84.6	12.9	34.8	126 500	201 000	45.6
14	73	Wal-Mart Stores	United States	Retailing	30.2	50.0	19.4	137.6	...	910 000	37.2
15	8	ABB	Switzerland	Electrical Equipment	...	32.9	23.1	27.7	154 263	162 793	89.1
16	43	Mobil Corporation[d]	United States	Petroleum expl./ref./distr.	...	42.8	29.7	53.5	22 100	41 500	58.6
17	17	Diageo Plc	United Kingdom	Beverages	27.9	46.3	10.5	12.4	65 393	77 029	76.7
18	38	Honda Motor Co Ltd	Japan	Motor Vehicles	26.3	41.8	29.7	51.7	...	112 200	60.2
19	52	Siemens AG	Germany	Electronics	...	66.8	45.7	66.0	222 000	416 000	53.6
20	41	Sony Corporation	Japan	Electronics	...	52.5	40.7	56.6	102 468	173 000	59.3
21	34	Renault SA	France	Motor Vehicles	23.6	43.2	25.4	39.8	92 854	138 321	61.8
22	12	News Corporation[e]	Australia	Media/Publishing	22.9	33.6	10.5	11.7	...	50 000	78.7
23	40	BMW AG	Germany	Motor Vehicles	22.9	35.7	26.8	37.7	53 107	119 913	59.9
24	81	Mitsubishi Corporation	Japan	Diversified	21.7	74.9	43.5	116.1	3 668	11 650	32.7
25	67	Nissan Motor Co Ltd	Japan	Motor Vehicles	21.6	57.2	25.8	54.4	...	131 260	42.6
26	33	Bayer AG	Germany	Pharmaceuticals/chemicals	21.4	34.3	21.9	31.1	80 900	145 100	62.8
27	13	Roche Holding AG	Switzerland	Pharmaceuticals	21.2	40.6	16.7	17.0	57 142	66 707	78.7
28	23	Hoechst AG[d]	Germany	Pharmaceuticals/chemicals	21.2	33.5	21.0	26.2	...	96 967	71.6
29	56	Elf Aquitaine SA	France	Petroleum expl./ref./distr.	20.7	43.2	21.8	37.9	42 000	85 000	51.6
30	50	Viag AG	Germany	Diversified	...	34.8	16.3	27.9	41 990	85 694	55.3
31	26	Rhone-Poulenc SA[d]	France	Pharmaceuticals/chemicals	...	28.4	12.0	14.7	36 421	65 180	69.1
32	27	Total Fina SA	France	Petroleum expl./ref./distr.	...	27.0	20.8	28.6	35 100	57 166	69.0
33	14	Philips Electronics	Netherlands	Electronics	19.0	32.8	32.1	33.9	189 210	233 686	77.8
34	1	Seagram Company	Canada	Beverages/Media	18.8	22.2	9.1	8.7	...	24 200	94.8
35	28	Cable And Wireless Plc	United Kingdom	Telecommunications	17.7	28.5	8.8	13.2	37 426	50 671	67.5
36	53	Hewlett-Packard	United States	Electronics/Computers	17.6	33.7	25.2	46.5	...	124 600	53.2
37	78	Mitsui & Co Ltd.	Japan	Diversified	17.3	56.5	46.5	118.5	...	7 288	34.9
38	80	ENI Group	Italy	Petroleum expl./ref./distr.	...	48.4	12.0	33.2	24 602	78 906	34.1
39	91	Chevron Corporation	United States	Petroleum expl./ref./distr.	16.9	36.5	2.0	29.9	8 956	39 191	25.3
40	46	BASF AG	Germany	Chemicals	...	30.4	24.2	32.4	46 730	105 945	57.9
41	69	Du Pont (E.I.) de Nemours	United States	Chemicals	16.7	38.5	11.7	24.8	35 000	101 000	41.7
42	42	Alcatel	France	Electronics	16.7	34.6	14.5	23.6	80 005	118 272	59.1

TABLE 4.3. The World's 100 Largest TNC's, Ranked by Foreign Assets, 1998 (cont'd)

(Billions of dollars and number of employees)

Ranking 1998 by Foreign assets	TNI[a]	Corporation	Country	Industry[b]	Assets		Sales		Employment		TNI[a] (percent)
					Foreign	Total	Foreign	Total	Foreign	Total	
43	65	Peugeot SA	France	Motor Vehicles	15.9	39.8	24.4	37.5	43 300	156 500	44.2
44	77	Texas Utilities Company	United States	Utility	15.8	39.5	4.0	14.7	8 300	22 055	35.0
45	96	Itochu Corporation	Japan	Trading	15.1	55.9	18.4	115.3	...	5 775	21.5
46	89	Sumitomo Corporation	Japan	Trading/machinery	15.0	45.0	17.6	95.0	...	5 591	26.3
47	25	Coca-Cola Company	United States	Beverages	14.9	19.2	11.9	18.8	...	29 000	70.6
48	24	Nortel Networks[f]	Canada	Telecommunications	14.3	19.7	12.2	17.6	...	75 052	70.8
49	92	Nissho Iwai	Japan	Trading	14.2	38.5	9.1	71.6	...	4 041	24.9
50	82	Fiat Spa[g]	Italy	Motor Vehicles	14.2	76.1	19.4	51.0	87 861	220 549	32.1
51	62	Motorola Inc	United States	Electronics	14.0	31.0	14.0	31.3	66 800	141 000	45.8
52	86	Telefonica SA	Spain	Telecommunications	13.8	42.3	6.1	20.5	27 802	101 809	29.9
53	83	Vivendi SA	France	Diversified/Utility	...	57.1	11.5	35.3	94 310	235 610	31.5
54	11	Rio Tinto Plc[g]	United Kingdom/Australia	Mining	12.4	16.1	7.1	7.1	22 478	34 809	80.4
55	72	Matsushita Electric	Japan	Electronics	12.2	66.2	32.4	63.7	133 629	282 153	38.9
56	79	Fujitsu Ltd	Japan	Electronics	12.2	42.3	15.9	43.3	74 000	188 000	34.9
57	2	Thomson Corporation	Canada	Media/Publishing	12.1	12.5	5.8	6.2	36 000	39 000	94.6
58	97	Hitachi Ltd	Japan	Electrical Equipment/Electronics	12.0	76.6	19.8	63.8	58 000	331 494	21.4
59	36	McDonald's Corporation	United States	Eating places	12.0	19.8	7.5	12.4	...	284 000	60.7
60	48	Robert Bosch GmbH	Germany	Motor Vehicles Parts	...	21.9	19.6	30.2	94 180	189 537	56.3
61	74	RJR Nabisco	United States	Food/Tobacco	...	28.9	5.6	17.0	...	74 000	36.9
62	6	Holderbank Financière Glarus	Switzerland	Construction materials	11.6	12.8	7.0	8.0	37 779	40 520	90.5
63	22	Stora Enso Oys	Finland	Paper	11.5	18.0	10.8	11.7	25 189	40 987	72.8
64	18	Michelin	France	Rubber/tires	...	15.0	12.3	14.6	87 160	127 241	76.0
65	88	VEBA Group	Germany	Diversified	...	52.2	14.7	49.0	39 220	116 774	28.2
66	95	RWE Group	Germany	Utility	10.8	57.2	8.2	41.2	42 681	155 576	22.1
67	20	Glaxo Wellcome Plc	United Kingdom	Pharmaceuticals	10.8	15.5	10.9	13.3	42 562	56 934	75.5
68	90	Marubeni Corporation	Japan	Trading	10.6	53.8	31.4	98.8	...	8 618	25.8
69	5	British American Tobacco Plc[h]	United Kingdom	Food/tobacco	10.5	12.4	13.8	15.3	99 204	101 081	91.0
70	57	Dow Chemical	United States	Chemicals	10.4	23.8	11.0	18.4	19 125	39 029	50.8
71	9	SmithKline Beecham Plc	United Kingdom	Pharmaceuticals	10.4	15.0	12.4	13.4	50 900	59 500	82.3
72	29	Danone Groupe SA	France	Food/Beverages	10.3	17.6	8.8	14.4	58 602	78 945	64.6
73	49	Carrefour SA	France	Retailing	10.3	20.3	17.2	30.4	86 846	144 142	55.9
74	66	Johnson & Johnson	United States	Pharmaceuticals	...	26.2	11.1	23.7	...	93 100	43.0
75	30	Compart Sap	Italy	Food	10.2	21.6	10.5	15.0	24 097	33 076	63.4
76	100	SBC Communications	United States	Telecommunications	...	75.0	...	46.2	...	200 380	13.5
77	16	Akzo Nobel NV	Netherlands	Chemicals	10.1	14.0	11.6	14.6	67 800	85 900	76.8
78	71	Procter & Gamble[i]	United States	Chemicals/cosmetics	10.0	31.0	17.9	37.2	...	110 000	40.3
79	31	Montedison Spa	Italy	Chemicals/agriindustry	...	19.4	9.9	14.3	20 050	28 672	63.1
80	37	Ericsson LM	Sweden	Electronics/telecommunications	9.6	20.7	17.8	22.8	58 688	103 667	60.4
81	98	Southern Company	United States	Utility	9.6	36.2	1.8	11.4	...	31 848	21.0
82	4	Electrolux AB	Sweden	Electrical equipment/electronics	...	10.3	13.8	14.5	89 573	99 322	92.7
83	47	Volvo AB	Sweden	Motor Vehicles	...	25.2	23.8	26.3	35 313	79 820	57.4
84	32	Royal Ahold NV	Netherlands	Retailing	...	13.3	20.9	29.4	133 716	279 255	62.9

TABLE 4.3. The World's 100 Largest TNC's, Ranked by Foreign Assets, 1998 (cont'd)

(Billions of dollars and number of employees)

Ranking 1998 by: Foreign assets	TNI[a]	Corporation	Country	Industry[b]	Assets Foreign	Assets Total	Sales Foreign	Sales Total	Employment Foreign	Employment Total	TNI[a] (percent)
85	84	Merck & Co	United States	Pharmaceuticals	9.3	31.9	6.6	26.9	22 800	57 300	31.1
86	15	L'air Liquide Groupe	France	Chemicals	...	10.6	5.1	6.8	20 306	28 600	77.0
87	64	Mannesmann AG	Germany	Telecommunications/engineering	...	20.3	10.8	21.2	43 821	116 247	44.4
88	58	Mitsubishi Motors	Japan	Motor Vehicles	8.4	25.4	16.8	29.1	18 251	29 945	50.6
89	61	Broken Hill Proprietary	Australia	Steel manufacturing	8.0	20.6	8.7	12.6	20 000	50 000	49.3
90	35	Crown Cork & Seal	United States	Packaging	8.0	12.5	5.0	8.3	...	38 459	61.8
91	87	Petroleos de Venezuela SA	Venezuela	Petroleum expl./ref./distr.	7.9	48.8	11.0	25.7	6 026	50 821	23.7
92	55	Canon Electronics	Japan	Electronics/office equipment	7.4	23.4	17.8	24.4	41 834	79 799	52.3
93	44	Bridgestone	Japan	Rubber/tires	7.4	14.7	11.3	17.1	...	97 767	58.2
94	99	GTE Corporation	United States	Telecommunications	7.3	43.6	3.3	25.7	22 000	120 000	16.0
95	94	Atlantic Richfield	United States	Petroleum expl./ref./distr.	...	25.2	1.6	10.3	4 300	18 400	22.5
96	39	Imperial Chemical Industries	United Kingdom	Chemicals	7.2	14.9	10.9	15.1	...	59 100	60.2
97	68	Compaq Computer Corp.	United States	Computers	7.0	21.7	16.4	31.2	...	71 000	42.6
98	10	SCA	Sweden	Paper	7.0	9.7	7.0	7.7	25 346	32 211	80.8
99	70	ALCOA	United States	Aluminum manufacturing	...	17.0	6.6	15.3	...	103 500	41.7
100	93	Toshiba Corporation	Japan	Electronics	6.8	48.8	14.5	44.6	...	198 000	23.3

Source: UNCTAD, World Investment Report 2000: Cross-border Mergers and Acquisitions and Development (Geneva: United Nations Publications, 2000), Table III.1.

[a] TNI is the abbreviation for "transnationality index", which is calculated as the average of three ratios: foreign assets to total assets, foreign sales to total sales, and foreign employment to total employment.

b Industry classification for companies follows the United States Standard Industrial Classification as used by the United States Securities and Exchange Commission (SEC)

c Foreign assets, sales, and employment are outside Europe.

d Mergers between Exxon and Mobil into ExxonMobil, and Hoescht AG and Rhone-Poulenc SA into Aventis are not documented yet as they took place in 1999.

e Foreign assets, sales, and employment are outside Australia and Asia

f Nortel Networks replaces BCE due to internal restructuring and reduction of BCE's ownership in Nortel Networks.

g Foreign employment is outside Europe, Australia, and New Zealand.

h British American Tobacco demerged a large part of their services business, which explains decrease in total assets.

i Foreign assets, sales and employment are outside of North America.

... Data on foreign assets, foreign sales, and foreign employment were not made available for the purpose of this study. In case of non-availability, they are estimated using secondary sources of information or on the basis of the ratios of foreign to total assets, foreign to total sales and foreign to total employment.

Note: The list includes non-financial TNCs only. In some companies, foreign investors may hold a minority share of more than 10 percent.

be countered by a state if the withdrawals of such earnings are balanced by a mutual inflow of resources from the overseas subsidiaries or affiliates of its own parent corporations. However, as clearly demonstrated in Table 4.3, this projected balancing of inflows and outflows of foreign investment pertains primarily to the core countries of the world systems, which serve as the native homes of the world's largest transnational corporations. It should be noted that only one developing country, Venezuela, is listed in Table 4.3 and is ranked ninety-first by volume of foreign assets.

Additional stratification implications of the data in Table 4.3 relate to comparisons with national economies. These comparisons reveal that the sales value of $100 billion or more recorded by ten corporations in that table was larger than the gross national product (GNP) of 93 countries in the world in 1998. As a matter of fact, the total sales of $155.5 billion recorded by General Motors, an American multinational corporation, was higher than the gross national product (GNP) of 103 countries in 1998. What this means is that only 24 out of 132 states in the world community, with available data, recorded gross national product (GNP) higher than the total sales of General Motors in 1998.

It should also be noted that the top 100 transnational corporations in Table 4.3 are basically from Western Europe, Australia, Canada, Japan, and the United States, which also constitute the core of the contemporary world systems. Twenty-five corporations in that listing belong to the United States while Japan is the native home of 17 of the top 100 transnational corporations in 1998. France

and Germany are tied with 12 corporations for each country. These skewed distribution patterns of one of the most important, if not the most important, instruments of global economic organization clearly indicates channels of international as well as intranational inequalities as these corporations serve individually and collectively as the premier means of acquiring global resources and surpluses for a few countries. Consequently, the few beneficiary countries have greater material resources for internal distribution or redistribution with expected corresponding lowering of their levels of inequalities.

Except for the few noncore states with recently acquired status of home country of transnational corporations, most of the states of the world are systematically excluded from gaining financial inflows from abroad through this structural feature of the world economy. The subordinate participation of the few noncore states imitating the core states in this process is evident in the comparatively minimal global surpluses obtained by the largest fifty transnational corporations from the developing countries in 1998. As shown in Table 4.4, the largest amount of total sales, $38,274 million, recorded by Sunkyong Group, Republic of Korea, is well below the total sales of $100 billion or more recorded by ten of the world's 100 largest corporations in Table 4.3.

The preceding discrepancy confirms the view of most of the component units of the world systems not possessing similar effective instruments of

TABLE 4.4. The Top 50 TNCs From Developing Economies, Ranked by Foreign Assets, 1998

(Millions of dollars and number of employees)

Ranking by: Foreign assets	TNI[a]	Corporation	Economy	Industry[b]	Assets Foreign	Assets Total	Sales Foreign	Sales Total	Employment Foreign	Employment Total	TNI[a] (percent)
1	34	Petróleos de Venezuela S.A.	Venezuela	Petroleum expl./ref./distr.	7 926	48 816	11 003	25 659	6 026	50 821	23.7
2	14	Daewoo Corporation	Republic of Korea	Trade	...	22 135	...	30 547	...	15 000	49.4
3	6	Jardine Matheson Holdings, Limited [d]	Hong Kong (China)/Bermuda	Diversified	5 954	9 565	7 921	11 230	...	160 000	67.6
4	12	Cemex, S.A.	Mexico	Construction	5 639	10 460	2 334	4 315	9 745	19 761	52.4
5	35	PETRONAS - Petroliam Nasional Berhad	Malaysia	Petroleum expl./ref./distr.	5 564	26 184	3 757	11 133	2 700	18 578	23.2
6	8	Sappi Limited	South Africa [c]	Pulp and Paper	4 574	6 475	3 246	4 308	10 725	23 640	63.8
7	19	Hutchison Whampoa, Limited	Hong Kong (China)	Diversified	...	13 389	2 191	6 639	20 845	39 860	39.4
8	9	First Pacific Company Limited	Hong Kong (China)	Other	4 086	7 646	2 527	2 894	15 603	30 673	63.3
9	39	Sunkyong Group	Republic of Korea	Diversified	3 851	36 944	12 029	38 274	2 400	29 000	16.7
10	49	Petroleo Brasileiro S.A. - Petrobras	Brazil	Petroleum expl./ref./distr.	3 700	33 180	1 300	15 520	417	42 137	6.8
11	45	New World Development Co., Limited	Hong Kong (China)	Construction	3 414	13 465	376	2 628	30	16 512	13.3
12	31	China State Construction Engineering Corporation	China	Construction	3 290	7 300	1 950	5 890	5 535	239 102	26.8
13	36	YPF Sociedad Anonima	Argentina	Petroleum expl./ref./distr.	3 278	13 146	880	5 500	1 754	9 486	19.8
14	21	LG Electronics, Incorporated	Republic of Korea	Electronics and electrical equipment	3 127	12 824	4 841	12 213	27 819	60 753	36.6
15	17	China National Chemicals Import & Export Corporation	China	Trade	3 000	4 950	7 920	13 800	510	8 415	41.4
16	43	Keppel Corporation Limited	Singapore	Diversified	2 598	17 321	376	2 127	1 700	11 900	15.7
17	24	Companhia Vale do Rio Doce	Brazil	Transportation	1 947	13 539	3 025	4 321	7 076	40 334	34.0
18	20	Hyundai Engineering & Construction Co.	Republic of Korea	Construction	...	7 094	...	3 815	...	22 787	37.6
19	15	Citic Pacific, Limited	Hong Kong (China)	Diversified	1 842	8 771	908	1 755	7 639	11 871	45.7
20	28	Enersis, S.A.	Chile	Electric utilities or services	1 697	16 117	306	3 406	9 342	14 336	28.2
21	3	Guangdong Investment Limited	Hong Kong (China)	Diversified	1 695	2 577	614	812	16 015	17 330	77.9
22	26	San Miguel Corporation	Phillipines	Food and beverages	1 676	3 552	287	1 811	4 338	15 923	30.1
23	40	Samsung Electronics Co., Limited	Republic of Korea	Electronics and electrical	...	17 213	...	16 640	...	42 154	16.3
24	44	Shougang Group	China	Steel and Iron	1 610	6 990	830	4 270	1 548	212 027	14.4
25	16	Barlow Limited	South Africa [c]	Diversified	1 574	2 624	1 734	3 769	...	27 804	43.9
26	25	Singapore Airlines Limited	Singapore	Transportation	1 517	9 944	3 284	4 508	3 115	27 386	33.2
27	7	Fraser & Neave Limited	Singapore	Food and beverages	1 473	3 993	1 069	1 507	13 037	15 082	64.8
28	10	Acer Incorporated	Taiwan Province of China	Diversified	1 449	3 304	4 192	5 267	9 373	16 326	60.3
29	18	Sime Darby Berhad	Malaysia	Diversified	1 270	3 198	1 959	3 178	...	32 490	41.3
30	2	Orient Overseas (International) Limited	Hong Kong (China)	Transportation	1 247	1 801	1 820	1 833	3 314	3 935	84.3
31	37	Perez Companc, S.A.	Argentina	Petroleum expl./ref./distr.	1 145	4 822	219	1 309	836	4 450	19.8
32	27	Gener, S.A.	Chile	Electric utilities or services	1 139	3 477	185	599	217	910	29.1

TABLE 4.4. The Top 50 TNCs From Developing Economies, Ranked by Foreign Assets, 1998 (cont'd)

(Millions of dollars and number of employees)

Ranking by: Foreign assets	TNI[a]	Corporation	Economy	Industry[b]	Assets Foreign	Assets Total	Sales Foreign	Sales Total	Employment Foreign	Employment Total	TNI[a] (percent)
33	29	Tatung, Co.	Taiwan Province of China	Electronics and electrical equipment	...	4 483	...	2 921	...	19 719	28.1
34	46	Companhia Cervejaria Brahma	Brazil	Food and beverages	...	3 862	...	2 639	...	10 708	12.5
35	23	Dong-Ah Construction Ind. Co., Limited	Republic of Korea	Construction	...	5 435	...	2 147	...	4 291	34.8
36	42	China Harbor Engineering Company	China	Construction	860	2 420	150	1 540	1 963	62 652	16.1
37	32	China National Metals and Minerals Imp and Exp Corp.	China	Trade	850	2 260	880	3 180	142	1 409	25.1
38	48	Reliance Industries Limited	India	Chemicals and	...	5 741	...	3 160	...	15 985	7.7
39	47	Compania de Petroleos de Chile (COPEC)	Chile	Diversified	842	6 459	142	2 896	485	7 841	8.0
40	11	Gruma, S.A. de C.V.	Mexico	Food and beverages	731	1 738	833	1 394	7 736	13 652	52.8
41	30	South African Breweries plc.	South Africa[c]	Food and beverage	...	3 812	2 423	5 877	11 222	49 431	27.3
42	13	NatSteel Group	Singapore	Steel and Iron	685	1 296	208	885	8 598	11 695	50.0
43	22	Hong Kong and Shanghai Hotels, Limited	Hong Kong (China)	Tourism and hotel	642	2 346	58	274	3 606	6 249	35.4
44	50	CLP Holdings Limited	Hong Kong (China)	Electric utilities or services	630	7 115	180	3 101	...	4 420	4.9
45	33	Souza Cruz, S.A.	Brazil	Diversified	...	2 154	689	1 535	...	7 200	24.6
46	4	WBL Corporation Limited	Singapore	Electronics and electrical	545	752	264	407	9 021	9 875	76.2
47	5	Asia Pacific Breweries Limited	Singapore	Food and beverages	544	857	618	839	3 449	3 955	74.8
48	38	Metalurgica Gerdau, S.A.	Brazil	Steel and Iron	520	2 849	357	1 802	1 335	9 974	17.1
49	41	Sadia S.A. Industria e Comercio	Brazil	Food and beverages	...	1 738	...	2 204	...	22 331	16.2
50	1	Want Want Holdings, Limited	Singapore	Food and beverages	452	465	262	271	4 708	4 713	97.9

Source: UNCTAD, World Investment Report: Cross-border Mergers and Acquisitions and Development (Geneva: United Nations Publications, 2000), Table III.9.

a TNI is the abbreviation for "transnationality index", which is calculated as the average of three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

b Industry classification for companies follows the United States Standard Industrial Classification as used by the United States Securities and Exchange Commission (SEC).

c Within the context of this list, South Africa is treated as a developing country.

d The company is incorporated in Bermuda and the group is managed in Hong Kong (China).

... Data on foreign assets, foreign sales and foreign employment were not made available for the purpose of this study. In case of non-availability, they are estimated using secondary sources of information or on the basis of the ratios of foreign to total assets, foreign to total sales and foreign to total employment.

implementing foreign investment activities capable of acting as inward channels of global surpluses to counter the outward flow of resources in the forms of profits and dividends. Substantial diminution in the share of global surpluses and profits assigned to the peripheral units of the world systems because of this condition is reflected in the fact that, on the average, foreign investment projects in the periphery tend to produce higher profit margins than similar investments in the core region (UNIDO 1997). Historic and representative examples of income withdrawals from the periphery illustrative of the size of profits made by core firms in this region of the world economy include the returns of $160 million on rubber production by Firestone Rubber Company between 1940 and 1965 against the returns of $8 million to the host country, Liberia, during that time period (Rodney 1982). From 1960 to 1968, when approximately $1 billion in fresh capital was exported to U.S.-controlled subsidiaries in developing societies on an annual basis, approximately $2.5 billion was withdrawn annually from these societies (Vernon 1971). Between 1950 and 1965 when $9 billion was invested by American multinational corporations in developing societies, $25.6 billion was transferred to the United States in the form of investment income from these societies (DuBoff 1971).

More recent trends suggest some modifications and improvements in the ratio of repatriated earnings to foreign direct investment inflows, which means that an increasing proportion of the earnings are retained or reinvested in host countries. Such improvements notwithstanding, the data in Table 4.5 indicate

that some units of the world systems still experience comparatively larger financial leakages through repatriation of profits and dividends than others. The approximately 75 percent annual average of the ratio of repatriated earnings to foreign direct investment in Africa for the period 1991 to 1997 attest to this fact. It is instructive that the African ratio is close to twice that of the next region, the developed countries, with the second largest share of repatriated earnings to foreign direct investment inflows at about 41 percent.

The interpretation of the data in Table 4.5 is also tempered with the fact that the yearly foreign direct investment inflows do not represent a direct link with yearly repatriated earnings, which are part of the profits from the accumulated stock of foreign direct investment. It can, therefore, be expected that volumes of global surpluses withdrawn from the peripheral societies will experience significant and disproportionate increases as the accumulated stocks of investment yield increased earnings and profits.

Leakages of global surpluses through withdrawals of financial resources from the noncore to the core regions of the world economy are also effectuated by the instrument of transfer pricing. Transfer pricing involves the deliberate upward and downward manipulation of prices in intrafirm business transactions designed to conceal the market prices of goods and services in order to circumvent a corporation's home country and/or a host country's business regulations such as those dealing with taxation, tariffs, and restrictions on remittances of earnings and profits. From the home country's perspectives, a

TABLE 4.5. Comparison of Repatriated Earnings[a] and FDI Inflows, 1991-1997
(Millions of dollars and percentage)

Region	1991	1992	1993	1994	1995	1996	1997	1991-1997 (Annual average)
All countries								
Repatriated earnings	52 480	62 189	63 228	75 569	98 179	111 894	108 589	81 733
FDI inflows	115 837	128 600	179 820	192 785	274 487	282 671	351 530	217 962
Ratio of earnings to FDI inflows, per cent	45.3	48.4	35.2	39.2	35.8	39.6	30.9	37.5
Developed countries								
Repatriated earnings	37 898	45 317	44 508	53 882	65 438	74 332	74 627	56 572
FDI inflows	84 931	88 002	119 685	110 463	181 284	171 902	211 271	138 220
Ratio of earnings to FDI inflows, per cent	44.6	51.5	37.2	48.8	36.1	43.2	35.3	40.9
Developing countries								
Repatriated earnings	14 539	16 820	18 644	21 524	32 281	36 970	33 021	24 828
FDI inflows	29 444	39 036	56 844	77 838	81 698	101 984	129 913	73 823
Ratio of earnings to FDI inflows, per cent	49.4	43.1	32.8	27.7	39.5	36.3	25.4	33.6
Africa								
Repatriated earnings	1 574	1 803	2 791	3 132	3 134	3 434	2 899	2 681
FDI inflows	2 358	2 868	3 149	4 759	3 468	3 767	4 742	3 587
Ratio of earnings to FDI inflows, per cent	66.8	62.9	88.6	65.8	90.4	91.2	61.1	74.7
Asia and the Pacific								
Repatriated earnings	8 398	9 548	9 259	10 213	20 342	22 675	15 842	13 754
FDI inflows	14 027	21 621	40 204	44 731	48 087	56 558	64 445	41 382
Ratio of earnings to FDI inflows, per cent	59.9	44.2	23.0	22.8	42.3	40.1	24.6	33.2
Latin America and the Caribbean								
Repatriated earnings	4 559	5 455	6 574	8 146	8 732	10 781	14 200	8 350
FDI inflows	12 983	14 397	13 321	28 068	29 784	41 148	60 277	28 568
Ratio of earnings to FDI inflows, per cent	35.1	37.9	49.4	29.0	29.3	26.2	23.6	29.2
Central and Eastern Europe								
Repatriated earnings	43	51	76	163	460	592	941	332
FDI inflows	1 462	1 561	3 290	4 484	11 505	8 786	10 347	5 919
Ratio of earnings to FDI inflows, per cent	3.0	3.3	2.3	3.6	4.0	6.7	9.1	5.6

Source: UNCTAD, World Investment Report 1999: Foreign Direct Investment and the Challenge of Development (New York: United Nations Publications, 1999), Table VI.4.

[a] Balance-of-payments item "dividends and distributed branch profits".

corporation may attempt to evade perceived unfavorable business regulations, such as high taxes on corporate profits, through the under pricing of its exports to affiliates in other countries, which will have the effect diminishing its tax payments and preserving its concealed profits with the affiliates. On the other hand, the overpricing of exports from affiliates to the parent corporation will reduce the taxable profits in the face of high corporate profit taxes. From the host country's perspective, similar transfer pricing mechanisms can be used and have been used to disguise the withdrawal of resources that otherwise would be

reinvested and/or distributed among the different units or members of the social system.

Although both core and noncore host countries have been known to experience substantial financial leakages through these mechanisms, the noncore, peripheral countries tend to lose more from these practices in view of the organizational strength of multinational corporations, their technologically-derived computational advantages, and the international experiences of transfer pricing all of which a peripheral society cannot match. The magnitude of this problem is confirmed by the difficulties frequently encountered by host core countries themselves in the effort to control the hidden withdrawals of resources through transfer pricing. Studies and government examinations of this phenomenon indicate that some host core countries are routinely deprived of millions and billions of dollars in lost revenues in spite of their greater abilities to scrutinize the operations of multinational corporations.

To cite but a few examples, in 1994 the United States tax authority reportedly made income adjustments of $2 billion for 236 non-United States-controlled transnational corporations and $1.5 billion of adjustments for 156 United States-controlled transnational corporations. In each of the years in the 1989 to 1995 period, when a majority of corporations, both foreign- and U.S.-controlled, paid no U.S. income tax, a higher percentage of the foreign-controlled corporations than U.S.-controlled corporations paid no taxes. During those years, the percentage of foreign-controlled corporations that did not pay U.S. income

tax ranged from 67 percent to 73 percent in contrast to the 59 to 62 percent of U.S.-controlled corporations that paid no taxes. In 1997, Japanese tax authority recorded 78 adjustments to transnational corporations' reported incomes that concealed about $330 million of revenue through transfer pricing (U.S. GAO 1999; UNCTAD 1999). [13]

The persistence of the problems of transfer pricing among many transnational corporations in the core region evidenced above lends credence to the views that the peripheral countries, with their pronounced limited abilities to access and evaluate the internal pricing mechanisms of these corporations, have experienced substantial material losses. When judged against the background of their meager resources, the losses are likely to be proportionally greater than the losses sustained by the core countries. Access to the records of both the parent corporation and its subsidiaries is necessary for an examination of potential transfer pricing practices if the data on corporate pricing of goods and services are unavailable in public records. Such access becomes an absolute necessity when the items of trade within a corporation have no comparative open market price, as is often the case in the sale of goods specifically designed for particular buyers such as capital equipments or machinery with local specifications.

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[13] The 1999 General Accounting Office (GAO) report is an update of previous studies on related issues of corporate income taxes and transfer pricing conducted at the behest of U.S. government officials. The author has benefited from the GAO's policy that the first copy of its report and testimony is issued free of charge to anyone who requests it. Additional copies are two dollars each. Preceding the 1999 report are U.S. GAO, "International Taxation: Taxes of Foreign – and U.S. – Controlled Corporations," (GAO/GGD–93-112 FS, June 1993); and U.S. GAO, "International Taxation: Transfer Pricing and Information on Nonpayment of Tax," (GAO/GDD–95–101, April 1995).

Projected greater comparative losses by developing societies through transfer pricing is indicative of a combination of factors transnational corporations usually exploit to implement that mechanism in this region of the world economy because of their perceived enticing incentives for monopoly pricing. These factors include the existence of multiple exchange rate fluctuations that distort the value of the host's currency, high tariffs on imports, and technological purchases that make a host peripheral state much more susceptible to charges of monopoly rents in the forms of licensing fees, consultation and management fees, as well as royalty payments. Intrafirm trade on intermediate goods and intrafirm loans involving a parent corporation and its subsidiaries provide additional means of transfer pricing known to channel global surpluses from the periphery to the core regions of the world systems (Lall 1973; Vaitsos 1974; Lall 1979; U.S. GAO 1995; UNCTAD 1999).

In spite of the fact that some of these factors including stringent restrictions on remittances and multiple exchange rates have become relatively insignificant as manipulative factors of transfer pricing, these corporations seem to have invented new ways of effecting this practice in noncore societies. Increasing liberalization of global trade brought about by the expansion and intensification of capitalism in the past ten years have provided expanded and expanding corporate access to the periphery region with increased vulnerability to the adverse consequences of transfer pricing. Supporting evidence of these observations can be deduced from the large number of developing societies still

afflicted with the problem of transfer pricing. For example, about 84 percent of participant developing countries in a 1994 study on this subject indicated concerns and suspicions of transference of earnings by affiliates to parent corporations in order to circumvent tax payments to the host country (UNCTAD 1999).

Other Inhibiting International Trade Factors and Stratification In the Noncore States

Unlike the core states with the identified effective instruments of attracting sufficient and commanding proportions of global surpluses, the noncore states are saddled with ineffective instruments due to their predominant specialization in the exports of primary products and low to intermediate manufactured goods, unbalanced reliance on external markets for national income, the concentration of exports on a few commodities, and the narrowness of trading partners, all of which operate in the opposite direction in the core. Noncore states' predominant specializations in the production and export of primary products such as agricultural commodities and raw materials command much less value in the world market because of their lesser technological contents in comparison with the high technological contents of manufactured products. Because of this situation, primary products generate limited resources in the global marketplace for the developmental and distributional programs of the exporting countries.

The significance of this particular exogenous source of intrasocietal inequalities can be seen in the depth of reliance of the periphery on external markets for national income derived from the sales of primary products and raw materials. That reliance is revealed in Table 4.6, which clearly shows the dominance of the mainly peripheral countries in the world exports of primary commodities. Among the items in Table 4.6, petroleum is unquestionably the most critical for the world community in view of its importance for global industrial processes and maintenance of contemporary lifestyles in both core and noncore states. The comparatively substantial amount of financial resources obtained from the exports of petroleum products in Table 4.6 also makes this one of the very few cases in which peripheral participation in the world economy is rewarded with relatively sizable amounts of global surpluses capable of contributing to dynamic development and lower inequalities through their distribution to the residents of these oil rich countries.

These beneficial effects of petroleum products exports are, however, restricted to a relatively few noncore countries which also receive these rewards in very unequal amounts as reflected in the oligopolistic status of Saudi Arabia in Table 4.6. Beyond the fact that most of the world's developing countries are excluded from direct receipts of the global surpluses associated with petroleum resources with some of them actually experiencing net losses through the expenditures of scarce foreign exchange to import them, the logics of the world systems also display a hidden structural core control in this industry.

TABLE 4.6. Major Primary-Commodity Exports of Developing Countries and Principal Suppliers

Developing-Country Exports			Major Developing-Country Suppliers							
			Percentage of World Exports of Commodity							
Commodity	Billions of Dollars	Percentage of World Exports of Commodity								
Petroleum	216.5	81.0	Saudi Arabia	26.8	Mexico	5.8	United Arab Emirates	5.7	Iran	5.6
Sugar	8.5	69.1	Cuba	36.6	Brazil	5.9	Phillipines	3.5	Thailand	3.5
Coffee	8.3	91.6	Brazil	20.0	Colombia	16.4	Ivory Coast	4.8	El Salvador	4.6
Copper	5.1	63.8	Chile	22.1	Zambia	12.2	Zaire	7.3	Peru	4.8
Timber	4.6	27.8	Malaysia	11.0	Indonesia	3.8	Ivory Coast	1.9	Phillipines	1.7
Iron ore	3.2	46.8	Brazil	24.9	India	5.2	Liberia	4.4	Venezuela	3.3
Rubber	3.0	98.3	Malaysia	47.0	Indonesia	24.8	Thailand	15.4	Sri Lanka	4.2
Cotton	2.9	43.4	Egypt	6.5	Pakistan	5.5	Turkey	4.2	Mexico	3.0
Rice	2.5	55.0	Thailand	22.5	Pakistan	9.2	China	5.5	India	5.2
Tobacco	2.3	51.3	Brazil	9.8	Turkey	7.4	Zimbabwe	6.0	India	4.6
Maize	2.0	19.2	Argentina	8.7	Thailand	3.5	Yugoslavia[a]	1.2	Zimbabwe	0.5
Tin	1.9	74.7	Malaysia	28.6	Indonesia	13.4	Thailand	12.7	Bolivia	10.0
Cacao	1.9	92.1	Ivory Coast	26.4	Ghana	16.3	Nigeria	12.2	Brazil	11.8
Tea	1.5	84.6	India	26.6	Sri Lanka	18.2	China	12.8	Kenya	8.9
Palm oil	1.4	81.6	Malaysia	70.1	Indonesia	7.0	Ivory Coast	1.7	Papua New Guinea	0.5
Beef	1.3	16.7	Argentina	5.4	Uruguay	2.5	Brazil	2.2	Yugoslavia[a]	1.3
Bananas	1.2	86.7	Costa Rica	16.7	Honduras	14.2	Ecuador	13.8	Columbia	10.2
Wheat	1.2	6.9	Argentina	5.7	Turkey	0.4	Uruguay	0.1	Yugoslavia[a]	0.1
Phosphate rock	1.1	62.9	Morocco	34.1	Jordan	8.5	Togo	4.8	Senegal	3.0

Source: World Bank, Commodity Trade and Price Trends (Washington, D.C.: World Bank, 1986), Tables 7 and 8.

[a] Prior to breakup

The core's influence and control of the activities of global petroleum industry are manifested in the crucial role of their multinational corporations in the production and marketing of the products of this industry. With the leading role of the core's multinational corporations in this industry, the core countries still receive the greatest benefits and share of the global surpluses created by petroleum resources through the multiple engagement of these corporations in the production, refinement, and marketing processes of these resources in both noncore and core states. Equally important, they benefit more than the noncore states in the application of petroleum resources to the manufacture of other products with significant profits in the world market.

A comparison of the earnings of the corporations associated with petroleum products in Table 4.3 with earnings of the world's major noncore exporting countries in 1998 lends strong support to the accruement of greater benefits and share of petroleum generated surpluses to the core at the expense of most peripheral states. For example, against the $471.1 billion generated by the nine core corporations in petroleum products in Table 4.3, the eleven noncore, Organization of Petroleum Exporting Countries (OPEC) accounted for about $113 billion in petroleum export revenues in 1998. A breakdown of these corporate earnings further reveals that the four American corporations in that listing Exxon, Mobile, Chevron, and Atlantic Richfield received approximately $209.1 billion in sales which means on this basis alone, the United States had generated more resources from petroleum sales than all the OPEC countries in

1998. The Netherlands and the United Kingdom attracted about $162.3 billion through the earnings of the Royal Dutch/Shell Group and BP Amoco corporations which places the two countries above the total OPEC export revenues of about $113 billion in 1998. Individually, five of the multinational corporations that deal with petroleum products in Table 4.3 had sales above the approximate $36 billion in oil export revenues recorded by Saudi Arabia in 1998 is the top OPEC income earner.[14] These patterns of global distribution of petroleum resources obviously produce concomitant unequal international benefits as is evident in the generally lower gasoline prices paid by residents in core countries and the higher prices and scarcity frequently experienced by residents in the periphery countries, including some of the oil producing states.

The foregoing limited gains and sometimes negative results of international trade for noncore countries, much worse in transactions involving non-fuel primary commodities, are reinforced by the existence of a feudal interaction trading structure which binds many of these countries to the core in economically detrimental ways. Feudal trade structures in the modern world systems promote multiple trade partners and diverse trade items in core countries but limited trade partners and product concentration in noncore countries. Accordingly, many of the noncore countries become entangled in lopsided trade structures in which disproportionate volumes of their exports and

[14] The preceding indicators on OPEC's export revenues are from UNCTAD and CYCLOPE, World Commodity Survey 1999-2000: Markets, Trends and the World Economic Environment (Geneva: United Nations Publications, 1999), p. 289.

imports are processed with a few core countries. This situation generally results in a deepening dependency for the noncore states which deprives them of access to the larger gains of trade obtainable from a diversified trade network involving multiple partners and products. Underlying this restriction of access to global resources and surpluses caused by commodity and trade partner concentrations are the inherent vulnerabilities of peripheral countries to disruptions in their international trade structure because of such concentrations. In the event of unexpected unfavorable changes in the terms of trade of one or more of the few commodities and/or adverse changes in relations with one or more of the few trading partners, peripheral countries can experience deteriorating economic conditions with profound consequences for intrasocietal inequalities.

Peripheral vulnerabilities caused by feudal trade interactions have been frequently demonstrated by fluctuations in the prices of many of the primary commodities these countries export and in the loss of a major core trade partner which eliminates access to crucial markets. Fluctuations in the prices of these commodities constitute an export-earning instability problem that makes it difficult for a society to obtain sufficient resources from its exports to finance its imports.[15] The negative terms of trade experienced by noncore countries when their import

[15] The yearly publication of Commodity Trade and Price Trends by the World Bank that has recently been replaced with periodical but non-yearly specialized works on this subject is not unconnected with a recognition of the unique features of world trade on commodities identified in this section of the study.

expenditures exceed their export receipts are tantamount to the transfer of global resources and surpluses from some countries to others.

Specializations and concentrations in primary commodity exports provide the conduit for this kind of transfer of resources to the core through the low-income elasticity of demand for primary products. Low income elasticity for primary products means that as both noncore and core countries achieve increases in their national income by way of per capita gross domestic product (per capita GDP), they are most likely to increase their demands for the products with high income elasticity such as manufactured goods much more than the demands for primary products. Ultimately then, a higher proportion of increases in national incomes is typically expended on goods that originate primarily from the core while the core expends a lower proportion of these incomes on the importation of goods from the periphery. It is not unusual for this increased demand to produce upward pressures on the prices of manufactured products, thus leading to higher global profits for the exporting countries in contrast to the potential long-term decline in the price of primary products because of its low-income elasticities of demand.

Unfavorable terms of trade of primary commodities are also attributable to their lower supply and demand elasticities, which make them less effective instruments for attracting surpluses from the global marketplace to the exporting countries. For example, in situations of low supply elasticities a decrease in the demand for a product will result in significant reductions in revenues. In the case

of exports, this translates into huge losses in foreign exchange earnings, as the low prices of primary products cannot adjust in the short-run to make up for the decrease in demand. Products with high price elasticity of supply, such as manufactured goods, can adjust to similar decreases in demand with increases in prices that adequately compensates for the reduced quantities of items sold. On the other hand, the potential increases in the prices of primary commodities induced by increased demand will be short-lived in view of the low price elasticity of demand for these commodities. An increase in the supply of a product, for example, by planting more of it in anticipation of a sustained increase in demand characteristically produces wide downward fluctuations in prices when the relative inelastic demand of the product asserts its influence at the time of harvest thereby equating the resultant larger supply with lower prices and reductions or losses in export earnings. Producers of manufactured goods can avoid the volatility of these price changes by responding to temporary increases in demand with the supply of goods reserved in their inventories, a situation difficult to achieve in a peripheral country with respect to the preservation of primary commodities for future sales. Expanding production in the short run to accommodate increases in demand is feasible with many manufactured products but impracticable with many primary commodities such as agricultural produce, whose production time is relatively fixed.

Translated into monetary terms, the preceding depictions of exports earnings fluctuations become tantamount to a transfer of resources from the

developing to the developed countries as these volatilities are transformed into secular declines in the terms of trade derived from the export of a high proportion of primary products and import of a high proportion of manufactured products. Historical and empirical evidence that support our suppositions on this particular mechanism of resource transfer in the world systems indicates that, relative to the prices of manufactured goods, the real primary-product prices have declined at an average annual rate of about 0.6 percent since 1900. A more revealing difference between these two sets of trade items is represented in the fact that between 1977 and 1992, the prices of non-oil commodities had declined by about sixty percent in relation to the prices of exported manufactured goods (IMF 1994).

Most recent assessments have confirmed the consistency of these adverse trends as price fluctuations have created an overall downward movement in the real non-fuel commodity prices during the past 34 years. The worsening terms of trade induced by such price differentials have been estimated to cost the developing countries about $2.5 billion a year in additional international trade expenditures during the past decade. Consistent deteriorating manufactures trade balances of developing countries from 1992 through 1997 with a high of $ - 45.9 billion in 1993 and a low of $ - 8 billion in 1997 are not unconnected with these extra costs of international trade for the developing countries (IMF 2000).

Several attempts by noncore countries to address these imbalances in the production and distribution of global resources have produced mixed and modest results which confirm the obstinacy and durabilities of the logics of the world systems. These structurally constrained results can be seen in the expansion of manufactures exports from the developing countries in the past five decades, which grew from about six percent of total merchandise exports in 1950 to about nine percent in 1999. The commendable but modest gains in foreign earnings generated by this expansion are, however, constrained by the dominance of this expanded export trade by a very limited number of developing countries some of which have been co-opted into economic alliances with the core members of the world systems as demonstrated in the first section of this chapter. In addition to Hong Kong, Singapore, South Korea, and Taiwan which are relatively absorbed into the semicore region of the global economic system, a few other semicore countries such as Brazil and Mexico are collectively responsible for the largest share of these expanded manufactures export from the developing region of the world systems. In fact, in 1999 about 9 developing states were responsible for about 52 percent of the manufacturing exports in that region of the world economy. With this situation, most of the national units of the global economy are still consigned to peripheral participation with limited or negative rewards.

The structural barriers against the expansion in the number of developing countries and the enlargement of their access to global export markets are reinforced by prohibitive tariff and non-tariff policies of the core designed to

maintain its monopoly on global profits and surpluses by stimulating core exports but restricting noncore imports. Protectionist and discriminatory core policies in this direction including artificially high tariffs, quotas, and biased sanitation requirements have narrowed considerably peripheral access to the global export markets. Unfortunately, these barriers are created precisely in those industries such as textiles, clothing, and food processing where the developing countries maintain significant economic advantages over the core as in abundant unskilled and semiskilled labor with associated low wages, abundant raw materials, as well as low to medium technological input required for the production processes of these goods.

Supporting evidence that these discriminatory policies are deliberately directed against peripheral exports of manufactured goods can be seen in the exponential increases in the magnitude of core's restriction relative to the level of processing embodied in a peripheral trade item. For example, the lower tariffs levied on imports of some raw materials or primary commodities, such as a two-percent tariff on raw sugar, tends to increase astronomically in accordance with the level of processing that transforms these same materials into intermediate or finished products as in a twenty-percent tariff on processed sugar products. For non-tariff barriers, one of the most frequently referenced examples is the so-called Multifiber Agreement (MFA), a core-directed multilateral arrangement which regulates the world trade in textiles through a framework of bilateral quotas clearly favorable to the core countries at the expense of peripheral countries.

Assessments of the impact of MFA on the periphery place the potential yearly losses in export earnings on textiles and clothing at billions of dollars.[16]

The above malevolent effects of peripheral status in the worlds systems are duplicated in the areas of raw materials and primary commodities, where the protectionist policies of the core also curtail importation from the noncore region ostensibly to safeguard the viability of domestic industries. Similar to the techniques restrictive of the import of manufactures, both tariff and non-tariff barriers have also been consistently raised against the import of primary commodities from the periphery whenever the core deems it in its interests to act thusly. A particularly powerful non-tariff instrument at the core's disposal with known depressing effects on the volumes and prices of exports of raw materials from the periphery is the production of synthetic substitutes for an increasing number of these materials, whose listing now include cotton, copper, rubber, and sugar. Availability of synthetic substitutes gradually and progressively erode the limited comparative advantage of the periphery in their unenviable areas of specialization in the world division of labor while the core's areas of relatively unassailable comparative advantages remain unchallenged. On the basis of the

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[16] Standard texts in Economic Development and International Trade generally devote portions to description and explanation of the issues addressed in the preceding paragraphs. Some of the works with influences on the author's analyses of these issues include James D. Theberge, ed., Economics of Trade and Development (New York: John Wiley and Sons, Inc., 1968); Theodore Morgan and George W. Betz, eds., Economic Development: Readings in Theory and Practice (Belmont, California: Wadsworth Publishing Company, Inc., 1970); David Z. Rich, The Economics of International Trade: An Independent View (New York: Quorum Books, 1992); and Giancarlo Gandolfo, International Economics I: The Pure Theory of International Trade (New York: Springer-Verlag, 1994); and Michael Todaro, Economic Development (New York: Addison-Wesley Publishing Company, 1997).

comparative strength of these synthetic substitutes, demonstrated by consistent increases over time in their share of global export earnings and the corresponding gradual decline in the share of the natural products they replace, it can be predicted that these substitutes are imbued with potent long-term effects on the export of raw materials from the periphery. Further erosion in the export earnings of these countries can only intensify their levels of intranational inequalities.

These purposeful manipulation of the workings of the operative forces of the world systems to benefit the few leading constituent units at the expense of the numerous but powerless constituent units are ultimately reflected in the generally lower tariffs on all categories of trade among the core countries and the core-imposed, generally higher tariffs on the periphery. As a notable example, in 1968, while the effective average tariffs on all manufactured imports in all the developed market economies was 11.1 percent, their effective average tariff rates on manufactured imports from developing countries was 22.6 percent. Taking the totality of these core restrictions, barriers, and unfavorable trade practices into account, one should not be surprised at the projected yearly cost of tens of billions of dollars in lost export and foreign exchange earnings to the periphery.

Hopefully, the adoption by more than 100 countries of the 1994 Uruguay Round global trade agreement that, among other things, replaced the decrepit and core-biased General Agreement on Tariffs and Trade (GATT) with a new

World Trade Organization (WTO), can limit these prodigious losses in revenues experienced by peripheral states in the world economy. Some of the provisions of the Uruguay Round, among which are required reductions in the developed countries' tariffs on manufactures and the elimination by 2005 of the Multifiber Agreement on textiles and apparel, provide confirmation for the preceding assessments of the uneven participation in the global economy and its corresponding unequal share and distribution of rewards. Equally important, these provisions demonstrate some recognition by the leading global economic actors of the unequal nature of the workings of these systems as they relate to international trade flows and access to global financial resources and surpluses.[17]

Countervailing Measures to Global Surplus Leakages and the Accentuation of Intrasocietal and Intersocietal Stratification

Meanwhile the meager access to global resources by noncore states through international trade has compelled these disadvantaged units of the world systems to seek external funding by means of foreign loans and aid in order to generate the necessary amounts of funds for domestic investment and social welfare programs. The patterns of these foreign loans and aid programs in the

[17] Useful reviews of potential and some actual benefits of the World Trade Organization for developing countries are provided in IMF, World Economic Outlook, October 1999 (Washington, D.C.: IMF Publications, 1999); and The World Bank, World Development Report 1999/2000: Entering the 21st Century (New York: Oxford University Press, 2000a).

past three decades[18] provide a vivid illustration in the perpetuation of the cycle of drainage of resources from the peripheral units to the core regions of the world systems. That illustration exposes the ironic fact that the bulk of the external loans extended to the periphery in the 1970s and early 1980s were derived from the financial surpluses initially generated in this region of the world systems. The generated surpluses were reserved at the financial organizations of the core in its leading monetary instruments because of their durabilities and strength vis-à-vis the currencies of the periphery.

These surpluses, which have been fondly characterized by some as petrodollars, were created by the windfall profits of the Organization of Petroleum Exporting Countries (OPEC) during the rise in oil prices in the early 1970s. With the large accumulation of these profits in the core, many of the commercial banks in Western Europe and the United States recycled significant portions of these surpluses in the forms of loans to many developing countries to finance development projects which were expected to yield sufficient returns to enable the borrowers to make amortization payments that amount to the utilization of periphery surpluses to create further surpluses monopolized by the core. It is this situation that led to the emergence of the concept of petrodollar recycling in economic literature (Pool, Stamos, and Jones 1991).

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[18] A longitudinal analysis of international financial flows and their contributions to systemic changes in the world systems since about 1800 is presented in Ulrich Pfister and Christian Suter, "International Financial Relations as Part of the World-System," International Studies Quarterly 31 (September 1987): 239-272.

Collective use of global surpluses by the core's commercial and regional development banks, its national governments, and the core-controlled international financial organizations in making loans to the periphery has resulted in the accumulation of external debt in historical proportions by many developing countries forced to rely on these loans as a major means of their accessing world financial resources. The spectacular rise from the comparatively modest $90 billion in the external debt of developing countries in 1970 that represented 15 percent ratio of gross domestic product (GDP) to the approximate $2000 billion in 1998 that represents 37 percent ratio of developing countries' GDP provides the incontestable evidence of the significance of this means of accessing global resources and the magnitude of peripheral indebtedness to the core (IMF 2000). Table 4.7 reveals the uneven spread of this indebtedness and its associated burdens with the sub-Saharan African and severely indebted low income countries showing astronomical ratios of total external public debt to gross national product (GNP).

Another way of gaining insights into the magnitude of this problem is evident in Table 4.8 with a breakdown of regional data into individual debtor countries, many of them with total external debt in 1998 approximating 50 percent or more of their gross national product (GNP) in that year. The large number of countries in Table 4.8 confirms that almost all the noncore countries in the contemporary world systems are saddled with serious problem of external debt. Contributions of foreign aid to these problems demand some explanation as an external

TABLE 4.7. Regional Distribution of External Debt (U.S. $million)

	Total debt stock		Total debt/GNP (%)		Long-term debt/total debt(%)		Distribution of long-term debt (%)					
							Multilateral		Bilateral		Private	
	1993	1998	1993	1998	1993	1998	1993	1998	1993	1998	1993	1998
All Developing Countires	**1,777,529**	**2,536,046**	**38**	**42**	**79**	**80**	**18**	**16**	**36**	**26**	**46**	**58**
East Asia & Pacific	383,106	667,522	32	40	78	77	16	14	35	22	49	65
Europe & Central Asia	308,939	480,539	31	49	84	78	8	8	41	30	51	62
Latin America & Caribbean	548,994	786,019	40	41	77	81	16	13	25	14	60	73
Middle East & North Africa	193,661	208,059	43	36	72	79	14	15	53	52	34	33
South Asia	148,012	163,775	39	29	91	94	37	39	38	32	25	29
Sub-Saharan Africa	194,817	230,132	71	72	81	78	29	32	47	45	24	24
Severly indebted low income	295,169	361,702	104	139	82	82	23	22	53	43	24	35
Severly indebted middle income	353,542	531,233	45	43	78	82	10	10	37	22	52	67
moderatly indebted low income	171,399	191,556	41	32	89	92	39	42	36	30	25	28
Moderately indebted middle income	479,760	700,047	41	57	80	79	14	11	28	24	57	65
Other developing countries	477,658	751,508	24	28	74	75	14	15	33	20	53	65
Low income	563,685	721,592	49	39	84	85	27	27	43	34	30	39
Middle income	1,213,844	1,814,454	34	43	77	78	13	11	33	22	54	66
Special Program of Assistance	103,619	113,678	126	114	83	87	38	43	48	46	14	11
Heavily indebted poor countries	205,512	213,960	142	115	82	83	28	34	56	50	17	16

Source: The World Bank, Global Development Finance: Country Tables 2000 (Washington, D.C.: The World Bank, 2000b), p. 4.

instrument of penetration and leakage, especially in view of persistent and popular myth of aid as carte blanche financial instruments with development-enhancing seedlings. Contrary to this myth, the largest proportions of foreign aid are not dispensed as grants but as financial loans that must be repaid to the "donors" as any other external debt with the major difference being its concessional terms that generally stipulate interests and other terms such as repayment period below prevailing market conditions.

Quite frequently, these concessionary benefits of foreign assistance are either effectively weakened or punctiliously countered by the proverbial strings they carry, among which are the tying of aid to specific projects in recipient states, purchases of goods and services from the so-called donor countries, as

Table 4.8. Distribution and Magnitude of Individual State's External Debt[a]

	External debt				Total debt service (as % of exports of goods and services)	
	Total (US$ millions)		As % of GNP			
	1985	1998	1985	1998	1985	1998
High Human Development						
Barbados	457	608	38.4	..	6.3	6.2
Korea, Rep. Of	47,133	139,097	51.6	44.0	27.8	12.9
Czech Republic	3,459	25,301	12.5	45.5	..	15.2
Argentina	50,998	144,050	60.9	49.5	60.1	58.2
Chile	20,384	36,302	141.7	47.6	48.4	22.3
Uruguay	3,919	7,600	89.7	37.3	42.6	23.5
Slovakia	1,108	9,893	8.2	49.0	..	15.9
Hungary	13,957	28,580	70.6	62.2	39.3	27.3
Poland	33,307	47,708	48.7	30.4	15.5	9.7
Medium human development						
Saint Kitts and Nevis	13	115	16.7	43.2	1.8	7.2
Costa Rica	4,400	3,971	121.0	39.0	41.5	7.6
Croatia	..	8,297	..	38.4	..	8.9
Trinidad and Tobago	1,448	2,193	20.6	35.7	10.2	10.2
Dominica	54	109	55.8	46.5	7.6	6.7
Lithuania	..	1,950	..	18.6	..	3.3
Seychelles	97	187	59.6	36.3	7.9	5.7
Grenada	52	183	42.4	55.9	10.7	5.0
Mexico	96,862	159,959	55.2	42.0	43.7	20.8
Belarus	..	1,120	..	5.0	..	2.0
Belize	118	338	59.4	51.9	11.6	12.9
Panama	4,758	6,689	91.4	78.0	7.3	7.6
Bulgaria	3,850	9,907	22.0	83.0	10.2	22.1
Malaysia	20,269	44,773	69.9	65.3	30.4	8.7
Russian Federation	28,296	183,601	..	69.4	..	12.1
Latvia	..	756	..	11.7	..	2.5
Romania	7,008	9,513	..	25.3	18.7	23.5
Venezuela	35,334	37,003	58.4	39.6	25.0	27.4
Fiji	444	193	40.5	12.6	11.7	3.6
Colombia	14,245	33,263	42.5	33.1	41.9	30.7
Macedonia, TFYR	..	2,393	..	96.7	..	13.0
Georgia	..	1,674	..	31.9	..	7.6
Mauritius	629	2,482	61.1	59.4	24.3	11.3
Kazakhstan		5,714		26.4		13.0

Table 4.8. Distribution and Magnitude of Individual State's External Debt[a] (cont'd)

	External debt					
	Total (US$ millions)		As % of GNP		Total debt service (as % of exports of	
	1985	1998	1985	1998	1985	1998
Brazil	103,602	232,004	49.1	30.6	39.1	74.1
Saudi Arabia	..	..	..	..	..	..
Thailand	17,546	86,172	45.9	76.4	31.9	19.2
Phillipines	26,637	47,817	89.1	70.1	31.6	11.8
Ukraine	..	12,718	..	29.8	..	11.4
Saint Vincent and the Grenadines	25	420	22.3	138.9	3.8	13.7
Peru	12,884	32,397	73.0	52.9	27.7	28.3
Paraguay	1,817	2,304	58.0	26.6	19.7	5.3
Lebanon	870	6,725	..	40.7	..	18.7
Jamaica	4,103	3,995	225.6	63.1	37.6	12.8
Sri Lanka	3,510	8,526	59.5	54.6	16.5	6.6
Turkey	26,013	102,074	38.4	50.0	35.0	21.2
Oman	2,329	3,629	26.3	..	5.4	..
Dominican Republic	3,502	4,451	74.1	29.8	19.0	4.2
Saint Lucia	23	184	12.4	31.9	1.2	4.2
Maldives	83	180	116.3	59.1	11.6	3.1
Azerbaijan	..	693	..	17.7	..	2.3
Ecuador	8,703	15,140	58.9	82.5	33.0	28.8
Jordan	4,022	8,484	78.7	146.9	17.2	16.4
Armenia	..	800	..	42.0	..	8.9
Albania	..	821	..	26.4	..	4.5
Samoa (Western)	76	180	88.8	102.1	15.1	3.9
Guyana	1,496	1,653	388.8	248.6	27.7	19.5
Iran, Islamic Rep. Of	6,057	14,391	3.4	12.7	4.1	20.2
Kyrgyzstan		1,148	..	69.4	..	9.4
China	16,696	154,599	5.5	16.4	8.3	8.6
Turkmenistan		2,266	..	87.7	..	42.0
Tunisia	4,884	11,078	60.6	58.0	25.0	15.1
Moldovia, Rep. Of	..	1,035	..	62.5	..	18.5
South Africa	..	24,711	..	18.9	..	12.2
El Salvador	1,851	3,633	50.2	30.8	24.0	10.4
Cape Verde	97	244	..	49.8	9.5	9.9
Uzbekistan	..	3,162	..	15.6	..	13.2
Algeria	18,260	30,665	32.4	67.5	35.6	42.0
Viet Nam	61	22,359	..	82.3	..	8.9
Indonesia	36,715	150,875	44.4	176.5	28.8	33.0
Tajikistan	..	1,070	..	49.4	..	13.7
Syrian Arab Republic	10,843	22,435	66.5	137.9	12.3	6.4
Swaziland	243	251	60.8	18.7	9.9	2.1
Honduras	2,730	5,002	78.5	96.9	24.7	18.7
Bolivia	4,805	6,077	167.2	72.8	49.5	30.2
Namibia	..	..	..	..	..	..
Nicaragua	5,758	5,968	229.0	335.9	18.4	25.5
Mongolia	..	739	..	74.7	..	6.3
Vanuatu	16	63	13.0	28.3	1.4	0.9
Egypt	36,102	34,964	115.0	37.3	25.8	9.5
Guatemala	2,677	4,565	28.0	24.3	28.1	9.8

Table 4.8. Distribution and Magnitude of Individual State's External Debt[a] (cont'd)

	External debt				Total debt service	
	Total (US$ millions)		As % of GNP		(as % of exports of	
	1985	1998	1985	1998	1985	1998
Solomon Islands	66	152	42.6	51.6	4.5	3.3
Botswana	351	548	33.1	11.8	5.4	2.7
Gabon	1,206	4,425	39.0	90.7	11.6	12.0
Morocco	15,779	20,687	129.2	60.3	34.6	23.0
Myanmor	3,098	5,680	..	..	52.5	5.3
Iraq						
Lesotho	175	692	36.7	64.7	6.8	8.4
India	40,951	98,232	17.7	23.0	22.7	20.6
Ghana	2,256	6,884	51.0	91.8	23.6	28.4
Zimbabwe	2,415	4,716	43.9	79.8	29.0	38.2
Equatorial Guinea	132	306	175.7	75.7	..	1.4
São Tomé and Principe	63	246	..	684.0	29.1	31.9
Papua New Guinea	2,112	2,692	90.4	76.9	32.5	8.6
Cameroon	3,174	9,829	40.2	119.4	23.4	22.3
Pakistan	13,465	32,229	43.9	52.8	24.9	23.6
Cambodia	7	2,210	..	77.7	..	1.5
Comoros	134	203	118.4	103.3	8.9	13.4
Kenya	4,181	7,010	70.8	61.5	38.7	18.8
Congo	3,050	5,119	150.7	306.9	34.4	3.3
Low Human Development						
Lao People's Dem. Rep.	619	2,437	26.1	199.1	9.2	6.3
Madagascar	2,529	4,394	92.7	119.5	41.7	14.7
Bhutan	9	120	5.6	32.1	..	6.3
Sudan	8,955	16,843	75.1	182.7	12.8	9.8
Nepal	590	2,646	22.2	54.2	6.8	7.0
Togo	935	1,448	128.9	97.4	27.3	5.7
Bangladesh	6,870	16,976	32.1	37.1	22.4	9.1
Mauritania	1,454	2,589	198.7	272.5	25.3	27.7
Yemen	3,339	4,138	..	104.8	..	4.2
Djibouti	144	288	..		..	..
Haiti	717	1,048	36.1	27.1	10.2	8.2
Nigeria	18,643	30,315	68.1	78.8	32.7	11.2
Congo, Dem. Rep. Of the	6,171	12,929	93.0	208.2	24.8	1.2
Zambia	4,499	6,865	226.5	217.4	15.9	17.7
Côte d'Ivoire	9,659	14,852	153.4	145.4	34.8	26.1
Senegal	2,566	3,861	104.7	83.1	20.8	23.2
Tanzania, U. Rep. Of	9,107	7,603	..	94.3	40.0	20.8
Benin	854	1,347	83.3	72.2	12.9	10.6
Uganda	1,232	3,935	35.5	58.2	38.0	23.6
Eritrea	..	149	..	19.4	..	1.5
Angola	2,993	12,173	47.6	297.1	6.4	34.4

Table 4.8. Distribution and Magnitude of Individual State's External Debt[a] (cont'd)

	External debt				Total debt service	
	Total (US$ millions)		As % of GNP		(as % of exports of	
	1985	1998	1985	1998	1985	1998
Mali	1,456	3,201	113.1	120.4	17.3	12.6
Central African Republic	344	921	40.1	88.8	14.2	20.9
Chad	217	1,091	20.9	65.5	17.5	10.6
Mozambique	2,871	8,208	65.9	223.0	34.5	18.0
Guinea-Bissau	318	964	199.6	503.7	51.9	25.6
Burundi	455	1,119	40.2	128.3	20.4	40.0
Ethiopia	5,206	10,352	78.0	160.4	28.4	11.3
Burkina Faso	511	1,399	35.9	54.5	10.1	10.7
Niger	1,195	1,659	85.5	82.1	33.7	18.4
Sierra Leone	709	1,243	60.4	197.7	14.7	18.2

Source: UNDP, Human Development Report 2000 (New York: Oxford University Press, 2000), Table 18.

well as the use of donor's transportation and insurance services known to sometimes create costs well above competitive world market prices. Tying aid to specific projects in recipient states, especially in support of private capitalist enterprises, is another form of externally-induced development constraint with adverse effects on intrasocietal inequalities. Intrasocietal inequalities are intensified when the surpluses generated through the implementation of these projects are concentrated in the hands of the small number of local elites and international firms often associated with these undertakings.

When the preceding weaknesses in the structure of foreign aid are interlaced with the multiplicity of donors' interests and objectives, its shortcomings as an external instrument of accessing global resources become clearly magnified. The multiplicity of donors' interests -- which often reveals the admixture of economic, military, political, and occasionally even humanitarian

objectives, contributes to the shortcomings of foreign assistance by making it a tool for the pursuit of the donor's regional and global strategic interests simultaneously expected to make significant contributions to the development and destratification of recipient social systems. Pursuit of these multiple and contradictory interests by donor countries accounts for the incongruity of the amounts of aid with the relative development requirements of individual recipient states exemplified in the consistent flows of higher volumes of foreign assistance to a few favored countries.

This hallmark of aid in the modern world systems can be seen in the per capita official development assistance (ODA)[19] of $411 and $178.50 for the state of Israel in 1992 and 1998, respectively, which were higher than the per capita aid of all but one recipient noncore state in 1992 and higher than all but that of seven recipient states in 1998. Only the island of Sao Tome & Principe, with a population of less than one million inhabitants in 1992 and a per capita aid of $470.40 received higher foreign assistance than Israel in 1992. In 1998, the seven states with higher per capita aid than Israel were Cape Verde: $314.90, Seychelles: $294.90, Dominica: $263.60, Vanuatu: $223.40, Samoa (western): $206.40, Sao Tome & Principe: $199.60, and Saint Vincent & the Grenadines: $180.80 (UNDP 2000). It should be recognized that each of these seven social

[19] Official development assistance (ODA) denotes foreign aid dispensed by official agencies and is generally perceived as a means of enhancing the socioeconomic development and welfare of beneficiary states. According to the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), in order to qualify as official development assistance, foreign aid must have a 'grant element' of 25 percent or more.

systems is an island with a population in 1998 of less than one million inhabitants.

What this aid distribution pattern represents is that many of the noncore states with large populations and corresponding enormous relative needs do not receive substantial nor adequate amounts of aid capable of seriously addressing those needs. The meagerness of foreign assistance to this group of noncore states is captured in the aid distribution pattern in 1998 in which an approximate number of forty countries recorded per capita official development assistance (ODA) of less than $10 including Colombia: $4.10, Iran: $2.70, Congo: $2.60, Brazil: $2.00, China: $1.90, Nigeria: $1.70, India: $1.60, Venezuela: $1.60, and Mexico: $0.20 (UNDP 2000). As features of the modern world systems, the intricacies of foreign assistance hitherto identified are among those most resistant to change as they have persisted in their general character throughout the twentieth century and leading into the twenty-first century. In the context of these enduring features, foreign aid becomes for many noncore states a double-edged sword whose meagerness cannot make appreciable contributions to the generation of societal surpluses for distribution among the general population but whose commitments demand the transfer of resources back to the core in the form of repayment obligations.[20]

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[20] A useful review of empirical studies with reanalysis on the effects of foreign aid on intranational inequalities is contained in Volker Bornschier, Christopher Chase-Dunn, and Richard Rubinson, "Cross-National Evidence of the Effects of Foreign Investment and Aid on Economic Growth and Inequality: A Survey of Findings and a Reanalysis," American Journal of Sociology 84 (November 1978): 651-683. A recent qualitative assessment of the effects of foreign aid commissioned by a World Bank's task force is

The intranational stratification consequences of these external debts are embodied in the amount and proportion of societal resources that must be consistently mobilized to make payment obligations to the core, thus depriving peripheral social systems of the scarce funds that should be channeled into its distribution programs. This situation is compounded in the many instances in which the debtor peripheral countries have been incapable of fulfilling their payment obligations, consequently requiring another round of external funding to meet previous external financial demands. In order to obtain these additional loans many developing debtor countries have been compelled to adopt an externally designed package of fiscal and monetary austerity measures by the International Monetary Fund (IMF) and the World Bank aimed at rejuvenating their economic performances in a direction that maximizes the generation of foreign exchange to meet rescheduled debt obligations.

Members of the lower and working classes tend to bear the greatest burdens of the hardships arising from implementation of a typical stabilization program mandated by these international financial agencies. They experience material deprivations through the abolition or drastic curtailment of socioeconomic services, including educational and health programs as well as subsidies for staple food products, all by-products of stabilization policies on the management of government deficits through curbs on spending. Lower and

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presented in Robert Cassen and Associates, Does Aid Work? Report to an Intergovernmental Task Force (Oxford: Clarendon Press, 1994).

working class members have also been known to experience a sustained diminution in purchasing power because of the devaluation of local currencies and the freezing or tightly controlled wage increases which make the purchase of many basic amenities and services beyond the reach of ordinary citizens, especially with respect to items imported from abroad. Higher prices of imported goods under this scenario are caused by the lower value of local currencies vis-à-vis the stronger value of the core's own currencies brought about by an increase in the units of the former exchanged for the same units of the latter that prevailed before the devaluation.

All other things being equal, the devaluation of the local currencies and official exchange rates of a debtor country should promote the export of goods to other countries, as desired by the core creditors, on account of the decreased units of the foreign currency exchanged for the same units of the devalued currency obtainable before devaluation. Promotion of debtor country exports through a stabilization policy aimed at the generation of foreign reserves to meet external debt obligations worsens the material deprivations of the lower and the working classes through the emphasis on the mobilization of societal resources towards the development of an export sector with a very small proportion of the labor force. Worse still, most members of a developing society cannot afford the products of this export sector of their domestic economy. On balance, large scale and medium-sized businesses tend to be the principal domestic beneficiaries of this pattern of development as they can readily take advantage of the harmony

between their existing economies of scale and the incentives of favorable stabilization policies. Liberalization and devaluation of exchange rates as well as the relaxation of restrictions on international trade are some examples of such favorable policies.

From the societal perspective, the economic returns of stabilization policies can prove to be inadequate in meeting both the domestic financial obligations of the government and its payments on rescheduled external debts which may require another phase of external funding to revive a perpetually struggling peripheral economy. When this happens, as is often the case, a psychology of dependency is instituted with the attendant consequences of reinforcing the dysfunctional linkages with the world economy initially responsible for the development and distributional problems these measures are supposed to solve. Core creditors and the international financial agencies can react to this situation by undertaking a further restructuring and stabilization program with renewed austerity measures. Some domestic elites can, in turn, interpret these measures as indications of long-term economic instabilities whose consequences must be avoided by the transfer of their personal financial resources to the core, where they receive higher returns and the advantage of greater security.

The former assumption is supported by the experiences of debtor countries which have been forced to restructure their external loans many times in the past decade, with Mexico demonstrating the precariousness of this situation it its last restructuring program, backed again by the United States in

1995. Assumptions of capital flight from the periphery to the core, including those initiated by the former's elites are given credence by the increasing share of such resources in the core's commercial banks and investment instruments as in real estate, stocks, and bonds. One estimate places the value of such capital flight from a few developing countries at about $200 billion from 1976 to 1985 (Williamson and Lessard 1987). A continuing trend of capital outflows from the developing countries is confirmed in Table 4.9 with the persistence of this problem throughout the 1990s. A reading of the data in Table 4.9 reveals that, in

Table 4.9. Net Resource Flows and Net External Finance to Devloping Countries, 1991-1999
(billions of U.S. dollars)

	1991	1992	1996	1997	1998	1999[a]
Net long-term resource flows	124.0	153.7	313.1	343.7	318.3	290.7
Net short-term flows	20.1	38.2	42.9	20.4	-47.6	-11.2
Total net flows (liabilities)	144.1	191.9	356.0	364.1	270.7	279.5
Net external finance	88.8	111.6	175.8	106.9	71.1	24.0
Current account deficit	51.1	68.3	85.6	80.1	41.4	-10.0
Change in reserves	37.7	43.3	90.2	26.8	29.7	34.0
Capital outflows and errors and omissions	-55.3	-80.3	-180.2	-257.2	-199.6	-255.5

Source: The World Bank, Global Development Finance: Analysis and Summary Tables 2000 (Washington, D.C.: The World Bank, 2000b), Table 2.3.

[a] Estimated.

contrast to 1991, when about $89 billion of net external resource flowed to these countries for investment and consumption programs, only $24 billion is estimated to be spent in these countries in 1999. These amounts contrast sharply with capital outflows of approximately $ -55.3 billion and $ -255.5 billion in 1991 and 1999, respectively.

Among the implications of these indicators are the increasing and growing proportion of resource inflows to the developing countries now turned into capital

outflows to the core. Collectively, all these leakages have contributed to a deterioration in the international net worth of the noncore countries with respect to the inflows and outflows of financial resources. In addition to the preceding empirical indicators, this deterioration is confirmed by the prodigious $ - 43,753 million net transfers on debt in 1998 recorded by the developing countries as a collective unit of the world systems.

It is against the background of the demonstrated financial leakages within the global economy that favor the core that increased inequalities in the periphery are assumed as its remaining and limited share of global resources and surpluses is monopolized by the elites at the expense of the middle and lower classes. Within the core region, the dynamics of intranational inequalities obviously operate in a different direction as the accruement of a substantial and disproportionate amounts of global surpluses provide the upper classes with the luxury of an absolute accumulation of wealth with sufficient leftovers for the middle and lower classes. Higher intrasocietal inequalities in the periphery region and lower intrasocietal inequalities in the core are related in important ways, therefore, to the depicted unequal access and leakages within the global economy.

Further Endogenous Distortions by Exogenous Instruments of Economic Penetration

The articulated patterns of structured inequalities associated with the lopsided flow of resources among the constituent units of the world systems are assumed to be reinforced by the direct impact of other external forces on intrasocietal development and stratification, which does not necessarily involve the exogenous transfer or outflow of resources. For example, the economic penetration of a noncore society through direct foreign investment can bring about distorted internal patterns of modern industrial capitalist development by means of uneven location of investment activities in different economic sectors and geographic regions with consequent initiation of new patterns of stratification or the exacerbation of existing ones. A particularly powerful symbol of such externally induced intrasocietal inequalities is the establishment of enclave subsystems within a social system where the location of foreign investment activities by multinational corporations produces a concomitant establishment of socioeconomic infrastructures and services as in paved roads, pipe born water, electricity, schools, and hospitals for the primary benefit of the employees of these corporations and the secondary benefit for the enclave community at large. Although the creation of these infrastructures and the provision of related services represent positive contributions to a social system, they are imbued with the unmistaken consequences of initiating or exacerbating intrasocietal stratification as most members of the society are not beneficiaries of these

amenities. Over the long run, this newly discovered sense of social responsibility by the core's multinational corporations can produce substantial intrasocietal variations in life expectancy unless, of course, the host governments can emulate this practice and extend the relevant life-enhancing structures and services to the society at large.

Economic penetration of one social system by another can further initiate or exacerbate social stratification through differential salary and wage structures between the domestic industries and the foreign business sectors of the economy. Foreign business operations are able to provide higher levels of remuneration than prevailing national average salaries and wages because of their advantages over domestic business enterprises. Advantages in technological innovations and global economies of scale are some of the special features of multinational corporations responsible for lower production costs and higher profit margins salubrious to higher levels of remuneration in host and peripheral societies. Because only a relatively small segment of a host country's labor force can enjoy these advantages, intrasocietal conditions of inequalities are bound to be exacerbated as the wide income differentials elevate the elite labor aristocrats paid for by foreign investors above the larger emerging proletariat whose members may suffer other adverse effects of foreign investment including unemployment and underemployment. Adverse structural conditions are largely, in part, by-products of foreign investments' utilization of capital-intensive modes of production.

These adverse effects of foreign investment activities and their positive associations with income inequalities have been uncovered in the tertiary sectors of peripheral economies where many of the job seekers initially attracted to the cities by prospects of gainful employment in foreign business establishments find themselves among the urban unemployed (Evans and Timberlake 1980; Kentor 1981; Timberlake and Kentor 1983; Mendez 1983; London 1987; Bradshaw 1987, 1988; London and Smith 1988). Unemployed migrants contribute to an intensification of urban economic problems in the periphery via the existence of bloated tertiary economic sectors with potentials for increased income inequalities in two interrelated ways. First, a bloated tertiary sector in an urban setting constitutes a visible presence of surplus labor that employers, both domestic and foreign, recognize as a source of cheap labor and therefore can be relied upon to replace their present employees in the event of labor conflicts with unacceptable worker demands. Under these circumstances, the urban unemployed become a reserve army of labor inherently inimical, in particular, to the bargaining position of unskilled and semi-skilled workers in labor conflicts with the employers.

With the weakened bargaining positions of these workers, the employers are presented with a strengthened position to impose lower remunerations and minimal benefits that may bring about a general condition of increased inequalities by widening the gap between high income and low-income earners in the society at large. Secondly, the creation of bloated tertiary sectors in

peripheral economies has the compelling force of making many of the unemployed engage in work activities in which their skills are decisively underutilized because of the necessity of generating resources to sustain a minimum level of existence. Inequalities are bound to experience an upward trend when the underemployed -- from street vendors to elevator operators, car washers, security guards, chauffeurs, and domestic servants, to name but a few -- have to rely on their meager incomes to earn a living in the same physical and economic domain containing chief executive officers, industrial managers, medical doctors, top army officers, and attorneys among many other high income earners.

Potential displacements of domestic business enterprises by foreign investment activities provide another independent mechanism through which economic penetration can transform the structures of inequalities of a host society. In the periphery region, displacements have manifested themselves through the acquisitions of domestic firms following successful greenfield foreign direct investment operations and, as already indicated in this chapter, by means of mergers and acquisitions as the direct mode of entry into the host society. The extent to which foreign investment can come to dominate particular industries in the periphery region is evident in the awkward situations in some host countries where the domestic firms account for less than fifty percent of the total sales of some products and services.

An analysis of the distribution among domestic, foreign, and state firms in the Brazilian economy in 1981 revealed that foreign firms accounted for more than fifty percent of the total sales in twelve product and service categories, including hygienic and cleaning goods, beverages and tobacco as well as plastics and rubber products. Particularly high ratio was recorded in the pharmaceutical and automobile assembly sales with an 80.5 percent and 98 percent foreign share of total sales, respectively (Baer 1983). Findings from one of the most recent studies on the impact of foreign investment on domestic investment provide some support for the crowding out of domestic firms that create the kind of unbalanced ratio of industrial activities evidenced in this not isolated Brazilian example. In that study (UNCTAD 1999), 10 countries in a sample of 39 countries experienced a crowding out of domestic investment, confirming earlier sociological findings on the decapitalization thesis (Chase-Dunn 1975; Bornshier, Chase-Dunn, and Rubinson 1978; Bornschier and Ballmer-Cao 1979), while 19 countries experienced crowding in effects. Neutral effects of foreign investment on domestic investment were experienced by other countries in the sample. In the context of the Brazilian example referenced above, this latest study confirms on regional tests that none of the twelve Latin American countries experienced crowding-in effects in the sample with the result that neutral and crowding-out effects prevail in the Latin American group while neutral and crowding in effects characterized the twelve Asian countries in the sample. The African countries in the sample showed evidence of crowding out,

crowding in, as well as neutral effects of foreign direct investment on domestic investment.

Displacements in the agricultural sectors of peripheral economies induced by external factors deserve special recognition as a factor of intrasocietal inequalities in view of the constant threats of starvation posed to members of the lower classes especially in the rural areas where access to sizable and arable land serves as the most important means of livelihood. Agricultural displacements can, and have been known, to occur through the acquisition of extensive landmass either by domestic or foreign investors for large-scale, mechanized farming for exports. In either case, the promotion of export crop production and consequent devaluation of the planting of domestic food staples have the tendencies to create significant diminution in the volumes of domestic food items available to the lower classes and concomitant reductions in their food consumption.

Ironically, these food deficits created by the emphasis on export crop promotion sometimes require the importation of staple food stuffs from other countries which the lower classes cannot afford without some form of food subsidies. From the perspective of these classes, their inabilities to afford these food items clearly negate the convoluted logic of attempting to prevent starvation or malnutrition through food imports as counterfactuals to food exports. These problems are compounded by the inabilities of many of the small-scale farmers and peasants who lose their lands to large-scale agricultural enterprises, to

obtain employment with them because of their reliance on capital-intensive modes of production. Therefore, agricultural displacements in host peripheral societies carry with them the compounding sanctions depriving many farmers and peasants of alternative means of livelihood in rural economies when they cannot be gainfully employed in the new mechanized agricultural establishments. General societal starvation and malnutrition among the lower classes can ensue from these conditions.

It is important to note that the promotion of agricultural exports and the consequent displacements in rural economies in the noncore region is very consistent with the interests of foreign creditors who, as already demonstrated, are interested in economic strategies that generate foreign exchange for payments of external debts. As a matter of fact, foreign aid programs tied to specific projects in recipient noncore states are known to contribute to these internal distortions through the displacement of local residents and disruption of their means of livelihood because of the emphasis on industrial and capital intensive development. Manifestations of this source of intrasocietal inequalities are observable in aid-financed electrification projects whose implementation has produced the relocation of local residents in order to use their land for the construction of dams for hydroelectric power. The stratificational implications of this practice include the non usage of this new-found source of energy by local residents, who watch in disbelief, the routing of hydroelectric power from their rural domain to urban and suburban residents as well as industrial

establishments sometimes charged less than the market price for their use of this energy.[21]

Foreign assistance tied to agricultural projects have also produced similar results of expanded intrarural inequalities through undue advantages accorded a very small proportion of farmers in the form of access to credits and farming machinery. Sometimes this machinery, with tractors being among the most prominent, is rented to the small-scaled poor farmers and non-beneficiaries of foreign aid at fees they can ill afford. Sell of water to this group of farmers from wells constructed with foreign aid resources for irrigation purposes but owned by the better-off farmers, also contributes to intrarural inequalities (Hartmann and Boyce 1983).

Notwithstanding the fact that both domestically derived and externally conditioned mechanized agricultural pursuits for exports contribute to these adverse effects in rural economies, foreign penetration of peripheral societies have unique qualities with particular ill effects on food products. Among these ill effects are distortions of domestic consumption patterns through the introduction of substitute foods with less nutritional benefits than native food staples. Highly processed canned foods, soft drinks, and infant food products manufactured and

[21] Expanded assessments of the deprivations and displacements caused by aid-financed electrification programs in different countries are available in Betsy Hartmann and James K. Boyce, A Quiet Violence: View from a Bangladesh Village (London: Zed Press for Food First, 1983); Frances Moore Lappé, Rachel Schurman, and Kevin Danaher, Betraying the National Interest (New York: Grove Press for Food First, 1987); and Graham Hancock, Lords of Poverty: The Power, Prestige, and Corruption of the International Aid Business (New York: Atlantic Monthly Press, 1989).

intensively advertised by multinational corporations in host peripheral societies tend to replace more nutritional traditional food items with less valuable items designed principally to access and profit from the lower class markets of these societies. It amounts to a strategy conceived to further erode the meager resources and purchasing power of the lower classes and, in combination with other pernicious effects of the malintegration of noncore societies into the world systems already depicted in this chapter, they can collectively generate immiserization in various forms of suppressed basic needs provisions.

Substantiated evidence of immiserization and suppression of basic needs provision attributed to exogenous factors of development and stratification include findings of negative relationships between multinational corporate penetration and measures of Physical Quality of Life Index (PQLI) (London and Williams 1988, 1990); positive relationships between infant mortality and multinational corporate penetration (Wimberley 1990); negative relationships between agricultural export promotion and food consumption (Gacitua and Bello 1991); and negative effects of transnational corporate penetration on food consumption (Wimberley 1991; Wimberley and Bello 1992).[22]

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[22] Other and similar froms of immiserization and suppression of basic societal needs associated with external developmental and stratification factors are theorized and/or quantified in Vincent A. Mahler, Dependency Approaches to International Political Economy: A Croos-National Study (New York: Columbia University Press, 1980); Jagdish N. Bhagwati and Richard A. Brecher, "Natioal Welfare in an Open Economy in the Presence of Foreign-Owned Factors of Production," Journal of International Economics 10 (February 1980): 103-115; Jagdish N. Bhagwati and Ernesto Tironi, "Tariff Change, Foreign Capital and Immiserization: A Theoretical Analysis," Journal of Development Economics 7 (March 1980): 71-83; Hagen Koo, "Center-Periphery Relations and Marginalization: Empirical Analysis of the Dependency Model of Inequality in Peripheral Nations," Development and Change 12 (January 1981): 55-76; Vincent A. Mahler, "Mining, Agriculture, and Manufacturing: The Impact of Foreign Investment on

Introduction of unnecessary food items into peripheral societies represents the cultural dimensions of global stratification which sometimes also reveal themselves in the sale of technological gadgets with limited or negative economic utilities. One of the author's recent direct experiences with this situation relates to the purchase of a cellular telephone by a friend in the United States about two years ago. She did this on behalf of a family member who requested and paid for it in an African country with a per capita gnp of $330 in 1998 and with only 9 main telephone lines per 1,000 people in 1990. The public telephones per 1,000 people in that country in the 1996 - 1998 period was 0.1. Consumption of these kinds of products by peripheral elites include video cameras, expensive automobiles, expensive television receivers, as well as watches, cosmetics, and designer clothing. These purchases provide a direct conduit for the transfer of resources from the periphery to the core regions of the world systems, depleting in the process the much-needed foreign exchange earnings of developing countries.

To add additional personal touch to the seriousness of peripheral elites serving as unconscious and conscious consumers of economically frivolous but status enhancing cultural products from the core, we can tell the story of a

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Social Distribution in Third World Countries," Comparative Political Studies 14 (October 1981): 267-297; Jose A Mendez, "Immiserization and the Emergence of Multinational Firms in a Less Developed Country: A General Equilibrium Analysis," Journal of Development Studies 20 (October 1983): 22-33; Randall G. Stokes and Andy B. Anderson, "Disarticulation and Human Welfare in Less Developed Countries," American Sociological Review 55 (February 1990): 63-74; and York W. Bradshaw et al., "Borrowing against the Future: Children and Third World Indebtedness," Social Forces 71 (March 1993): 629-656.

Nigerian armed forces officer on a visit to the United States in the 1990s. He was detained in jail following a report by a merchant to law enforcement officers that he had paid thousands of dollars in cash for the purchase of a watch. His subsequent release was made possible by the timely intervention of the military appointed Nigerian embassy diplomats in the United States. What is instructive about this behavior as it relates to this sinister transfer of resources from one region of the world systems to another is that it involves an elite in a peripheral Nigerian society with the following socioeconomic indicators in the year 1998: a per capita gnp of $260; a life expectancy at birth of 50.1; an adult illiteracy rate of about 40 percent; and an infant mortality of 112 per 1,000 live births.

Effective consumption of expensive and luxurious products and services in the noncore regions of the world economy illustrates further the advantages derived from the product life cycle by multinational corporations whose production and marketing strategies are aimed at the global market at large. The mechanics of product life cycle permit the creation of additional avenues for profits through segmented sales whereby an item is initially marketed within a restricted population in the early phases of production because of its high cost and price. Thereafter, the item is sold in greater quantities to larger populations in later phases of production when the costs and prices are lowered. Standardizations in production techniques are sometimes the primary basis for the lower production costs and consequent lower consumer prices in these later phases of the product life cycle.

While only a limited number of elites in the noncore regions can contribute to the profitabilities of a product in the early phases of its manufacture, these regions can become important avenues of profits in the later phases as an increasing share of the population can then afford such a product. For the products which this cyclical pattern of production and marketing is applicable, such as computers, it is not unusual for older models to become fashionable in developing societies, where foreign manufacturers continue to make profits beyond what should be the regular economic life of that product with respect to the initial and the last date of production for a particular model. In essence, external economic agents stand to gain from the prolonged sale of products in peripheral societies already obsolete in their countries of origin.

The above perspective on the product life cycle strengthens our assumptions on the importance of the domestic markets of developing societies for the core's multinational corporations. These markets can serve as significant outlets for the generation of profits in addition to the profitability of the more dynamic domestic markets of the developed societies where the greater volumes of global goods and services are usually disposed. In times of global economic expansion, these foreign markets become additional sources of income, thus enlarging the already extraordinary amounts of resources generated within the core markets. In times of economic contraction, they can serve as a crucial arena for extracting profits necessary to diminish or overcome the shortfall in economic gains within a core country. Under the latter scenario, the reversal of a core

economic contraction benefits from access to peripheral markets where the higher profit margins that exist in certain product markets provide great relief to hard-pressed businesses. We can deduce from this fact the view that the economic rationale of imperialism in the early modern period with respect to access to foreign markets for profitable investment opportunities and extraction of raw materials still constitutes an important dimension of the present day world systems dynamics, albeit with less frequent use of direct imperialist military force.

The Political Dimension of Global Stratification

The uncovered dynamics of inequalities associated with the contemporary patterns of world production and distribution strongly indicate the existence of some informal and formal mechanisms of power relied upon to maintain this global stratification system at the expense of most citizens of the world who reside in the noncore societies respectively placed at the lower strata of the world systems. We can extract from the operations of the world systems obvious mechanisms of power and attendant control reflected in the abilities of states to protect the welfare of their citizens by exerting optimum influences over the performance of their respective macro economies. Governmental functions of guarding a national economy in the context of the world systems may require the exercise of a domineering influence in external affairs capable of directing global economic resources towards the enhancement of domestic economic growth and

development. Provision of access to external sources of raw materials and external markets; the organization of other global economic actors through bilateral and multilateral agreements or understandings designed to enhance a country's economic interests; the protection of a domestic economy against the vicissitudes of global economic forces; as well as the unencumbered abilities to adopt equitable distribution and redistribution programs are among specific actions our theoretical exposition in the preceding section suggests a strong and powerful state can take to harmonize its domestic economy with the global economy.

The abilities to organize these global resources on behalf of a domestic economy tend to inhere in greater amounts in the core positions of the world systems where, in modern times, the relatively longer history as a nation state, historic accumulation of resources, strong and durable political systems, as well as military prowess combined to create unassailable power and control the noncore states can ill afford to challenge. Greater state strength in the core becomes, in essence, an indispensable means of maintaining and reproducing a stratified system of world production and distribution that engenders intrasocietal inequalities in noncore economies by allotting them less than a fair and proportional share of global resources under conditions of structural imbalances they are unable to effectively redress and alter because of their weak political and military positions. This comparative weakness of noncore states are usually

compounded by their reliance on the core for political and military support to resolve their internal and external conflicts.

A frequently demonstrated consequence of power differentials among states in the contemporary world systems is the use of the core's political and military power to support and pursue the economic objectives of multinational corporations especially with respect to access to raw materials and external markets. When the interests and objectives of these corporations are threatened by host peripheral states whose worldviews and associated developmental objectives are contradictory to the principles of a capitalist world economy, core countries have frequently intervened in the internal affairs of these states to maintain and protect their professed economic interests. Among the most notorious of this violation of the sovereignty of a host noncore state by a core state to protect the operations of its multinational corporation is the collusion of the United States Government and the International Telephone and Telegraph Company (ITT) that led to the overthrow of the socialist government of President Salvadore Allende of Chile by a military coup in 1973. That overthrow of President Allende was a culmination of three years of bribery and propaganda by the United States and ITT that first sought to prevent his election and, when that failed, his overthrow. This illegal intervention in the domestic affairs of a sovereign state was motivated by speculations of potential nationalization of ITT operations in Chile by the new socialist government headed by President Allende without appropriate market value compensation.

Release of the recently declassified last set of the so-called secret government documents by the White House has confirmed what many students of international relations have known all along about many of the various illegal schemes developed by the American government and ITT to destabilize Chile in the early 1970s including President Nixon's proposed sell of the United States' surplus copper from a stockpile in order to dampen the world prices of this metal and disrupt the Chilean economy as the world's largest producer of copper at the time (http://dailynews.yahoo.com/h/nm /20001113/ts/chile-usa-dc-2.html).[23] American government's successful disruption and overthrow of the Chilean government in collaboration with some domestic elites with stronger ties to the core's elites than their native social systems illustrates the precariousness of a peripheral society in the modern world systems which is frequently manifested in capitulation to the overwhelming political and military powers of the core in support of its multinational corporations. As this Chilean example shows, at times multinational corporations have relied on what even in their native countries are considered extralegal measures of governmental support to promote their interests by destabilizing host countries' government.

More recent examples of the effects of this power imbalance in the operations of the world systems include the dominance of the Nigerian socioeconomic system by corrupt domestic elites, especially the officer corps of

[23] At the time of this study, the author has not been afforded the luxury of time to review the complete text of the declassified materials. It will be pertinent to find out what other schemes were relied upon by the American government and ITT to effect the overthrow of President Allende's government beyond what students of international relations have long uncovered.

the armed forces, in collaboration with foreign economic agents. This particular collaboration has produced one of the most notorious plunders of a peripheral society in the last two decades of the twentieth century. Under the military governments of General Ibrahim Babangida and General Sanni Abacha and the collaboration of many foreign firms, Nigeria has been subjected to a historic economic and political sabotage resulting, among many other things, in the unprecedented environmental degradation and murder of the natives in the oil-producing states of Ogoniland in the Southeast. One of the many victims of that oppression, the internationally renowned poet and environmentalist, Sara Wiwa, was hanged along with other progressive citizens of the Ogoni tribe on the orders of the military government of Sanni Abacha in 1998. The principal underlying causes of the conflict between that military dictatorship and the Ogoni people -- who reside in the Niger Delta with known richest oil reserves in Nigeria -- are rooted in the unequal sharing of the oil revenues controlled by the federal government. Demands for compensation by the natives whose agricultural lands are irreversibly degraded by the oil production activities of multinational corporations have been consistently neglected and denied. As is often the case in the modern world systems, the foreign oil companies, with the Royal Dutch/Shell Group in the lead, have decided to embrace corrupt domestic elites in the periphery to suppress the legitimate demands of the natives in favor of a plundering of their social system. By the time a military-backed civilian government took over office in 1999 under the presidency of a former army

general and head of state, billions of dollars from Nigerian oil revenues have been systematically siphoned to Western banks.

The Nigerian situation is particularly instructive of the logics of power in the world systems because the home countries of these oil corporations have not provided direct political and military support, a situation illustrative of the strength of these multinational firms to enforce their wishes and desires in a peripheral society even with indirect and tacit backing from their governments. Moreover, they are also emboldened by the recognition that, should their corporate power prove insufficient to maintain access to external markets and sources of raw materials the use of the home countries political and military forces can be counted upon to obtain redress. Confidence in the use of home country's political and military powers to support the objectives of multinational corporations is derived from knowledge of historical trends in such exercise of power on their behalf.

The recent Gulf War in the 1990s between the United States-led coalition forces and the Iraqi armed forces confirms the ultimate reliance on the core's superior political and military forces to accomplish its economic objectives in the world systems despite the non-economic factors identified with that war (Maki and Goldfrank 1995). In fact, the continuing military strikes by the United States and United Kingdom against Iraq in the aftermath of the Gulf War constitute the obvious consequences of the weak power of a peripheral state and its inabilities to pursue interests deemed inimical by the core. The Busch administration's

release of millions of dollars in 2001 to fund Iraqi opposition groups, whose sole objectives are centered on the overthrow of a legitimate government of a sovereign state, provides eloquent testimony to the consequences of power differences in the world systems. Even the threats of political and military sanctions by a core state against a noncore state can sometimes be equally potent in modifying the behaviors of the latter when its policies are considered a threat to the interests and objectives of the former. The Hickenloper amendment to the Foreign Assistance Act that authorizes the United States government to discontinue foreign assistance to any country that nationalizes its corporate investments without appropriate compensations is one, among the many examples of core threats, that have been effectively utilized to maintain its economic interests and advantages abroad.

With respect to the organization of other global economic actors in ways that promote the well-being of a state, the differential abilities of the core countries to play a prominent role in this direction can be seen in the leadership role of the United States in its articulation of a capitalist philosophy along with the creation of corresponding global structures to support the implementation of its principles in the aftermath of the Second World War. We have already addressed the emergence of unilateral American leadership from the vacuum created by the destruction of the industrial economies of Western Europe during that war. During the post war period, the United States became primarily responsible for shaping the structures of the international capitalist system manifested in its

leadership role in creating the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (World Bank), and the General Agreement on Tariff and Trade (GATT) all in the 1940s.

As key American allies such as France and the United Kingdom sufficiently rebuilt their industrial economies, they gradually reasserted their influence and power in these international organizations including the United Nations where the core countries often exercise preponderant influence on the outcomes of negotiations on international and global issues and problems with implications for national economic welfare. For some of the core countries, the source of their lopsided influence in some of these international agencies is their weighted voting systems whose exercise effectively provides these countries the veto power over decisions sometimes favored by most of the world's states. As a matter of fact, in international organizations, including the United Nations, some noncore states are susceptible to manipulations by some core states to vote with them on international policy debates sometimes against their national self-interests on account of the greater power and influence of these core states. Support for these suppositions is found in evidence of political compliance known to arise from economic dependency on a more powerful state (Deutsch and Russett 1963; Richardson 1976; and Armstrong 1981).

The core's successful opposition to the establishment of a Special United Nations Fund for Economic Development (SUNFED) in 1953 for the benefit of the noncore countries confirms the positive and negative effects of power

imbalances in multilateral negotiations for the few and most states of the world, respectively. Core countries' resistance and rejection of the noncore countries' recommendation to increase the volume of foreign aid by committing the core to a yearly transfer of one percent of their respective gross national product (GNP) to the noncore region further strengthen the views that power inequalities constitute a firm basis for the global stratification systems depicted in this study. The later acceptance of that recommendation by noncore countries when the initial amount was further reduced to 0.7 percent of the core's gross national product (GNP) in subsequent negotiations illustrates the subordinate political position of noncore states in the world systems. As would have been expected, the United States did not endorse this insignificant policy recommendation in spite of the meagerness of the amount involved.

Against the backdrop of the multiple financial leakages and transfers from the periphery to the core so far identified in this study, we conjecture peripheral countries' insistence on the meager transfer of one percent of the core's gross national product (GNP) to them had they the power to do so. Lack of comparative power by these countries has denied them genuine threats of sanctions which could have potentially compelled some core states to revue their decisions on this humanitarian gesture. Current discussions by the IMF and the World Bank on the status of the indebtedness of peripheral countries to the core are not divorced from the power imbalances between the two groups as many in the former group would rather have their debts written off; a proposal some core

countries are willing to consider or have adopted only for the poorest of the peripheral states with the result of insignificant changes in the status of peripheral debt. Peripheral power deficiencies which hamper a redress of these characteristic features of the world systems mean consequential inabilities to attract global surpluses needed for reductions in inequalities.

Interacting political power with economic policies for the benefit a social system is also sometimes revealed in governmental policies such as tariffs, import quotas, and preferential trade partners which we have already demonstrated are obviously discriminatory towards some countries but beneficial to others. Among the obvious examples of such policies are the tariff escalation practices whereby manufactures from the periphery are assessed graduated higher tariffs on the basis of level of processing with the obvious intent to discourage their export to the core and the outright imposition of import quotas on peripheral goods to discourage their competition in areas of comparative advantage with some core domestic firms. It is obvious that the periphery's reluctant acceptance and adherence to these violations of the principles of free trade, which the core strongly advocates when it harmonizes its own economic interests, is not unconnected with the lack of power to enunciate and implement similar courses of action without fear of retribution from the core.

A related dimension of peripheral frequent capitulation to the core's manipulation of the vicissitudes of global economic and political forces to protect its domestic economic interests is visible in frequent positive responses by some

cartel members to requests for increases in production output in order to lower the world market prices of their products with the expressed purpose of preventing increases in the prices paid by core residents. At the time of this study, among the most recent practical illustrations of the core's asymmetrical political influence exercised in this direction, is the diplomatic maneuvering and exertion of influence by the United States on her allies among the Organization of Petroleum Exporting Countries (OPEC). American diplomatic activities in this instance are calculated to bring about increases in global oil production with the primary purpose of lowering the domestic retail prices of gasoline following a sharp but temporary rise. This diplomatic maneuvering and the subsequent desired positive results would almost certainly not have occurred in reverse situations of higher prices of the core's products and services in the noncore region.

The United States' orchestrated rescheduling of Mexico's external debts during its global threatening financial crises in the 1990s provides another powerful demonstration of the abilities of a core state to preempt the disruptive effects of global economic forces from derailing its own domestic economic performance and the well-being of its citizens. On the other hand, the core's intervention in the internal affairs of a peripheral society in opposition to a political philosophy that espouses a reorganization of its social system based on an equitable distribution of resources reveals the inabilities of some societies to

promote the well-being of their citizens without expressly taking into account the reactions of the core to their programs of action.

Perhaps the most prominent manifestation of this use of stronger political and military power to intimidate a noncore society to reverse the internal reorganization of its system on account of a core country's disapproval is the continuing economic embargo and political hostilities by the United States against Cuba. The intensity and long-term nature of this campaign of intimidation, which began with the ascendancy to power in 1959 by the socialist government of Fidel Castro is destined to make the hostilities between these two sovereign states one of the most remarkable exemplifications of the use of stronger state power in the core to seek the achievement of a countervailing desire and objective in the periphery. American support for various opposition forces in Central America responsible for thwarting the efforts of progressive forces to redistribute the uniquely unequal share of societal resources during the Cold War in the second half of the twentieth century further exemplifies the difficulties of peripheral states to pursue unencumbered programs of equitable distribution or redistribution based on the principles of a political philosophy not accorded the blessings of the core.

The effectiveness of the core's usage of its greater power in the world systems to achieve the objective of reversing or causing significant modifications and attenuation in a peripheral state's distribution system is evident in the ultimate results achieved by the United States in stemming the tide of the

progressive revolutions in Central America by the 1990s with the most notable of such adverse results embodied in the removal of the Sandinista government from power in Nicaragua. Removal of the socialist-inclined Sandinistas from power occurred through an election process designed to soothe the ill will of the United States reflected in many years of military support for various opposition forces against the Sandinistas provided by the Reagan administration in the 1980s.[24] It should be remarked that the American examples relied upon by the author to illustrate this particular discrepancy in the operative forces of the world systems notwithstanding, the United States is not necessarily unique in the use of stronger state strength in pursuit of societal goals and objectives in these systems. Rather, these examples are a function of the author's historical knowledge[25] as it relates to interventions of a core in a noncore state in a context with profound direct consequences for the distribution systems of the latter without ruling out other important motivations for these interventions.

The apparent difficulties of peripheral states to overcome these inherently harmful features of lower status in the global stratification system without paying a very costly price are compounded by the fact that their initial weak positions

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[24] Informed sources of American historic involvement in Nicaragua and the subsequent Sandinista revolution it produced include Thomas Walker, Nicaragua: The Land of Sandino (Boulder, Colorado: Westview Press, 1981); Eduardo Crawley, Nicaragua in Perspective (New York: St. Martin's Press, 1984); Marline Dixon, Nicaragua Under Siege (San Fransisco: Synthesis Publications, 1984); and Shirley Christian, Nicaragua: Revolution in the Family (New York: Random House, 1985).

[25] American interventions in Central America and their contributions to the revolutionary activities in that region in the last decades of the twentieth century are well studied by Walter LaFeber, Inevitable Revolutions: The United States in Central America (New York: W.W. Norton and Company, 1984).

engendered by their malintegration into the world systems are perpetually made worse by the operative forces of these systems. Potential costly prices peripheral states can expect to pay in their attempts to improve political positions in the hierarchy of the world systems include encroachments on their sovereignty through military alliances and entanglements, with specific core states and prodigious expenditures on military readiness. Perpetuation of the weak positions of peripheral states manifests itself in the penetration and attenuation of their internal processes of democratic and state political development by external forces with sufficient strength to deprive these societies of the possibilities to build and maintain a durable strong state necessary to initiate meaningful corrective measures capable of redressing the imbalances of the contemporary world systems.

For example, it can be demonstrated that the economic domination of the periphery by the core through the instruments of multinational corporations tends to contribute to the attenuation of the maturation process of state building when small groups of local elites are co-opted into an alliance with the powerful and larger elite groups in the home countries of these corporations in ways detrimental to the development of a genuine, conscious bourgeoisie in the periphery. In the absence of such a nationalistic class of elites, falsely conscious group of privileged individuals are bound to place the interests of their international alliances over native societal interests thus thwarting the development of a dynamic social system based on the internal cohesion and

solidarity of its various groups. Peripheral elites' linkage with their more privileged counterparts in the core contributes to distorted developmental policies in the periphery manifested in directing disproportionate amounts of resources towards investment projects in the international sectors of their domestic economies where the population at large is excluded from the large gains typically extracted from such narrow but influential economic sectors.[26] We have already observed this process at work in the collaboration between peripheral and core elites in the preceding practical illustrations on Chile and Nigeria.

The concatenation of external forces harmful to the maturation process of noncore modernizing states extends to their colonial inheritances which continue to fester political instabilities and civil conflicts in many of these societies, with evident stratificational implications. Among the most serious cases of disruption of state growth and development caused by this particular external factor of domestic instabilities are many of the twentieth century civil wars in developing societies whose origins are associated with the need to redress the monopolization of resources by groups favorably placed in positions of power by former colonial authorities. International conflicts caused by the necessity to

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[26] A classic analysis of the mechanisms of alliances between peripheral and core elites along with their differential consequences for core and peripheral states is Johan Galtung, "A Structural Theory of Imperialism," Journal of Peace Research 8 (1971): 81-117. Recent confirmation of Galtung's assumptions is provided in David C. Korten, When Corporations Rule the World (West Hartford, Connecticut: Kumarian Press, Inc., 1996); and in some of the essays in Georgi M. Derluguian and Scott L. Greer, eds., Questioning Geopolitics: Political Projects in a Changing World-System (Westport, Connecticut: Praeger Publishers, 2000).

redress inherently conflictual and arbitrary boundaries created by former colonial core countries are other examples of external penetration of peripheral states with lingering destabilizing influences and stratificational consequences. There are many instances in which these purported state boundaries were created primarily for administrative conveniences without concerns for harmonious integration of groups of people with sufficient differences in cultural experiences into a single social unit as a modern nation state. In the last decades of the twentieth century, the wars between Ethiopia and Somalia in the horn of Africa, the conflict between Iraq and Kuwait in the Arab world that produced the recent Gulf War -- as well as the congenital conflict between India and Pakistan -- serve as some of the serious reminders on the potency of colonial inheritances as contributing factors to present-day, inter-state conflicts in the noncore region of the world systems which unfortunately invite further core interventions. Developmental and distribution programs tend to suffer when these states mobilize their meager resources to fight one another. On the other hand, the core countries which supply the arms to redress these problems they caused receive enormous financial benefits useful to their developmental and destratification programs.

In many peripheral states, inheritances of dysfunctional colonial social structures continue to promote unrest as exemplified in Zimbabwe where the forcible seizures of native lands in the past by colonists and the consequent displacement of native farmers have recently generated intense enmity between

native Zimbabweans who demand a redistribution of the stolen land and descendants of the colonists and some native supporters who prefer to maintain the status quo. Violent protests stemming from the occupation of white-owned farms by some landless Zimbabweans in 1999 resulted in a few fatalities that almost derailed national elections in which the ruling party of President Robert Mugabe campaigned in support of the occupations while the opposition party, Movement For Democratic Change (MDC), sympathized with the white farmers (http://dailynews.yahoo.com /h/nm/20000417/ts/Zimbabwe-leadall-7.html). The Zapatista Revolutionary Movement in Mexico and its Tupac Amaru Revolutionary Movement and Shining Path counterparts in Peru all named after indigenous people of the Americas, provide additional examples of inherited colonial systems of inequalities serving as perennial sources of civil unrest in the noncore region of the world systems. In both countries, one of the premier motives for the armed struggle is the redistribution of societal resources in ways that reverse the systematic and long-term exclusions of the natives from the benefits of these resources (Larson and Bergman 1969; van der Berghe and Primov 1977; McClintock 1984; Nations 1994). In March 2001, the seriousness of these legitimate demands was demonstrated when thousands of native Indians in Mexico attended a National Indigenous Congress where they asked for the passage of an Indian bill of rights.

Other external penetration effects enervative of state formation and contributing to inequalities in the periphery manifest themselves in the existence

of labor aristocrats whose privileged associations with foreign investment activities tend to monopolize the power base of labor. Monopoly of labor power at the expense of broad-based and integrated labor unions constitutes a hindrance to the promotion of a continuous process of maturation for a potential strong state with input from all segments of the society. Marginalization of relevant economically active groups due to monopoly of power by labour aristocrats hinders the emergence and integration of those legitimate labor groups which usually represent broad-based peasant and proletarian working populations. In the absence of broad-based power in these populations sufficient to generate pressures on the ruling elites to implement programs of distribution, intrasocietal inequalities are bound to widen as there is no effective challenge to the monopoly of resources by domestic elites and their foreign partners.

In a related dimension, the power constellation and process of state building can experience enervation with stratificational consequences if foreign investment activities are organized in ways that effectuate a division of labor conducive to an expansion of domestic labor pool in the traditional sectors of the economy and/or the promotion of underemployment and unemployment in the tertiary sectors. Investment activities thusly organized can prevent or diminish the expansion of bureaucratic jobs believed to be correlated with corresponding diffusion of power and less income inequalities with further salubrious effects on

the maturation process of a strong and durable social system.[27] Because the existing military and political apparatus of a peripheral state are usually dominated by the aforementioned falsely conscious domestic elites in concert with the core, it can prove exceedingly difficult to reverse these structural impediments of the world systems to the emergence of a legitimate strong state. Only such a state can counter interventions in peripheral internal affairs and direct its strength to seek a fair share of global resources for the benefit of the masses. The resentment sometimes generated by this monopoly of state apparatus, which often coincides with economic penetration, along with frustrations over other lopsided, externally-induced policies such as the World Bank's policies of economic restructuring may further disrupt the life course of a strong state by means of violent protests and uprisings which can turn into prolonged instabilities (Timberlake and Williams 1984; Boswell and Dixon 1990; Walton and Ragin 1990).

The espoused linkages between the exogenous operative forces of the world systems and the internal political processes of noncore countries sometimes reveal themselves in violent and illegitimate seizure of power by the

[27] Exemplary studies with evidence of multinational corporations' contributions to intrasocietal inequalities in the noncore region via their impact on internal power distribution and state formation include Richard Rubinson, "The World-Economy and the Distribution of Income Within States: A cross-National Study," American Sociological Review 41 (August 1976): 638-659; Volker Bornschier and Thanh-Huyen Ballmer-Cao, "Income Inequality: A Cross-National Study of the Relationships Between MNC-Penetration, Dimensions of the Power Structure and Income Distribution," American Sociological Review 44(June 1979): 487-506; and Volker Bornscheir, "World Economy, Level Development and Income Distribution: An Integration of Different Approaches to the Explanation of Income Inequality," World Development 11 (January 1983): 11-20.

armed forces in response to conditions of instability generated by social unrest and protests against deprivations of life blamed on these external forces. A specific sequence of events through which this condition can manifest itself is the distortion of societal growth and development through external economic instruments that result in social protests against the difficulties of material life circumstances and increasing inequalities, which in turn provides a justification for a military coup to restore order and stability to the social system. This supposition has been given credence by an empirical study with findings showing that external debt dependence is one of the independent variables predictive of the probabilities of military coups in a sample of African countries (Jenkins and Kposowa 1990). Incidentally then, economic hardships caused by the logics of the world system can snowball into dictatorial and authoritarian governments ostensibly instituted to restore and maintain law and order in society.

In fact, such governments can also be instituted as a deliberate instrument to preempt social protests and unrest in recognition of material inequalities and deprivations associated with the economic penetration of a noncore state by core states. Under these circumstances, dictatorial and authoritarian governments in noncore states become instruments of alliance between small groups of domestic elites who benefit from economic penetration and the larger groups of core elites who are the principal guidance and beneficiaries of this arrangement. Core elites benefit more from this arrangement because it safeguards their

investment activities without compromising their own political freedoms and liberties in their native core states.

Exclusion of the bulk of the population from the political processes of their society in order to safeguard the economic interests of domestic elites and the capitalist world economy can still induce protests in the long run under conditions of worsening material inequalities and denials of freedoms. Political protests of this type are, often, forcefully suppressed by exclusionary peripheral governments. Tendencies to suppress public dissent in the periphery with the primary purpose of providing safe and secure investment environments for global capitalism may explain the empirically-confirmed positive relationships between higher levels of political exclusion and the prevalence of government repressions as well as the existence of positive relationships between dependence on foreign investment and high level of political exclusion in noncore states (Timberlake and Williams 1984).

Non-democratic regimes in noncore states instituted to protect the welfare of the world capitalist economy can also operate in the diametrically opposite direction of being created to promote the welfare of the state against encroachment by the capitalist world economy. Nationalistic populist and socialist governments in noncore states with predilection for subordinating individual political freedoms to the collective welfare of the state with the promise or expectation of democratization following adequate improvements in material life situations and neutralization of core influence in their internal affairs represent

examples of this opposite mechanism of the world systems negative effect on noncore democracy. The totality of all the preceding restrictions from without on the endogenous political and democratic processes of noncore states means that, ***ceteris paribus***, the core states should be more democratic than noncore states; a supposition confirmed by some empirical findings (Bollen 1983).

Differences in the democratic status of core and noncore states responsible for varying patterns of intrasocietal stratification are also traceable to the latter's direct political inheritances from former colonial societies. Due to variations in the philosophy and practices of different colonial powers in the modern period, ranging from the outright occupation of dependent societies, direct administrative and political control of a colonized society as integral units of the metropolitan country, to indirect relationships with colonies as appendages for socioeconomic outposts -- decolonized societies inherited differing experiences with respect to political and democratic attributes. A metropolitan country's willingness to accommodate its colonies' desires and demands for national independence in the aftermath of the Second World War when these sentiments were widespread in all subjugated regions became one of the main characteristic features of the political attributes bestowed on these now independent states.

Out of the different philosophies and approaches to colonization, indirect relationships with colonies as outposts and their control as adjunct units of the metropolitan country produced comparatively flexible accommodation for the

demands for independence. For the colonized societies, that flexibility meant a relatively less conflictual relinquishment of imperial power sometimes reflected in the introduction of rudimentary democratic apparatus to guide the process towards independence. Decolonization in that context bestowed on an independent country semi-democratic instruments and preparatory experience of national governance that thereafter promoted the rise of a democratic and relatively open society conducive to progressive development and limited inequalities.

When metropolitan countries perceived their colonies as integral component units of their national sovereignty, authoritarian instruments of governance including the use of military force were more frequently required to suppress and delay the demands for independence. Oftentimes this tactic resulted in armed struggle for national liberation. Under these circumstances, some decolonized social systems inherited authoritarian orientations following their national liberation struggles which thereafter led to the institutionalization of a non-democratic government and a relatively closed society with long-term constraints on development and lower inequalities. Similar undemocratic structures of governance and the attendant developmental and stratificational implications can also occur under conditions of internal armed struggle for control when colonial authorities depart without an orderly transfer of power. The few studies focused on this source of variation in democratic status and development in the contemporary world systems suggest that British colonies were more likely

to be bequeathed semi-democratic experience in the post Second World War period of agitation for freedom than the colonies of other European metropolitan countries because of Britain's comparatively greater willingness to grant independence to these countries.[28]

Perhaps, because the depicted colonial features of the modern world systems emanated primarily from the European segments of these systems, the few studies with analyses of these relationships in the context hypothesized here tend to overlook other instructive cases of colonization with relevance to the interconnections among former colonial status, later development, and intrasocietal stratification. One of these cases which has not received adequate attention as exhibiting these attributes of colonial inheritances as important features of development and stratification is Taiwan which incidentally is one of the few states, core and noncore, in the modern world systems with the spectacular experience of high and dynamic economic growth with equity defying the logics of the now famous Kuznets curve explained in Chapter II. That experience can be linked in significant part to Japanese colonization of Taiwan, during which time the latter's rural infrastructures were effectively developed to generate and transfer agricultural surplus, particularly rice and sugar, to the metropolitan country. Expansion of these inherited rural infrastructures -- among them, accessible road systems, irrigation, electrification, and rail systems -- in the

[28] Among the few seminal studies focused on this subject, a commendable one with contrast between the British and French decolonization experiences is Tony Smith, "A Comparative Study of French and British Decolonization," Comparative Studies in Society and History 20(January 1978): 70-102.

post independence period became a crucial basis of a decentralized development pattern from the 1950s effectively integrating the rural and urban segments of society simultaneously as industrialization progresses. Not only did that arrangement promote rapid and dynamic development but it did so by avoiding the notorious increases in inequalities that accompany variegated modern industrial capitalist economies with prolonged periods of dynamic urban and depressed rural growth and development (Ranis 1978).

With the Taiwanese political background of fleeing the communist government of mainland China in the 1940s, the necessity of operating a different political system based on multiple party elections subsequently resulted in a relatively democratic society useful to its developmental progress and associated low inequalities. These interlocking factors help to explain the lower levels of inequalities in Taiwan when compared with other capitalist societies at similar levels of development. It is on the basis of this kind of history, manifested in varying ways in other decolonized states, that we theorize previous colonial experiences as independent, external factors with impact on the distribution system of noncore countries. When these unintended positive Taiwanese colonial inheritances are absent in decolonized societies, as is generally the

case, we can expect the opposite results of underdevelopment and persistent inequalities. [29]

Political and military power differentials among member states of the world community can further be theorized as external structural factors of intrasocietal and intersocietal stratification by means of the amount of control a state can exercise on the flow and magnitude of global migration. Possessions of greater power by the most advanced social systems in the modern period have frequently been used to manipulate and control global migration processes to extract the greatest socioeconomic and political benefits at the expense of comparatively powerless noncore states whose forced or subservient participation in migration frequently generates minimal gains or absolute net losses. Conspicuous cases of subservient participation in intersocietal migration with very well known minimal gains for some societies and optimum benefits for other participants include the so-called brain drain of talented professionals from the periphery to core countries while the infamous slave trade in which Africans were forcibly removed from their communities to the Americas by European slave traders in the modern period represents an incontrovertible illustration of an

[29] Our observations should not be interpreted as glorifying assessments of colonization, for even in this situation, the positive consequences thus identified were un-wished for results of the despicable plundering of one social system by another. An assessment of the consequences of colonization should incorporate the net effects of that experience into the assessment model. On that basis, this author does not know of a social system in the modern world systems with positive net benefits from colonization. Whatever positive attributes of colonization may be uncovered in decolonized societies must be matched with the high price and cost of earning those attributes especially in human lives. A very humbling account of the price of Japanese occupation of China is Iris Chang, The Rape of Nanking: The Forgotten Holocaust of World War II (New York: Basic Books, 1997). A much more humbling account of European colonization and enslavement of African societies in the modern period is referenced in the next section.

experience of absolute net losses a society can incur through its forced involvement in global migration.[30] Such slave trading exercise centered on the plunder of isolated communities and seizures of reluctant "migrants" constitutes a particularly vital dimension of European design and control of global migration patterns in the early modern period which culminated in a sustained wave of related seizures and settlements of significant expanse of lands around the world. These subjugated lands were thereafter integrated directly and indirectly into the European social systems where they served and continue to operate as a stimulus of development and destratification.

The magnitude of European migration in the modern period is reflected in the estimated 48 million emigrants, about 12 percent of the European population in 1900, who left the continent of Europe between the middle of the 19th century and the first quarter of the 20th century. These estimates are particularly high for some countries as indicated in the following distributions of emigrants as a percentage of a country's population in 1900: The British Isles, 41 percent; Norway, 36 percent; Portugal, 30 percent; Italy, 29 percent; Spain, 23 percent; and Sweden, 22 percent. Further insights into the depth of this migration pattern

[30] The premier works on European enslavement of Africans and its role in modern development are represented by Walter Rodney, How Europe Underdeveloped Africa (Washington, D.C.,: Howard University Press, 1982); and Eric Williams, Capitalism and Slavery (Chapel Hill, North Carolina: The University of North Carolina Press, 1994). Eurocentric accounts are presented in Basil Davidson, The African Slave Trade (Boston: Little, Brown and Company, 1980); Thomas Pakenham, The Scramble for Africa 1876-1912 (New York: Random House, Inc., 1991); Hugh Thomas, The Slave Trade, The Story of the Atlantic Slave Trade: 1440-1870 (New York: Simon and Schuster, 1997); and Adam Hochschild, King Leopold's Ghost: The Story of Greed, Terror and Heroism in Colonial Africa (Boston: Houghton Mifflin Company, 1998).

can be derived from the fact that a country like Italy exported 25 million Italians to all parts of the world between 1850 and 1950.[31]

Such unprecedented mass migration in the modern period is believed to have contributed significantly to the positive results of European industrial capitalist development on account of societal interlinkages transformed into durable structures of exchanging vital developmental resources between the respective native European countries and the occupied lands; as in the function of the latter as havens for absorbing the European populations displaced by the disruptive forces of modernization. As these positive benefits for the respective European societies prove, the logics of the world systems can and do bring about development and reductions in inequalities in some units even at the price of displacement and outright destruction of other units.

The historic advantages gained from this reconfiguration of the world's population through European migration continue to generate further benefits for the core states as they utilize the strength, deduced from these advantages, to control the movement of people into their geographic territories in ways supportive of their continuing development while distorting the developmental process of noncore migration countries along with subsequent reinforcement of their stratification structures. Mechanisms of this control include immigration laws

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[31] These estimates are taken from Elsa M. Chaney, "The World Economy and Contemporary Migration," International Migration Review 13 (Summer 1979): 204-212; and Douglas S. Massey, "Economic Development and International Migration in Comparative Perspective," Population and Development Review 14 (September 1988): 383-413.

and practices of core states which serve as pull factors encouraging migration from peripheral countries when cheap labor is needed and preventing it when it is not. By the core region's abilities to selectively recruit both skilled and unskilled labor from the noncore states for specific employment assignments when needed, it appropriates to itself from a global perspective, the singularly important socioeconomic benefits of reproduction systems of migrant labor in which the costs of labor renewals are externalized to peripheral labor exporting states while the less expensive costs of maintenance is borne by the labor-importing core states.[32]

These unbalanced outcomes of intersocietal exchange of labor resources are often duplicated in the primarily one-sided migration patterns of multinational corporations relating to the transfer of home-country nationals to high level managerial and technical positions in periphery-based subsidiaries as well as the frequent use of core countries' nationals in the administration of foreign loan and aid programs in the periphery. Favoritism of recruiting home-country and core nationals by these firms is confirmed in a case study of American multinational corporations' subsidiaries in Taiwan (Tzeng 1995). Through this practice of selective positioning of personnel within the various units of international

[32] Expanded treatment of the benefits for labour-importing states derived from unequal patterns of global migration are well articulated in Michael Burawoy, "The Functions and Reproduction of Migrant Labor: Comparative Material from Southern Africa and the United States," American Journal of Sociology 81 (March 1976): 1050-1087; and Alejandro Portes, "Migration and Underdevelopment," Politics and Society 8 (1978): 1-48.

organizations, the core countries are able to retain within its region huge proportions of the surpluses that otherwise would have leaked to some citizens of noncore states by way of salaries and benefits for employment in these organizations.

Collectively, the core's monopoly of control and persistent influence over the international movement of people and resources along with the dysfunctional features of peripheral economies tend to magnify migration pressures from the demand side (Straubhaar 1993) with more deleterious consequences for the periphery which harbors the greater migration potentials of the world systems, mostly unrealizable because of immigration restrictions in the core. The direct contributions of these unrealizable migration potentials to intersocietal inequalities can be seen in the historically wide disparities in the socioeconomic conditions of contemporary states shown in Chapter I of this study. These disparities are caused, in part, by denials of peripheral access to the core whose small proportion of the world's population control the greatest share of global resources. Beyond these material deprivations, immigration restrictions also constitute a fundamental violation of the inherent natural rights of human beings to travel freely across the surface of the earth;[33] rights that are known to have contributed to conditions of equalities in prehistoric social systems as people

[33] An impressive articulation on the violations of the natural rights of freedom of movement through immigration restrictions is presented in Roger Nett, "The Civil Right We Are Not Ready For: The Right of Free Movement of People on the Face of the Earth," Ethics 81 (April 1971): 212-227.

freely relocated to new environments in the face of environmental exhaustion and/or threats of political dominations in their communities.

Unequal migration patterns can also contribute directly to intrasocietal stratification in the periphery by exacerbating material differences when the few individuals granted access to the core repatriate portions of their surpluses to their respective families in their native social systems. A narrowing of these material differences and an eventual reversal of the trend of inequalities can occur as more members of a migration state gain access to international employment and repatriate surpluses that can bring about sufficient equalization of resources and corresponding elevation of material life circumstances of family members vis-à-vis the earliest beneficiaries of such intersocietal flow of resources. Supporting evidence of these ideas, by way of income remittances contributing to enhancement of lower class incomes in peripheral states, has been established in the literature that deals with related issues on global migration dynamics (Stark and Taylor 1989; Handa and King 1997). Indirectly, core restrictions on intersocietal movement of people become sources of inequalities when these restrictions are transformed into structural impediments to the development of peripheral countries as in the blockage of access to potential global frontiers where socioeconomic exchanges can relieve the displacement and dislocation pressures of modernization as demonstrated by the core's own developmental experiences. Resultant consequences of these restrictions include the reinforcement of the malintegration of peripheral societies

into the global economy in ways that prevent or delay societal development beyond a threshold associated with destratificaion or continuing declining inequalities.

Potentially, the core region can also experience the adverse effects of global migration on stratification if, for example, new immigrants in a core state engage in competition for work opportunities among particular segments of the host population with resultant unemployment and/or depressing effects on incomes. Opposite results of enhancing a host state's income levels can also occur depending on the factor endowments of immigrants as in situations when such endowments contribute to increased demand for non-tradable commodities. Increased demand for non-tradable goods can in turn produce upward demands for labor and consequent rise in societal incomes.[34] The stratification effects of global migration in the core may equally be manifested in incidents of unemployment and/or declining working class incomes caused by the relocation of some production activities from the core to noncore regions in order to take advantage of inexpensive labor that cannot migrate to the core countries.[35]

Although many of these global migration suppositions and much of the illustrative examples presented in this chapter presume more inherent unfavorable traits and consequences of peripheral status in the world systems,

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[34] An excellent review of the literature on the effects of immigration on a host country's economy along with new empirical analysis is presented in George J. Borjas, "The Economics of Immigration," Journal of Economic Literature XXXII (December 1994): 1667-1717.

[35] A rather pointed caption of a study of aspects of this phenomenon is Richard B. Freeman, "Are Your Wages Set in Beijing?," Journal of Economic Perspectives 9 (Summer 1995): 15-32.

the foregoing exposition is also demonstrative of the core region's lack of absolute immunity from the adverse effects of the logics of these systems. Lack of absolute immunity by any constituent unit of the world systems represents the fact that the operative forces of these systems, while clearly favorable to the core region, can still produce undesirable socioeconomic and political conditions in individual core countries or their component units. Among the illustrations already referenced in this study, the prodigious resources expended by certain local communities within a core country to create incentives and benefits capable of attracting direct foreign investments represent evidence of the efficacy of global forces in impacting development and stratification patterns in the core. More often than not, these kinds of expenditures are designed to attract high tech industrial activities to the comparatively less developed areas of a core state.

One of the more recent vivid demonstrations of this ability of the forces of the world systems to disrupt economic arrangement in the core occurred in 1998 by way of closure of a foreign plant of Siemens AG, Germany, in Tyneside, United Kingdom, where it was expected to create about 1,100 jobs by the time the project was completed at a cost of $1.9 billion. The significance of this event is derived from the unanticipated closure of that plant even before it opened for business because of unforeseen changes in the world economy. The price of the type of semiconductors that were to be produced in Tyneside dropped precipitously from about $60 in 1995, when the construction of this project was initiated, to about $1.50 in 1998 (UNCTAD 2000). Clearly then, in spite of the

privileged and enviable positions of core states in the hierarchy of the global systems they are not beyond its vicissitudes.

Apart from differing experiences of individual units of a core state, its collective units are susceptible to systemic transformations of the global systems as they pass through moments of general expansion, stability, and contraction. Contractionary phases of transformations in the world systems, which tend to correlate with intense competition and intracore conflicts, usually enforce profound changes in the internal dynamics of individual states most visible in the realignment of statuses from core to noncore and from noncore to core status. In contemporary world systems, prominent examples of these reversals in status include the rise from noncore to core status by Germany, Japan, the United Kingdom, and the United States while the decline of Portugal, Spain, and the former Soviet Union represents evidence of the kind of national downward vertical mobility that can characterize some units of these systems.

Systemic changes in the workings of the world economy can also impact the core and noncore states without necessarily inducing hierarchical changes in status.[36] Core states, for example, may experience some undesirable development and stratificational changes at any time when noncore regions expand their global output and trade with subsequent modest gains in share of

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[36] In addition to the references cited in footnote number one in this chapter, other useful texts that deal with sources and causes of systemic changes in the world systems include Nikolai Kondratieff, The Long Wave Cycle (New York: Richardson and Snyder, 1984); and Paul Kennedy, The Rise and Fall of the Great Powers: Economic Change and Military Conflict From 1500 to 2000 (New York: Random House, Inc., 1987).

global surpluses necessitating a diminution of the relative proportions allocated to the core which may still retain an absolute and disproportionate share of these surpluses. Such modest changes in world distributive mechanisms, while leaving the core states still better off than their noncore counterparts vis-à-vis their developmental and stratification levels, may bring about relative increases in intrasocietal core inequalities resulting from a reshuffling of resources from the lower to upper classes in order to make up for declines in the core's share of global resources now conceded to the noncore regions.

Recent increases in intrasocietal core inequalities addressed in Chapter II are not unconnected with this kind of dynamics in the contemporary world systems. What these insights lead us to is the recognition that the crucial difference between the core and noncore states vis-à-vis their development and stratification status is their respective international net worth, which is a balance of resources from a state's internal and external economic exchanges in relation to all other units in the world systems. Ultimately we are led to conclude that the dominance of the world economy by core states derives from the effective use of their socioeconomic and political advantages to create and consistently reproduce a higher international net worth.

CHAPTER V

THE INTERACTIONS OF ENDOGENOUS AND EXOGENOUS FACTORS OF STRATIFICATION

Our search for an understanding of the underlying sources of intrasocietal and intersocietal inequalities has yielded significant dividends in Chapters III and IV by exposing prominent processes and structures seemingly operating as independent causes of stratification. A review of our theoretical models with these dividends also reveals the usefulness of opening the closed model of Chapter III in Chapter IV as this allowed us to examine and establish the significance and legitimacy of external influences on intrasocietal inequalities. What Chapter III provided us, therefore, by way of a curvilinear pattern of stratification at progressive stages of capitalist development was appreciably enhanced once we overcame the consistent resistance to puncture the closed model and examine the external structures of the world systems with direct impact on intrasocietal and intersocietal inequalities.

Looking back at what has been achieved with this theoretical modeling up to this point, it is evident that two sets of seemingly independent factors of global stratification have emerged from our exposition. More importantly, the existence

of two independent sets of factors also implies the potentials for additional mechanisms through which these factors determine the patterns of inequalities in contemporary societies. These additional mechanisms emanate from the potential interaction and blending of specific endogenous and exogenous factors to form a third set of global stratification factors. While the internal transformative processes of a modernizing industrial capitalist society and its status in the world systems serve as crucial elements determinative of its pattern of inequalities, the final form of these inequalities may also be based on a combination of these internal and external conditions.

Our observations above also mean the developmental-stratification-destratification trajectory portrayed in this study arises ultimately from dissimilar sets of interactive factors around which corresponding clusters of states form and share dissimilar experiences of societal stratification. For the seminal modern industrial capitalist states, the above trajectory emanated from internal structural changes which interacted with unimpeded access and control of global resources with resultant uniquely advantageous combinations of endogenous and exogenous factors. For the later modern industrial capitalist societies, the dominance of these seminal capitalist states in the world systems has produced different external dynamics whose interactions with their respective internal features impact their developmental-stratification-destratification trajectory in different ways. These may include slowing their passage through the threshold of declining inequalities or preventing significant continuing reductions in

inequalities in cases of those societies already beyond this threshold. Alternatively some of these states may be able to experience upward national vertical mobility because of unique combination of internal and external factors.

Durable and dynamic internal developmental status combines with favoured position of primacy in the hierarchy of the world systems to create and direct disproportionate amounts of global surpluses to core states whose distributions, ***ceteris paribus***, result in lower inequalities. The developmental status of core states allows them to be assigned tasks in the global division of labor involving a higher mix of core economic activities than peripheral activities while the comparative weakness of other states enable them to maintain this advantage of monopoly over the most rewarding mix of global exploitation of resources. In other words, the endogenous development status conducive to the processing of economic activities with the highest technical contents and skills along with lower volumes of intermediate production activities and raw materials supplies tends to coexist in the core with the abilities to protect and maintain these most rewarding assigned tasks of the global division of labor against external competition. This combination of development and stratification factors is what ultimately leads to the accruement of surpluses in mammoth amounts to core countries in the world systems at the expense of others. Conversely, the endogenous development status of performing a higher mix of raw materials supplies and limited processing of goods with the highest technical contents

combines with weak positions in the interstate system to generate lower remunerative rewards in the global marketplace for the noncore states.

We can validate the soundness of these interactive factors of stratification involving a state's developmental status and its external strength with illustration of the mechanics of the commodity chains of two products in the world economy, automobile and footwear manufacturing. This illustration will show how particular endogenous development statuses of a cluster of states determine the assignments of tasks in the production process and how respective positions in the world systems protect these assignments and maintain the unequal shares of surpluses generated through the collective efforts of all participant states in this process. Automobile and footwear manufacturing are chosen among other worthy commodity chain analyses in view of the multiple applicability of the production and marketing processes of these two products to our theoretical assumptions as well as their relevance to contemporary human needs exemplified in widespread global consumption.

Commodity chain analyses derive from the newer enlightening additions to the world systems theoretical explication of the dynamics of global development and stratification which perceive a final or finished product as a direct function of the transformative powers of a network of labor and production processes (Hopkins and Wallerstein 1986). As expanded in other works (Gereffi and Korzeniewicz 1990, 1994), a final or finished product seen at the end of a commodity chain is processed through four major segments of the chain: raw

material supply, production, exporting, as well as marketing and retailing. In what follows, the author has amended the network of labor and production processes embodied in commodity chains by viewing these chains as vertical and horizontal product development sequence in order to demonstrate the dual mechanisms of their contributions to intrasocietal and intersocietal inequalities via their intersections with the developmental status of a state and its position in the interstate system. [1]

The Global Automobile Commodity Chain and Societal Stratification

Automobile production is a highly complex and expensive economic activity whose development sequence has been broken down into four distinct stages (Bloomfield 1978) corresponding to the assignment of varying tasks in the global division of labour to categories of states based on their production capabilities and standing in the world systems. Stage one in the sequence is the import of completely built-up (CBU) vehicles by local distributors. This sequence involves the wholesome importation of manufactured vehicles at high transportation costs into many peripheral countries at the lowest end of the industrialization process without the technical know-how and infrastructures for any significant input into automobile production. Assembly of completely knocked-down (CKD) vehicles

[1] This section of the study has benefited from analyses of the dynamics of global economy in William G. Martin, ed., Semiperipheral States in the World-Economy (New York: Greenwood Press, 1990); Gary Gereffi and Miguel Korzeniewicz, eds., Commodity Chains and Global Capitalism (Westport, Connecticut: Praeger Publishers, 1994); and Peter Dicken, Global Shift: Transforming the World Economy (New York: The Guilford Press, 1998).

imported from the home plants of world manufacturers characterizes stage two of automobile development sequence, which has the advantage of lower transportation costs over stage one along with opportunities for minor modifications to accommodate local conditions. Peripheral states with modest industrial base satisfy their automobile requirements through the domestic assembly of imported completely knocked-down vehicles.

At stage three of the development sequence, the importation of completely knocked-down vehicles for assembly still takes place but with an important additional task and ability to increase local content. Within the noncore region, semiperipheral states at intermediate or mature industrialization status are the most prominent practitioners of stage three development sequence which involves a relatively small number of states. An equally small number of states, mostly from the core, engages in the full-scale manufacturing of automobiles at the fourth and highest level of the development sequence. This group of states is capable of creating all the relevant components of an automobile without assistance from others.

Viewed as a vertical sequence of progressive incorporation of labor networks and value-adding production, automobile development relegates most states to stages one and two where minimal technical input and modest skilled labor requirements are their greatest contributions to a globally-assigned task structure related to a product of worldwide consumption. Based on the state's internal industrial status and limited abilities to advance this status within the

framework of a global economic network, the assignment of basic tasks in the development sequence of automobiles to most states compels these states to serve as dependent and reluctant consumers of a critical product they cannot function without. They therefore participate in this process mainly through consumption wholly dependent on importations from a few countries in the semiperiphery and core regions. With this arrangement, we find the interaction of endogenous factors of low industrial base and exogenous factor of reliance on foreign products determinative of the share of global resources and surpluses received by individual states. The arrangement is reinforced by the constraining forces of the world systems which prevent the peripheral states from upgrading their industrial manufacturing base and improving the mix of high-value-adding activities.

Constraining features of the world systems assumed to attenuate the industrial base of peripheral states are obvious in the difficulties of competition with the highly developed and industrialized core states which constantly move the range of technical economic activities to a higher plane as a few countries tend to catch up with previous or current activities. Because of this, some peripheral societies have chosen the path of service-sector development trajectories known to result in a slower pace of industrialization in contrast to the faster pace associated with the expansion of manufacturing industries. Development of larger service industrial sectors at the expense of manufacturing sectors place these peripheral states on a path of industrialization that takes

longer to achieve upward mobility in the world systems. Manufacturing-oriented paths to industrialization are known to culminate in movements to core status in a shorter time frame than service-oriented paths to industrialization. More rapid rates of industrialization and quickened mobility to higher status in the hierarchy of the interstate system through manufacturing industrial activities have been empirically confirmed as being conditioned by a state's status in the world systems (Rau and Roncek 1987).

As a matter of fact, our model of vertical commodity chain production of automobiles provides support for the existence of such conditioned relationships when judged against the background of most countries in the world still entrapped at stages one and two of the development sequence after more than fifty years of modern industrial experience. Evidently, this group of states is hampered in manufacturing industrial drives because of their status in the world systems. Isolated successful experiences of two non-European states in this time period, Japan and South Korea, which have crossed the threshold of full-scale manufacturing of automobiles with varying levels of abilities to compete with other manufacturers provide further evidence of the difficulties of overcoming these constraining features in the world economy.

Less successful experiences with full-scale manufacturing of automobiles in semiperipheral regions, where a handful of states -- among them, Argentina, Brazil, China, India, Mexico and Taiwan -- have been unable to compete with core states' manufacturers of automobiles further confirm the rigidity of the forces

of the world systems against profound and widespread alterations in assignments of differential tasks in the global division of labor. As elaborated below in the analysis of a horizontal commodity chain in the global automobile industry, the relaxation of the rigidity of the structures of the world political economy was very crucial to the noted success of Japan and South Korea as automobile manufacturers. Unfortunately, such windows of opportunities in the world economy cannot accommodate many states at the same time as this change in external conditions needs to harmonize timely and favorably with endogenous industrial development policies.

What the world community is left with, therefore, is a durable vertical commodity chain of automobiles whose finished products are purchased by most countries with critical societal resources without the benefits of meaningful shares in the enormous global surpluses generated by these transactions. Intrasocietal stratification implications of this state of affairs emanate from the diversion of critical foreign earnings of peripheral states to the purchase of products whose profits and resultant accumulated global surpluses ironically belong almost entirely to a few and most wealthy states in the world in what is clearly tantamount to taking from the poorest to give to the wealthiest. When most members of the global community are denied access to the enormous surpluses generated by a widely used product such as automobiles and do not have countervailing effective instruments of accessing other forms of global surpluses, intrasocietal inequalities resulting from unequal intersocietal

distribution systems are bound to remain very high. Conversely, the few countries well placed to monopolize these global surpluses are bound to experience lower intrasocietal inequalities as the availability of these resources provide tangible items for distribution or redistribution.

Perhaps more fundamental as a source of intrasocietal inequalities in the periphery region, the interaction of endogenous and exogenous factors responsible for the confinement of most states to stages one and two of automobile development sequence consistently conspires to prevent or unduly slow the passage of these states through a threshold of capitalist industrial development associated with destratification in modern societies. These long-term, pernicious effects of combined low developmental status and low world systems position are borne out of the fact that perennial performances at stages one and two of the development sequence of automobiles prevent the emergence of the well-known fissiparous developmental effects of the automobile industry associated with its backward and forward linkages within a societal economic system. Consequently, participation only at the lower end of a vertical commodity chain of automobiles prevents peripheral states from the necessary deepening of their manufacturing industrial base. By itself, such a deepening is a ***sine qua non*** for a dynamic development characterized by high technical input and higher proportions of skilled labor in production processes with resultant huge profits in the global marketplace. Such a deepening involves

an upgraded mix of core-peripheral activities of a global division of labor from which the core stratum of the world systems has perennially benefited from.

Indications of the magnitude of societal inequalities resulting from unequal participation in automobile development sequence can be inferred from Table 5.1 which shows the regional distribution of exports of automotive products in 1999. It should be noted how the regional distribution pattern displayed in Table 5.1 reflects the dominance of the world economy by the global triad of North America, the European Union, and a select number of states from East and Southeast Asia identified in Chapter IV. How much surpluses accrue to the few core and semicore countries dominating world automotive trade is evident in the approximate $550 billion generated in this industry in 1999.

Disproportional shares of global surpluses created in the automobile industry are also reflected in Table 5.2 with data on the world's leading exporting countries in 1995. With respect to individual country's shares in Table 5.2, the greater volume of surpluses created in 1995 went to Germany and Japan with 18.6 percent and 17.7 percent of shares of world automotive products exports, respectively. Together, these two countries accounted for more than one-third of the total share of world automotive products exports recorded in 1995 by the fifteen countries in that table. The United States and Canada with 11.5 percent and 9.6 percent share of world automobile exports in 1995, respectively, constitute the next major pair of beneficiaries in the global automobile industries.

TABLE 5.1. Exports of Automotive Products by Principal Region, 1999 (Billion dollars and percentage)

	Value	Share in Region's exports		Share in World exports	
	1999	1999	1999	1990	1999
World	549.2	-	-	100	100
Western Europe					
World	271.3	100	100	54.4	37.8
Western Europe	207.5	78.2	76.5	42.6	5.1
North America	28.2	8.9	10.4	4.9	1.9
C./E. Europe/Baltic States/CIS	10.6	1.3	3.9	0.7	1.9
Asia	10.4	5.7	3.8	3.1	1.1
Latin America	5.9	1.1	2.2	0.6	0.9
Africa	4.9	3.1	1.8	1.7	0.9
Middle East	3.6	1.5	1.3	0.8	0.6
North America					
World	123.7	100	100	19.1	22.5
North America	98.2	77.6	79.3	14.8	17.9
Latin America	11.8	7.7	9.5	1.5	2.1
Western Europe	7.4	6.3	6	1.2	1.3
Asia	4.6	5.9	3.7	1.1	0.8
All other regions	1.8	2.5	1.5	0.5	0.3
Asia					
World	104.6	100	100	22.4	19
North America	49.2	51.1	47	11.5	9
Western Europe	22.2	21.4	21.3	4.8	4
Asia	17.2	17.8	16.4	4	3.1
Middle East	6.2	4.1	5.9	0.9	1.1
Latin America	4.6	2.4	4.4	0.5	0.8
Africa	3.1	2.5	3	0.6	0.6
C./E. Europe/Baltic States/CIS	1.8	0.3	1.7	0.1	0.3
Japan					
World	82.6	100	100	20.8	15
North America	43.1	51.5	52.2	10.7	7.9
Western Europe	16.8	22.1	20.3	4.6	3.1
Asia	12.3	16.9	14.9	3.5	2.2
Middle East	4.5	4.2	5.5	0.9	0.8
Latin American	3.4	2.5	4.1	0.5	0.6
Africa	2	2.5	2.4	0.5	0.4
C./E. Europe/Baltic States/CIS	0.6	0.3	0.7	0.1	0.1
Latin America					
World	32.4	100	100	2.3	5.9
North America	25.3	70.5	77.9	1.6	4.6
Latin America	4.5	12.7	13.7	0.3	0.8
Western Europe	2.4	14.3	7.3	0.3	0.4
All other regions	0.3	2.5	0.9	0.1	0.1

Source: World Trade Organization, International Trade Statistics 2000 (Geneva: WTO Publications, 2000), Table IV.62.

Together, this other pair of countries was responsible for a little more than one-fifth of world automotive products exported in 1995 by the fifteen countries shown in Table 5.2.

Table 5.2. The world's leading exporting countries of automotive products, 1995

	Share of world exports		Annual percentage change			
Country	1980	1995	1992	1993	1994	1995
Germany	21.0	18.6	15	-	17	20
Japan	19.8	17.7	11	2	3	-2
USA	12.7	11.5	15	10	12	6
Canada	6.9	9.6	11	18	14	7
France	9.9	7.3	10	-	17	18
Belgium-Luxembourg	4.9	5.3	4	-	20	12
Spain	1.8	4.9	13	-	29	26
UK	5.8	4.4	4	-	16	26
Italy	4.5	4.0	-4	-	23	34
Mexico	0.3	3.1	20	23	21	39
Sweden	2.8	-	2	-15	34	-
Korea	0.1	2.0	22	51	18	57
The Netherlands	1.1	1.5	-1	-24	31	54
Austria	0.5	-	25	-14	13	-
Brazil	1.1	0.6	49	2	5	-9
Above Total	93.2	94.9	11	-4	14	14

Source: World Trade Organization Annual Report 1996 (Geneva: WTO Publications, 1996), Table IV.44.

A close examination of the profile of the fifteen countries in Table 5.2 reveals another pertinent fact supportive of our suppositions on the sources of intersocietal and intrasocietal inequalities: there are only four non-European countries among the world's leading exporting states of automotive products in 1995 and, among the four, only Japan constitutes a major beneficiary of global automobile surpluses. Consistent with our suppositions, most of the world's countries and some whole regions, most notably, in Africa, Central America, and

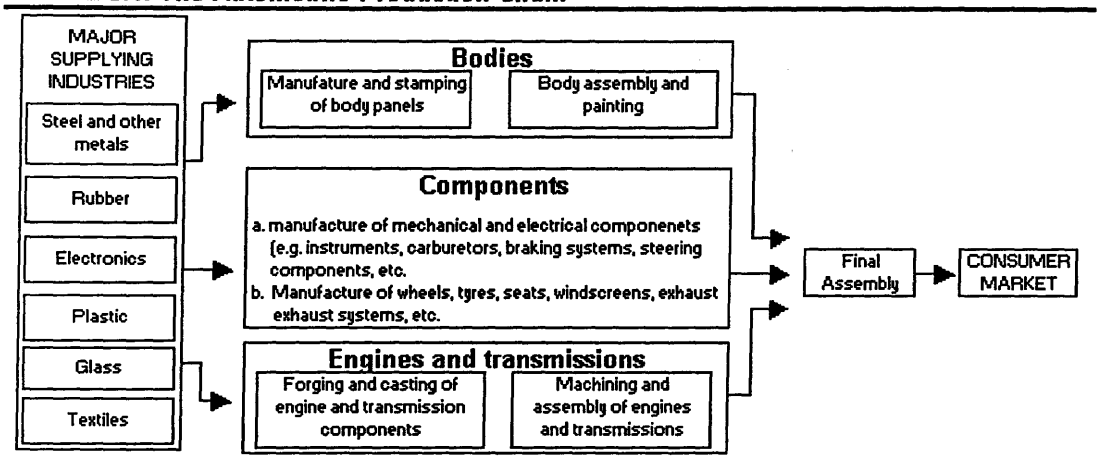
the Middle East are systematically denied any meaningful share of the surpluses created in the global automobile industry, notwithstanding their faithful consumption of its products. This faithful consumption of products, of which they do not share in the profits and surpluses, can be seen in the conspicuous purchases of some of the most expensive automobiles by peripheral elites.

The depth of inequalities in the share of automobile-generated surpluses is further revealed in a horizontal examination of the automobile commodity chain which provides an additional perspective on how the interaction of endogenous developmental statuses and positions in the world systems determine specific contributions to production processes and distribution of corresponding rewards. Tracing the manufacturing sequence of a vehicle horizontally, one finds a final or finished product at the end made up of a very large number of parts generally estimated at about 15,000. In addition to these is a variety of components which all combine to give the automobile industry the very well deserved shibboleth of an assembly industry.

The horizontal automobile production chain begins with raw materials input in the forms of metals such as steel, rubber, plastic, glass and textiles which, as illustrated in Figure 5.1, are utilized in processing the appropriate major components of a vehicle. Processed parts and components are in turn assembled into the final product in the last phases of the commodity chain which ultimately ends with distribution and retailing in a marketing network. In this

horizontally segmentized product chain, differential labor input, raw material supplies, and technological devices are consistently added at progressive stages

FIGURE 5.1. The Automobile Production Chain



Source: Peter Dicken, Global Shift: Transforming the World Economy (New York: The Guilford Press, 1998), Figure 10.1.

of manufacturing with implications of adding varying values to the product at each stage. In view of the large number of other industries contributing direct and indirect input into the different phases of the automobile product chain, the distribution of rewards in the form of profits becomes a function of a capitalistically-determined value of particular input into the production process. Firms and industries whose input is characterized by high technological contents and highly specialized labor are rewarded more profitably than those with unrefined contents and unskilled labor.

Because of the desires of leading automobile manufacturers to minimize costs and enlarge their profits, the above division of labor has been organized on a global scale with the intentions of creating and benefiting from favorable world economies of scale. World economies of scale in the automobile industry have

led to the creation of the so-called world car in the form of a standardized product whose parts and components come from a spatially decentralized network of suppliers and manufacturers under the coordination of major multinational corporations. Presently, this Fordish approach of internationally coordinated and integrated lines of automobile production coexists with a regional pattern of organization popularized by Japanese automobile multinational corporations.

Whether organized on a global or regional level, the coordination of a horizontal commodity chain of automobiles within a spatially decentralized network of suppliers and manufactures involves the farming or sourcing out of tasks to individual firms on the basis of possessed and required raw materials, skills, and technological devices. Beyond the national borders of particular automobile corporations, this global and regional production organization leads directly to the sourcing out of tasks to a variety of firms in other countries which may include the subsidiaries of these corporations. This distribution of tasks in the horizontal global division of labor in automobile industry corresponds to the vertical development sequence of automobiles earlier depicted. The distribution is also determined by the natural resource endowments, levels of industrialization, characteristics of labor, political conditions, and the external status of a state in the world systems. With these endogenous and exogenous determining factors of assignments of tasks on a horizontal continuum of automobile production, only a few countries outside of the core region are co-

opted into this process of a world or regional car production at graduated subordinate level of contributions and consequent rewards.

An overview of the history of the global automobile industry for the past twenty years indicates that the few countries co-opted to perform subordinate roles in vehicle production in terms of their economic rewards are located primarily in the lower structure of the core and the upper stratum of the semiperiphery regions. In other words, the less advanced countries of the core such as Australia and New Zealand and the more advanced states of the semiperiphery such as Argentina, Brazil, Mexico, South Korea, and Taiwan become the primary beneficiaries of this secondary role in the production process of automobiles. They are assigned their tasks and benefits by virtue of their combined endogenous and exogenous factors which determine their respective placement in the hierarchy of the interstate system.

The obvious elimination of most states in the world from direct and meaningful participation in the horizontal automobile commodity chain is evident in the fact that various aspects of processing natural resources into the basic raw materials input identified under major supplying industries in Figure 5.1 are either beyond the industrial capabilities of many of these states or are done at a higher level of efficiency in the core and semiperiphery states. Not surprisingly, therefore, semiperipheral countries and some core countries themselves have become the principal suppliers of basic raw materials for automobile production as demonstrated in importations of steel, aluminum, plastics, electronics, and

other materials from these countries by automobile multinational corporations located mostly in the core. When importations prove too expensive because of transportation and associated costs, these corporations rely on their global or regional production patterns to establish subsidiaries in these resource-endowed countries with appropriate developmental infrastructures to harness the required resources for input into the production processes. Access to raw materials and manufacturing of component automobile parts at lower costs explains the predominance of Japanese multinational corporations' subsidiaries in a number of Asian countries including China, Indonesia, Malaysia, the Philippines, South Korea, Taiwan, and Thailand.

In some cases, joint ventures are established between domestic firms and these corporations for the production of parts for exports to other Japanese plants at home and overseas where the final assembly of the product takes place. Clearly such undertakings are motivated by the desires to produce at lower costs of production and are assigned on the basis of suitable infrastructures and labor qualities. The joint ventures between the Japanese firms of Mitsubishi, Mazda, and Isuzu with some domestic South Korean firms for the purposes of producing front-wheel-drive engines for Japanese transplants in the United States serve as examples of these production arrangements (Kim and Lee 1994).

Similar patterns of manufacturing component parts of automobiles are visible in Brazil and Mexico where the core's multinational corporations also

dominate certain segments of the local automobile industry. A comparative study of automobile chains in three semiperipheral states indicates that Mexico has the highest level of automobile parts exports traceable to the presence of the Big Three American multinational corporations, General Motors, Ford, and Chrysler in that country. Brazil occupies an intermediate position of parts exports with a greater bulk of its auto parts sold to domestic firms and foreign subsidiaries as input into the final vehicle product (Lee and Cason 1994). While the Big Three American auto-multinational corporations maintain a dominant presence in Mexico, the Brazilian auto industry is influenced largely by Volkswagen and Fiat which are European auto-multinational corporations.

As already alluded to, an important consideration of these corporations in outsourcing certain tasks in the commodity chain of automobile production is access to appropriate levels of labor and skills at low costs. In view of the enormous labor input into certain phases of this product chain, more especially in body-making and final assembly, which are estimated to sometimes account for an approximate 20 percent of the total production costs of a vehicle, it is pertinent to recognize how the interaction of endogenous and exogenous status of states also determine their labor input into the process. Because labor input is not necessarily sought in isolation from other critical requisite input into vehicle manufacturing, the core and a few semiperipheral states have equally served as the principal suppliers of this resource with the result of monopolizing both the capital intensive and labor intensive phases of the product chain.

The disingenuous ways through which multinational corporations have accessed the required labor in these two regions of the world economy can be seen in the location of their subsidiaries in the less wealthy countries enclosed or attached to a core region. For example, some of these corporations have shown a preference for locating subsidiaries in the Mediterranean countries of Europe (McIntyre 1991) as well as in semiperipheral states with effective governmental control over the activities of labor. Another dimension to these acts of disingenuity is exhibited in the distinct location of Japanese auto-multinational corporations' subsidiaries in the United States. These subsidiaries tend to be located primarily around the southeastern edges of the old automobile region of the United States where they can reportedly obtain suppliers from Midwestern agents who have traditionally served the major American automobile firms in the Great Lakes region (Mair et al. 1988). The safe location distance from the North Central American states evident in this arrangement effectuates the tendencies of these Japanese subsidiaries to hire non-union and younger workers which translate into lower labor costs.

In these instances, appropriate labor and skills input are obtained at lower costs along with the technical elements of vehicle production. Disproportionate use of core and semiperipheral labor in the vehicle commodity chain deprives most states in the world economy of the provision of a basic resource to a manufacturing process necessary to enhance their access to the global

surpluses generated in this multibillion-dollar so-called global automobile industry. So deprived, many of these states experience intensified and intensifying conditions of inequalities as limited or no global surpluses penetrate their social systems for distributions to the masses of their respective citizenry.

Unequal contributions to a horizontal commodity chain of automobile production and consequent unequal rewards are also magnified among the few auto-manufacturing firms and their native states. As evidenced in the preceding analysis, outside of the core firms and their respective leading automobile exporting native states shown in Table 5.2, the other active participants in this production chain in the semiperiphery are clearly reduced to secondary roles with fewer rewards. This situation is reflected in Table 5.3 with the top automobile manufacturers in 1996. Among the top fourteen corporations in Table 5.3 with the production of more than one million automobiles in 1996, only one, Hyundai of South Korea, belongs to a semiperipheral country and is placed thirteenth on the list.

The top twelve automobile corporations shown in Table 5.3 belong to the core region of the world economy which controls the surpluses created in the global automobile industry. It is worthy of note that these twelve corporations are natives of only five core countries: France, Germany, Italy, Japan, and the United States. The clear dominance of the American and Japanese corporations is captured in the table in their huge percentage shares of worldwide automobile

Table 5.3. Top manufacturers of automobiles ranked by 1996 worldwide production

	Passenger Cars	Light Trucks	Heavy Trucks	Buses	Total
General Motors	5,110	2,346	46	23	7,526
Ford	3,739	2,727	117	5	6,588
Toyota	3,820	939	69	30	4,858
Volkswagen	3,509	221	12	46	3,788
Chrysler	1,017	1,956	5	0	2,978
Nissan	2,113	544	109	8	2,775
Fiat	2,236	227	86	12	2,561
Honda	1,929	143	0	0	2,072
PSA	1,742	247	0	0	1,990
Renault	1,521	220	56	4	1,802
Mitsubishi	1,082	534	73	7	1,697
Suzuki	1,061	370	0	0	1,430
Hyundai	1,040	193	12	99	1,344
BMW	1,113	34	0	0	1,146
Mercedes-Benz	657	140	169	21	987
Mazda	751	114	65	0	931
Daewoo	779	1	13	16	809
Kia	467	157	19	60	703
Autovaz	681	0	0	0	681
Daihatsu	439	211	13	0	663
Isuzu	46	358	177	3	585
Fuji	416	102	0	0	518
Volvo	380	0	63	7	451
Proton	192	0	0	0	192
Navistar	0	0	72	20	92
Hino	0	0	73	5	78
PACCAR	0	0	61	0	61
Asia	0	6	14	33	54
Scania	0	0	39	4	42
MAN	0	0	38	4	42
Ssangyong	0	0	4	29	33
Samsung	0	0	3	0	3
Other Manufacturers	643	1,183	532	111	2,469
TOTAL	36,485	12,975	1,940	547	51,947

Source: AAMA, World Motor Vehicle Data (Washington, D.C.: AAMA, 1998), p. 4.

production in 1996 at about 33 percent and 30 percent, respectively. Interaction of endogenous and exogenous status of these five core states account for this disparity by allowing their firms to use their high industrial manufacturing base and strong position in the global system to shape and control the world automobile industry via monopoly of the most rewarding tasks in its horizontal production chain.

What this monopoly of tasks represents is the retention of the highest level of resource input into the manufacturing process in the core with emphasis on research and development consistently allowing this region of the world economy to maintain and expand the gap between it and the lower strata of the global system. It also represents the ubiquitous involvement of the core's automobile multinational corporations in the commodity chain even in those segments outsourced to the noncore region. The results of both of these processes can be observed in the production of more expensive, sophisticated, and specialized auto parts and finished vehicles primarily in the regional production complexes in the core region. Less expensive and standardized auto parts and finished vehicles are generally outsourced to the subsidiaries of the major automobile firms and some domestic firms mainly in a few semiperipheral countries (Hill 1989).

In the automobile industry, consistently high levels of research and development activities are necessary for the regular upgrading and introduction of new models upon which manufacturers depend to maintain their market niches

in the consumer-conscious markets of the core region. These technological requirements have hampered the competitive efforts of the one successful vehicle-exporting country outside of the core, South Korea, as its automobile firms find it difficult to change car models with the same frequency as the core corporations (Kim and Lee 1994; Lee and Cason 1994). Intense competition in the diversification of products and change of models, clearly giving advantages to the core corporations, has resulted in a decline of world export shares for the South Korean automobile firms, which in effect translates into further restrictions of surpluses to the core. Among the latest reviews of the global automobile industry, European manufacturers recorded the highest increases in production at 5 percent, while the Asian and Latin American producers experienced substantial declines in production with -12.7 percent and -14.9 percent change in production in 1998 from the previous year's record, respectively (UNCTAD and CYCLOPE 1999).

An additional dimension of the unequal sharing of surpluses among automobile producing states is derived from the reliance of the semiperipheral states on the core for major technological input into the production process. In South Korea where the domestic automobile industry presently is largely under local ownership in the aftermath of a successful take-off in the 1980's from joint partnerships, reliance on external technology still produces substantial leakages of surpluses to the core. This is most pronounced in the importations of machinery.

Technological dependence is much deeper in the South Korean automobile parts firms where almost 90 percent of these firms operate on joint ventures with Japanese firms. One estimate places the surplus leakages to Japan in the form of royalty payments arising out of these joint ventures at seventeen to eighteen percent the twenty percent annual profits that accrue to South Korean automobile parts firms (Kim and Lee 1994). In the modestly successful automobile industry in Brazil and Mexico where the core multinational corporations are more dominant, leakages in the form of royalties are expanded in the form of profit remittances arising from these corporations' involvement in many phases of the product chain.

Technological input, obtained from core corporations, into the vehicle manufacturing process in semiperipheral countries provides further evidence of the widespread engagement of core countries in the horizontal commodity chain of automobile production. This engagement reaches the very end of the commodity chain dealing with the distribution and marketing of the finished or final vehicle product. Imprints of the core region are found in these terminal phases of the automobile commodity chain when the semiperipheral exporting countries are compelled to rely on core corporations' network for distribution and marketing. They are forced to rely on the existing network because of the difficulties of establishing new marketing networks in core importing countries.

Relying again on data from the one reasonably successful semiperipheral automobile exporting country, South Korea, evidence of the above situation is

found in the use of Ford's and General Motors' marketing networks by Daewoo and Kia corporations to distribute their exports to the North American markets. Both Daewoo and Kia, and by extension South Korea, have ceded significant surpluses to the two American corporations because of this reliance. How significant the volume of surpluses this kind of arrangement has ceded to the core's corporations and their native countries can be seen in the estimated 3.6 percent profit margin achieved by Daewoo Corporation for its automobile production. General Motors, whose marketing network is used by Daewoo, earned an estimated eight to nine percent profit margin from this marketing process alone. These figures are consistent with the profit margins of the more successful South Korean automobile firm, Hyundai, which makes a three percent profit margin from production and a seven percent profit margin from its own independently created marketing subsidiary (Lee and Cason 1994).

If one wonders why other semiperipheral firms exporting to core countries do not emulate Hyundai's practice by creating their own marketing subsidiaries, the explanation is that in the operations of the world systems such behaviors do not occur without obvious adverse consequences. Hyundai has been subjected to threats of trade barriers by the global multinational corporations in the automobile industry designed to thwart this bold attempt by a semiperipheral firm to deepen the extraction of global surpluses in a reverse direction from core to a noncore region. In a global automobile industry renowned for inter-firm complex

alliances, an upstart firm from the semiperiphery or periphery can ill afford sanctions by the core's more powerful and dominant corporations.

Sanctions and threats of barriers against comparatively less powerful firms symbolize another important vehicle through which the interaction of endogenous development status and world systems position impact intersocietal and intrasocietal inequalities. As demonstrated in the above situations, a high developmental status induced by industrial manufacturing capabilities combined with a less powerful position in the hierarchy of the world systems inherently provides less access to global surpluses. Because of the weaker position of South Korea in the world systems vis-à-vis the positions of the core countries it exports to and imports from, its endogenous development abilities notwithstanding, its firms are disadvantaged in international economic transactions involving core firms and countries.

Ironically, South Korea itself received some measure of benefits from similar workings of the global system when the very high developmental status of another country equated with a comparatively lower external position than an adversary promoted the entry and penetration of core markets by South Korean firms. What are referred to are the trade conflicts between Japan and the United States in the 1980s which culminated in the imposition of free-trade inhibiting voluntary export restraints on Japan, thus producing significant reductions in Japanese automobile exports to the United States. Because of significant declines in the American small car market caused by these export restraints,

South Korean automobile makers were provided an invaluable channel to penetrate a very dynamic core market niche previously dominated by the Japanese. Increases in access and share of global surpluses achieved through this process provide additional supporting evidence of the role of the interaction of endogenous and exogenous factors in determining the patterns of intersocietal and intrasocietal stratification.

Cascading impact of the above processes are manifested in the expanded number of Japanese automobile corporations' subsidiaries created in the more powerful core countries to circumvent these voluntary export restraints in finished automobile products. In the United States, there is evidence of the impact of these Japanese transplants on intrasocietal stratification in the direction predicted by our theoretical suppositions. Although these subsidiaries have created jobs performed by Americans, they tend to do so at the expense of native automobile employment. Native automobile employment in the United States has experienced some retrenchment necessitated by the capitalist requirements to restructure business operations in response to successful competition by other core multinational corporations. Displaced workers in the native automobile industries and residents in displaced communities resulting from such business restructuring are deprived of their previous shares of societal resources with consequences for increased intrasocietal inequalities.

The potential impact of this interactive factor on the American distributive system can be gauged from indicators that between 1982 and 1983, about

158,000 more jobs were eliminated than created by Japanese automobile assembly and parts plants in the United States. An estimated 200,000 non-union jobs were reportedly created in this time period in contrast to the elimination of an approximate 350,000 unionized workers (Howes 1991). Unsurprisingly, some members of the European Union have expressed strong reservations on the subject of removing certain trade restrictions against Japanese automobile manufacturers to permit their engagement in free trade within the union. Incidentally, the expansion of Japanese automobile multinational corporations' subsidiaries in the core regions of Europe and North America has been also motivated by restrictions on free trade engendered by the former's regional economic integration.

The Global Footwear Commodity Chain and Societal Stratification

Similar stratification consequences of the interaction of endogenous and exogenous processes of the world systems are revealed in the footwear industry characterized by a buyer-driven commodity chain with different economic agents in relation to those of the producer-driven automobile commodity chain. Unlike the pervasive role of giant multinational corporations in the latter, the buyer-driven commodity chain of footwear has as its most important direct economic agents large-scale retailers, brand-named merchandisers and trading companies which generally rely on decentralized production networks involving the

outsourcing of manufacturing to independent firms. Many of these independent firms are located in a few semiperipheral states. As this process has evolved over the past few decades, capitalist entrepreneurs have relied on their respective internal state apparatus and its external relations with other states to outperform one another by seeking to occupy and control the most profitable nodal dimensions of the footwear commodity chain. What has emerged is a familiar pyramidal production and distribution structure with a corresponding stratified share of global surpluses favorable to the core countries. The few noncore direct participants in this production system share among themselves in unequal amounts the leftovers from the core's lion shares. As in the global automotive industry, these arrangements leave out most of the noncore states in the sharing of global surpluses.

Deeper insights into the interactive forces underlying these dynamics are obtainable if our analysis is restricted to particular markets and states which make up some of the major economic actors in the global footwear industry. The United States, Italy, Japan, Taiwan, South Korea, as well as Brazil are respective representative examples of core and semiperipheral states which perform prominent but differential roles in the footwear commodity chain. Commencing the analysis with the final node of the finished product in this chain, one finds American economic agents performing the most profitable roles of high-value-added services in the marketing and distribution of shoes. At this last segment of the global product chain in footwear, the interaction of favorable endogenous and

exogenous factors enables American firms to specialize in the service nodes where no other group of firms from another state can surpass their strengths and advantages.

Favorable endogenous attributes in the United States particularly advantageous to its footwear economic actors are the dynamism of its market reflected in the unique status of being the largest footwear market in the world and a balanced admixture of manufacturing and service industrial capabilities responsible for the reliance on the latter by American footwear firms to offset the disadvantages in the former with respect to the abilities of competing firms from other states. These American attributes interact harmoniously with some internal factors in these other states whose required access to the United States market in order to remain viable and competitive in this particular global industry produce the enviable external conditions of relative ease of penetration of their economies by American firms. Exploiting both sets of factors these firms have concentrated their resources in the last links in the footwear product chain where specialized marketing and distribution activities are innovatively but disingenuously transformed into the most rewarding tasks thus attracting the largest share of global surpluses in this industry to the United States.

The size of these surpluses can be gauged from the estimated more than tenfold increase in American footwear imports from about $760 million in 1971 to about $7.6 billion in 1987 (Gereffi and Korzeniewicz 1990). By the 1990s, the yearly sales of footwear products in the United States had reached $12 billion or

more. One useful measure of the profitability of these figures and the global surpluses it channels to the American economy is the exponential increases in the price of footwear at successive phases of production and distribution. Some estimates indicate that the price of footwear products approximately doubles between their departure from the factory and their purchase by consumers with successive increases of: factory 55 percent, wholesaler 70 percent and retailer 100 percent (OECD 1976). A finished shoe product with a manufacturing costs of about $20 in a semiperipheral state retails for about $80 in the American market, about four times the cost of production (Clifford 1992).

No wonder the preoccupation of American footwear corporations with the marketing and distribution of this product at the last nodes of the commodity chain. The high values added by the services of these corporations to footwear products following their departure from the factory consist of promotional activities designed to create or invent material, status, and aesthetic appeals among consumers. In order to achieve these objectives footwear firms such as the very well known Nike Corporation create effective commercials, many of them with subliminal messages utilizing popular and likable individuals to portray the supposed significance, usefulness, and image-enhancing qualities of these products. An important aspect of this strategy is the harmonization of American cultural obsessions related to fitness and competition as in exercise, running, jogging and various forms of sports with the products of the footwear industry.

Associating successful and admired Americans in these activities with footwear commercials fulfills the singularly important capitalist requirement for generating and accumulating profits. Among those requirements fulfilled through these commercials are the creation and exploitation of reliable market niches. Fulfillment of these requirements enhances the benefits of product differentiation and corresponding segmentation of prices allowing each of the major brand-specific footwear firms to capture particular segments of these market niches. Beyond promotional service, the matrix of distribution developed by these corporations also helps to generate and retain the noted large surpluses within the United States. The primary matrix of distribution revolves around generic wholesale distributors and brand-specific distributors whose most prominent imprints include Adidas, L.A. Gear, Nike, and Reebok. Specialization in distributional functions enables both the generic wholesale and brand-specific distributors to exercise controlling influence over the marketing of these footwear products in the ultimate outlets at department stores and specialized shoe stores.

Mechanisms of this controlling influence are exemplified in entangling contracts articulated in a manner in which retailers make long-term commitments to purchases from particular major distributors. Nike, for example, had implemented a system christened "futures" in which major sales agents or retail outlets were required to make commitments of advance-order purchases of six months duration. Incentives of five to seven percent discount and guaranteed delivery schedules were extended to dealers who signed on the "futures" system

(Strasser and Becklund 1991). With this kind of distributional relationship, generic wholesalers and brand-name footwear corporations can count on faithful and reliable sales agents at the ultimate point of dispensing their products. These distributional patterns accentuate the observed creation and magnification of global surpluses in the terminal phases of a commodity chain to the greater benefits of the core countries.

Core corporations' specialization in services at the last segments of the footwear product chain without any tangible involvement in the actual tasks of production is popularizing one of the most unique developments in contemporary world capitalism, the emergence of virtual corporations. A virtual corporation exists by contracting all relevant stages of production to different independent firms while maintaining the functions of central coordination and control useful in ensuring the marketing of the final product under its brand name. In the global footwear industry under examination, a notable example of these so-called virtual firms is Nike Corporation, which subcontracts all major functions in the production chain of its footwear to independent companies abroad without relinquishing control over the research and development as well as marketing activities. These latter activities, centered in its American headquarters, provide the general basis and blueprint for the final product with Nike's imprint. Through Nike's coordination of all activities in the production process, along with its specialization in sales and marketing strategies in the dominant consumer

markets, it becomes the greatest beneficiary of the surpluses generated with its imprints on the finished product.

Working leftwards in the horizontal chain of production in the footwear industry from the marketing and distribution nodes to those of export networks, one encounters business intermediaries between domestic manufacturers of this product and the distributors in destination markets. In the particular regional networks of the global commodity chain examined here, this intermediation incorporates transactions between small-scale economic agents in noncore countries and large-scale business organizations in the core. The primary responsibilities of these small export traders in the semiperipheral states where footwear is among the leading export commodities to the United States -- South Korea, Taiwan and Brazil -- are centered on processing and directing demands for export orders to domestic producers.

At times, these responsibilities require the break-up of large export orders into smaller and manageable proportions before subcontracting them to local producers. Such micro management of manufacturing processes at this phase of the footwear commodity chain is usually not unconnected with time restrictions on delivery of orders placed by the core's generic wholesalers and brand-name distributors. When export intermediaries subcontract orders to local producers, they are also required to perform the function of managing the process to ensure quality control. As the direct link between domestic producers and external markets, export traders are expected to combine these functions with the crucial

tasks of close monitoring and anticipation of market conditions in the destination countries which, in this case, includes the United States.

The significance of these tasks relates to the singularly important role of market conditions in the destination countries in maintaining current levels of footwear manufacturing in export countries. Evidence of the controlling influence exercised by American economic forces on the internal manufacturing process of these products in the export countries supports the validity of the significance imputed to this particular interactive mechanism in the global commodity chain of footwear. Fluctuating demands in American footwear consumption have consistently disrupted the organization of footwear manufacturing in the exporting countries, most evident in cancellations and/or drastic reductions in the volumes of export orders, which translate into regular factory closures and downsizing (Clifford 1992).

Inherent in this interactive mechanism in the global footwear industry is an important aspect of the determination of values and rewards at each node of the commodity chain. Export intermediaries in noncore countries who perform comparable service with distributors in core destination markets receive fewer rewards because of the lower value of their service against the backdrop of a comparatively less advanced economy. The dependency of the small export traders in the noncore states of Brazil, South Korea, and Taiwan on continuing favorable market conditions in the United States as well as continuing access to

this most dynamic of the world's markets in footwear also means reliance on a very uncertain source of obtaining one's share of global surpluses.

The fluidity of this dependency is equally pronounced, if not more so, in the next segment of the footwear commodity chain which deals with production networks. As developed over the past four decades, production networks of the noncore states in the global footwear industry have been primarily conditioned by the consumption demands and manufacturing status of core countries. An important dimension of the evolution of these production networks was initiated by the relocation of certain kinds of footwear manufacturing in the 1960s from Japan to South Korea and Taiwan. Mitsubishi, the Japanese conglomerate behind this relocation of footwear manufacturing to these semiperipheral states, was motivated by cost-saving mechanisms in order to enlarge its surpluses as one of the leading exporters of shoes to the United States in the 1960s. South Korea and Taiwan were chosen on account of technological capabilities, relative experience and background in footwear manufacturing, as well as labor costs and productivity. Based mainly on these factors, Mitsubishi relocated the manufacturing of plastic sandals for the American market to Taiwan while South Korea became the choice for the production of all-rubber shoes.

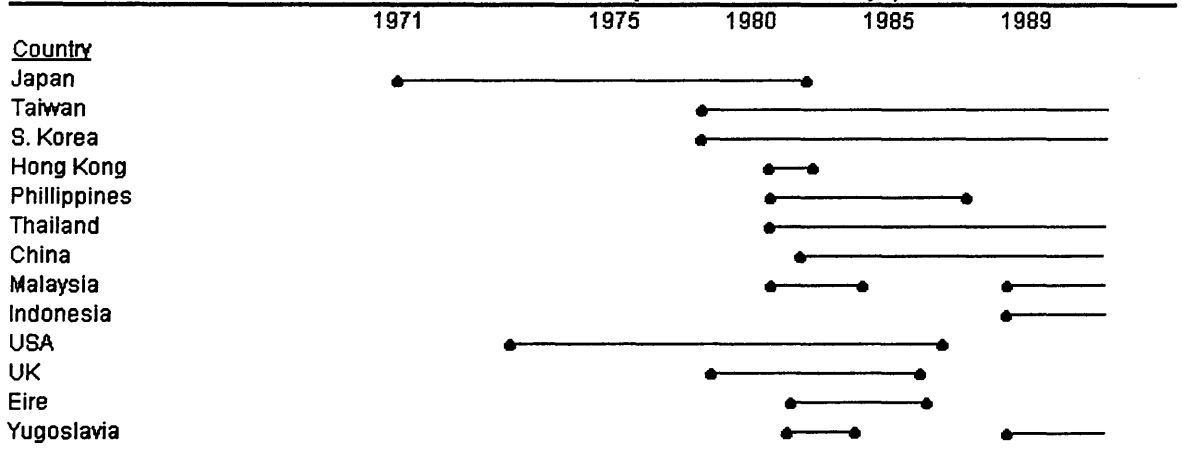
Motivations of cost-saving mechanisms that led a more advanced industrial economy producing for a core country to relocate to semiperipheral economies in this example have been thereafter effectively exploited by many core corporations in the outsourcing of footwear manufacturing to a select

number of East and Southeast Asian countries. South Korea and Taiwan have emerged as the premier beneficiaries of this arrangement judged by the volume of footwear subcontracted by American corporations to firms in these two states during the past three decades. Notwithstanding the large size of footwear manufactures for the American market processed in these two semiperipheral states, it should be recalled that their production activities are two steps removed from the marketing and distribution nodes of this global commodity chain where the largest profits and surpluses are harnessed and accumulated in the core. As a matter of fact, the subcontracting of footwear production to these semiperipheral states by the core's corporations is predicated on exercising further control over the commodity chain in order to further deepen an already disproportionate share of global surpluses earned by the core in this industry.

Control by the core's corporations over the production activities of footwear in semiperipheral states is enhanced by the competition among these states for a share in the manufacturing roles of this product. An illuminating illustration of this control is provided in the patterns of Nike Corporation's outsourcing to noncore countries which exhibit a constant search for the best combination of technological capabilities, labor costs, timeliness in meeting delivery deadlines, and general efficiency at modest costs to the corporation. It has been known to shift its subcontracting from one country to another only to return to a previous country when a combination of these factors in a current country of operations does not satisfy the corporation's standards on production.

Figure 5.2 is demonstrative of these multiple searches for the most cost effective means of footwear manufacturing organized by Nike Corporation in the period 1971 to 1989. The searches for production sites in the semiperiphery embodied in Figure 5.2 also support one of the cardinal theoretical principles articulated in this chapter: the importance of the interaction of endogenous and exogenous factors in the determination of intrasocietal and intersocietal

FIGURE 5.2. Nike's Athletic Footwear Production Partnerships and Plant Ownerships, 1971 to 1989.



Source: Michael T. Donaghu and Richard Barff, "Nike just did it: International Subcontracting and Flexibility in Athletic Footwear Production," Regional Studies 24 (December 1990):537-552, Figure 3.

stratification in contemporary world systems. As demonstrated in Figure 5.2, a semiperipheral state engaged in footwear manufacture for Nike Corporation loses whatever amounts of profits and surpluses it receives when decisions are made in a foreign state to move production to a different national site.

Extension of Nike Corporation's footwear production to different national locations in Figure 5.2 clearly indicates the penetration of semiperipheral states by core capital in search of a combination of cheap labor and appropriate levels

of technological capabilities. In fact, the relative increases in labor costs in the semiperipheral states of South Korea and Taiwan in the past few decades are among the primary factors for extending Nike's athletic footwear production to other Asian countries (Clifford 1992). These increases are reflected in the rise in the South Korean index of hourly compensation costs for production workers in manufacturing from ten in 1980 to forty in 1997. For Taiwan, its hourly compensation costs had risen from ten in 1980 to thirty-two in 1997, while Hong Kong experienced a rise from fifteen to thirty in its index of hourly compensation costs for 1980 and 1997, respectively (U.S. Census Bureau 1999).

The impact of this wage structure on Nike's location and relocation decisions can be represented in another way via comparative indicators of the costs of about $10,000 a year to employ an average worker in a South Korean footwear factory, which is about eight times higher than what it costs to employ an average worker in Chinese footwear factories. With these labour cost differentials, it is estimated that a mid-priced shoe produced in South Korea costs Nike about twenty dollars compared to the approximate costs of fifteen dollars in China and Indonesia (Clifford 1992). Ironically, some native entrepreneurs in the semiperipheral states with rising labor costs have become very instrumental to relocating their Nike subcontract operations to neighboring states with lower labor costs, a lesson they have learned from core capitalists. South Korean subcontractors who operate Nike shoe factories in Indonesia and their

Taiwanese counterparts who operate in China typify this aspect of the global commodity chain in footwear.

External penetration of semiperipheral states with core capital in search of combinations of cheap labor and appropriate technological levels has resulted in a set of interaction factors with further complications for an already complex structure of intersocietal and intrasocietal inequalities. Because these semiperipheral states are characterized by differing amounts of labor costs, productivity and technological capabilities, the interaction of external capital with varying combinations of these production factors in respective states has led to global stratification in the manufacturing of footwear. Analyses of the profile of footwear imports in the United States (Gereffi and Korzeniewicz 1990) place semiperipheral states such as China, India, and Thailand at the bottom layer of this stratified structure of global footwear production as manufacturers of relatively inexpensive shoes. In the middle layer are states like Brazil, South Korea, and Taiwan with value-added production in footwear higher than what is obtainable in the bottom layer but less than the values added to footwear processing in the upper layer. In this top layer, we find a core state, Italy, specializing in the manufacturing and exporting of very expensive and fashionable shoe products.

Specialization emphasis by South Korea in the manufacturing of athletic shoes, by Brazil in women's leather footwear products, and Taiwan in the production of plastic and rubber shoe products are not unconnected with the

interaction of external factors with the differing domestic factors of production in these semiperipheral states. These stratified global footwear production structures award unequal amounts of profits and surpluses to the different participants in these arrangements. All other things being equal, a core state such as Italy in the above example is better placed to make more profits and earn more surpluses by virtue of the manufacture of more expensive products.

Beyond the obvious inequalities in the share of surpluses among the core and semiperipheral participant states induced by these arrangements, the exploitation of cheap labor in the latter is characterized by intrasocietal stratification implications of exacerbated gaps in rewards between the leading semiperipheral agents such as the factory owners on one hand and the factory workers from the lower classes on the other. In this instance, we can observe how the interaction of endogenous and exogenous forces of the world systems may contribute to the intensification of inequalities in noncore societies because the comparatively small amounts of surpluses assigned to the elites do not leave much to be shared among the non-elites who bear the actual burdens of manufacturing the products whose sales generate these surpluses. This situation contrasts sharply with the lower classes in the core states where, in spite of their own exploitation experiences, the stupendous surpluses controlled by elites can trickle down in sufficient amounts to establish a minimum standard of living for many. Exploitation of female workers and other minority group members has become a regular feature of life in the core-controlled footwear factories in

semiperipheral societies. This situation is made worse by the generally lower wages in the footwear industry compared with other manufacturing industrial enterprises in the semiperiphery. In South Korea the disparity between the average wages in the footwear industry at one point was about one-half the average wages in other industrial sectors combined.

The limited surpluses earned by noncore input at the production network phases of the footwear commodity chain is duplicated at the first node of the chain where the supply of raw materials constitutes the primary global division of labor performed. At this initial segment of the production chain, the rewards are much less than the amounts received by noncore states in the supply of many other raw materials mainly because the two basic sources of raw materials for footwear production, livestock and crude oil, are used for other economic purposes. In view of the multiple use of the resources extracted from livestock and crude oil, higher amounts of profits and surpluses are earned in their use for other economic production activities other than footwear manufactures. The first node of the global footwear commodity chain involving supply of raw materials therefore attracts comparatively low rewards for the states assigned this task in the global division of labor.

Having examined the horizontal global commodity chain, albeit from the left to right, we have uncovered a situation of limited material surpluses for each node in the chain where noncore participants perform the bulk of tasks in contrast to the disproportional rewards at the marketing and distribution nodes in

the chain where core activities predominate. What this discovery provides us by way of theoretical understandings is the efficacy of the interactive forces of the world systems in conditioning contemporary patterns of intrasocietal and intersocietal stratification. The dominant economic status of core states appears to be inherently imbued with advantageous capitalist attributes with one-sided, manipulative value-enhancing capabilities and political prowess for the creation and control of global surpluses. A corollary consequence of these attributes is the attenuation of the commonly perceived comparative advantage of noncore states in raw materials supply and labor intensive production techniques, at least with respect to the profitabilities of these tasks in comparison with similar tasks in the core.

Our theoretical revelation should not be interpreted as evidence of absolute unredeeming consequences for noncore participation in the global commodity chains for although such participation may produce increased inequalities between the elites and non-elites, it can help promote changes in rank in the hierarchy of the world systems with long-term beneficial effects for a few of the noncore states. As a matter of fact, the interaction of internal and external processes of the world systems has produced such changes in rank in the global footwear industry which can subsequently become one among significant contributory factors to a state's upward mobility in ranking among members of the global community. What is alluded to here are changes in state

rankings in the manufacturing of footwear in the past four decades which have produced interesting alteration in positions among the core and noncore states.

These changes are reflected in the composition of the leading footwear exporters to the United States from 1967 through 1987. The leading exporters of footware products to the United States in the 1960s and early 1970s were comprised of Japan, Spain, and Italy while inroads into this most important market for footwear in the world were made by Taiwan, South Korea, and Brazil in subsequent decades. The virtual elimination of Japan as a major footwear exporter by the 1980s is instructive to our theoretical analysis for it happened at a time when Japan had already become a ***bona fide*** member of the core stratum of the contemporary world systems. Juxtaposed with the corresponding elimination of the United States itself as a major footwear producer and the consistent dwindling position of Spain as an exporter of this product to the United States, one can confirm the upward mobility of Taiwan, South Korea, and Brazil in the structure of footwear manufacturing in the world economy. All other things being equal, the long-term harmonization involving the footwear industrial activities in these semiperipheral states with their relevant major economic units should propel each state towards a higher developmental status capable of producing reductions in intrasocietal inequalities. To achieve this outcome, each state must develop its own dynamic internal market which in combination with access to the dynamic markets in the core can potentially address the imbalance

in the distribution of profits and accumulation of surpluses derived from different phases of global commodity chains.

Endogenous Developmental Status, Access to External Markets, and Societal Stratification

On the basis of the preceding observations, we can further demonstrate the role of the interactive forces of endogenous developmental status and access to external markets in conditioning current patterns of stratification through an illustrative example of a country many students of the world systems have difficulties placing in a category widely accepted by others. Canada, one of the states posing this difficulty of classification, has been described by some students of its political economy as a dependent state or dependent economy (Levitt 1970; Lumsden 1970; Laxer 1973; Clement 1977; Hutcheson 1978; Williams 1983) while others have expressed a tendency to label it a semi-industrial economy or a semiperipheral state (Wallerstein 1979; Glenday 1989; Resnick 1989). Still, there are those whose theoretical reasoning and derived empirical construct have led to the categorization of Canada among the highly industrial and premier core countries including the United States, the United Kingdom, Japan, and Germany (Snyder and Kick 1979; Nemeth and Smith 1985; Arrighi and Drangel 1986). In the latter reference (Arrighi and Drangel 1986), Canada is empirically confirmed as an organic member of the core zone in a

forty-five year period in the twentieth century meaning it did not experience any downward mobility before reentry into the core zone as a few core states experienced in that time period.

Notwithstanding the above classification schemes, more recently a mid-range approach has been utilized which categorizes Canada among a group of so-called central-peripheral states -- including Sweden, Norway, Finland, Denmark, the Netherlands, Belgium, Switzerland, and Australia -- all of which cluster around the most advanced core capitalist economies. Categorization of these countries as central-peripheral implies a higher status above semiperipheral states and a step below the premier core countries in some dimensions of international relations as in limited comparative political, military, and diplomatic strength (Niosi 1990). Although a central-peripheral state may be a step below the premier core states in these other dimensions of international relations, it can be very competitive and comparable in economic dimensions. Such competitiveness and comparability are demonstrated in Canada's above-cited organic membership in the core in the twentieth century on the basis of measures of gross national product per capita (GNP per capita) (Arrighi and Drangel 1986).

A potential source of the difficulties and controversies surrounding the classification of states such as Canada in the world systems is the emphasis on assessments sometimes based either mainly on endogenous developmental status or position in the hierarchy of the global interstate system without

adequately taking into account how both domestic and external factors relate to a country's position. An incorporation of both sets of factors in an assessment of the status of Canada in the world systems can overcome the limitation of these previous approaches and underpin our theoretical suppositions concerning the interactive role of internal and external factors in determining the patterns of development and stratification in the world community. With this approach, we depict contemporary Canadian economy as a mature industrial capitalist system whose developmental progress has been historically aided with a more or less harmonious balance of internal and external forces.

In its early days as a colonial unit of the British Empire and in the period of independence leading into the nineteenth century, this harmonious balance is embodied in the steady development of what one of the premier students of Canada's economic history in the twentieth century has characterized as successive staple exports to the major industrial economies of the period, particularly the United Kingdom and the United States (Innis 1956). According to this perspective, Canada's economic history and development have been shaped by specializations in the exports of its rich natural resources to prosperous markets, exploring new resources as previously traded items are depleted or become too expensive to produce due to near depletion. Historically, these successive staple exports have included fishes, furs, lumber, agricultural products such as wheat, and minerals including gold and nickel.

These specializations have stimulated corresponding industrial activities with the aid of foreign capital as in the case of machine industry growing out of lumber production and leading to industrial activities in pulp and paper. By the twentieth century, this history of raw material production has harnessed with foreign capital to create an industrial capitalist economy of sufficient competitive strength in the modern world systems. Our view of Canadian competitive strength in the world economy in spite of some continuing indications of dependency is derived from its demonstrated abilities to counter penetrate other economies and access global surpluses, which in addition to internally generated surpluses, are crucial to reductions in the internal levels of societal inequalities.[2]

Against the background of this mature industrial capitalist economy and abilities to counter-penetrate other economies, the author theorizes intrasocietal patterns of inequalities in Canada as a function of both the internal and external factors of development. Assumed beneficial contributions of combined internal and external factors of development to lower inequalities in Canada despite its continuing dependency status represent an important outcome of our continuing search for a holistic understanding of global stratification in this study in view of the implications of these observations for our previous theoretical expressions on

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[2]The author's view of the Canadian economy as a mature industrial capitalist economy with variable instruments of access to global resources is consistent with the increasing acknowledgment of Canada's enhanced developmental status even by some former critics who had doubts about this outcome because of its dependency on other core economies. An example of this transformation in perspective which dates the maturity of Canadian economy to the 1970s unlike the present author's perspective of a much earlier maturity period is Philip Resnick, "The Maturing of Canadian Capitalism," Our Generation 15 (Fall 1982): 11-24.

the effects of dependency in the world economy. The continuing dependency status of Canada is perhaps most evident in its asymmetrical economic relations with the United States.

For example, in 1987 Canada's main foreign market was the United States which received about 76 percent of its exports and supplied an approximate 69 percent of Canadian imports. These measures are in direct contrast to the diversified trade structure of the United States which in 1987 recorded an export share of about 24 percent with the European Economic Community (EEC) as its main foreign market and an approximate import share of 20 percent from Japan as its main supplier. Furthermore, in 1997 approximately 76 percent of Canadian imports came from the United States which in turn received about 81 percent of Canadian exports in the same year (Statistics Canada 1999).

The implications and significance of these indicators for the author's theoretical orientation is derived from the seeming attenuation of some of the key assumptions regarding the adverse effects of dependency hitherto depicted against this view of external penetration of a social system combining with internal factors to create a mature industrial capitalist economy associated with declining inequalities. What on the surface may appear to be an attenuation of some of our assumptions regarding dependency status in the capitalist world economy is, however, an illustrative proof of the efficacy of the theoretical reasoning concerning profound differences in results produced by similar and

identical phenomena in the noncore and core segments of the world systems. In other words, dependency status in both core and noncore segments of the capitalist world economy do not produce similar results, especially when the combined internal and external factors characteristic of a particular social system are taken into account.

For the Canadian economy, the combination of internal and external factors of development has produced a mature industrial capitalist economy that has since crossed the threshold of declining inequalities. Thereafter, mature industrial capitalist economy in Canada created with significant input of foreign capital has become conducive to lower inequalities by virtue of the features of this maturity. Interaction of foreign capital with domestic resources in this case ultimately makes possible a balanced domestic economic structure of harmonious activities in processing natural resources along with high-value-added goods and related services. Canadian participation in this balanced aspect of the global division of labor provides an invaluable conduit for attracting its relatively fair share of the enormous global surpluses controlled by the core region.

Balance in Canadian domestic economic structure achieved through a combination of endogenous and exogenous factors of development is reflected in this dependent core economy's specialization in the mix of core–peripheral activities in which core activities predominate unlike the predominance of peripheral activities in the mix of economic undertakings in dependent countries

in the noncore regions. In the last year's of the twentieth century, the advantageous mix of core-peripheral economic activities in Canada can be seen in estimates for the 1998/1999 period which ranked Canada as second among the world's leading exporters of barley and third in the export of wheat as well as in the export of grain. For 1998, Canada was ranked first as a leading exporter of sawn softwood with an estimated production of 63 millions of cubic meters of which 45.5 millions of cubic meters were exported. In 1997, Canada was the leading exporter of aluminum with 1,885 thousands of tons exported out of a production level of 2,327 thousands of tons. In the same year, Canadian export of refined copper at 381 thousands of tons was the third largest in the world while it was ranked fourth among the leading exporters of iron ore. In addition to these, Canada is one of the major producers and suppliers of petroleum, natural gas, pulp and paper, among other resources.[3]

Transformations of portions of these resources into very high-value-added products and related services are made possible by the comparatively high level of Canadian industrialization mirrored in its output in manufacturing, mining, as well as the electric and gas utility industries. As shown in Table 5.4 Canadian industrial production index measures favorably with the indices of other core countries signifying a high level of industrial production capabilities, which serves as one of the prominent conditions of dynamic development in contemporary

[3]The data in this paragraph are from UNCTAD and CYCLOPE, World Commodity Survey 1999-2000: Markets, Trends and the World Economic Environment (Geneva: United Nations Publications, 1999).

TABLE 5.4. Index of Industrial Production, by Country, 1980 to 1997.
Index (1990=100)

Country	1980	1985	1992	1993	1994	1995	1996	1997
OECD, total	**79.5**	**86.3**	**99.2**	**98.5**	**103.1**	**106.8**	**109.4**	**114.6**
Australia	76.6	84.9	98.2	101.1	107.0	107.6	110.5	112.4
Austria	76.0	82.9	100.7	99.2	103.2	108.3	109.1	115.3
Belgium	82.2	85.6	98.0	92.9	94.6	100.7	101.6	106.1
Canada	81.2	93.9	97.2	101.6	108.2	113.2	114.7	120.7
Czech Republic	(X)	(X)	71.9	68.1	69.5	69.0	70.4	73.5
Finland	76.6	88.1	92.4	97.5	108.5	116.0	119.7	131.7
France	89.2	89.2	97.6	93.9	97.6	99.6	99.9	103.6
Germany	82.9	85.6	100.1	92.4	95.7	96.9	97.3	100.6
Greece	90.9	97.4	98.0	95.2	96.4	98.2	99.3	100.6
Hungary	102.6	112.6	73.7	76.6	84.0	87.9	90.8	100.9
Ireland	54.2	69.5	112.7	119.0	133.2	158.3	170.9	197.1
Italy	87.9	84.7	97.8	95.7	101.7	107.9	104.8	107.7
Japan	67.7	80.3	96.0	91.8	93.0	96.0	98.3	101.7
Korea, South	33.1	54.5	116.0	121.1	134.5	150.5	161.6	172.6
Luxembourg	73.1	82.2	99.5	95.3	100.9	102.3	100.4	107.6
Mexico	84.0	88.8	107.9	108.2	113.4	104.5	115.2	125.9
Netherlands	90.8	91.6	101.5	100.4	105.3	108.3	111.3	113.4
Norway	64.5	78.1	108.5	112.6	120.4	127.5	134.1	138.8
Poland	(NA)	122.4	86.7	91.2	103.3	114.1	124.4	138.8
Portugal	64.1	73.9	97.7	92.6	92.4	96.7	98.0	100.4
Spain	83.0	85.7	96.3	91.8	98.8	103.6	102.3	109.4
Sweden	81.4	90.2	94.8	94.6	105.2	118.5	122.1	131.5
Switzerland	80.4	83.0	99.5	97.7	101.8	103.9	103.8	109.4
United Kingdom	81.5	88.0	97.0	99.1	104.4	106.2	107.4	108.2
United States	80.5	89.0	101.2	104.6	110.2	115.7	120.8	128.1

Source: U.S. Census Bureau, Statistical Abstract of the United States: 1999 (Washington, D.C.: U.S. Government Printing, 1999), p. 850.

NA Not available. X Not applicable. [1]Gross domestic product in industry at factor cost and 1986 prices. [2]1980-90 former West Germany; later data use 1990 annual average data for West Germany as base year. [3]Includes construction. [4]Mining and manufacturing.

world systems. These favorable ratings on industrial production index is consistent with other measures of industrial capabilities like manufacturing as a percentage of gross domestic product (GDP). In 1986, Canada's manufacturing as a percentage of its gross domestic product was about 19.2 percent, almost identical with the 19.3 percent manufacturing share of gross domestic product in the United States for the same year. The Netherlands' measure of 19.8 percent

share of manufacturing in its gross domestic product in 1986 was very similar to the Canadian figure.

Canada's position in Table 4.1 as the sixth leading exporter in world merchandise trade in 1999 and the eleventh leading exporter in world trade in commercial services in the same year attests to its competitive industrial abilities assumed to constitute an important dimension of its dependent developmental status enabling it to share with other core countries in the huge global surpluses generated in world manufacturers and services. Its relatively favorable placement in Table 5.2 among the world's leading exporting countries of automotive products in 1995 further attests to these abilities. A further breakdown of its external trade structure reveals yearly exports of the following products with each fetching millions of dollars in the global marketplace: industrial and agricultural machinery, aircraft and other transportation equipment, passenger automobiles and chassis, trucks and other motor vehicles, as well as motor vehicle parts (Europa Publications Limited 2000).

The combination of all these indicators confirm the existence of a mature capitalist industrial economy with a mix of core-peripheral activities capable of generating large amounts of surpluses whose internal circulation and distribution compel a lowering of intrasocietal inequalities, all other things being equal. Among the important processes through which a resultant advanced capitalist economy produces a lowering of inequalities in Canada is the harmonious integration of relevant components of the social system with a complex structure

of economic differentiation which implies the consistent gainful employment of the bulk of the adult population. An outcome of this feature of an advanced capitalist industrial economy is the extension of workers' purchasing power to a large segment of the population, promoting in the process, the widespread availability of consumption expenditures without which profits in the marketplace are constrained. Relatively unconstrained profit making contributes to reductions in inequalities through the internal circulation of portions of generated surpluses with shares reaching different economic actors for their varying input into production processes. Providing the basis for workers' demands for increases in wages with resultant narrowing of the GNP shares among various income groups is another functional mechanism by which capitalist profits influence reductions in intrasocietal inequalities when societies are at mature levels of development.

State policies conducive to the effective integration of all relevant segments of the population into the economic structures of a modern social system are very crucial to a consistent reproduction of dynamic growth and development as well as the continuing decline in inequalities. Integration of the whole citizenry into the economic structures of a society limits or prevents the outbreaks of social conflicts over political and economic exclusions which can derail a program of development as vital resources are directed towards the control of the behaviors of disenchanted citizens who are inclined to disengage from the social system if not sabotage it. The early effective and successful management of these tendencies by the Canadian state has paved the way for a

stable and peaceful civil society relatively devoid of major labor conflicts at least from the second half of the twentieth century to the present. This has made the country a very favorable investment environment for both domestic and foreign capitalist investors who eschew political instabilities and labor conflicts.

Historically, the National Policy enunciated by Canada's Conservative Party in the 1860s, partly in response to external economic and political conditions, has served as a prominent socioeconomic instrument useful in creating the subsequent attractive investment environment and the corresponding integration of relevant segments of the society in the course of the twentieth century. Three aspects of the National Policy with direct contributions to these subsequent outcomes are the promotion of industrialization through a protective tariff, supporting the construction of a transcontinental railway connecting the eastern and western parts of the country, and encouraging massive immigration to settle the vast Canadian prairies in the nineteenth century in order to produce staples for exports (Solberg 1987). As subsequently implemented, these policies were very instrumental in building a domestic industrial base and integrating it with Canada's agricultural sectors thus involving important economic sectors in a unifying national development program.

Other aspects of Canadian state policies influenced by external factors and effective in contributing to the above results include the War Labor Policy in the First World War period which espoused an eight-hour workday, fair wages, and equal pay for equal work by women. While these principles were more

beneficial for industrial workers, those who made their living from agricultural pursuits benefited from government intervention and support in the war period designed to protect the interest of both consumers and producers. Creation of a government grain-marketing monopoly, the Board of Grain Supervisors in 1917, for the purpose of stabilizing a deteriorating wheat market in order to sustain export of this staple to Canada's allies in the First World War and improve farmers' income constitutes an example of benefits those in the agricultural sectors received from state policies.

Additionally, in the post war years when the farmers experienced renewed economic crises they were able to gain access to the political arena and improve their political positions to the extent of exercising sufficient influence on federal economic policies to protect their interests. Improved political status of Canadian farmers in this period is confirmed by the successful control of two out of three prairian provincial governments through the election of a pro-farmers Progressive Party to power (Solberg 1987).

These historical developments in the maturation process of Canadian economic and political systems are determinative of its subsequent development pattern and structure of inequalities because they represent differing responses by a state to its domestic and external conditions with corresponding potentially differing outcomes. In this case, timely and appropriate responses to external forces such as harnessing domestic production factors to supply external markets in a war period represent a visionary seizing of the chance to improve a

state's economic status in the world systems. Providing avenues for all major segments of the population to participate in its political process also contributes to Canadian success in improving its economic status in the twentieth century because, as noted above, it allows the state to use its resources for positive development programs instead of focusing on means of subduing an unruly population.

Collectively, these policies have been most useful in fastening Canada's transformation process from a semiperipheral state in the nineteenth century to a dependent core state in the twentieth century. So transformed, the country is imbued with the advantages of specializing in those aspects of the world division of labor with the greatest amounts of surpluses. Circulation and distribution of its share of these surpluses within its domestic domain contribute to a structure of declining inequalities.

Transformation of the Canadian state from a semiperiphery to a dependent core economy means the prevalence of new and different dynamics in relation to the interaction of domestic capital and foreign economic penetration. For example, in a dependent advanced core economy new foreign investment activities are more likely to include a proportionate or even disproportionate share of high-tech industrial investments in the phases of the global commodity chains where the largest profits and surpluses are realized. Against this background, a host core country like Canada benefits from the larger profits produced in these high-tech industries when foreign investors honor their

contractual requirements to share predetermined proportions of these profits with the host economy. More importantly, in the event of non-compliance with these contractual obligations a mature industrial capitalist economy is comparatively much better situated than a peripheral economy to monitor the behaviors of foreign investors.

Greater strength in the surveillance of multinational corporation affiliates exercises deterrent effects with positive outcomes of limiting the surreptitious practices of these corporations found to be harmful to host peripheral economies in Chapter IV. Effective control over the operations of multinational corporations through sound laws and regulations translates into incentives for these corporations to comply with their contractual obligations which may mean reasonable withdrawals of earned profits and fees, significant reinvestment of earnings, development and sharing of appropriate technology[4], as well as reduced unlawful activities such as tax evasion and undue transfer pricing.[5] Manifestation of these conditions means the retention and reproduction of large proportions of surpluses generated with the aid of multinational corporations within a social system where internal circulation and distribution of the generated surpluses contribute to reduced inequalities.

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[4] Studies of technological transfers to Canada via multinational corporations' operations in that country are presented in Alan M. Rugman, ed., Multinationals and Technology Transfer: The Canadian Experience (New York: Praeger Publishers, 1983).

[5] Suggestive evidence of some of these beneficial aspects of direct foreign investment in Canadian economy is available in Alan M. Rugman, Multinationals in Canada: Theory, Performance, and Economic Impact (Boston: Martinus Nijhoff Publishing, 1980).

Effective control of the operations of foreign investors is also manifested in the increased abilities of a mature industrial economy to influence and direct the patterns of investment in congruity with the objectives of developing and sustaining a dynamic national economy. Initial impetus for modern industrial development contributed by foreign investment through its interaction with domestic resources eventually produces the abilities to influence the direction of future investments if that initial impetus helps brings about a mature industrial economy. At a mature level of development, domestic economic actors or agents are equipped with the appropriate and necessary economic factors once predominant among foreign investors who utilized these attributes to monopolize economic activities in particular industrial establishments. An illustrative example of this phenomenon is the present situation in some developing societies where limited financial resources for domestic investments, lack of appropriate technology, and inadequate international marketing experience, among other factors, make the presence of foreign investments in some critical industries indispensable tools for exploitation of natural resources. The petroleum industries already shown in this study to be dominated by the core's multinational corporations provide an obvious example of the complete reliance of an immature industrial economy on foreign factors of production as no oil-producing developing society possesses the required combination of capital, technology, and management for the processing of the natural resources of these industries. As noted in Chapter IV, the unbalanced shares of the surpluses of the petroleum

industries in favor of the core's multinational corporations is attributed in part to this unequal contributions in the factors of production.

In view of the particularly unbalanced shares of profits and surpluses in favor of foreign investors at an immature level of industrial development, the Canadian economy at a mature industrial level of development is able to retain these profits and surpluses by taking over investments in industries once predominated by foreign corporations. Where complete take-overs do not occur, the strength and abilities of domestic investors to provide effective competition in an industry through the coexistence of domestic and foreign investment activities make possible a more or less balanced sharing of the profits and surpluses which would have otherwise accrued to foreign investors. What all these amount to is a nationally desirable influence on the patterns of foreign investments limiting these activities to economic enterprises where domestic firms compete effectively with foreign ones. In the select areas where domestic firms may not be able to compete, foreign investors are allowed to operate because of their comparative advantages such as in latest technological developments, huge financial capital requirements, and international management experience in the marketing of the products and services of particular industries.

Evidentiary support of the assumptions concerning the control and influence of the patterns of foreign direct investment in Canada on account of its mature industrial status is derived from the steady decline, in relative terms, of such investment in the past three decades. For example, in 1986 the foreign

penetration of Canadian economy reflected in about 24 percent of the assets in nonfinancial industries held by foreign investors represents a steady decline from 36 percent of foreign control of assets in nonfinancial industries recorded in 1970. During this same time period foreign penetration in Canadian manufacturing had declined from 58 percent in 1970 to 44 percent in 1986. Inward foreign direct investment flows as a percentage of gross fixed capital formation has stabilized in the Canadian economy at about nine percent from 1995 through 1997 (UNCTAD 1999).

More important than abilities of effective competition with foreign investors within its domestic economy, the mature level of capitalist industrial development created by the interaction of domestic and foreign capital has allowed Canada to counter penetrate other economies thus gaining access to more global surpluses through its own multinational corporations. As a native home of multinational corporations, the multifaceted advantages of this entity identified in Chapter IV become crucial elements beneficial to Canadian economy via the attraction of profits and surpluses from multiple external sources. Ownership of its own multinational corporations provides an effective instrument for counter balancing the withdrawals of profits and surpluses from Canadian economy by foreign corporations through the attracting of profits and surpluses to the Canadian economy from external markets. In this regard, both the domestic market of a dependent core country and various external markets within the world systems

become significant sources of acquiring and accumulating global resources for national welfare.

The unique advantages of counterbalancing withdrawals of domestic resources by foreign corporations with repatriations from external economies via a society's own multinational corporations are evidenced in Table 5.5 where the developed economies display a much higher harmony between parent corporations and foreign affiliates located within their respective states. As shown in this table, the limited number of parent corporations based in developing countries in contrast to the large number of foreign affiliates indicates their lack of effective external instruments for acquiring global profits and surpluses from foreign markets. This discrepancy is consistent with our earlier findings in Chapter IV on the role of the world's 100 largest transnational corporations on global stratification.

Canadian position in Table 5.5 with respect to the ratio of parent corporations and foreign affiliates based on its territory is comparable to the positions of many of the other core countries indicating comparative competitive abilities in utilizing domestic and external instruments of global resources acquisition despite its dependent status within the core region. This favorable position is confirmed in Figure 5.3 showing Canada as one of the leading core countries in the use of foreign investment as an instrument of seeking and obtaining global surpluses from external markets. As shown in Figure 5.3, only the United States, the United Kingdom, Germany, the Netherlands, and France

TABLE 5.5. Number of Parent Corporations and Foreign Affiliates, by Area and Economy,
(Latest Available Year)

Area/Economy	Year	Parent Eorporations Based in Economy	Foreign Affiliates Located in Economy
Developed economies		**48 791**	**94 269**
Western Europe		**37 580**	**61 594**
Europe Union		**32 096**	**52 673**
Austria	1997	896	2 464
Belgium/Luxembourg	1997	988	1 504
Denmark	1998	9 356	2 305
Finland	1998	1 200	1 491
France	1998	1 695	9 494
Germany	1998	8 492	12 042
Greece	1991	--	798
Ireland	1998	39	1 140
Italy	1997	806	1 769
Netherlands	1993	1 608	2 259
Portugal	1999	1 100	3 500
Spain	1998	857	7 465
Sweden	1999	3 965	3 759
United Kingdom	1998	1 094	2 683
Other Western Europe		**5 484**	**8 921**
Iceland	1999	78	47
Norway	1998	900	3 100
Switzerland	1995	4 506	5 774
North America		**5 109**	**23 665**
Canada	1997	1 722	4 562
United States	1997	3 387	19 103
Other developed countries		**6 102**	**9 010**
Australia	1999	610	2 539
Japan	1998	4 334	3 321
New Zealand	1998	217	1 106
South Africa	1998	941	2 044
Developing economies		**12 518**	**355 324**
Africa		167	3 669
Ethiopia	1998	--	21
Lesotho	1999	--	411
Mali	1999	3	33
Seychelles	1998	-	30
Swaziland	1999	12	53
Tunisia	1999	142	1 906
Zambia	1999	2	1 179
Zimbabwe	1998	8	36
Latin America and the Caribbean		**2 019**	**24 345**
Bolivia	1996	..	257
Brazil	1998	1 225	8 050
Chile	1998	478	3 173

TABLE 5.5. Number of Parent Corporations and Foreign Affiliates, by Area and Economy,

Area/Economy	Year	Parent Eorporations Based in Economy	Foreign Affiliates Located in Economy
Columbia	1995	302	2 220
El Salvador	1990	--	225
Guatemala	1985	--	287
Guyana	1998	4	56
Jamaica	1998	--	177
Mexico	1993	--	8 420
Paraguay	1995	--	109
Peru	1997	10	1 183
Trinidad & Tobago	1999	--	65
Uruguay	1997	--	123
Asia		**10 332**	**327 310**
South, East & South-East Asia		**9 883**	**317 147**
Bangladesh	1999	--	161
Bhutan	1997	--	2
Cambodia	1997	--	598
China	1997	379	235 681
Hong Kong, China	1998	819	6 247
India	1995	187	1 416
Indonesia	1995	313	2 241
Lao People's Democratic Republic	1997	--	669
Malaysia	1999	--	15 567
Mongolia	1998	--	1 400
Myanmar	1998	--	299
Nepal	1999	--	224
Pakistan	1998	59	644
Phillippines	1995	--	14 802
Republic of Korea	1999	7 460	6 486
Singapore	1997	--	24 114
Sri Lanka	1998	--	305
Taiwan Province of China	1994	666	2 026
Thailand	1998	--	2 721
Viet Nam	1996	--	1 544
West Asia		**449**	**1 948**
Oman	1995	92	351
Saudi Arabia	1989	--	1 461
Turkey	1995	357	136
Central Asia		-	**7 663**
Armenia	1999	--	1 604
Georgia	1998	--	190
Kazakhstan	1999	--	1 865
Kyrgyzstan	1998	--	4 004
The Pacific		-	**552**
Fiji	1997	--	151
Papua New Guinea	1998	--	345
Soloman Islands	1996	--	56

TABLE 5.5. Number of Parent Corporations and Foreign Affiliates, by Area and Economy,

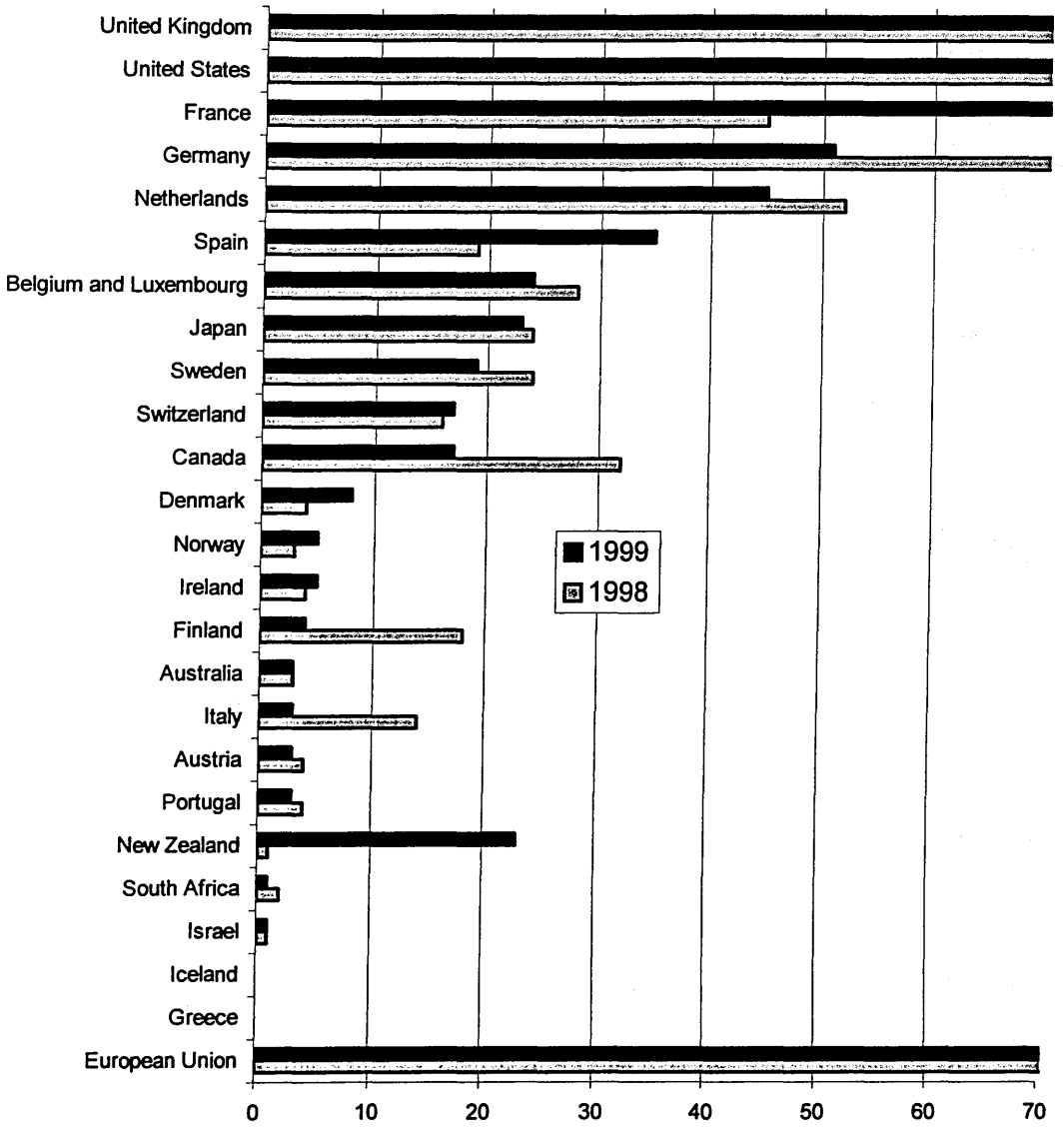
Area/Economy	Year	Parent Eorporations Based in Economy	Foreign Affiliates Located in Economy
Central and Eastern Europe		**2 150**	**239 927**
Albania	1995	--	2 422
Armenia	1999	--	1 657
Belarus	1994	--	393
Bulgaria	1994	26	918
Croatia	1997	70	353
Czech Republic	1999	660	71 385
Estonia	1999	--	3 066
Hungary	1998	--	28 772
Lithuania	1999	16	1 893
Poland	1998	58	35 840
Romania	1998	20	71 318
Russian Federation	1994	--	7 793
Slovakia	1997	--	5 560
Slovenia	1997	1 300	1 195
Ukraine	1999	--	7 362
World		**63 459**	**689 520**

Source: UNCTAD, World Investment Report 2000: Cross-border Mergers and Acquisitions and Development (Geneva: United Nations Publications, 2000), Table 1.4.

had higher foreign direct investment outflows in 1998 making Canada the sixth largest core foreign investor in 1998. For 1999, only eight countries among the twenty-four developed countries listed in Figure 5.3 had a significantly higher foreign direct investment outflows than Canada with each of these eight countries recording more than $20 billion worth of outward investments in that year. Canada's foreign direct investment outflows in 1999 are comparable to those of Sweden and Switzerland but well above the outflows of the thirteen developed countries ranked below Canada in that figure.

A related dimension of the interactive process of endogenous and exogenous factors of development embodied in the external penetration of Canadian economy and its counter penetration of other economies is the actual

FIGURE 5.3. Developed Countries: FDI Outflows, 1998 and 1999[a]



Source: UNCTAD, World Investment Report 2000: Cross-border Mergers and Acquisitions and Development (Geneva: United Nations Publications, 2000), Figure 11.1.

[a] Ranked on the basis of magnitude of 1999 FDI outflows.

amounts of global resources acquired through these foreign investment instruments for internal circulation and distribution. In this regard evidence can be extracted from Table 4.3 where Canada owned three of the world's 100 largest

transnational corporations in 1998. In spite of the clear dominance of the United States, Japan, Germany, and France with respect to the number of multinational firms owned by each country (Table 4.3), Canada's three corporations among the top 100 multinational firms in the world generated what can be deemed more than its fair share of global surpluses, at least when judged against its population of about 31 million citizens in 1998.

Although the $32.5 billion generated by Canada's three corporations in Table 4.3 is modest in comparison with the amounts generated by many of the larger corporations, the significance of this modest amount becomes obvious when placed in the context of the world systems at large. With such contextualization, the $32.5 billion in global resources generated by only three of Canadian multinational corporations acquire an added consequence for intersocietal and intrasocietal inequalities as this amount of money is higher than the gross national product (GNP) of 75 countries among the 132 countries with available data on this measure in 1998. A comparison of the performance of the three Canadian corporations in Table 4.3 with the performances of the transnational corporations from the developing countries in Table 4.4 further confirms the advantages of a dependent core economy over dependent noncore economies.

Successful entry into the elite club of parent states of the world's 100 largest multinational corporations is a milestone for the achievement of core status in the contemporary world capitalist system as such entry represents

abilities of competition at the highest level of capitalists' maneuvering for control of global resources. Canada's abilities to compete in this dimension of global capitalism are demonstrated in a variety of ways including the regional patterns of its foreign investment activities and the regular appearance of some of its corporations among the elite 100 largest multinational corporations in the past several years. With respect to the former, Canada consistently concentrates the bulk of its foreign investment in the core region of the world economy with a minor proportion of it focused in the noncore region. The proportion of total Canadian outward investment has sometimes been as high as 85 percent in the core region and 15 percent in the noncore region with a greater share of the former concentrated in the United States economy.

This concentration of Canadian direct foreign investment activities in the core regions of the world systems confirms one of the main ideas articulated in Chapter IV. Access and consistent presence in the most dynamic core markets the present world economy are necessary and absolute requirements for creatir and sustaining a robust economic growth and development capable of generating sufficient global surpluses for internal distribution with resultant lowei inequalities. It is precisely this constrained access to the dynamic and buoyant markets of core states experienced by developing economies against the backdrop of their weakly articulated internal and external factors of developmen that can be assumed to operate as one of the major causes of stratification in th noncore regions. Other indications of the extent of Canadian external investmer

activities as concentrated in the core regions and designed to generate and channel global profits and surpluses to its domestic economy include the high measures of transnationality index[6] sometimes accorded Canadian multinational corporations. For example, in 1998 the first and second positions in the list of the world's top ten transnational corporations with respect to transnationality were occupied by two Canadian firms, Seagram Company and Thomson Corporation, respectively. The high scores of 94.8 and 94.6 received, respectively, by the two firms on their transnationality status signify a very high level of the foreign dimension of their assets, sales, and employment in their overall economic activities.

High transnationality index has been found to be generally associated with multinational corporations from smaller home core countries in terms of the size of their populations. Small populations apparently motivate these firms to invest in external markets in order to overcome the limitations on investment opportunities and associated profits imposed by this internal structural constraint (UNCTAD 2000). As evidenced in Table 5.6, the world's top ten transnational corporations in terms of their transnationality index belong mainly to small-sized core countries with United Kingdom being about the only exception in the listing.

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[6]Transnationality index embodies the average of three ratios including foreign assets to total assets, foreign sales to total sales, and foreign employment to total employment. It is therefore intended to capture the foreign dimension of assets, sales, and employment in a firm's overall activities. This definition is from UNCTAD, World Investment Report 2000: Cross-border Mergers and Acquisitions and Development (Geneva: United Nations Publications, 2000), p.78.

TABLE 5.6. The World's Top 10 TNCs in Terms of Transnationality, 1998.

Ranking 1998 by Foreign Assets	TNI[a]	Ranking 1998 by Foreign Assets	TNI[a]	Corporation	Country	Industry	TNI[a]
34	1	23	1	Seagram Company	Canada	Beverages/media	94.8
57	2	52	3	Thomson Corporation	Canada	Media/publishing	94.6
10	3	9	4	Nestlé SA	Switzerland	Food/beverages	94.2
82	4	74	7	Electrolux AB	Sweden	Electrical equipment/ electronics	92.7
69	5	77	37	British American Tobacco Plc	United Kingdom	Food/tobacco	91.0
62	6	89	11	Holderbank Financiére Glarus	Switzerland	Construction materials	90.5
12	7	18	5	Unilever	Netherlands/ United Kingdom	Food/beverages	90.1
15	8	14	2	ABB	Switzerland	Electrical equipment	89.1
71	9	94	24	SmithKline Beecham Plc	United Kingdom	Pharmaceuticals	82.3
98	10	New	New	SCA	Sweden	Paper	80.8

Source: UNCTAD, World Investment Report 2000: Cross-border Mergers and Acquisitions and Development (Geneva: United Nations Publications, 2000), Table III.7.

[a]TNI is the abbreviation for "transnationality index", which is calculated as the average of three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

On the regular appearance of some Canadian multinational corporations among the world's 100 largest corporations since the attainment of mature industrial capitalist status, evidence of their more recent success can be extracted from their continuing abilities to compete with other core corporations in this era of mergers and acquisitions. One indicator of this recent success is reflected in the rise of Nortel Networks, a Canadian corporation ranked as one of the seventeen newcomers to the world's 100 largest transnational corporations in 1998 on the basis of the volume of foreign assets (UNCTAD 2000). A society serving as home state for some of the top 100 multinational corporations on a

yearly basis guarantees itself a regular and enduring access to global surpluses which should contribute to domestic destratification.

An examination of the specializations of these Canadian corporations among the largest and most influential core corporations further reveals the blend of endogenous and exogenous development factors conducive to Canada's competitive strategies in the global market. The competitive edge of Canadian corporations in industrial products and services such as beverages, media, and publishing is not unconnected with its well-endowed natural resources including agricultural products, pulp, and lumber whose exploitation has a long history of direct foreign investment by other core countries, especially the United States. With respect to the three Canadian multinational corporations listed among the world's 100 largest corporations in Table 4.3 two of them, Seagram Company and Thomson Corporation, are engaged in beverages/media and media/publishing industries, respectively. The third corporation, Nortel Networks, identified above as one of the newcomers to the world's 100 largest transnational corporations in 1998, specializes in telecommunications. Successful competition of Canadian firms in the global telecommunications industry provides further proof of how the blend of internal and external factors to create a mature industrial capitalist economy in Canada has enabled this dependent core country to acquire sophisticated technological abilities capable of producing products and services at nodal phases of global commodity chains with the highest rewards in the world economy.

Based on the foregoing analysis it is clear that Canada's economic status in the contemporary world systems is derived from a combination of its endogenous and exogenous development factors which at a certain stage had propelled the Canadian society from a semiperiphery status in the nineteenth century to a core status for much of the twentieth century. Despite its continuing but declining dependency as a core economy, the successful transition to the highest layer of the world economy has meant an enduring access to global surpluses from various external markets and the emergence of a dynamic internal market which both contribute to regular accumulation of resources at a level associated with declining inequalities. The generally lower levels of inequalities in core countries than those of noncore countries is directly linked to this interaction of internal and external factors of development.

In view of this reality, classification schemes with differential placements of Canada in any position in the hierarchy of the world systems below a core status tend to inadequately account for its yearly shares of global resources and surpluses as may be reflected in its gross national product (GNP) produced with both internal and external instruments of development. As a matter of fact, other cases of conditioned but successful socioeconomic experience typically characterized as deviant cases in development literature are most likely due to this failure to adequately account for the dynamism of the combined forces of

endogenous and exogenous development factors following the passage of an economy through a certain threshold of dependent development.[7]

The Interaction of Endogenous and Exogenous Factors, Permanent Fixture in the Semiperiphery, and Societal Stratification

The Canadian experience of successful transition from a semiperipheral status in the nineteenth century to a core state in the twentieth century contrasts sharply with the experiences of states whose permanent fixtures in the semiperiphery prevent continuing progressive enhancement of capitalist economic activities necessary for the reproduction of surpluses for declining inequalities. This unique feature of the semiperiphery in the world capitalist system, the relative immobility of members to the core regions, has the consequence of benefitting a semiperipheral state during periods of boom in the world economy and prejudicing it during periods of economic contraction. During the former period the semiperipheral economy which is most reliant on the state for organizational access to global markets can utilize its two-way linkages with both the periphery and the core regions to obtain enough surpluses for reductions in inequalities. Conversely, periods of contraction in the world economy are bound to cause a shrinkage in the amount of global surpluses

[7]Pertinent examples in development literature dealing with this subject include Richard E. Barrett and Martin King Whyte, "Dependency Theory and Taiwan: Analysis of a Deviant Case," American Journal of Sociology 87 (March 1982): 1064-1089; and Denis O'Hearn, "The Irish Case of Dependency: An Exception to the Exceptions?" American Sociological Review 54 (August 1989): 578-596.

available to the semiperipheral state whose internal markets, unlike those of the core, can not sufficiently make up for this constrained access to global markets. On a long term basis, the accumulative effects of these disruptive global economic forces can produce a disoriented semiperipheral economy with increases in intrasocietal inequalities.

Assumptions regarding the disruptive effects of global economic forces on semiperipheral states because of the more or less permanent fixture in this middle layer of the world systems are supported by their generally lower economic wealth and higher levels of inequalities in comparison with core states. These differences become more instructive in situations of two states which simultaneously occupied a semiperipheral status before one experienced a successful transition to a core status. A classic example of such situations can be extracted from the historical experiences of Canada and Argentina in the modern world systems: two countries whose similarities in economic backgrounds led to their placement in a semiperipheral status in the nineteenth century but whose subsequent differing blending of endogenous and exogenous factors led the former to a core status in the twentieth century while the latter became fixated in the middle stratum of the world economy up to the present time.

Nineteenth century similarities of these two states are evident in their gradual abilities to lessen their respective colonial subordinate heritage from Spain and the United Kingdom and overcome some of the more serious internal obstacles to state formation by the 1860s thus directing their seminal state

apparatus towards the creation of an independent economy. Both countries had inherited vast and fertile grasslands, the prairies in Canada and the pampas in Argentina, wrested from the native Indians most of whom were exterminated in the process. In developing these vast agricultural lands both countries relied significantly on immigration for labour with Argentina attracting immigrants mostly from southern Europe and Canada favouring immigrants from northwestern and western Europe as well as the United States (Platt and di Tella 1985; Solberg 1987).

By the early decades of the twentieth century, these socioeconomic similarities had consolidated to produce reliance on the export of raw materials as the primary means of acquiring global profits and surpluses in both countries. By 1910 wheat was the leading export commodity of both countries and by the 1920s they were among the "Big Four" world producers and exporters of wheat including Australia and the United States. The United Kingdom was a major buyer of wheat and a dominant foreign investor in both economies in these early decades of the twentieth century (Platt and di Tella 1985; Solberg 1987). As a result of these economic parallels[8] Argentina and Canada had comparatively

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[8]To avoid the risk of exaggeration on the similarities between the two states in this time period, it should be noted that there were also some distinct differences between them. Their obvious Spanish and British Colonial backgrounds and different dates of acquiring independence constitute examples of such differences. The special relationship between the United States and Canada was of unique importance in the developmental experiences of the latter. Economically the two countries had differing rates of industrialization at this time period which indicate some qualitative differences in favor of Canada.

large amounts of wealth by the early decades of the twentieth century as represented in their respective gdp as translated into per capita incomes.

For example, Argentina's gdp per capita of $540 in 1929 was reportedly more than twice that of Chile and about five times higher than Brazil's gross domestic product per capita. Argentina's gross domestic product per capita in 1929 was similar to the Netherland's figure but higher than those of several European countries including Austria and Italy. Canada on the other hand had a larger gross domestic product per capita of about $1,030 in 1929, a figure similar to the per capita income of United Kingdom in the same year (Solberg 1987). These amounts of national wealth in 1929 meant a fairly large accruement of global resources to Argentina and Canada with depressing effects on intrasocietal inequalities.

Per capita income or national wealth differences between Argentina and Canada progressively deepened in the course of the twentieth century as the latter progressively consolidated its core status while Argentina, by virtue of different combinations of endogenous and exogenous development factors, experienced intermittent economic downturns arising from its permanent fixture in a semiperipheral status. Indications of expanded wealth differences between the two countries can be seen in the respective measures of their gross national product per capita in the last two decades of the twentieth century. While Argentina recorded gross national product per capita of $2,390 for 1980 and

$8,970 in 1998, Canada had per capita incomes of $10,130 and $20,020 for the two years, respectively.

In view of the monopoly of societal resources by elites in contemporary capitalist states, the lesser amounts of Argentine national wealth became a basis of higher levels of inequalities as Argentina's elites receive a disproportionate share of this wealth leaving reduced amounts to be shared by the larger segments of the population. Evidence of higher inequalities in Argentina than Canada is reflected in the former's Gini coefficient's of .4375 in 1961 and .4345 in 1970 (Menard 1986) in contrast to the latter's Gini coefficients of .3333 in 1965 (Menard 1986) and .338 in 1969 (Hoover 1989). In the 1987 to 1997 period about 25.5 percent of Argentina's population was below income poverty line in contrast to an approximately 5.9 percent of Canadian population below income poverty line in the 1989 to 1995 period (UNDP2000).

These different outcomes and consequences of developmental status in the world economy, despite the many similarities between the two countries in the last decades of the nineteenth century and the early years of the twentieth century, are attributable to the different path of societal development in Argentina resulting from a combination of internal and external factors. Domination of Argentina's political system by landowning elites for much of its history before the 1940s produced a bias in favour of investments in land and cattle which yielded large profits detrimental to the rise of consistent national incentives among these elites for the creation of a diversified modern economic structure. Accordingly,

the Argentine economy was modeled on the export of agricultural products with cattle accorded a special advantage because of the influence of cattlemen among the political elites who promoted the view of cattle raising as the most important agricultural economic endeavour. Promotion of this landowning class interest resulted in the relegation of other agricultural activities to the background with respect to state priorities in development policies. For example, the absence of any significant state policy reform or support for wheat production between 1880 and 1930 when wheat was the leading Argentine produce export confirms the predominance of some landowning class interests over those of other classes (Solberg 1985, 1987).

Landowning class interests in Argentina during this period harmonized with the prevailing dominant economic principles of free-trade with their emphasis on open and unregulated workings of the market. Open and relatively unregulated, the Argentine economy benefitted the landowning classes by providing unrestrained access to external markets for their exports and unrestricted domestic conduit for imports. By primarily exporting agricultural produce and importing manufactured goods under this arrangement of free-trade, less emphasis was placed on industrialization as very small number of Argentines invested in industry before the end of the nineteenth century. Among the results of this pattern of development were the concentration of foreign trade on a limited number of agricultural products and the growth of agriculture without a corresponding industrial base.

Unlike the Canadian economy shown in the preceding section to have been characterized very early by a diversified export structure of agricultural and manufactured products made possible by an early corresponding development and growth of industrial manufacturing base, Argentina entered the twentieth century and remained for several decades without a comparable harmony between its industry and agriculture. The fact that these two different outcomes were for the most part not fortuitous confirms the unique role of the state as an economic instrument in the semiperiphery of the world systems. In Canada the state actively promoted an industrialization drive which used high tariffs to protect its infant industries in contrast to Argentina where the reigning principles of free-trade generated minimal support for such economic measures. Canadian state economic policies became instrumental in transforming the country to a core status within the world economy while the policies of the Argentine state directed towards external markets perpetuated its status as a semiperipheral country.

As long as the world economy maintained a steady growth or was in the upswing, the Argentine economic policies with their emphasis on traditional agricultural exports in the context of global free-trade arrangements were sufficiently effective in attracting its more or less fair share of global resources and surpluses as a semiperipheral society. With a more or less fair share of global resources and surpluses a semiperipheral state can experience a downward trend in inequalities or at least an undeteriorating distributive structure due to the consistent leftovers of these surpluses for the lower classes after the

gigantic shares usually garnered by the upper classes in capitalist societies. The beneficial effects of a healthy world economy for Argentina's export-oriented growth are evident in the sustained growth of its per capita income from the last decades of the nineteenth century to the 1920s. By 1928 Argentina's gross domestic product per capita of $1200 was more than double its gross domestic product per capita of $470 in 1880. The 1913 figure of $1030 was also a significant improvement from the 1901 measure of $780 in gross domestic product per capita. Among the important contributory factors to this sustained semiperipheral growth in national wealth was the corresponding consistent increases in its export trade. From 1865 to 1912 the Argentine export trade rose at the impressive rate of 4.8 percent per annum and from 1912 to 1928 it grew at 4.1 percent (Alejandro 1985).

Another measure of Argentina's economic success as a semiperipheral state during this period is the increase in its population from a mere 1.35 million inhabitants in 1861 to about 14 million inhabitants in 1939. This increase was achieved in large part through immigration which was relatively easy to attract in good economic times. About 3.2 million immigrants were added to the population of Argentina from 1880 to 1910 with more than 80 percent of these new members of Argentine society from Italy and Spain (Alejandro 1985). With an increased population, much needed human resources were interjected into a growing economy with a resultant expansion of its previously narrow domestic market and sustenance of its dynamic traditional export sectors. National wealth

reproduction made possible by this combination of endogenous and exogenous factors of development became instrumental to the structural safeguards against increased inequalities in the early decades of the twentieth century. An indirect measure of these safeguards is obtainable in the upward increases in real wages from 1921 through 1930. Indexed at 100 in 1913 as the base year, Argentina's real wages rose from an index of 107 in 1921 to 178 in 1930 (Conde 1985).

While moments of expansion in the world economy tend to harmonize with the domestic development status of a semiperipheral society to check against excessive inequalities, the opposite moments of contractions in the world economy are particularly pernicious to its economic welfare because of the onerous difficulties of generating adequate resources within the usually limited domestic market of a semiperiphery economy to make up for the losses or declines in revenues from external markets. In this situation is manifested one of the major advantages of a core economy over a semiperipheral economy as the former, in the short term, relies on its more dynamic internal market to fairly compensate for losses in revenues resulting from contractions in the global economy. Moreover, a core economy is structurally conditioned to rebound from moments of economic declines sooner and more effectively than a semiperipheral economy because of the crippling effects of previous developmental status of the latter on present and future developmental efforts. These uniquely semiperipheral characteristics represent the more or less permanent fixtures of some states in the middle stratum of the world systems

whose inabilities to experience upward national mobility to the core are associated with previous structural deficiencies of its long standing semiperipheral status.

As one of the permanent or organic members of the semiperiphery in the modern world systems, Argentina's experiences provide empirical proof of the preceding features of semiperipheral status by virtue of its frequent class conflicts in the second half of the twentieth century caused by increased inequalities during moments of contraction in the world economy. Its inabilities to overcome these difficulties through a successful transition to a core economy in the aftermath of such global economic contractions also provide empirical insights into the debilitating effects of long-standing semiperipheral status on current and future developmental programs. Argentine class conflicts related to increased inequalities during global economic downturns are reflected in the frequency of changes in government including military coups which constituted differing responses to the country's perceived unfavorable economic circumstances by different social categories and groups. Dating back to a military coup in 1943, there were about eighteen different governments in Argentina by 1983. Argentine class conflicts in this period were sometimes so intensified that there were two or three changes in government within one year. In 1955, for instance, there were three different Argentine governments involving two military coups.

The immediate background to Argentina's class conflicts in the second half of the twentieth century can be traced to its favorable economic position during and immediately after the Second World War when, because of the disruptive effects of the war on the economies of the major industrial countries at the time, Argentine exports experienced limited competition and increased demands leading to expanded shares and accumulation of global surpluses. Accordingly, the newfound wealth generated by the country during and immediately after the Second World War, mainly through agricultural exports of foodstuffs, was sufficient to accede the usual disproportionate shares to the economic elites with leftovers used as incentives to co-opt the working class into the ruling parties. Emboldened by this new-found wealth, the Argentine government of President Juan Domingo Peron that lasted from 1946 to 1955 embarked on an ambitious five-year development plan in 1946 which emphasized state investment in economic and social infrastructures, nationalization of some foreign-owned businesses considered strategically important to the country, and the promotion of general industrial development. Another aspect of President Peron's five-year development plan articulated a system of national wealth distribution aimed at transferring a portion of the gross domestic product from property owners to wage earners (di Tella and Braun 1990).

Unfortunately for Argentina these economic policies were implemented at a time when its domestic developmental status and external economic as well as

political conditions combined together to thwart the expected outcome of a major modern, industrial capitalist economy. Internally the emphasis on industrialization led to some positive results which, however, acted as a hindrance to the long-term objective of creating a modern dynamic industrial economy through the interaction of these industrial processes with external factors of development. Successful outcomes of Argentina's industrialization program during this time period are reflected in the larger proportion of the demands for consumer goods being satisfied by the products of domestic industries early in the 1950s. Concomitant expansion of domestic consumption with industrial progress impacted the country's external trade structure by channeling significant portions of exportable items to local consumers. This situation contributed to an unfavorable balance of payments, which meant the country experienced a shortage of foreign exchange with which it was to finance its import requirements. Limited foreign exchange resources translated into reduced abilities to import the capital goods without which further progress with the industrialization drives was compromised.

Further impact of Argentine's industrialization program was manifested in the relative neglect and decline in agricultural production which was still an important foreign exchange earner. In one of the country's traditional major agricultural exports, chilled meat, the magnitude of the decline in exports was more than half within a short period of time. For example while total meat exports during the 1940 to 1944 period averaged about 1,295 million pesos yearly, in the

1950 to 1954 period the yearly total meat exports was about 566 million pesos. This decline happened against the backdrop of significant increases in the domestic consumption of meat at the expense of exports as shown in the figures of eighty percent home consumption and twenty percent export of total meat production in 1955 (Lewis 1975). Other major Argentine agricultural produce which became part of this trend of declining exports included maize, linseed, and wheat.

Argentine industrialization policies contributed to these fluctuating fortunes in the agricultural sectors because of the latter's difficulties in competing for investment resources with industry. Structural problems of transportation and lack of mechanized farming equipments operated as negative factors against agricultural undertakings. A governmental national purchasing agency set up to purchase agricultural produce and to act as an intermediary to the world market became a disincentive to investment and production in agriculture as producers were paid less than the world market prices for their produce. All these structural problems produced a situation in which capital and labour were increasingly channeled to industrial investments for potentially higher profits thus perpetuating the declines in agricultural investments and production. So depressed, agriculture failed to earn for Argentina in the 1950s the large amounts of foreign exchange of previous generations. Lower foreign exchange earnings meant reduced access to global resources and a share of global surpluses.

External factors of development interacted in other ways with these domestic features via the breakdown in the international economic system which accompanied the end of the Second World War. Because of the weakened economic capacities of the major European adversaries during that war, continental Europe became a segment of the world market with high demand for foodstuff imports after the war but with no readily available resources for payment. As a semiperipheral country Argentina was placed in the uncomfortable position of extending substantial credits to a number of its trading partners including Finland, France, Italy, the Netherlands, and Spain, without which they could not finance their Argentine imports. Further compounding these problems, the currencies of Argentina's major trading partners were inconvertible making them much less useful in meeting the country's foreign expenditures. Neither was the system of trade by barter an effective instrument to conduct foreign trade in the immediate years following the Second World War since the European countries weakened by the war did not recover sufficiently the capacities for production of goods for exchange with others (Fodor 1975).

An external instrument which could have been relied upon to provide some temporary relief to these problems, foreign investment, was not a viable option because of limited surplus capital in the immediate post-war years. By the time the recovery of the major European economies was strong enough to expand the available pool of international capital, a perceived unfavorable investment environment in Argentina of the 1950s created by the nationalization

of critical foreign-owned businesses became an obstacle to new investments. During the first phase of the Peron administrations' program of nationalization in the 1940s, foreign investments declined by over fifty percent (Rock 1975). This strong sense of Argentine nationalism had the additional effects of constraining trade relations with the United States at a time when it was emerging as the leading capitalist economy in the post-Second World War period.

The economic fate of Argentina, conditioned by the combination of endogenous and exogenous factors during the administrations of President Peron from 1946 to 1955, became the principal basis for new class alignments and alliances because of its stratificational consequences. In view of the administrations' policies of industrialization, the emergent industrialists and entrepreneurial class became an opposition force to the traditional elite groups whose interests were linked to the agricultural sectors of the economy where continuing growth depended on sustained exports to the global market. This class division also represented the differences in philosophy between the liberal ideas of free trade favored by the traditional, landowning elite groups and the increasingly popular ideas of nationalist industrial development with import substitution favored by the business classes. Both the Argentine working class and the professional middle class were allied with the government which was very successful in lobbying and maintaining the support of the workers. The wage-earning potentials of the country's industrialization programs was crucial to

maintaining the workers' support while expansion of bureaucratic jobs served as a means of upholding the loyalty of government workers.

These new class alliances worked very well in favor of the government when its industrialization economic policies produced positive results whose material benefits accrued in varying amounts to different groups. Between 1945 and 1948 when the volume of industrial production increased by about one third, industrial workers experienced an increase in real wages of about twenty percent. There was also a corresponding increase in the share of wages in national income from about 40 percent in 1946 to about 49 percent in 1949. Although the share of profits in national income declined from about 60 percent to about 51 percent during this period, the entrepreneurial classes were rewarded with acceptable profit margins due to the growth of industrial production and the expansion of the domestic market. Additionally, they benefitted from changes in price ratios between their industrial products and the products from the rural sectors of the economy (Rock 1975). These economic gains were achieved mainly at the expense of the agricultural sectors whose resources, derived from the export of traditional produce, provided the impetus for the country's industrial investments. It is estimated that between 1946 and 1949 agricultural incomes declined by about 27 percent.

The disaffection expressed by the traditional elites tied to the agricultural sectors was duplicated in almost all the social classes early in the 1950s when the external factors previously identified combined with domestic conditions to

produce declining economic trends. By the early 1950s all the major social categories and groups including farmers, industrialists, the urban middle class, as well as the proletariat had experienced an absolute decline in their incomes. The extent of declines in incomes can be judged against the backdrop of an approximate five percent decrease in Argentina's per capita incomes between 1948 and 1953 (Rock 1975). Various economic policies tentatively designed to ameliorate this economic crisis in the early 1950s only compounded the disaffection in some social classes. For example, policies such as the softening of the conditions for foreign investments led to the introduction of new labour-saving technology to the displeasure of the working class. No wonder then that by the time of the overthrow of President Peron by a military coup in 1955 the traditional conservative elite groups with strong interests in agriculture, the armed forces, the new industrial classes, and even the church had united in their opposition to the government. Argentina's working class was also by this time sufficiently disaffected as demonstrated by industrial strikes which sometimes required the intervention of government agents to suppress.

In the aftermath of the overthrow of the government of President Peron in 1955, Argentina's class conflicts continued to fluctuate in intensity depending on the country's economic situation. The approximate ten changes in government recorded between President Peron's overthrow in 1955 and his re-election in 1975 following his return from exile reflect the underlying class conflicts of the period which was marked by workers' strikes and students' protests. What this

illustrative socioeconomic history of Argentina demonstrates is the precariousness of a semiperipheral status in the world systems where the interaction of endogenous and exogenous factors are quite effective in preventing a decline to the periphery but ineffective as instruments of mobility to the core. Being so situated semiperipheral economies can experience reductions in inequalities during periods of boom in the world capitalist economy and reverse increases in inequalities during moments of growth and expansion.

It is the accumulative effects of these downward and upward trends in the stratification trajectories of semiperipheral states which distinguish them from the peripheral and core states in the world systems. Empirical evidence supports the significance of this distinction with confirmation that while all three strata in the world systems tend to suffer the adverse effects of downturns in the world capitalist economy, the semiperipheral states tend to suffer comparatively more so than others. For example, in the 1980-1983 period when all three strata of the world systems reportedly experienced declines in national wealth as measured by gross national product per capita the semiperipheral zone had a much sharper decline which in this four-year period resulted in the loss of all it had gained in relation to the periphery in the previous fifteen years (Arrighi and Drangel 1986).

Argentina's experiences provide us with insights into the underlying causes of the above precariousness of the semiperipheral zone as a blending of endogenous and exogenous factors derailed its economic programs and in a few years produced major reversals in economic gains achieved over a longer period

of time. Argentina's development and stratification patterns in the second half of the twentieth century present proofs of the absolute necessity of a near-perfect blending of internal and external factors of development in order to achieve growth levels equated with declining inequalities in a modern, capitalist industrial economy. When such harmony does not occur between both set of factors of development, even internal policy instruments which have been utilized by other states at other times with spectacular economic success become wholly ineffective and, in fact, literally counterproductive to the development and destratification objectives of a social system.

Argentina's timing of the emphasis on industrialization and nationalist modern development in the late 1940s and early 1950s bespeaks of this adverse effect of incongruity between internal and external factors of development and destratification. Had these programs been implemented at an earlier time period when Canada followed a similar path of development in the late nineteenth and early twentieth centuries, Argentina would no doubt be favorably compared to Canada today in national wealth and status in the world systems. Very early in the twentieth century this divergent path of development had led to a comparatively more dynamic agricultural and industrial sectors in Canada than Argentina despite their similarities previously identified in this section of the study (Solberg 1985, 1987).

Further detrimental effects of the disharmony between internal and external factors of development manifested in Argentina's socioeconomic history

are derived from the changing role of foreign investment in response to Argentine's political conditions. During President Peron's administrations the nationalization of foreign-owned businesses and subsequent reversal of policies encouraging the inflow of international capital achieved mixed results at best in view of the slow response of foreign investors to these policy reversals. Neither were subsequent administrations particularly successful in luring back a large share of international capital in the post-Peron period in spite of the heavy handedness of some of these administrations in dealing with labor unrests and students' strikes. Not considered a safe haven for foreign investment because of civil unrests associated largely with labor unrest and revolutionary activities, much of what could have been Argentina's share of international capital was diverted to other capitalist states.

Diversion of Argentina's potential share of international capital to other capitalist states indicates a harmonious blending of internal factors of political stability and labor discipline with the external factor of foreign investments in these social systems. The relative success of the few peripheral states with experiences of upward national mobility to the semiperiphery region of the world systems in the twentieth century is not unconnected with this particular interaction of internal and external factors of development. Since this mobility is achieved in part through the reshuffling of global resources from the semiperiphery to the periphery, those who were stationed in the former before the entry of new members are bound to experience changes in their patterns of

intrasocietal inequalities in correspondence with the reductions in available global resources and surpluses. Conversely, the new members to this middle zone of the world systems are bound to receive an increased share of these surpluses with potentials for reductions in inequalities. The comparative economic successes of states such as Brazil, South Korea, and Taiwan which are among the new members of the semiperiphery in the course of the twentieth century are a reflection of these phenomena in the world systems.

These successes notwithstanding, Argentina's experiences and those of other organic members of the semiperiphery suggest a future blockage of these new members' continued growth with corresponding increases in inequalities. In the last two decades, persistent labor unrests in these states, especially in South Korea and Taiwan, bear resemblance to Argentina's civil unrests of an earlier period. Continuing growth, advancement, and destratification for these states depend on their abilities to accomplish the onerous task of transition to the core. Core economies which make for lower inequalities today following their earlier transition from a semiperiphery status affirm the importance of accomplishing this task which, however, cannot happen independently of the logics of the world systems.

Ironically, some of these present core states which overtook Argentina in economic status in the course of the twentieth century have had to rely partly on its resources to regain their economic strength following the collapse of their economies during the Second World War. Argentina's credits to the Netherlands

and Italy addressed earlier in this section of the study provide evidence of this assistance from a semiperipheral country that subsequently became subordinate to the former beneficiaries of its resources. The problems of the semiperiphery are therefore a reflection of the structural features of the world systems embodying internal and external factors of societal growth, development, and stratification.

Peripherilizing and Non-Peripherilizing Tendencies via the Interactions of Endogenous and Exogenous Factors

Though few and limited in number, the successful transition of some states from periphery to the simiperiphery in the twentieth century signifies further polarizing tendencies in the bottom stratum of the world systems by virtue of the interactions of internal and external factors which favour some state over others. Given a visionary internal program of development such as a balanced mobilization of resources towards industrialization against the backdrop of political stability, a peripheral state can experience growth and development if these internal features coincide with favorable external forces like an expanding world economy with an increased pool of international capital. Under this scenario a successful industrialization program can interact with foreign investments to upgrade the periphery-core mix of economic activities of a peripheral state, which in turn fetches increased amounts of global surpluses necessary for reductions in inequalities.

Beyond the short-term gains in global surpluses, this kind of interaction of endogenous and exogenous factors, if sustained for a reasonable length of time such as one or two decades, can become instrumental in the rise of a peripheral state to a semiperipheral status. South Korea's and Taiwan's successful transition to the semiperipheral zone in the twentieth century affirms these non-peripherilizing tendencies of endogenous and exogenous factors in certain segments of the periphery. The comparable economic achievements of Hong Kong and Singapore previously addressed in Chapter IV also represent a timely and favourable blend of endogenous and exogenous factors of development and stratification.

Non-peripherilizing tendencies in the upper tier of the periphery operate in a different way in the lower tier where the internal status of least modernized capitalist economic structures can interact with external factors to produce short-term positive growth. Social systems at the very early phases of transformation from a premodern to a modernizing industrial capitalist economy can benefit from the interjection of international capital because of their low developmental status. This benefit may be manifested in the creation of basic infrastructures without which the basic take-off stage of industrial capitalist development is not possible. Under these circumstances the least modernized of the peripheral states can actually encounter developmental changes with a hastening to levels of increasing inequalities depicted in Chapter III. Being so conditioned, very low developmental status and the activities of foreign investment are in combination

capable of inducing short-term development outcomes with a direct consequence of later increases in intrasocietal inequalities. This becomes a serious problem if progressive development is hampered on a long-term basis in which the social system fails to pass through the threshold of declining inequalities.

These differential effects of international capital in different segments of the periphery account in substantial part for the contradictory findings in the literature on the relationships between foreign investment and economic growth or development in developing societies. Since the models of these studies are generally not representative samples, they contain an assortment of states at varying stages of modern industrial capitalist development and stratification outcomes. Empirical findings of positive relationships between accumulated stock of foreign investment and economic growth in some of these studies may be due to the predominance of states at the lower and upper tiers of the peripheral region where a productive blending of internal and external factors may occur. Reverse findings of negative associations between accumulated stock of foreign investment and economic growth in the models of other studies correspondingly indicate the predominance of states in the middle tier of the periphery where disharmony with international factors of production may prevail.

When the positive outcomes of development in the lower tier of peripheral region propel some states beyond the take-off stage of modern capitalist development, the process enlarges the number of states in the middle tier where the interaction of endogenous and exogenous factors becomes an agent of

intrasocietal inequalities. Penetration of peripheral states by external factors at that level of development coalesce as independent agents of intrasocietal inequalities through the distortion of the progressive transformation to a mature industrial capitalist economy. Among the mechanisms through which such fusion of internal and external factors becomes an instrument of stratification is the exacerbation of the distinction between the modernizing capitalist and the traditional agricultural sectors in the rural regions of peripheral societies.

As demonstrated in Chapter III the introduction of mechanized, capitalist techniques into the agricultural sectors of rural economies previously characterized by subsistence exploitation of resources and limited trading constitutes one of the major causes of alterations in their premodern structures of limited inequalities. These alterations as previously depicted can only lead to increasing inequalities. When these structural changes emanate only from endogenous factors of modern industrial capitalist development, the magnitude of increased inequalities may be limited by the proportion of rural farmers and the amount of domestic capital devoted to these new agricultural pursuits. In other words, as long as most of the rural residents are still engaged in traditional economic activities during the transformative process to a modernized capitalist economy, the overall increases in inequalities are limited because of the greater weight of the distributive impact in this larger segment of the population.

Introduction of foreign factors of production into rural economies is bound to exacerbate this prevailing condition of limited expanding inequalities through

the enlargement of both the proportion of rural residents and amount of investment resources now devoted to capitalist agricultural production. In combination with domestic capitalization of agriculture, foreign factors of production exacerbate the magnitude of intrasocietal inequalities by means of structural changes involving the expanding sizes of rural residents and scale of operations in the modern and traditional sectors of rural economies. With larger scales of operations and intensified mechanization made possible by the introduction of foreign techniques of production, the prevailing patterns of inequalities are inevitably altered to those of increased and deepening inequalities.

Greater numbers of rural residents are accordingly adversely affected by this expansion of capitalist agriculture at the expense of traditional, precapitalist agricultural pursuits. Rural unemployment and underemployment predominate non-urban economies when these kinds of structural changes prevail. The concomitant results of this peripherilization of rural economics may include a fastening of internal migrations from the rural to the urban sectors of modernizing capitalist societies. In essence the combination of endogenous and exogenous production factors in the rural regions of modernizing societies tend to serve, among other things, as push factors of rural-urban migrations.

Push forces of rural-urban migrations created by the coalescence of domestic and foreign production factors in rural agriculture may be reinforced within the same social systems where the combination of internal and external

development factors in the urban regions serve as pull factors of internal migrations. When this is the case, the weight of the totality of endogenous and exogenous production factors becomes a structural source of overurbanization, which as depicted in Chapters III and IV, is one of the major factors of exacerbated inequalities during the transition from lower to progressively higher levels of modern industrial capitalist development. Overurbanization as should be recalled contributes to increasing inequalities by intensifying the chasm between the formal and informal sectors of the economy with respect to the production factors available to each and the respective derived shares of profits and surpluses.

Similar to the situation in the rural economies, the rates and magnitudes of increases in overall urban inequalities will be minimized in the absence of foreign factors of production. Absence of foreign production factors minimizes the rates and magnitudes of increases in urban inequalities by limiting the volumes of migrations to urban regions. Such limitation reduces the number of job seekers in the urban areas who are sometimes attracted by expected work opportunities and benefits in foreign business establishments such as subsidiaries of multinational corporations. When subsidiaries of these corporations operate alongside modern domestic capitalist enterprises, the induced larger flows of migrations from rural areas become only one of the multiple sources of increased inequalities created by these interactive forces.

Differential wages and salaries known to prevail between domestic capitalist enterprises and subsidiaries of multinational corporations are other mechanisms through which the combination of internal and external factors of development condition the patterns of inequalities in peripheral social systems. Rise of the so-called labor aristocrats and elite entrepreneurial agents in the international sectors of developing capitalist economies serves as evidence of the distinction between the differing reward systems of domestic and foreign enterprises and their implications for intrasocietal stratification. These mechanisms of stratification are unique to the periphery as this interaction of endogenous and exogenous factors does not and cannot promote similar levels of increased inequalities in the core region of the world systems. In the core region domestic capitalist enterprises can pay comparable wages and salaries in the foreign economic sectors.

Another way of viewing the distributive impact of the preceding peripherilizing tendencies in the world economy is by isolating the consequences of interacting endogenous and exogenous factors of development on the basis of particular kinds of economic activities and resource endowment. Since peripheral societies, rich in natural resources, provide a special attraction to the core for penetration, predominant economic activities focused on extracting these resources usually emerge from the unique bonding of this set of endogenous and exogenous development factors. Abundance in natural resources constitutes an

endogenous factor whose attraction to foreign capital leads to the development of extractive industries such as those of mining and smelting as well as drilling.

Foreign expatriates and domestic economic elites enjoy a monopoly in the exploitation of these resources and share of their surpluses. In some situations, the extant visible presence of foreign expatriates in the periphery is a derivative of colonial history dating back to the eighteenth and nineteenth centuries when permanent occupation of foreign lands was enforced by European colonizers with the desires of forced acquisitions of the rich resources of these lands. On the continent of Africa the large proportions of foreign expatriates in countries such as Ivory Coast and Zambia are a direct reflection of this kind of colonial history.

Richness in natural resources leads to foreign penetration in personnel and capital whose combination integrates the isolated extractive sectors of peripheral economies with the core segments of the world economy. The resultant linkage creates a global surplus in the isolated sectors of peripheral economies appropriated mostly by the small proportion of domestic entrepreneurial elites and labor aristocrats as well as semipermanent expatriate staff directly engaged in exploiting the resources of these industries. Where the natural resources are owned by the peripheral state as is the case in petroleum resources in developing countries, the political and bureaucratic elites feature prominently among these beneficiaries in extractive industries because of their regulatory control over the operations of these industries.

When these resources are privately owned, as in expanse of fertile lands and their mineral contents, the interaction with international capital has the potential of reinforcing the status quo of inequalities in property ownership. Domestic economic elites who own these critical factors of production are inclined to enter into an alliance with core elites to share in unequal amounts, to the favor of the latter, the global surpluses generated through this lopsided partnership. Because of the control of peripheral state apparatus by these elites in concert with the military and political elites, the alliance between owners of natural resources and foreign investors can be expected to result in the use of force, if necessary, to suppress demands by the larger but marginalized segments of the population for national distribution or redistribution of resources.

These theoretical insights on the interaction of natural resource endowments and international capital are given support by empirical findings in previous studies which show that the greater the endowments of resources in developing countries, the higher the magnitude of inequalities (Adelman and Morris 1973). This early study of economic growth and social equity in developing countries by Adelman and Morris revealed that the average income share of the top five percent income earners in a sample of resource-rich countries was almost fifty percent greater than the corresponding share in less well-endowed developing countries. According to the authors, extreme income concentration at the top was found only in a sample of "underdeveloped countries" blessed with an abundance of natural resources. Their findings were

buttressed with the observations of resource abundance and limited direct economic role of government being the two major characteristics possessed by the relevant countries in a sample which revealed this extreme concentration of income at the top. In essence what these countries, which included the least developed and those at the intermediate level of development, had in common as it related to their magnitudes of inequalities, were resource abundance and the role of the government in the economy.

Equally significant to the present author's theoretical suppositions on the interaction of endogenous factors of resource endowments with exogenous factors of penetration was the finding by Adelman and Morris (1973) confirming the expatriate domination of the middle class in the African countries included in the sample with extreme concentration of income at the top. Later generations of empirical studies have confirmed the positive correlation between the earnings of expatriate and income inequalities in developing societies (Papanek and Kyn 1987). These empirical findings are reinforced by those showing substantial positive associations in developing countries between income inequalities on one hand and penetration of transnational corporation in integrated petroleum as well as mining and smelting industries on the other hand, respectively (Bornschier and Chase-Dunn 1985). Quantitative evidence of the positive associations between transnational penetration and land concentration (Bornschier and Ballmer-Cao 1979) also supports our assumptions about the distributive impact

of combined internal and external factors of development in developing modern capitalist economies.

Outside of extractive industries, the coalescence of domestic and foreign production factors promotes differential paths of inequalities in the periphery through their workings in the manufacturing sectors. This source of inequalities can manifest itself in one of two ways, either through the penetration of multinational corporations focused on manufacturing for the world market at large or mainly for the domestic markets of the host peripheral societies. In the former case exogenous capital can be expected to be attracted to peripheral societies where labor acquires an intermediate level of technical skills but receives low wages. Such attractions unite foreign capital with low wages to produce commodities for the world markets at low costs per output. Mechanisms of inequalities inherent in this arrangement include the use of state apparatus to maintain a disciplined but subordinate labor force, which is crucial to the continuous flows of foreign investment resources to the peripheral state.

Other authors who share the preceding views of the stratification effects of penetration and manufacturing for the world market from peripheral economies, though without characterizing the process as interactive, believe that the objective of maintaining low wages as a prerequisite for continuing inflows of foreign capital promotes state prohibitions or hindrance against labor unions and/or strikes (Bornschier and Chase-Dunn 1985). This belief is consistent with the present author's theoretical explication in Chapter IV concerning the

distortion of the labor force in peripheral societies as a mechanism of weakening the process of state formation.

While manufacturing activities in developing economics for the world markets require the interaction of international capital and low wages, manufacturing for the domestic markets of these economies is based on unequal distribution of incomes. Unequal distribution of incomes in which a privileged statistical minority receives a larger and unproportional share of national wealth provides a market niche within peripheral societies for the products of foreign investors. In this case the creation of global profits and surpluses becomes also a function of effective and conspicuous consumption by a small group of peripheral elites with commanding shares of societal resources. Unlike the preceding situation of manufacturing for world markets on the basis of low wages in the periphery, peripheral labor engaged in manufacturing for the domestic markets is believed to earn higher than the going national wage rates (Bornschier and Chase-Dunn 1985). This therefore represents one of the mechanisms by which the interactions of endogenous and exogenous factors of production create the so-called labor aristocrats whose presence is equally distorting of the process of state formation.

Interlaced with one another the preceding factors of development and stratification demonstrate the necessity of exploring the ultimate determining sources of intersocietal and intrasocietal stratification beyond the seemingly obvious independent set of endogenous and exogenous factors. The theoretical

explorations in this chapter have provided strong evidence on the combined influences of internal and external structural features on societal stratification. Illustrative experiences of countries presented in this chapter have shown that similar external factors are bound to generate different development and stratification outcomes based on the endogenous features of a social system. Very importantly, these different outcomes prevail even among countries in the same zone of the world systems.

These interactions of exogenous factors with endogenous ones are particularly pernicious for societal systems in the periphery without the strength to combat the excesses of foreign penetration. Beyond the obvious detrimental economic effects of penetration in this group of peripheral societies, the political and their at large cultural ethos are often compromised by these external forces. Democracy can and has been known to be suppressed because of the inabilities of weak peripheral states to stem the tide of foreign penetration. Culturally, foreign ideas such as those of capitalism and individualism have supplanted native ideas when weak state structures fail to domesticate these ideas or counter them with an existing philosophy of life. Under these conditions, the ultimate remedy for intrasocietal inequalities with respect to their continuing declines is the transition of a society to a core status. The societal experiences of Canada, Argentina, and other states examined in this chapter contain sufficient proofs about the significance of this transition.

CHAPTER VI

RESEARCH METHODOLOGY AND DATA

As evidenced in the preceding theoretical explorations, the research methodology adopted in this study is a function of a modern science knowledge process requiring the application of reason to a search for the essential features of a phenomenon assumed to be discoverable because of its quality of external independent existence. This ontological assumption has led the author to apply the instrument of reason to search for the essential features of societal stratification as objective realities of social life with the impressions that the human mind can comprehend such realities because of their condition of external independent existence. The self-reflexivity of the author and his rational projections on the phenomenon of stratification induced by this modern science knowledge process has resulted in the ability to formulate logical general principles embodied in the constructed theories along with specificities on some stratificational factors identified in contemporary social systems.[1]

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[1]Elaborate insights into this approach to theory construction are provided in Paul Davidson Reynolds, A Primer in Theory Construction (Indianapolis: The Bobbs-Merrill Company, Inc., 1971); Jeffrey C. Alexander, Theoretical Logic in Sociology, Volume One: Positivism, Presuppositions, and Current Controversies (Los Angeles: University of California Press, 1982); and Jonathan H. Turner, The

The subject of the present chapter, testing the epistemological soundness of the constructed theories, is aimed at providing further objectively established empirical findings we can use to assess the validity of the ideas generated in the study. This exercise of validity assessment relies on another aspect of modern science knowledge process via the utilization of positivistic testing techniques in the form of statistical models capable of generating the empirical findings necessary to disconfirm or fail to disconfirm propositional hypotheses extracted from the articulated theoretical suppositions.

Extracting propositional hypotheses from our respective theories on the endogenous, exogenous, and interactive factors of societal stratification requires precision in identifying and expressing the ideas to be tested given the dominance of general logical principles in many aspects of these theories. Accordingly, we have extracted from the general principles of stratification expressed in these theories its economic dimension, which is decomposed into specific measures of income inequalities within social systems, to serve as the dependent variables in our statistical modelings. Specific measures of income inequalities representing the dependent variables in these models are those of Gini coefficients which embody the aggregate personal income inequality within a societal system.

Structure of Sociological Theory (Belmont, California: Wadsworth Publishing Company, 1991).

Gini coefficients are aggregate numerical indicators of income inequalities with a range of **O** representing a condition of perfect equality to **1** representing a condition of perfect inequality. While there are other potential measures capable of embodying the realities and magnitudes of stratification within and among social systems, the choice of Gini coefficients is a very suitable choice in view of their correlation with other important measures of inequality such as the Theil's Index, the coefficient of variation, and ratio measures of income (Clarke 1995). Moreover, the choice of Gini coefficients as the dependent variables is strengthened by the well-established sociological fact of correlations between the economic and political as well as social dimensions of stratification.

Measures of Gini coefficients used in this study are extracted from the latest comprehensive data set on this variable (Deininger and Squire 1996),[2] with significant improvements over successive generations of internationally comparative income distribution data (Paukert 1973; Adelman and Morris 1973; Jain 1975; Fields 1980; Menard 1986; Hoover 1989). This latest data set satisfies the minimal standards for data admissibility to internationally comparable measures of income distribution progressively identified in these successive generations of data. The fulfilled minimum requirements include computations based on actual observations, comprehensive coverage of the

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[2] A listing of the sources of data for the relevant variables utilized in the study is provided in the Appendix.

population of each society, as well as a comprehensive coverage of different income sources (Deininger and Squire 1996).

Fulfillment of these minimal requirements has eliminated many of the basic flaws in previous data sets on Gini-based measures of income inequality, among which were the use of income estimates not based on actual observations; disparities in the extent of coverage with some data representing national units of measurements while others represented subnational units; and the lopsided use of particular kinds of income to the exclusion of others. This improved data set will be related to three different sets of independent variables representing, respectively, the endogenous, exogenous, and interactive factors of stratification extracted from our theoretical perspectives.

Testing The Endogenous Theory Of Intrasocietal Stratification

In view of the general principles in the endogenous theory of intrasocietal stratification that modern industrial capitalist development is characterized by a trend of rising inequalities followed by a leveling off and subsequent declines in inequalities at mature or advanced levels of development, it is hypothesized that:

There is a curvilinear relationship between the level of national development and income inequality.

This proposition will be tested by relating measures of gross national product per capita (GNP per capita) as the independent variable representing

national levels of development to measures of income inequalities representing the dependent variables as already defined. Measures of GNP per capita will be entered into the study's model in both non-quadratic and quadratic forms in order to test its linear and curvilinear effects on the dependent variables, respectively. The effects of changes in the growth rates of GNP per capita on income inequality will also be tested with a view of disentangling the effects of accumulative measures of development from those of growth on this dependent variable. Measures of GNP per capita and those of the growth rates of GNP per capita are obtained from the World Bank's data set contained in its World Development Report (1990, 1992). Measurements of GNP per capita are for a specific year, 1988, while those of the growth rates of GNP per capita are for a specific time period, 1965-1990.

Measures of these independent variables, GNP per capita and square of GNP per capita, are logarithmically transformed in order to reduce skewness. The choice of gross national product per capita as objective indicators of a state's developmental status is consistent with its use in a disproportionate number of empirical studies on development and supported by confirmed correlations with another frequently used indicator of development, energy consumption per capita (Chase-Dunn 1975; Meyer and Hannan 1979; Stack and Zimmerman 1982; Nemeth and Smith 1985;Nielsen 1994; Burkhart 1997).

Although many of the previous studies that dealt with the association between economic development and/or growth and income inequality have found significant curvilinear relationships between these variables (Kuznets 1955; Kravis 1960; Oshima 1962; Paukert 1973; Ahluwalia 1976a, 1976b; Weede and Tiefenbach 1981a, 1981b; Bollen and Jackman 1985; Ram 1989; Crenshaw 1992; Galor and Tsiddon 1996), some of these studies have revealed weak to modest relationships among these variables (Papanek and Kyn 1987; Nielsen and Alderson 1995; Burkhart 1997). Still, other previous studies have demonstrated lack of support for the assumed relationships between the level of development or growth and income inequality; sometimes with conflicting results which indicate support for these relationships in some models and lack of support in other models within the same studies (Oshima 1970; Saith 1983; Kohli et al. 1984; Simpson 1990; Crenshaw 1992; Anand and Kanbur 1993; Ram 1995; Deininger and Squire 1996).

The basic potential flaws in the models of some of these previous studies related to measurement problems, quality of data, sample size and mis-specifications in the modeling which may account for these discrepant findings are rectified in the modeling of the present study. With this rectification, the results of this study should contribute to the progressively enhanced confidence in the validity of findings on the associations between modern capitalist

economic development, growth, and income inequalities generated in earlier studies.

In view of the general principles of the endogenous theory of societal stratification that the processes of modern industrial capitalist development are associated with corresponding macro changes in the social structure of a modernizing society, the relationships between the structural character of modernization and income distribution will be tested via the hypothesis that:

> **Income inequality is a function of the structural character of modernization.**

This proposition will be tested by relating the dependent variables to various endogenous factors assumed to embody the structural character of modernization including Economic Dualism, Political Dynamism, and Sociocultural Transformation. Each of these factors is decomposed into distinct measurable independent variables in the study's modeling as follows:

Economic Dualism

As a factor of societal stratification, economic dualism is designed to measure the processes of intrasectoral and intersectoral linkages involving the traditional agricultural sectors and the modern industrial sectors as well as the technoeconomic heritage of a social system assumed to contribute to new patterns of income distribution as societies experience transformations from a premodern to an industrial modernizing economy.

The **intrasectoral processes** assumed to determine the structures of income inequalities will be tested by relating the income inequality measures of the dependent variables to measures of the **share of the urban population** in a **country's total population**, which serve as the explanatory variables embodying the responses to the internal processes of development in the modern industrial sectors of developing economies. Measures of the **proportion of a country's labor force in agriculture** is modeled to represent the explanatory variable which accounts for the impact of changes in the traditional sectors of the economy on income inequalities.

Data for the share of urban population in a country's population are extracted in calculated form from the World Bank's World Development Report (1990). The measurements are for a specific year, 1988. For the proportion of a country's labor force in agriculture, the data are obtained from Taylor and Jodice (1983) and are for a specific year, 1977. We expect to find a positive relationship between the independent variables representing the share of urban population in a country's population and the Gini coefficients representing the dependent variables. A negative relationship is expected to emerge from a test of the association between measures of Gini coefficients and the independent variables representing the proportion of a country's labor force in agriculture.

The effects of **intersectoral linkages** between the traditional, slowly adjusting agricultural sectors and the fast-growing, modern industrial sectors of

developing economies will be measured by taking the **absolute value of the difference between the proportion of a country's labor force in agriculture and agriculture's share of gross domestic product (GDP)** which represents the difference between the agricultural component of the labor force and the corresponding share of total national income. Calculations of this independent variable are performed by the author based on data from Taylor and Jodice (1983). Resultant measures are entered into the study's model in non-quadratic and quadratic forms to test for the hypothesized linear and non-linear effects on income inequality, respectively.

Modeling the three independent variables of intrasectoral processes and intersectoral linkages represents improvements over the exclusion of these variables from many previous empirical studies of the association between income inequalities and development in spite of established evidence of the contributions of these processes to patterns of income distributions (Oshima 1970; Ahluwalia 1976a, 1976b; Weede and Tiefenbach 1981a, 1981b; Lecaillon et al. 1984; Nielsen 1994; Nielsen and Alderson 1995). The significance of incorporating these three independent variables into the study's models is further confirmed by statistically significant evidence of the attenuation of the effects of development measures on income inequalities following the introduction of independent variables representing the structural character of modernization into subsequent models in the same study (Nielsen 1994). In view of the accord of

such findings with the general principles of the endogenous theory of societal stratification formulated in Chapter III of this study, the author deems it necessary to model intrasectoral processes and intersectoral linkages as independent variables in the quantitative test of this theory.

Technoeconomic Heritage is conceptualized as the technological and developmental status of a society before a sustained transition to a modernizing industrial economic system as typified in industrializing horticultural and industrializing agrarian societies. Traditional mode of production of the digging stick and/or the hoe predominated in the former while the plow predominated in the latter before the said transition, after which the inherited techniques coexist alongside modern industrial techniques. Implications of the two differing technoeconomic heritages for income inequalities are twofold: industrializing agrarian societies should exhibit higher income inequalities than industrializing horticultural societies as a consequence of the former's inheritance of the extremely high inequalities known to exist in agrarian societies. Secondly, in view of the contributions of an agrarian technoeconomic heritage to a more dynamic development and growth, we expect faster subsequent declines in levels of inequalities due to the generation of larger volumes of surpluses for distribution with attendant attenuation of previously high levels of inequalities.

Assumed respective positive and negative relationships between the technoeconomic heritage of industrializing agrarian societies and industrializing

horticultural societies will be tested through the use of dummy variables with a coding of **1** for the former societies and **0** for the latter societies. Assumed subsequent declines in inequalities induced by the fastened and dynamic industrial development of agrarian heritage will be modeled as a second-order polynomial of agricultural density. Agricultural density represents the carrying capabilities of a social system assumed to be greater in industrializing agrarian societies. The measures for this independent variable are taken from Taylor and Jodice (1983).

Modeling technoeconomic heritage on the basis of dummy variables and polynomial of agricultural density should provide particular empirical insights into the nature of the relationships between these independent variables and the dependent variables of income inequalities. Such insights are particularly limited in the literature in view of the scarcity of studies with these variables in their models in spite of revealed empirical relationships between technoeconomic heritage and developmental and growth performances of contemporary modernizing societies (Lenski and Nolan 1984; Nolan and Lenski 1985; Lenski and Nolan 1986). Among the three studies in the 1990's verified by the author to incorporate technoeconomic heritage variables into their models (Crenshaw 1992; Nielsen 1994; Nielsen and Alderson 1995) none uses both the dummy variables and the agricultural density measures utilized in the present study. This approach should allow us to reconcile the discrepant findings in these three

studies with two of them reporting no significant findings relating technoeconomic heritage to income inequalities (Nielsen 1994; Nielsen and Alderson 1995) and one finding such a relationship (Crenshaw 1992).

Political Dynamism

As an explanatory variable, political dynamism is designed to measure the characteristic features of political processes and state apparatus believed to determine the distribution of resources as social systems undergo transformations from low to high levels of development. The effects, on Gini coefficients, of the gradual extension of political power to increasing members of a modernizing society will be tested by utilizing the numerical measures embodied in Kenneth Bollen's **Political Democracy Index**: a composite measure on the status of political liberties and political sovereignty representing, respectively, a country's level of press freedom, freedom of group opposition as well as government sanctions; and fairness of election, executive selection as well as legislative selection (Bollen 1980; Bollen and Grandjean 1981; Bollen 1993). This independent variable of political democracy is modeled in non-quadratic and quadratic forms to test for the assumed linear and curvilinear effects on measures of income inequalities, respectively.

Modeling political democracy as independent variables and income inequalities as dependent variables in previous studies has generally produced three inconsistent types of findings: significant relationships between the two

variables (Cutright 1967; Stack 1980; Weede 1982; Muller 1988; Simpson 1990; Crenshaw 1992; Nielsen 1994; Burkhart 1997); weak or no significant relationships (Jackman 1974; Hewitt 1977; Bollen and Jackman 1985; Chan 1989; Weede 1993; Nielsen and Alderson 1995); and conflictual evidence such as findings of support and lack of support within the same study (Rubinson and Quinlan 1977; Weede and Tiefenbach 1981a, 1981b; Stack and Zimmerman 1982; Kohli et al. 1984).[3]

These inconsistent findings have been attributed to mis-specifications in models of study including hypothesized causal directions and non-inclusion of quadratic measures of democracy, measurement problems, as well as those of sample composition. The exchange between Bollen and Jackman (1995) and Muller (1995) exemplifies extant controversial and unresolved issues in the study of political democracy and structured inequalities. Although it is not the objective of the present study to address or resolve all these issues, some of which are redundant, the improved measurements and quality of data as well as model specifications consistent with the author's theoretical assumptions should produce results which, when combined with previous similar results, will enhance our confidence in the validity of findings on the relationships between political democracy and income inequalities.

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[3]A very useful collection of studies on the subject of democracy, development, and inequality is presented in Manus I. Midlarsky, ed., Inequality, Democracy, and Economic Development (Cambridge: Cambridge University Press, 1997).

On the basis of the endogenous theory in Chapter III, a related dimension of political dynamism assumed to be causally related to income inequalities is the type of **political regimes** existing within a society. Assumed causal linkages between regime types and income inequalities can manifest themselves through the complementary influences of democracy whose principles of freedom and competition can result in the election of any regime potentially more or less equality conscious in its policy orientations. Since the potential influences of regime type via democracy will be captured in the preceding measures of democracy index, explorations of the direct effects of a specific regime type on income inequalities is based on measures with distinctive operational qualities vis-à-vis the democracy index. With this approach we can establish the independent effects of regime types even under conditions of their ascension to power through undemocratic means.

Focusing on the character and content of a regime type implies the conduciveness of the ideological principles of particular regimes and their corresponding socioeconomic policy orientations to an egalitarian distribution of income even under circumstances of assuming power undemocratically. Accordingly, we expect socialist regimes to be associated with lower income inequalities than non-socialist regimes because of the greater sensitivity of socialist ideological orientations and public policies to egalitarian distribution of income. Operationalizing the ideological and policy orientations of regime types

is based on the coding of **1** for socialist regimes and **0** for non-socialist regimes as dummy variables.

Operationalizing socialist regimes as dummy variables has produced fruitful results in previous studies which indicate significant relationships between socialist regimes and income inequalities (Ahluwalia 1976a, 1976b; Weede and Tiefenbach 1981a, 1981b; Crenshaw 1992; Nielsen and Alderson 1995, Burkhart 1997). Another frequently used measure, proportion of seats held by socialist parties in national legislative bodies, has also produced similar results (Hewitt 1977; Muller 1989). However, other studies have also produced findings suggestive of weak to no effects of socialist regimes on various measures of income distribution (Jackman 1980; Weede 1982; Weede 1990). A potential source of these discrepant findings is the limited sample size in some studies due to the unavailability of data for measures of socialist regime in many countries during the period specified in these studies. To avoid this problem, the coding of socialist regimes as dummy variables is preferred in the present study.

Another aspect of political dynamism derived from the endogenous theory of Chapter III whose assumptions are tested in the study's model is **government participation** in the developmental process of a society. Hypothesized relationships of low inequalities associated with government involvement in the developmental process of a society are designed to address the historically high levels of such government involvement in modern economies. This involvement

is usually generally directed towards the promotion of development, sustained growth, and distribution; objectives with direct bearing on the stratificational status of contemporary societies as embodied in the articulated theoretical suppositions in the preceding chapters.

Unlike the preceding aspects of political dynamism which have been frequently tested in previous studies, government participation has not received similar attention in the literature, an unfortunate situation given the theoretical expositions on the extent of government presence in the socioeconomic life of modern societies. Comparative scarcity of empirical studies of the effects of government participation on income distribution notwithstanding, contradictory evidence has emerged in the few works on this subject. For example, while associations of lower inequalities with government spending have been found in some studies (Adelman and Morris 1973; Stack 1978; Gustafsson and Johansson 1999), at least one study has found no empirical support for such associations (Papanek and Kyn 1987).

Because these contradictory findings may be caused by the two different measures of government participation in national economies used in these studies, the present study uses both measures of this explanatory variable, **the share of public investment in total investment** and **government spending as a share of gross domestic product (GDP)**, in order to provide a comparative basis for analysis of the findings. This approach is also motivated by the

theoretical assumptions of the different paths through which governmental involvement in the economy impacts income distribution in contemporary states. Data for both variables, share of public investment in total investment and government spending as a share of gross domestic product (GDP), are taken from Ballmer-Cao and Scheidegger (1979). Measures of share of public investment in total investment are averages or arithmetic means for the individual years, 1961 to 1967, while government spending as a share of gross domestic product (GDP) is measured in a specific year, 1973.

Sociocultural Transformation

On the basis of the theoretical principles expressed on sociocultural dynamics and the modernization process, three explanatory variables are modeled to verify their relationships with income inequalities: demographic transition, formal education, and cultural diversity. **Demographic transition** is operationalized as the **percentage of a country's population under the age of fifteen** and is hypothesized to have a positive relationship with the dependent variables, Gini coefficients. This operationalization and hypothesis are derived from the theoretical principles of changes in demographic patterns at progressive stages of modernization which positively impact income distribution because of the increased weight of the younger segments of the population. Data for this proxy variable are taken from the World Bank's World Development Report (1990) and are for a specific year, 1988. Previous studies using this measure of

demographic transition have produced consistent findings of positive associations with income inequalities (Bollen and Jackman 1985; Muller 1988; Simpson 1990; Crenshaw 1992; Weede 1993; Burkhart 1997; Gustafsson and Johansson 1999) which have also been consistently duplicated in studies using measures of population growth within a certain period (Ahluwalia 1976a, 1976b; Weede and Tiefenbach 1981a, 1981b; Ram 1984; Fiala 1987; Nielsen 1994; Nielsen and Alderson 1995).

Two studies with measures of population density as the explanatory variable have produced findings of negative relationships with income inequalities (Chan 1989; Crenshaw 1993) which tend to be consistent with the theoretical principles concerning technoeconomic heritage. As a matter of fact, the negative relationships between population density and income inequalities found in one of the two studies pertain to industrializing agrarian societies (Crenshaw 1993). It is in view of the consistency of these findings with the theoretical assumptions of technoeconomic heritage and those of population growth with intrasectoral processes of development relating to increased labor supply, that the present study models demographic transition on the basis of a country's population under the age of fifteen. With this approach, the sociocultural dimension of population dynamics will be independently assessed without subduing it to the economic dimension of this phenomenon.

Formal education is operationalized as the new cultural values and habits associated with the modernization process and is measured by the **percentage of the population enrolled in secondary school**. The data are for a specific year, 1989, and are taken from the World Bank's World Development Report (1992). Formal education is modeled in both a non-polynomial and polynomial form in order to test hypothesized linear and non-linear relationships with income inequalities expressed in the theoretical principles in Chapter III. Although many previous studies have produced findings demonstrative of the positive contributions of education to equalities in income distributions in modern societies (Ahluwalia 1976a, 1976b; Weede and Tiefenbach 1981a, 1981b; Weede 1982; Ram 1984; Papanek and Kyn 1986, 1987; Simpson 1990; Crenshaw 1992; Nielsen 1994; Nielsen and Alderson 1995), only a very limited number of these studies has produced such findings based on a polynomial modeling of their measures of education as an explanatory variable (Simpson 1990; Crenshaw 1992). The **a priori** reasons for the non-polynomial modeling of education in these studies, emphasizing the role of education as human capital whose expansion leads to decreases in income inequalities are different from those of the present study, which assign a more expansive role to education as a modernization-enhancing agent with sociocultural, political, and economic implications for societal stratification.

In view of the adequate representation of political and economic factors of stratification associated with modernization processes in many other explanatory variables in the above studies with a linear modeling of education, the present study maintains that the additional modeling of education variables as embodiments of economic factors or even as political variables implied by another author (Simpson 1993), is unnecessarily restrictive of the expansive role of education in modern societies. The positive "economic" effects of education on income equalities produced in the above-referenced studies with linear modeling of this variable, if not caused by model mis-specification, measurement errors, and sample size flaws as noted in a similar critique (Ram 1984), would strongly suggest the evidencing of the salubrious effects of education on equalities much sooner than one would expect in modern societies.

That being the case, these findings do not negate the theoretical assumptions of the present study which relate educational inequalities at the early stages of modernization to increasing societal inequalities reversed at progressive stages of modernization corresponding to the expansion of education. This theoretical proposition is supported by empirical findings of positive relationships between schooling inequality and income inequalities (Chiswick 1971; Winegarden 1979). Accordingly, the author expects to find a curvilinear relationship between education and income inequalities.

The third aspect of sociocultural transformation modeled in the study, **cultural diversity,** is conceptualized as the racial, ethnic, religious, and linguistic makeup of a society hypothesized to have positive effects on income inequalities in accordance with the theoretical suppositions on the particularistic factors of development and societal stratification addressed in Chapter III. Data for this variable are extracted from Ballmer-Cao and Scheidegger (1979) based on measurements of the **ethnolinguistic homogeneity** of the population of a country. Among the factors of societal stratification whose impact have been empirically tested in cross-national studies, cultural diversity appears to be the least examined factor in spite of some conspicuous theoretical expositions on the influences of diversity on different aspects of the modernization experiences of many contemporary societies.

This unfortunate gap in cross-national studies of societal stratification notwithstanding, there is suggestive evidence of positive associations of cultural diversity with income inequalities in the few studies with both variables in their models (Papanek and Kyn 1987). The modeling of cultural diversity as an explanatory variable and income inequalities as dependent variables in the present study within the framework of a cross-national comparative analysis should contribute to our understanding of the empirical relationships between these variables. It should also help to reverse the trend of non attention to the

examination of these relationships detected in many previous empirical, cross-national studies of societal stratification.

Testing the Exogenous Theory of Societal Stratification

From the general principles relating the operative forces of the global social system to intrasocietal income inequalities independent of assumed endogenous factors of stratification, we extract the hypothesis that:

> **The magnitude of structured inequality within contemporary states is a function of a state's status or position in the hierarchy of the world systems.**

This hypothesis will be tested by relating measures of the dependent variables as already defined to **status in the world systems** as the independent variable. Classification of status as core, semiperiphery, and periphery is based on a quantitative distinction by Snyder and Kick (1979) who demonstrate a state's position vis-à-vis others to be a function of its relative socioeconomic, political, and military resources usually mobilized to influence the behaviors of other states. Thus status is operationalized as a structural network position indicative of the patterns and outcomes of a state's interaction with others in the hierarchy of the world systems.

Classification of states on the basis of the above empirical measurements allows the author to create dummy variables representing the respective

countries in the core, semiperiphery, and periphery in order to test the independent effect of each status on the dependent variables. It is expected that this test will produce negative effects of core status on income inequalities and positive effects of peripheral status on these dependent variables. Semiperipheral status is expected to produce negative effects on income inequalities because of their unique combination of core and peripheral characteristics.

Some previous works based on the use of status as the independent variable have confirmed its positive relationships with various conceptualizations and measurements of inequalities in the periphery while negative relationships have been found in the core (Nolan 1982, 1983; Nemeth and Smith 1985). Other works have found weak or no support for these relationships (Crenshaw 1992; Burkhart 1997). On account of the new and improved data on the dependent variables used in the present study, the author expects to duplicate the findings of the former group of studies which are consistent with the theoretical suppositions articulated in Chapter IV.

In view of these expected findings and in furtherance of the test of the general theoretical principles of exogenous factors of societal inequalities, it is hypothesized that:

> **The magnitude of structured inequality within contemporary states is a function of specific mechanisms of exogenic socioeconomic and politicocultural factors.**

Exogenic Socioeconomic Factors

The exogenous socioeconomic features of the world economy embodied in the above hypothesis are conceptualized as Penetration, External Trade Structure, and Financial Dependency. External Trade Structure is decomposed into Trade Commodity Concentration, Trade Partner Concentration, and Foreign Trade Structure. Financial Dependency is decomposed into External Debt Ratio and Ratio of Foreign Aid.

Penetration embodies the accumulated magnitude of direct involvement of foreign agents in the economy of a host country as reflected in the monetary value of total stock of direct foreign investment activities. The data for this variable are taken from the widely used measurements created by Bornschier and Chase-Dunn (1985) which weights the total book value of the stock of foreign direct investments in a penetrated country via the division of this value by the square root of the total stock of the country's capital times its population. This explanatory variable is expected to yield positive results indicating its contributions to inequalities in the full samples with countries from the core, semiperiphery, and periphery zones of the world systems. It is expected to produce negative relationships with the dependent variable in the models restricted to countries in the core while positive relationships should emerge from models dealing only with peripheral countries.

There is some support for the above expected differential empirical results in some previous studies which confirm the existence of positive relationships between various measures of economic penetration and income inequalities as well as negative relationships between penetration and basic needs provisions in cluster of countries (Chase-Dunn 1975; Rubinson 1976; Bornschier and Ballmer-Cao 1979; Evans and Timberlake 1980; Kohli et al 1984; Bornschier and Chase-Dunn 1985; London and Robinson 1989; Boswell and Dixon 1990; London and Williams 1990; Crenshaw 1992; Dixon and Boswell 1996). Previous reviews of studies of foreign economic penetration and intranational inequalities (Bornschier, Chase-Dunn, and Rubinson 1978; Bornschier and Chase-Dunn 1985; Inyang 1992) along with a current review by the author reveals that this is an area of world systems studies where most authors find in their empirical analyses statistically significant positive relationships.

The few exceptions to the above situation involving positive but statistically insignificant or inconsistent results (Chase-Dunn 1975; Dolan and Tomlin 1980; Crenshaw 1992) as well as findings of no relationships between penetration and income inequalities (Weede and Tiefenbach 1981a, 1981b) have been attributed to some discrepancies in the models of such studies. Among these discrepancies are the use of income inequality data from different sources and problems relating to sample size and composition. In view of the rectification of these discrepancies in the present study, it is expected that the

positive findings between penetration and intranational income inequalities found in most previous studies will be duplicated.

Trade Commodity Concentration embodies the value of **a country's most important export commodity as a percentage of its total exports**. The calculations are for a specific year, 1970, and are taken from Ballmer-Cao and Scheidegger (1979). Because of the high values of trade commodity concentration in peripheral countries, a positive relationship is expected between this independent variable and the dependent variable of income inequalities in this group of countries. Conversely, because of the comparatively low values of this independent variable in the core and semiperipheral countries negative relationships with income inequalities are expected in the two groups of countries, respectively. The models of the study with countries from all three strata of the world systems should yield positive relationships between trade commodity concentration and income inequalities on account of the weight of the peripheral countries.

The few existing empirical studies in the literature dealing with trade commodity concentration and inequalities have revealed either negative relationships in the direction hypothesized above (London and Williams 1990) or statistically insignificant results not anticipated in the present study (Stack and Zimmerman 1982; Dixon 1984). These two studies showing insignificant results utilized two different measures for the dependent variables of intranational

inequalities, basic needs provisions in the latter and several measures of income inequalities in the former. Use of the much improved data on intranational income inequalities in the present study should produce results consistent with the hypothesis of higher trade commodity concentration leading to higher income inequalities.

Trade Partner Concentration is operationalized as the **value of a country's goods exchanged with its most important trade partner, as a percentage of its total foreign trade**. The data for this variable are taken in calculated form from Ballmer-Cao and Scheidegger (1979) and are for a specific year, 1972. It is expected that this variable will yield positive relationships with measures of the dependent variables in peripheral countries and negative relationships in the core and semiperipheral countries, respectively. Models of the study with all three clusters of countries should produce positive relationships between trade partner concentration and income inequalities because of the larger weight of the peripheral countries in combination with the few deviant core and semiperipheral countries with high values on this independent variable.

Among the few studies in the literature with empirical tests of this relationship at least one (Stack and Zimmerman 1982) has produced positive results in the direction hypothesized by the present author. Another study (Dixon 1984) has yielded statistically insignificant results which may be attributable to the measures of basic needs provisions used by the author. In view of the use

of the improved data on intranational income inequalities in the present study, the empirical of results of Stack and Zimmerman (1982) should be duplicated.

Foreign Trade Structure captures the composition of a country's total foreign trade according to the degree of processing traded goods. It is a measure of the **proportion of processed goods and raw materials in a country's export-import trade**. The range of values of this index is **+1** to **-1** with low scores symbolizing countries whose exports are relatively unprocessed goods or raw materials while the imports are primarily composed of processed goods. High scores exemplify the trading positions of countries whose imports are mainly unprocessed raw materials which are converted into processed or manufactured goods for exports. The data are obtained in calculated form from Ballmer-Cao and Scheidegger (1979) and are for a specific year, 1973. Positive relationships are expected between foreign trade structure and income inequalities in peripheral countries while negative relationships are expected among the core and semiperipheral countries. Models with countries from the three zones of the world systems should yield positive results on the relationships between the two variables.

External Debt Ratio is operationalized as the **net present value of a country's external debt as a percentage of gross national product (GNP)**. The calculations are for a specific year,1990, and are derived from the World Bank's World Development Report (1995). This independent variable should

yield positive relationships with income inequalities among peripheral and semiperipheral countries and negative relationships among core countries. In models with countries from the three strata of the world economy positive relationships are expected between external debt ratio and intranational income inequalities.

Expected differential results among peripheral and semiperipheral countries on one hand and core countries on the other hand are a product of the theoretical principles in Chapters IV and V concerning the potential negative effects of debt obligations on economic growth and development as well as basic needs provisions as confirmed in other studies (Bradshaw and Huang 1991; Bradshaw et al. 1993; Glasberg and Ward 1993). Among the studies dealing with income distributions, the contributions of foreign debts to increased intranational income inequalities have been empirically confirmed by some authors with some showing statistically significant results (Rubinson 1976) and others showing statistically insignificant results (Chan 1989). With the rectification of some of the differences in the models of these two studies in the present study including sample composition and measurements of income inequalities, statistically significant positive relationships are expected between the independent and dependent variables in peripheral, semiperipheral, and the full sample of countries from the three layers of the world economy. Statistically significant negative relationships are expected among the core countries.

Ratio of Foreign Aid embodies the **amount of foreign financial assistance received by a country as a percentage of its gross national product (GNP)** in a specific year. The data are obtained from the World Bank's World Development Indicators (1998) but are for 1991. Tests of the relationships between ratio of foreign aid and intranational income inequalities are expected to yield positive results among peripheral, semiperipheral, and the full sample of countries from the three zones of the world economy. Negative relationships are expected between the two variables among the core countries. The theoretical basis of these expected empirical results is similar to the preceding situation with respect to external debt ratio. As revealed in Chapter IV, much of the foreign assistance programs countries receive is foreign debt, albeit, below prevailing market interest rates that has to be repaid. As part of the external debt obligations of a state, foreign aid should therefore impact intranational income inequalities in the hypothesized direction despite its so-called concessionary terms.

Exogenic Politicocultural Factors

The exogenic politicocultural factors assumed to influence intranational income inequalities are conceptualized as the political and sociocultural attributes of a state which determine its abilities to influence other states and access global resources outside its boundaries. Such abilities are assumed to be

a function of a state's International Reserves, Government Revenue, Military Expenditures, Global Migration, and Colonial Legacy.

International Reserves is operationalized as the **gross monetary amounts in millions of dollars maintained by a state in its international reserves** in a specific year. The data are obtained from the World Bank's World Development Report (1992) and are for a specific year, 1990. The obtained figures are logarithmically transformed before their use in the study's model in order to reduce skewness. Models with the full sample of countries from the three strata of the world economy should yield negative results indicating a depressing effect on income inequalities of international reserves. This expectation is consistent with empirical findings which indicate the association of greater amount of foreign reserves with more equal income distribution (Rubinson 1976).

Government Revenue is operationalized as the **total current revenue as a percentage of gross domestic product (GDP) available to a state** in a specific time period. The data are obtained in calculated form from Ballmer-Cao and Scheidegger (1979) for a specific year, 1973. Because the availability of revenues to a state permits it to finance its expenditures and limits or eliminates reliance on outside funding, it serves as a source of state strength conducive to lower income inequalities. It is therefore expected that government revenues should yield negative results in the study's model with respect to their

relationships with intranational income inequalities. This expectation is consistent with previous findings of negative relationships between government revenue and intranational income inequalities as measured by Gini coefficients (Rubinson 1976) as well as positive associations between state economic intervention or expenditures and physical quality of life (PQLI) (Bradshaw and Huang 1991).

Findings of lack of statistically significant associations as well as inconsistent results on the relationships between government expenditures and income inequalities (Fiala 1987; Chan 1989) have contributed to the choice of total current revenue available to the state as the independent variable in the present study. Conceivably the availability of revenues to a state constitutes a source of strength even in situations when part of these revenues are not spent but are kept in reserves. This explains the use of both international reserves and government revenues as the independent variables in the present study.

Military Expenditures embody the amount of societal resources mobilized by a state to create the strength necessary to ward off encroachments by potential external enemies and/or to maintain domestic order and stability in the face of instabilities or political fragmentation engendered by external forces. This independent variable is measured by the **monetary amount of military expenditures as a percentage of gross national product (GNP)** for a specific time period. The data are obtained from Taylor and Jodice (1983) but are for 1978. Because these expenditures amount to diversion of societal resources

from developmental and distributional programs to the armed forces, positive results are expected between military expenditures and intranational income inequalities in all models of the study. This expectation is consistent with previous findings of depressing effects of military spending on basic needs provisions (Dixon and Moon 1986).

The preceding noted consistency notwithstanding, it should be indicated that measures of other aspects of military involvement in contemporary societies have yielded negative associations with intranational income inequalities and positive relationships with basic needs provisions in some previous studies. For example, measurements of military participation ratios have been found to contribute to equalization of income and increases in welfare performance (Stack 1980; Weede and Tiefenbach 1981a, 1981b; Dixon and Moon 1986; Chan 1989). Additionally, arms imports as a percentage of total imports have been shown to exercise a depressing effect on the income shares of the top twenty percent which implies the enhancement of the income shares of the lower classes (Chan 1989). While these findings are consistent with theoretical views of the beneficial employment and welfare effects of the military, the detrimental effects of military expenditures on societal economic growth and development outweigh such benefits. Accordingly, the present study maintains the postulate of higher inequalities as a function of military expenditures.

Global Migration encompasses the abilities of a state to ensure the relative ease of its citizens to travel and settle in other states, either on a temporary or a permanent basis. It is operationalized on the basis of **net worker remittances to a country by its citizens** in a specific period, 1990. The raw data in millions of dollars are obtained from the World Bank's World Development Report (1992) and logarithmically transformed by the author to reduce skewness. The transformed measures are entered into the study's model in non-quadratic and quadratic forms in order to test their hypothesized linear and curvilinear effects on intranational income inequalities, respectively. These expected initial positive and subsequent negative relationships between net worker remittances and intranational income inequalities should prevail in all three strata of the world systems as well as in the full samples with core, semiperipheral, and peripheral countries.

Colonial Legacy encompasses the enduring societal features of a contemporary state inherited from a former colonial state or power. Aspects of such inherited features which may mediate the present economic and political dynamics of some contemporary states are captured in the study's model through the use of dummy variables. British and French colonial backgrounds are the two forms of peripheral colonial legacies examined in the study's models. British colonial inheritances are expected to yield negative effects on income inequalities while French colonial inheritances are expected to yield positive

effects. The directions of these hypotheses are given indirect support by findings of previous studies indicating higher democracy scores or performances for former British colonies than non-British colonies (Bollen and Jackman 1985; Burkhart 1997). The comparative semi-democratic institutions created by British colonial authorities before the attainment of independence by some colonies as addressed in Chapter IV can be linked at least, in part, to these latter higher democratic performances. Such performances, along with their enhancing effects on economic growth and development, should contribute to lower income inequalities.

Testing the Endogenous and Exogenous Interactive Factors of Societal Stratification

The combined effects of internal and external factors of stratification articulated in Chapter V will be tested via the hypothesis that:

> **Intranational income inequality is a function of the interactive effects of endogenous and exogenous developmental factors.**

This hypothesis will be tested by decomposing the endogenous developmental factors of a state into gross national product per capita (GNP per capita), political democracy, and share of urban population in a country's total population. These independent variables are the same ones defined in the section of this chapter dealing with "testing the endogenous theory of intrasocietal stratification."

Exogenous development factors are decomposed into status in the hierarchy of the world systems, penetration, and gross international reserves. These independent variables are previously defined in the preceding section on "testing the exogenous theory of societal stratification."

Different models are utilized in the study to test the interactive effects of the preceding independent variables on intranational income inequalities as measured by Gini coefficients. In the first model, penetration is interacted with core status in the world systems while semiperipheral status is interacted with penetration in the next modeling. It is hypothesized that the interaction of penetration and status in the world systems should produce negative effects on intranational income inequalities among the respective groups of core and semiperipheral countries.

The design of other models contain the following interaction terms: penetration and gross national product per capita (GNP per capita), penetration and political democracy, penetration and gross international reserves, as well as penetration and share of urban population in a country's total population, respectively. Each of these models is respectively related to a sample of core countries, semiperipheral countries, as well as peripheral countries in order to disentangle hypothesized differential effects of these interactive terms on intranational income inequalities in each cluster of countries.

Statistical Techniques

The basic statistical techniques employed in testing all the preceding hypothesized relationships are those of bivariate and multiple regressions, the latter particularly useful because of its robustness which allows for precise specifications of correlations among variables within a multipropositional framework relating the dependent variable to a set of independent variables while controlling for other variables:

$$Y = B_0 + B_1X_1 + B_2X_2 + \text{- - - - - - -} + B_KX_K + E$$

where **Y**, the dependent or response variable, is a function of **K** independent variables while **E** is a random error term (Johnston 1984; Kmenta 1986; Bohrnstedt and Knoke 1988; Walsh 1990; Mendenhall and Sincich 1989, 1996). The software used in processing the regression models in the study is the SAS System.

Because of the use of both bivariate and multiple regression techniques in the modeling of this study, the potential problem of spurious findings sometimes encountered in tests of bivariate relationships is significantly diminished if not eliminated. Most of the independent variables bivariately related to the dependent variables in the study's models are subsequently included in one or more models with multiple independent variables. Use of bivariate regression techniques along with multiple regression techniques, which is not uncommon in this area of study (Rubinson 1976; Kohli et al. 1984; Chan 1989), is further

justified in the present study in view of the theoretical specifications on the postulated relationships between the independent and dependent variables. The basic problems of multiple regression analysis involving cross-national data such as those of autocorrelation and multicollinearity are rectified in the study through the use of appropriate software and statistical techniques. With this rectification, the findings of this study are deemed empirically sound.

CHAPTER VII

ANALYSES OF RESEARCH FINDINGS AND THEORETICAL INTERPRETATIONS

Analyses of the empirical findings from the study's model presented in this chapter are focused on those variables whose coefficients indicate strong and statistically significant associations with the dependent variables of intranational income inequalities as measured by Gini coefficients. In view of this approach, there is more emphasis on the interpretations of regression coefficients at significance levels of less than ten percent. Accordingly, all the regression coefficients at significance levels of ten percent and above are considered statistically insignificant. Statements about such coefficients are designed primarily for making inferences about the study's hypotheses, theoretical suppositions, and policy implications. The analytic approach in this chapter duplicates the arrangement in the preceding chapter dealing first with interpretations of findings on endogenous factors of societal stratification before assessing the findings on exogenous and interactive factors, respectively. Theoretical interpretations are provided in the process of presenting the empirical analyses in this chapter.

Table 7.1. Regressions of Gini Coefficients on Endogenous Independent Variables of Intranational Inequalities: Economic Factors[1]

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Log GNP per capita	32.963*** (.0002)	31.211*** (.0003)						
(Log GNP per capita)^2	-2.270*** (.0001)	-2.175*** (.0001)						
Growth rate of GNP per capita		-0.411 (.4095)						
Share of Urban population			-0.051 (.318)			0.151 (.164)		
Proportion of Labor Force in Agriculture				0.099** (.023)		0.097 (.492)		
Intersectoral Linkages					0.418* (.05)	0.492* (.067)		
(Intersectoral Linkages)2					-0.003 (.448)	-0.005 (.255)		
Technoeconomic Heritage							6.112*** (.006)	
Agricultural Density								-0.002 (.288)
(Agricultural Density)^2								5.112 (.292)
Constant	-73.776	-64.214	43.762	35.802	33.772	21.638	37.976	41.241
F	11.455 (.0001)	10.32 (.0001)	1.041 (.3107)	5.39 (.0227)	8.773 (.0004)	4.339 (.0035)	7.64 (.0067)	0.572 (.566)
R^2	0.23	0.31	0.01	0.06	0.19	0.2	0.07	0.012
Adjusted R^2	0.21	0.28	0.001	0.05	0.17	0.16	0.06	0.009
N	80	74	83	84	77	73	108	94

[1]The indicators in the first row of each variable represent the regression coefficients for the respective variables while those in parentheses in the second rows are the p-values indicating the significance levels.

* Statistically significant at 5% but less than 10%.

** Statistically significant at less than 5% but above 1%.

*** Statistically significant at 1% or less.

As evidenced in Table 7.1 the two independent variables in model, one logged GNP per capita and logged GNP per capita squared, are significantly related to patterns of intranational income inequalities as measured by Gini coefficients. With a regression coefficient of 32.963 at a p-value of .0002, logged GNP per capita contributes to increases in intranational income inequalities.

These results support the theoretical assumptions of increasing inequalities at progressive levels of modern capitalist industrial development before the leveling-off and subsequent declines in inequalities. Regression coefficient of -2.270 at a p-value of .0001 yielded by logged GNP per capita squared in model one affirms this view of subsequent declining inequalities at advanced level of modern capitalist development. With the statistical significance and signs of the coefficients yielded by both independent variables in model one, the hypothesis of curvilinear relationships between national development levels and income inequalities is validated as a sound one. That soundness is further demonstrated by the adjusted R^2 value of model one with 21 percent variation in intranational income inequalities among the eighty countries in the sample explained by the two measures related only to per capita GNP.

Findings in model two which incorporates the growth rate of GNP per capita into the test continue to show the relevance of the levels of national capitalist economic development to patterns of intranational income inequalities as measured by Gini coefficients. In model two, logged GNP per capita affirms its positive correlations with Gini coefficients with a regression coefficient of 31.211 and a p-value of .0003. Curvilinear associations with Gini coefficients are duplicated with a regression coefficient of -2.175 at a p-value of .0001 produced by logged GNP per capita squared. The third explanatory variable in model two, growth rate of GNP per capita, yields findings in the expected direction of

negative associations with income inequalities but at a p-value of .4095 which indicates statistically unuseful information with respect to factors which contribute to lower intranational income inequalities.

It means therefore that logged GNP per capita and logged GNP per capita squared are the key explanatory variables among the three variables in model two with statistically valid information on the dependent variables. Incidentally, the explained amount of variation in intranational income inequalities among the 74 countries in model two shows a modest increase over the amount of variation explained by model one at 28 percent and 21 percent, respectively.

Model three does not provide any statistically valid information on factors of intranational income inequalities as the coefficient of -0.051 at a p-value of .318 suggests. The negative sign of this coefficient for share of urban population in a country's total population is in the opposite direction of our model's prediction. The same condition prevails in model four except in this case the results are statistically significant at a p-value of .023. The positive coefficient for the proportion of a country's labor force in agriculture contradicts the expectations of negative associations between this independent variable and the dependent variables of Gini coefficients. However, the small value of the adjusted R^2 of .05 makes the independent variable of the proportion of a country's labor force in agriculture statistically insignificant as an explanatory variable.

In model five intersectoral linkages between the traditional, slowly adjusting agricultural sectors and the fast-growing, modern industrial capitalist sectors of developing economies are positively and significantly related to intranational income inequalities. The regression coefficient of .418 at a p-value of .05 for measures of intersectoral linkages supports the theoretical assumptions of increasing inequalities as modern industrial capitalist development expands the interactions between the rural, traditional agricultural sectors of a social system and its urban, modern industrial sectors. Subsequent expected declines in inequalities when a balance in intersectoral linkages is achieved is supported by the negative regression coefficient yielded by the squared term of measures of intersectoral linkages. However, the p-value of .448 makes this coefficient statistically insignificant in its potential contributions to explanations of patterns of intranational income inequalities.

Model six incorporates measures of four independent variables related to structural changes involving the urban and rural sectors of a modern social system. As evidenced in the results of this model in Table 7.1, only measures of intersectoral linkages produce statistically useful information on the correlations with Gini coefficients. The results of this particular independent variable in model five are affirmed in model six with coefficient of .492 at a p-value of .067. This affirmation raises the confidence one can attach to the theoretical reasoning of

increasing intranational inequalities as accompaniments of increasing intersectoral linkages before the restoration of a balance.

In model six, it is interesting to note the behavior of the independent variable, share of urban population in a country's population, as it reverses the sign obtained in model three to the expected positive sign hypothesized in the study. This suggests the inefficacy of a bivariate relationship between the share of urban population and intranational income inequalities. It should also be noted this reversal in sign notwithstanding, the regression coefficient of .151 for share of urban population is obtainable at a p-value of .164, implying statistically insignificant results.

Model seven yields a positive coefficient for the dummy variable of technoeconomic heritage implying positive associations between industrializing agrarian status and intranational income inequalities as hypothesized in Chapter VI. The coefficient of 6.112 at a p-value of .006 exhibited by the technoeconomic heritage of industrializing agrarian societies represents statistically valid findings supportive of the theoretical view of increased intranational income inequalities associated with inheritances of extreme high inequalities from the agrarian history of these societies. These empirical results can be interpreted as evidence that, all other things being equal, industrializing agrarian societies should experience higher income inequalities than industrializing horticultural societies on account of their respective technoeconomic heritage. However, the limited

amount of variation in the dependent variable explained by model seven as shown by the adjusted R^2 of .06 detracts from the statistical support of this theoretical supposition.

Expected subsequent declines in intranational income inequalities in industrializing agrarian societies on account of assumed more dynamic development and growth induced by their more efficient technological heritage are not borne out by the empirical findings in model eight. As can be seen in Table 7.1 measures of the squared term of agricultural density do not provide any meaningful statistical information relating to subsequent declines in intranational income inequalities as measured by Gini coefficients in this study. The sign of the regression coefficient of the squared term of agricultural density is in the opposite direction of what was hypothesized by the model. The other independent variable in model eight, agricultural density, is also not a useful predictor of intranational income inequalities as shown by its statistically insignificant results of a coefficient of -.002 at a p-value of .288.

The political democracy index exhibits statistically significant relationships with the dependent variables of Gini coefficients in the hypothesized direction as can be seen in the results of model nine in Table 7.2. At a p-value of .0001, the regression coefficient of 1.157 supports the theoretical reasoning of increased income inequalities associated with lower levels of democracy at low and intermediate levels of development. Hypothesized impact of expanding

Table 7.2. Regressions of Gini Coefficients on Endogenous Independent Variables of Intranational Inequalities: Political, Cultural, and Economic Factors[1]

Variable	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18
Political Democracy Index	1.157*** (.0001)				1.012*** (.0001)					
(Political Democracy Index)^2	-0.009*** (.0001)				-0.008*** (.0001)					
Political Regime		-13.909*** (.0002)								
Public Investment			-0.187*** (.0013)		-0.078 (.3445)					
Government Spending				-0.388*** (.0008)	-0.18 (.1976)					
Population under 15						0.474*** (.0001)			0.400** (.0413)	
Secondary School Enrollment							0.061 (.6709)		0.094 (.5241)	
(Secondary School Enrollment)^2							-0.002 (.1061)		-0.001 (.3354)	
Cultural Diversity								0.031 (.3401)	0.011 (.6847)	
Urban Population										0.158 (.1595)
Proportion of Labour Force in Agriculture										0.112 (.4425)
Intersectoral Linkages										0.458* (.0992)
(Intersectoral Linkages)^2										-0.005 (.2884)
Agricultural Density										-0.001 (.5584)
(Agricultural Density)2										2.633 (.5454)
Constant	12.553	41.003	48.048	49.513	24.263	24.232	45.299	40.548	26.576	21.431
F	24.336 (.0001)	15.187 (.0002)	11.23 (.0013)	12.267 (.0008)	10.153 (.0001)	23.418 (.0001)	14.41 (.0001)	0.921 (.3401)	8.253 (.0001)	2.886 (.0147)
R^2	0.38	0.13	0.13	0.15	0.41	0.22	0.28	0.01	0.35	0.21
Adjusted R^2	0.36	0.12	0.12	0.14	0.37	0.21	0.26	0.001	0.31	0.14
N	82	108	74	73	63	83	78	78	67	73

[1]The indicators in the first row of each variable represent the regression coefficients for the respective variables while those in parentheses in the second rows are the p-values indicating the significance levels.

* Statistically significant at 5% but less than 10%.

** Statistically significant at less than 5% but above 1%.

*** Statistically significant at 1% or less.

democracy at progressive levels of development with subsequent declines in intranational inequalities is accorded strong empirical support in the findings generated by the squared term of political democracy index in model nine. At a p-value of .0001, the regression coefficient of this explanatory variable means declining income inequalities for corresponding unit increases in political democracy index.

As hypothesized in the preceding chapter, this relationship means as a country's performances in democracy increases at progressive levels of modern industrial development the bulk of the adult population is able to participate meaningfully in the political process and contribute to the formulation and implementation of policies as well as programs with depressing effects on intranational income inequalities. Model's nine utility is further evidenced in its adjusted R^2 value which explains 36 percent of variation in intranational income inequality in a sample of 82 countries. With an F value of 24.336 at a significance level of .0001, model's nine utility is strengthened by the fact that the probability of obtaining these indicators by chance is extremely low.

Another measure of the relationships between the political dimension of contemporary societies and intranational income inequalities also receives strong support in model ten where political regime exhibits the hypothesized negative association with Gini coefficients. The regression coefficient of -13.909 at a p-value of .0002 yielded by the dummy variable for socialist states provides strong

empirical support for the equality consciousness of socialist regimes. In accordance with the hypothesis in Chapter IV, a political regime can bring about reductions in intranational inequalities even under circumstances of ascension and maintenance of power by undemocratic means. Reductions of inequalities under such circumstances are attributable to the character and content of a regime type such as the egalitarian ideological orientations of socialist governments. All other things being equal, the empirical findings in model ten justify the theoretical claims associating lower income inequalities with socialist regimes and socialist states.

Models eleven and twelve provide additional empirical evidence on the already established relationships involving the political dimension of life and income inequalities in contemporary societies. Tests of the bivariate relationships in both models involving two different measures of government participation in the developmental process of contemporary states have produced results in the directions hypothesized by these models. In model eleven public investment is negatively correlated with Gini coefficients with a regression coefficient of -0.187 at a p-value of .0013. These statistically significant results lend strong credence to the theoretical principles of the equalizing tendencies of public investment projects in contemporary states. This credence extends to government spending in contemporary states which as evidenced in the test results in model twelve is negatively correlated with intranational income inequalities with a coefficient of

-0.388 at a p-value of .0008. While the independent variable of government spending embodies current expenditures which include transfers to households and subsidies to producers, public investment captures the investment of the public sector as a percentage of gross domestic fixed investment involving long-term projects. This implies the depressing effects of both forms of governmental roles in modern economies on intranational income inequalities. Government spending explains about fourteen percent of the variation in income inequalities in model twelve while the close figure of twelve percent is explained by public investment in model eleven.

Modeling all relevant independent variables extracted from the concept of political dynamism together in equation thirteen with the exception of the dummy variables for socialist regimes, the empirical findings reveal important variations against the backdrop of what was obtained when these variables were modeled separately. As shown in Table 7.2 under model thirteen, when these explanatory variables are modeled together political democracy index becomes the only variable with statistically significant findings related to Gini coefficients. Political democracy index in equation thirteen with a coefficient of 1.012 at a p-value of .0001 has duplicated the findings in equation nine thereby confirming the positive association between intranational income inequalities and low levels of democracy.

The squared political democracy index in equation thirteen also reaffirms the hypothesized negative relationships between intranational income inequalities and higher levels of democratic performance at progressive levels of development with its regression coefficient of -.008 at a significance level of .0001. The 37 percent amount of variation explained by model thirteen further attests to the importance of political democracy as a factor of intranational inequalities in contemporary states.

Tests of the relationships between sociocultural transformation variables and intranational income inequalities exhibit empirically relevant results in models fourteen and seventeen where the explanatory variable, demographic transition as measured by the percentage of a country's population under the age of fifteen is positively correlated with Gini coefficients as hypothesized. In the bivariate modeling of equation fourteen this positive correlation is reflected in a coefficient of .474 at a significance level of .0001. An F-value of 23.418 at a significance level of .0001 obtained from equation fourteen solidifies the confidence one can maintain on the theoretical principles of the positive impact of demographic changes on income distribution structures at low and intermediate levels of modern industrial development.

The positive results produced by the bivariate modeling of equation fourteen which generate this theoretical confidence are reproduced in the multiple regression modeling of equation seventeen where demographic

transition is the only sociocultural transformation variable with statistically significant coefficient. At a p-value of .0413 and coefficient of .400 the population of contemporary states under fifteen is an important factor of income inequalities. Incidentally, the amount of variation explained increases from 21 percent in model fourteen to 31 percent in model seventeen.

Measures of formal education embodied in secondary school enrollment ratios and their squared term have produced results in equation fifteen and seventeen supportive of hypothesized curvilinear relationships with measures of intranational income inequalities. However, none of these results reaches the statistically significance standards adopted in this interpretative section of the study. The closest findings to these standards is the negative coefficient of the squared term of secondary school enrollment ratio obtained at a p-value of .1061 in equation fifteen. Another measure of sociocultural transformation, cultural diversity also yields positive results in the hypothesized direction in models sixteen and seventeen but at statistically insignificant levels.

The multiple regression modeling in equation eighteen incorporating relevant structural economic related variables does not yield any new findings superior to those obtained from a different set of combinations of these variables in previously reported models in Table 7.1. As a matter of fact only one among the six independent variables in equation eighteen provides additional statistically significant results. Intersectoral linkages measured by taking the absolute value

of the difference between the proportion of a country's labor force in agriculture and agriculture's share of gross domestic product (GDP) is the one variable with such results reflected in the coefficient of .458 at a p-value of .0992. This supports the positive relationships in models five and six between intersectoral linkages and intranational income inequalities as measured by the dependent variables of Gini coefficients. Intersectoral linkages squared term in equation eighteen produces results in the hypothesized curvilinear direction but at a non-statistically significant level.

Initial tests of the effects of exogenous variables on intranational income inequalities involving the dummy variables of peripheral and semiperipheral status reveal positive and negative relationships respectively in the hypothesized direction as shown in equation nineteen, Table 7.3. These findings of positive effects of peripheral status on intranational income inequalities and negative effects of semiperipheral status on these dependent variables are obtained, however, at a non-significant statistical level evidenced in the p-values of .1288 and .7598 in equation nineteen in Table 7.3 for the former and latter, respectively. The statistical insignificance of these findings is remedied in subsequent modelings presented in Tables 7.5 and 7.6 where relevant exogenous and interactive independent variables are related to Gini coefficients measures of the dependent variables in distinct clusters of core, semiperipheral, and peripheral states.

Table 7.3. Regressions of Gini Coefficients on Exogenous Independent Variables: World Systems Status and Socioeconomic Factors[1]

Variable	Model 19	Model 20	Model 21	Model 22	Model 23	Model 24	Model 25	Model 26	Model 27	Model 28	Model 29
Peripheral status	3.757										
	(.1288)										
Semiperipheral status	-0.0954										
	(.7598)										
Penetration		.001***					.001*				.001***
		(.0013)					(.0743)				(.0038)
Trade Commodity Concentration			.135**								
			(.0273)								
						0.032	0.01				
						(.7115)	(.9086)				
Trade Partner Concentration				0.137		0.06	0.016				
				(.1839)		(.5912)	(.8900)				
Foreign Trade Structure					18.011***	15.690**	12.188*				
					(.0003)	(.0374)	(.0964)				
External Debt Ratio								0.026		0.019	0.016
								(.2560)		(.4152)	(.4505)
Ratio of Foreign Aid									.062**	.031	-0.023
									(.0200)	(.3578)	(.4652)
Constant	38.896	36.291	35.756	35.886	33.919	31.615	31.382	42.005	39.453	41.185	38.667
F	1.406	11.244	5.136	1.806	14.971	3.66	3.176	1.317	5.652	1.026	3.615
	(.2496)	(.0013)	(.0273)	(.1839)	(.0003)	(.0188)	(.0226)	(.2560)	(.0200)	(.3653)	(.0212)
R^2	0.03	0.14	0.08	0.03	0.19	0.19	0.23	0.02	0.07	0.04	0.21
Adjusted R^2	0.01	0.13	0.07	0.01	0.17	0.14	0.16	0.01	0.06	0.01	0.15
N	106	70	58	64	67	51	48	58	78	57	44

[1]The indicators in the first row of each variable represent the regression coefficients for the respective variables while those in parentheses in the second rows are the p-values indicating the significance levels.

* Statistically significant at 5% but less than 10%.

** Statistically significant at less than 5% but above 1%.

*** Statistically significant at 1% or less.

In equation forty, Table 7.5, regressing Gini coefficients on economic penetration within semiperipheral states exhibit a positive relationship at a p-value of .0871. Another independent variable in equation forty, foreign trade structure, also demonstrates positive relationships with intranational income inequalities in semiperipheral states in the opposite direction predicted by the study's hypotheses. The remaining two independent variables in equation forty, trade commodity concentration and trade partner concentration, restore the validity of our predictions with negative regression coefficients for semiperipheral states at significance levels of .0376 and .0739, respectively. As hypothesized in

Table 7.4. Regressions of Gini Coefficients on Exogenous Independent Variables: Politicocultural Factors and Economic Penetration[1]

Variable	Model 30	Model 31	Model 32	Model 33	Model 34	Model 35	Model 36	Model 37
Log International Reserves	-0.001** (.0380)						-0.001 (.8690)	
Government Revenue		-0.326*** (.0029)					-0.290** (.0207)	-0.284** (.0123)
Military Expenditures			-0.911 (.1638)				-0.498 (.4214)	-0.16 (.8018)
Log Global Migration				-1.139* (.0553)				
(Log Global Migration)^2					-0.124** (.0416)		-0.044 (.5311)	-0.026 (.6898)
Colonial Legacy: British						7.468*** (.0012)		
Colonial Legacy:French						6.712** (.0154)		
Penetration								0.001 (.1823)
Constant	42.205	49.885	43.902	47.78	45.853	36.696	50.761	45.68
F	4.459 (.0380)	9.586 (.0029)	1.995 (.1638)	3.864 (.0553)	4.386 (.0416)	7.949 (.0006)	2.255 (.0975)	2.924 (.0455)
R^2	0.05	0.13	0.04	0.08	0.09	0.13	0.3	0.36
Adjusted R^2	0.04	0.11	0.02	0.06	0.07	0.11	0.17	0.24
N	79	66	54	49	49	109	26	26

[1]The indicators in the first row of each variable represent the regression coefficients for the respective variables while those in parentheses in the second rows are the p-values indicating the significance levels.

* Statistically significant at 5% but less than 10%.

** Statistically significant at less than 5% but above 1%.

*** Statistically significant at 1% or less.

Chapter VI, the comparatively low values of these two independent variables in semiperipheral states exercise depressing effects on intranational income inequalities. Appropriate caution should be exercised in interpreting the empirical findings in model forty in view of the smallness of the sample size caused by missing data on some of the variables for a number of excluded semiperipheral states. The need for such caution is heightened by the realization that with a

sample size of ten in model 47, Table 7.6, no interactive term produces statistically significant results among these semiperipheral states.

Table 7.5. Regressions of Gini Coefficients on Exogenous Independent Variables in Distinctive Zones of the World Systems[1]

Variable	Model 38 Core States	Model 39 Core States	Model 40 Semi-Peripheral States	Model 41 Semi-Peripheral States	Model 42 Peripheral States	Model 43 Peripheral States	Model 44 Peripheral States
Penetration	0.001	-0.003	0.002*	0.001	0.002**	0.002***	0.001
	(.3223)	(.4094)	(.0871)	(.6352)	(.0318)	(.0013)	(.7996)
Trade Commodity Concentration	-1.001*		-0.382**		-0.027		
	(.0755)		(.0376)		(.8478)		
Trade Partner Concentration	-0.13		-0.632*		0.055		
	(.3841)		(.0739)		(.7985		
Foreign Trade Structure	24.567**		45.571**		-6.702		
	(.0385)		(.0277)		(.7206)		
External Debt Ratio				0.109		0.004	
				(.6832)		(.8391)	
Ratio of Foreign Aid				-0.056		-0.128*	
				(.6850)		(.0564)	
Government Revenue		0.236					-0.274
		(.6298)					(.3630)
Military Expenditures		-0.93					-0.398
		(.8327)					(.9352)
(Log Global Migration)^2		0.341					-0.022
		(.3065)					(.8769)
Constant	46.505	24.391	47.746	37.744	39.775	39.471	46.356
F	2.876	0.818	210.549	0.414	1.572	5.569	0.466
	(.0744)	(.6147)	(.0516)	(.7506)	(.2495)	(.0076)	(.7611)
R^2	0.51	0.62	0.99	0.2	0.36	0.5	0.32
Adjusted R^2	0.33	0.13	0.99	<0	0.13	0.41	<0
N	16	7	6	9	16	21	9

[1]The indicators in the first row of each variable represent the regression coefficients for the respective variables while those in parentheses in the second rows are the p-values indicating the significance levels.

* Statistically significant at 5% but less than 10%.

** Statistically significant at less than 5% but above 1%.

*** Statistically significant at 1% or less.

Table 7.6. Regressions of Gini Coefficients on Interactive Independent Variables in Distinctive Zones of the World Systems[1]

Variable	Model 45	Model 46	Model 47	Model 48
		Core States	Semi-Peripheral States	Peripheral States
Penetration & Core	-0.001* (.0634)			
Penetration & Semi-Periphery	0.001 (.7791)			
Penetration & GNP per capita		-0.001** (.0142)	-0.001 (.1477)	-0.001** (.0383)
Penetration & Political Democracy Index		0.001 (.1548)	0.001 (.2774)	-0.001 (.9655)
Penetration & International Reserves		-1.653 (.4588)	5.709 (.9605)	6.662 (.5149)
Penetration & Share of urban Population		0.001 (.9608)	-0.001 (.8475)	0.001 (.1828)
Constant	42.743	35.663	38.275	38.924
F	1.94 (.1516)	3.171 (.0632)	0.902 (.5265)	3.525 (.0272)
R^2	0.05	0.56	0.42	0.44
Adjusted R^2	0.03	0.38	<0	0.31
N	70	15	10	23

[1]The indicators in the first row of each variable represent the regression coefficients for the respective variables while those in parentheses in the second rows are the p-values indicating the significance levels.

* Statistically significant at 5% but less than 10%.

** Statistically significant at less than 5% but above 1%.

*** Statistically significant at 1% or less.

Among the peripheral states there is consistency of empirical findings indicating positive correlations between economic penetration and intranational income inequalities in the hypothesized direction. In equations 42 and 43 in Table 7.5 penetration is positively correlated with Gini coefficients at significance levels of .0318 and .0013, respectively. The amount of variation in intranational income inequalities explained by model 42 among the sixteen peripheral states is

thirteen percent while model 43 explains 41 percent of the variation in income inequalities among 21 peripheral states. Other results in Table 7.5 consistent with the hypothesized causal directions between the independent and dependent variables within peripheral states are the positive relationships exhibited by trade partner concentration in equation 42 and external debt ratio in equation 43. None of these results reaches a statistical significance level. The ratio of foreign aid among peripheral states yields negative coefficients in model 43 at a significance level of .0564 in a direction contrary to our prediction.

With respect to the interaction terms in Table 7.6, the combination of penetration and GNP per capita within peripheral states in equation 48 exhibits negative relationships with Gini coefficients at a p-value of .0383 and regression coefficient of -0.001. This suggests that at higher levels of per capita GNP foreign economic penetration may produce a combined depressing effect on intranational income inequalities. Since most peripheral states are not characterized by high levels of per capita GNP, the previously reported positive correlations of uninteracted measure of penetration on intranational income inequalities seem to provide a stronger explanatory base for this relationship. No other interactive term within the peripheral states in model 48 has results that approach the statistical significance levels applied to in-depth interpretations of the study's findings.

For the core states, statistically relevant results yielded by model 38 in Table 7.5 are in the hypothesized directions. At a p-value of .0755 and regression coefficient of -1.001, trade commodity concentration exercises dampening effects on intranational income inequalities in the core not unconnected with the comparatively lower proportion of such economic activities in their mix of core-peripheral tasks in the global division of labor. Soundness of this relationship and the underlying theoretical suppositions are affirmed by the empirical findings of model 21, Table 7.3, where trade commodity concentration is shown to have a positive effect on intranational income inequalities within a full sample comprised of core, semiperipheral, and peripheral countries. Trade commodity concentration's coefficient of .135 at a significance level of .0273 produced by model 21 can be attributable to the influences of peripheral countries within this particular sample where their collective higher scores on this variable overshadows the lower scores of core states with resultant positive effects on intranational inequalities.

The beneficial effects of select exogenous factors on income distributions in core states are granted further empirical support in model 45, Table 7.6 where the interaction of penetration with core status yields a negative coefficient at a p-value of .0634 as previously hypothesized. This dampening effect of penetration and core status on intranational income inequality provides strong support for the theoretical assumptions of differential effects of foreign economic penetration in

the respective zones of the world systems. It is pertinent to note the opposite results obtained in model 45 where penetration is also interacted with semiperipheral status. All other things being equal, foreign economic penetration in the core tends to harmonize with development and growth thus contributing to lower income inequalities while the opposite effects are induced in peripheral economies. These varying experiences are important contributors to the statistically significant evidence of the positive effects of penetration on international income distributions obtained in models 42 and 43 dealing strictly with peripheral states.

Negative coefficients of interacting penetration and core status in model 45 as well as penetration and GNP per capita in model 46 clearly show the beneficial effects of these particular exogenous factors on the patterns of income distributions in the core. The statistically significant results yielded by these two interactive terms in models 45 and 46 negate the theoretically contradictory findings of positive relationship between foreign trade structure and intranational income inequalities among core states produced by model 38, Table 7.5. In view of the many other findings in the study's modeling of exogenous stratification factors presented in Tables 7.3, 7.4, 7.5, and 7.6 in contradiction to this particular result, findings of positive associations between foreign trade structure and intranational income inequalities in the core should be considered a misleading statistical artifact.

Incongruity of this statistical artifact with the theoretical exposition of this study is equally evident in the meaningful results yielded by foreign trade structure in models 23, 24, and 25 in Table 7.3. In these three models foreign trade structure yields regression coefficients of 18.011, 15.690, and 12.888 at respective statistically significant p-values of .0003, .0374, and .0964. Because these three models incorporate countries from all three zones of the world systems it is evident that these positive relationships between Gini coefficients and foreign trade structure are due to the low scores of peripheral countries on measures of this independent variable in the respective samples. These findings are consistent with the theoretical views attributing lower economic performances in the periphery and corresponding higher levels of inequalities to its core-periphery mix of economic activities in the global division of labor.

Relevancy of foreign trade structure as an exogenous factor of stratification in the study's modeling is further demonstrated in the seventeen percent amount of variation explained by this independent variable alone among 67 countries in equation 23. In equation 24 where two other export-related independent variables are introduced into the modeling, only foreign trade structure emerges with statistically significant results though these two other variables, trade commodity concentration and trade partner concentration, do produce results in the hypothesized positive direction. In equation 25 where penetration is introduced into the modeling, foreign trade structure still maintains

its statistical strength albeit at a reduced level as the newcomer independent variable of penetration also produces statistically significant positive effect on intranational income distributions as measured by the dependent variables of Gini coefficients.

Positive effects of foreign economic penetration on intranational income inequalities exhibited in equations 20, 25, and 29 in Table 7.3 which respectively deal with the full sample of core, semiperipheral, and peripheral countries reaffirm the already noted differential effects of this exogenous factor on societal growth, development, and stratification. When combined with the results of regressing Gini coefficients on penetration in other models already addressed in the analysis, penetration emerges as one of the key explanatory exogenous economic factors of intranational inequalities in the study along with foreign trade structure. Statistically significant results of positive correlations between intranational income inequalities and trade commodity concentration in equation 21 and those between the dependent variables and ratio of foreign aid in equation 27 are other useful exogenic economic indicators though they are not consistent with their results in other models previously analyzed.

Some exogenic politicocultural factors have also demonstrated their usefulness as explanatory instruments of intranational income inequalities in the full samples comprising of peripheral, semiperipheral, and core states. In model thirty, Table 7.4 logged measures of international reserves are negatively

correlated with Gini coefficients at a statistically significant p-value of .0380 with a coefficient of -0.001. These results are in the hypothesized direction with the theoretical implications of international reserves serving as a source of state strength which enhances access to global resources and surpluses necessary for equitable income distributions in contemporary states.

Assumed importance of state strength as an exogenous political factor of intranational inequalities is given additional support in models 31, 36, and 37 in Table 7.4 where government revenue is significantly correlated with Gini coefficients in the hypothesized directions. In the bivariate modeling of equation 31, government revenue generates a regression coefficient of -0.326 at a significance level of .0029. When additional exogenic politicocultural variables are utilized to create a multiple regression modeling in equations 36 and 37, government revenue emerges as the only statistically significant factor correlated with Gini coefficient measures of the dependent variables.

Government revenue subdues the contributory effects of logged international reserves on intranational income inequalities in equation 36 where it maintains its statistical significance while the latter loses its own previous significance though the coefficient is still in the hypothesized direction. These results of the relationship between government revenues and Gini coefficients constitute strong empirical evidence of the role of state strength in determining the patterns of income distribution in contemporary states.

Findings derived from measures of global migration have exceeded our modeling predictions in some respects as the bivariate relationship between net worker remittances and Gini coefficients in equation 33, Table 7.4 reveals a negative association in contrast to our prediction. At a p-value of .0553 and a coefficient of -1.139, measures of global migration indicate the early benefits of worker remittances to intranational income distributions before the expansion of this pool of resources within a social system. The hypothesized curvilinear relationship between measures of global migration and Gini coefficients is supported in equation 34 where the squared term of logged net worker remittances yields a coefficient of -0.124 at a p-value of .0416. These results support the theoretical suppositions of access to global surpluses through migrations as an important mechanism of intranational income distribution in the modern world systems.

Military expenditures yield results in the opposite direction predicted by the study's modeling. In equations 32, 36, and 37 in Table 7.4 military expenditures are negatively correlated with Gini coefficients but at statistically insignificant levels. Colonial legacy in equation 35 also exhibits results in a contrary direction of the study's hypothesis indicating in this case a positive association between British colonial status and intranational income inequalities at a significance level of .0012. This positive result is duplicated by the dummy variable coding for

French colonial status which yields a coefficient of 6.712 at a significance level of .0154.

On the basis of these findings it appears therefore that both British and French colonial inheritances are among the potential sources of intranational inequalities in their respective former colonies. Because these findings are not consistent with our theoretical exposition, the politicocultural factors whose empirical findings are consistent with this exposition are statistically validated as sources and causes of intranational income inequalities. Such exogenic politicocultural factors include government revenue, international reserves, and global migration.

CHAPTER VIII

CONCLUSION

A review of the literature on societal stratification undertaken by the author in Chapter II of this study revealed long-standing predilection for theorizing this subject primarily either from an endogenous or exogenous perspective. It was duly noted that this approach while potentially useful in providing penetrating insights into internal and external factors of societal stratification, has the unfortunate inherent bias which distorts the ultimately determining causal linkages of factors responsible for unequal access to global resources and surpluses. In accordance with the author's objective to contribute to a rectification of this situation, an attempt was made to create a balanced exploration of both the endogenous and exogenous factors of societal stratification which took into account the interaction of these factors with one another.

What has emerged from the above approach is a holistic theoretical orientation illustrative of the mechanisms through which internal societal features and the external forces of the world systems both individually and collectively determine the causal patterns of contemporary stratification systems. Very importantly, this theoretical orientation has revealed how endogenic and exogenic factors determine differential societal access to global resources and

surpluses which in turn condition intrasocietal patterns of structured inequalities. The theoretical exploration in this study has revealed a global stratification pattern in which the seminal modern industrial capitalist states still appropriate mammoth amounts of global resources which leave the greater part of the world with limited resources for distribution. Theoretical principles derived from the author's exposition have shown that once these seminal industrial capitalist countries emerged in the modern period and established economies dominant over the later industrializing societies, intrasocietal inequalities became a direct function of the linkages between the two groups of countries.

These theoretical suppositions have received strong support from the quantitative analyses of data undertaken in the study. Discarding the few discordant empirical findings generated in the study's models, prominent endogenous, exogenous, and interactive factors have been empirically confirmed as proxies for general societal stratification. Endogenous status of economic development, political democracy, and the role of the government in national economies have been shown to operate as causal factors of stratification in the contemporary world systems. Exogenously-derived structural features such as penetration, foreign trade structure, and state strength have also emerged as legitimate causal agents of intranational inequalities. Interactions of both sets of stratification factors have produced evidence of unequal access to global resources on account of a state's developmental level and status in the hierarchy of the world systems.

Empirically confirmed theoretical propositions relating intranational income inequalities to these different sets of stratificational factors mean that the dominant approaches of examining this subject in the literature either from endogenous or exogenous perspective limit our abilities to create a holistic and comprehensive understanding of structural inequalities in contemporary societies. Against this background, this study constitutes a modest contribution to the continuing attempts by social scientists to reveal empirically verifiable causal agents of stratification useful in the formulation of policies capable of redressing these imbalances in access to global resources. Except in situations where the objective is to provide focused and illuminative insights into particular stratificational features, modeling international and intranational inequalities should incorporate both the endogenous and exogenous forces of the world systems. Failure to do so amounts to faithfulness to ideological rather than scientific orientations.

Findings in this study illustrative of the effects of economic development and penetration are of enormous significance to a holistic and comprehensive theory of societal stratification in view of the now well established fact of the adverse effects of penetration on the economic growth and development in certain clusters of countries in the world systems. A theoretical perspective which attributes intranational inequalities primarily to the internal development status trivializes the influences of foreign economic penetration on these relationships. A perspective which ignores the endogenous status of a state on its patterns of

inequalities also trivializes a significant source of contemporary systems of stratification as the findings of this study have proven the efficacy of particular internal factors such as political democracy in mediating the levels and magnitudes of societal inequalities.

Beyond the theoretical significance of this study, its empirical analyses have also revealed the benefits of continuing creation of improved data sets on respective socioeconomic and political variables suitable for cross-national comparative studies. There is no doubt that the improved data on some of the key variables in the study's models, especially income inequality measures by Gini coefficients, are crucial to the generation of the kinds of empirical results obtained in Chapter VII. Future research in global development and stratification must continue to make this an important dimension of our collective efforts as other variables in the data set utilized in this study have not benefited from the noted upgrading and improvement. Moreover, this area of study continues to suffer from missing data on key variables for some states as evident in the sample size of some of the models in this research.

In addition to the need for the continuing improvement of data quality the findings of this research have also revealed the necessity of new conceptualizations and operationalizations of variables. The results obtained from the conceptualization of global migration and its operationalization on the basis of net worker remittances attest to the need to interpose new insights into this aspect of cross-national comparative studies. It is really ironic that in world

systems analyses of stratification there has been such inattention to this empirical factor of international and intranational inequalities.

The harmony between the theoretical orientation of this research and the quantitative aspects of it has also addressed another key weakness in cross-national comparative studies of development and stratification. That weakness is related to cross-sectional modeling of processes and structures deemed long term and enduring in nature. The study has addressed this situation through the use of appropriate case studies illuminating the long-term trend of societal developmental and stratification trajectories which augment the cross-sectional qualities of some of the study's modeling of the dependent and relevant independent variables. The curvilinear modeling of some of the relationships among these variables has been particularly useful in that direction.

The approach and results of this research are therefore potentially very useful to public policy formulation and implementation designed to address international and intranational inequalities. In view of the well established fact of the attenuation of societal growth and development by income inequalities and the positive effects of equalities on these indicators (Clarke 1995; Deininger and Squire 1996), the findings of these studies provide very distinct areas where policies can be effective in lowering inequalities and promoting growth and development. Internally, policies aimed at dynamic economic development and expansion of political democracy as well as direct government participation in developmental programs should produce reductions in income inequalities and

enhance growth and development. Such domestic policies must take into account the external constraints which can potentially derail their programs from a path of equitable growth. From an external perspective, policies enhancing of state strength, access to global migration, and the upgrading of foreign trade structures with respect to the mix of core-peripheral activities in the global division of labor should lower income inequalities and promote growth and development.

These observations must also be juxtaposed with the knowledge established in this study that while improvement in access to global resources can occur through appropriate increases in exploiting these resources, the present status of the human condition with respect to abilities to acquire the necessities of life is not caused by lack of resources. Throughout this study the author has presented evidence of the abundance of global resources and surpluses which are under the commanding control of core countries and multinational corporations. The largest dimension of inequalities in contemporary times is attributable to this fact alone as depicted in many portions of this study. Tables 1.1 and 1.2 in Chapter I depict for the unbelievers the depth of human suffering in a world of abundance illustrated in Tables 4.1 and 4.3, among others.

From the author's perspective, the findings of this study and his general life experiences have led him to the recognition that stratification in contemporary societies is ultimately a function of this selfish control of global resources and surpluses by the few to the detriment of the many. This control is directly linked

to the capitalist cultural ethos of European civilization and hegemony in the contemporary world systems. It is possible to change this situation and build a better world for humanity by revisiting the cultural ethos of the premodern peoples presented in Chapter III of this study. Accordingly, it is my wish that one who reads this text can find something useful in helping us create a human and humane world in spite of the less perfect quality of the text.

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APPENDIX A

SOURCES OF DATA FOR RESPECTIVE VARIABLES IN THE STUDY

Variable	Data Source
Gini Coefficients, mostly in the 1980s and 1990s	Deiniger, Klaus and Lyn Squire. 1996. "A New Data Set Measuring Income Inequality." The World Bank Economic Review 10: 565-591.
Gross National Product per capita (GNP per capita), 1988	The World Bank. 1990. World Development Report 1990. New York: Oxford University Press.
Growth Rate of GNP per capita, 1965-1990	The World Bank. 1992. World Development Report 1992. New York: Oxford University Press.
Share of Urban Population in a Country's Total Population, 1988.	The World Bank. 1990. World Development Report 1990. New York: Oxford University Press.
Proportion of a Country's Labor Force in Agriculture, 1977.	Taylor, Charles Lewis and David A. Jodice. 1983. World Handbook of Political and Social Indicators. New Haven, Connecticut: Yale University Press.
Intersectoral Linkages, 1977/1978	Taylor, Charles Lewis and David A. Jodice. 1983. World Handbook of Political and Social Indicators. New Haven, Connecticut: Yale University Press.
Technoeconomic Heritage: Dummy Variable	Lenski, Gerhard and Patrick D. Nolan. 1984. "Trajectories of Development: A Test of Ecological-Evolutionary Theory." Social Forces 63: 1-23.

Technoeconomic Heritage: Agricultural Density, 1970.	Taylor, Charles Lewis and David A. Jodice. 1983. World Handbook of Political and Social Indicators. New Haven, Connecticut: Yale University Press.
Political Democracy, 1965.	Bollen, Kenneth A. 1980. "Issues in the Comparative Measurement of Political Democracy." American Sociological Review 45: 370-390.
Political Regimes: Dummy Variable.	Author's codification of socialist and non-socialist regimes.
Share of Public Investment in Total Investment, 1961-1967.	Ballmer-Cao, Thanh Huyen and Jurg Scheidegger. 1979. Compendium of Data for World-System Analysis: A Sourcebook of Data Based on the Study of MNC's, Economic Policy and National Development. Edited by Volker Bornschier and Peter Heintz. Zurich: The Sociological Institute of the University of Zurich.
Government Spending as a Share of Gross Domestic Product (GDP), 1973.	Ballmer-Cao, Thanh Huyen and Jurg Scheidegger. 1979. Compendium of Data for World-System Analysis: A Sourcebook of Data Based on the Study of MNC's, Economic Policy and National Development. Edited by Volker Bornschier and Peter Heintz. Zurich: The Sociological Institute of the University of Zurich.
Percentage of a Country's Population under the Age of Fifteen, 1988.	The World Bank. 1990. World Development Report 1990. New York: Oxford University Press.

Percentage of Population Enrolled in Secondary School, 1989.	The World Bank. 1992. World Development Report 1992. New York: Oxford University Press.
Cultural Diversity, 1960-1965.	Ballmer-Cao, Thanh Huyen and Jurg Scheidegger. 1979. Compendium of Data for World-System Analysis: A Sourcebook of Data Based on the Study of MNC's, Economic Policy and National Development. Edited by Volker Bornschier and Peter Heintz. Zurich: The Sociological Institute of the University of Zurich.
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Penetration, 1967.	Bornschier, Volker and Christopher Chase-Dunn. 1985. Transnational Corporations and Underdevelopment. New York: Praeger Publishers.
Trade Commodity Concentration, 1970.	Ballmer-Cao, Thanh Huyen and Jurg Scheidegger. 1979. Compendium of Data for World-System Analysis: A Sourcebook of Data Based on the Study of MNC's, Economic Policy and National Development. Edited by Volker Bornschier and Peter Heintz. Zurich: The Sociological Institute of the University of Zurich.

Trade Partner Concentration, 1972.	Ballmer-Cao, Thanh Huyen and Jurg Scheidegger. 1979. Compendium of Data for World-System Analysis: A Sourcebook of Data Based on the Study of MNC's, Economic Policy and National Development. Edited by Volker Bornschier and Peter Heintz. Zurich: The Sociological Institute of the University of Zurich.
Foreign Trade Structure, 1973.	Ballmer-Cao, Thanh Huyen and Jurg Scheidegger. 1979. Compendium of Data for World-System Analysis: A Sourcebook of Data Based on the Study of MNC's, Economic Policy and National Development. Edited by Volker Bornschier and Peter Heintz. Zurich: The Sociological Institute of the University of Zurich.
External Debt Ratio, 1990.	The World Bank. 1995. World Development Report 1995: Workers in an Integrating World. New York: Oxford University Press.
Ratio of Foreign Aid, 1991.	The World Bank. 1998. World Development Indicators 1998. CD-ROM. New York: Oxford University Press.
International Reserves, 1990.	The World Bank. 1992. World Development Report 1992. New York: Oxford University Press.

Government Revenue, 1973.	Ballmer-Cao, Thanh Huyen and Jurg Scheidegger. 1979. Compendium of Data for World-System Analysis: A Sourcebook of Data Based on the Study of MNC's, Economic Policy and National Development. Edited by Volker Bornschier and Peter Heintz. Zurich: The Sociological Institute of the University of Zurich.
Military Expenditures, 1978.	Taylor, Charles Lewis and David A. Jodice. 1983. World Handbook of Political and Social Indicators. New Haven, Connecticut: Yale University Press.
Net Worker Remittances to a Country by its Citizens, 1990.	The World Bank. 1992. World Development Report 1992. New York: Oxford University Press.
Colonial Legacy: Former British Colonies.	Europa Publications. 2000. The Europa World Year Book 2000, Volume 1. London: Europa Publications Limited.
Colonial Legacy: Former French Colonies.	Turner, Barry, ed. 2001. The Statesman's Yearbook: The Politics, Cultures, and Economies of the World. New York: St. Martin's Press.

APPENDIX B

SAMPLE COMPOSITIONS

The primary determinant of a state's inclusion in the study's models was the availability of measures of Gini Coefficients which are measures of the dependent variable in the study. Accordingly, each of the states listed below with measures of Gini Coefficients was included in one or more of the study's models subject to availability of measures on the relevant independent variables.

Algeria
Armenia
Australia
Bahamas
Bangladesh
Barbados
Belarus
Belgium
Bhutan
Bolivia
Botswana
Brazil
Bulgaria
Cameroon
Canada
Central African Republic
Chile
China
Colombia
Costa Rica
Côte d'Ivoire
Czech Republic
Czechoslovakia
Denmark
Dominican Republic
Ecuador
Egypt, Arab Rep. Of
El Salvador
Estonia
Fiji
Finland
France
Gabon
Germany
Ghana
Greece
Guatemala
Guinea-Bissau
Guyana
Honduras
Hong Kong
Hungary
India
Indonesia
Iran, Islamic Rep. Of
Ireland
Italy
Jamaica
Japan
Jordan
Kazakstan
Kenya
Korea Rep. Of
Kyrgyz Republic
Lao PDR
Latvia
Lesotho
Lithuania
Luxembourg
Madagascar
Malaysia
Mauritania
Mauritius
Mexico
Moldova
Morocco
Nepal
Netherlands
New Zealand
Nicaragua
Niger
Nigeria
Norway
Pakistan
Panama
Peru
Philippines
Poland
Portugal
Puerto Rico
Romania
Rwanda
Senegal
Seychelles
Sierra Leone
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sudan
Sweden
Taiwan
Tanzania
Thailand
Trinidad
Tunisia
Turkey
U.S.S.R.
Uganda
Ukraine
United Kingdom
United States
Venezuela
Viet Nam
Yugoslavia
Zambia
Zimbabwe