

Michelle Bata
Albert J. Bergesen



Global inequality has been little analyzed by sociologists despite their claim to be the scientific experts most in charge of the study of human inequalities and social stratification. Most undergraduate courses on social inequalities study race, class and gender without ever acknowledging that the greatest inequalities are between those individuals and households that live in developed versus less developed societies. The amount of international inequality has vastly outweighed within country inequalities since at least the 1870s when a wave of economic globalization under the *Pax Britannica* increased average wages in the core while leaving most of the periphery and the semiperiphery at subsistence levels. Increasing inequality was one of the most important consequences of nineteenth century globalization, and this fact is pregnant with importance for those who seek to understand what the consequences of twentieth century globalization may be. Resistance to global capitalism and attacks on symbols of power are likely to increase, just as they did in the decades following the great expansion of trade and investment in the last decades of the nineteenth century. Research into the causes of increasing inequalities is thus extremely important for social scientists, policy makers and global citizens who need to understand how the world-system works in order to change it.

There exists little doubt among most researchers that income inequality both within and between nations has increased since the mid-twentieth century.¹

Michelle Bata
University of Arizona
Department of Sociology
Social Science Building, Room 400
Tucson, AZ 85721
bata@u.arizona.edu

Albert J. Bergesen
University of Arizona
Department of Sociology
Social Science Building, Room 400
Tucson, AZ 85721
albert@email.arizona.edu

<http://w3fp.arizona.edu/soc/default.asp>

¹ See Firebaugh (1999) for an exception.

The World Bank reports that the widening gap between rich and poor countries over the past forty years accounts for much of the increase in worldwide income inequality among individuals and households. In 1960, per capita GDP in the richest twenty countries was eighteen times that in the poorest twenty countries. By 1995, this gap had widened to thirty-seven times (World Development Report 2001). There has been an increasing polarization between nations over time. Income inequality within countries shows less pronounced trends however. In some countries inequality has increased, while in others it has fallen. Worldwide, available estimates indicate that there have been some increases in inequality between individuals in the past decades, although the evidence suggests that the increases are relatively small (World Bank 2001).²

Empirical observations that income inequality has been increasing worldwide have led scholars to try to make theoretical sense of these trends. The articles that appear in this volume represent efforts to specify explanatory models and to develop new conceptual frameworks.

In the first article, "Population and Sample Selection Effects in Measuring International Income Inequality," Salvatore Babones clarifies the issues in the debate about the empirical trends of between-nation inequality. He begins by reexamining results from Glenn Firebaugh's (1999) study that found no increase in world income inequality since the mid-twentieth century when countries are weighted based on their population sizes. Babones provides evidence that contradicts Firebaugh's claims at several junctures. Babones points out that the controversy surrounding trends in international income inequality stems from a failure to understand the theoretical implications of chosen operationalizations of inequality. Furthermore, contrary to claims by other authors, Babones shows that the choice of data series employed in analyses makes little difference. It does not much matter whether income is measured as weighted by population, or whether the income data are adjusted for purchasing power parity (PPP). Babones also contends that between-nation income inequality should only be examined among market-based national economies because centrally-planned economies did not much participate in the global economy, and thus were insulated from fluctuations in the world economy.

The second article by Linda Beer and Terry Boswell examines the effects of globalization on within-country income inequality. In "The Resilience of

² Explanations for variance in the distribution of income abound. Perhaps the most common indicators that are said to affect income inequality have been demographic change, the international division of labor, and the level of national economic development.

Dependency Effects in Explaining Income Inequality in the Global Economy: A Cross National Analysis, 1975–1995," the authors investigate whether current theoretical models are useful in explaining differences in income inequality in an era characterized by increasing globalization. Specifically, they attempt to assess the conditions under which foreign capital penetration and other global factors affect within-nation income inequality.

Using panel analysis and a data set containing inequality measures for sixty-five nations at two points in time, Beer and Boswell examine change in inequality measured as the top quintile income share. They find that high within-nation inequality is due in large part to greater dependence on foreign investment. Further, they observe that when they lag the dependent variable, the original base equations fail to predict change in the top quintile income share. They conclude that the base (no lag) models work well in specifying the *level* of inequality, but fall short of adequately predicting *change* in inequality. The data also suggest that the effect is not limited to developing nations, but that high levels of foreign investment also affect inequality within core countries.

Beer and Boswell contend that a shift in capital/labor relations brought about by globalization is responsible for increases in income inequality throughout the world. They note that several factors emphasized by the world-systems perspective, as well as factors associated with other theories, receive empirical support. The authors conclude that globalization puts nations at risk of increasing inequality, as global elites are advantaged over other segments of the population. Thus they caution that reliance on foreign investment as a development strategy may be misguided, especially for those countries with particularly high rates of inequality.

In the third article, "International Inequality in the Age of Globalization: Japanese Economic Ascent and the Restructuring of the Capitalist World-Economy," authors Paul Ciccantell and Stephen Bunker examine how Japanese firms and the Japanese state have constructed a new model of development. They argue that organizational and technological innovations in the steel industry—specifically the use of long-term contracts, joint ventures, and lower rents—were responsible for Japan's economic ascent. They explain that such innovations functioned to drive capital accumulation, effectively improving Japan's economic position in the world-system and creating a need to reorganize the world-system in support of Japanese development. Ciccantell and Bunker further argue that these new innovations replaced foreign direct investment—the earlier U.S. model of capital accumulation—as the model for global industries. They thus maintain that earlier models of development are insufficient in explaining Japan's economic ascent in that they tend to be biased towards an explanation that favors U.S.-based transnational corporations as the causal factor, overlooking how this

new development model was able to overcome obstacles to Japan's rise.

The fourth article in this volume, "International Income Inequality in the Second Half of the 20th Century: Preliminary Findings and Propositions for Explanations," refines the existing theoretical explanations for variations in within- and between-nation income inequality over time. Author Volker Bornschier offers eight propositions, as well as empirical observations, intended to "settle open questions of previous research." After conducting a variety of analyses, Bornschier notes that world inequality was stable until about 1972. However, income inequality within- and between-nations increased between 1972 and the end of the last century. He then proposes eight explanations to account for the increases in inequality since 1972.

The first explanation involves transnational economic integration and national disintegration as evidenced by the positive cross-national relationship between foreign capital penetration and income inequality in non-core countries. The second proposition argues that more economic openness and deregulation in the world economy has led to increasing inequality. Increased inequality in this case is attributed to competition for industrial production from LDCs, causing a decrease of low-skill real wages in developed countries. Third, the shift from the old technological style to the new technological style of the information age is thought to increase inequality because the diffusion of new technology tends to be uneven, both within zones and across zones of the world-system. The fourth proposition involves the shift from peripherization to marginalization of peripheral countries, which Bornschier maintains is marked by the move away from the importance of agriculture and raw materials toward knowledge-based industries and services. Fifth, Bornschier contends that the improved income positions of the higher segments of management vis-à-vis their rank-and-file employees not only favors the organizational elite but also shareholders, with whom they tend to form corporate alliances. For the sixth proposition, Bornschier argues that capital income from the world stock markets has changed the functional distribution of income in favor of capital. Seventh, he contends that the growing importance of continuing education increased the inequality because the skills and certifications in the labor force have become more unequal due to continuing education and training. Finally, the eighth proposition holds that wage bargaining between capital and labor shifted from collective to intrafirm bargaining, which served to increase wage differentials.

In the final paper, "Global and National Inequality: Are They Connected?" Albert Bergesen and Michelle Bata examine both within- and between-nation inequality trends in tandem. Using data for seventy-two countries over a twenty-five-year time period, they find that within-nation inequality and between-nation inequality move together. They speculate that this synchronicity is due to the

formation of a global class system. They argue that if the global economy exists as an emergent collective entity with properties of its own, there is no reason why some of the characteristics of economic systems identified at the national level should not also exist at the global level.

Bergesen and Bata also decompose within-nation inequality to see if core versus non-core nations have different trends. They observe that within-nation inequality among core nations covaries over time with between-nation inequality, but that among the non-core countries within- and between-nation inequality move in opposite directions. Their findings support the idea that global economic integration accompanies national disintegration in peripheral and semi-peripheral countries.

These research and theoretical articles shed important new light on the trends and causes of increasing inequalities in the world-system. What they do not do is to explicitly compare the wave of increasing inequality at the end of the twentieth century with the similar wave that occurred in the last decades of the nineteenth century. Part of the reason for this is that reliable data for the nineteenth century are much more difficult to obtain. But careful studies by economic historians of wages in the nineteenth century show that such comparisons are possible (O'Rourke and Williamson 2000), and this is perhaps the most important next step for research on global inequalities.

REFERENCES

- Firebaugh, Glenn. (1999). "Empirics of World Income Inequality." *American Journal of Sociology*. 104: 1597–1630.
- O'Rourke, Kevin H. and Jeffrey G. Williamson 2000 *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy*. Cambridge, MA: MIT Press.
- World Bank. (2001). *World Development Report 2000/2001: Attacking Poverty*. Oxford: Oxford University Press.