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# From the "Washington" towards a "Vienna Consensus"?

A quantitative analysis on globalization, development and global governance.



# **From the “Washington” towards a “Vienna Consensus”? A quantitative analysis on globalization, development and global governance.**

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by

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"The just ordering of society and the State is a central responsibility of politics. As Augustine once said, a State which is not governed according to justice would be just a bunch of thieves: *"Remota itaque iustitia quid sunt regna nisi magna latrocinia?"*"

*Pope Benedict XVI, Encyclical Letter "Deus Caritas Est", 28, a (2006)*

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**Dedicated to the memory of Raul Prebisch, 1901 – 1986, on the occasion  
of the 20<sup>th</sup> anniversary of his death on May 6<sup>th</sup>, 1986**

## Abstract

This publication empirically evaluates and develops core aspects of the literature on global governance. Analyzing world social, gender, ecological and economic development on the basis of the main 9 predictors, compatible with the majority of the more than 240 published studies on the cross-national determinants of the "human condition" around the globe, it presents the results of 32 equations about development performance from 131 countries. We come to the conclusion that while there is some confirmation for the "blue", market paradigm as the best and most viable way of world systems governance concerning economic growth, re-distribution and gender issues, the "red-green" counter-position is confirmed concerning such vital and basic indicators as life expectancy and the human development index.

This work also challenges the neo-liberal consensus about democracy and the pure market economy as the way to development, equality, a good environment and peace by showing that selected market interventions and the fairly regulated regime of the early post-war years assured stability in Europe and Japan and contributed to social and economic recovery from the Great Depression and the Second World War. Present attempts to stabilize the world order by bringing in the major western industrialized countries plus Russia (the so-called G-8, composed by France; United States; United Kingdom; Russian Federation; Germany; Japan; Italy; Canada; European Union) must face up to the fact that these countries represent a declining part of world purchasing power. The rise of Asia makes the present G7/G8 structure increasingly irrelevant.

This publication also re-establishes the notion that capitalist development is of cyclical nature, with strong fluctuations every 50 years. For us 1756, 1832, 1885, 1932 and 1975 are the beginnings of new Kondratiev waves, while 1756, 1774, 1793, 1812, 1832, 1862, 1885, 1908, 1932, 1958, 1975, and 1992 are the turning points (troughs) of the Kuznets cycles. Vigorous upswings of the capitalist world economy need to be supported by a tightly organized new world political hegemonic order, while the strength of the downswings and the severity of the depressions always are a function of the waning world political order. We show the fatal interconnection between these world political and world economic "tsunami waves" in a more systematic fashion. In the most recent phase of capitalism, its "Casino" character becomes ever more apparent, with a sharp distinction between the winners and losers of the system.

So, where are we now? 1870? 1913? 1938? World systems theory is full of speculation about the future, and much of world systems research writing projects a major global war by around 2020 or 2030. The danger arises that instability and not democratization will triumph in the end in the countries of the periphery and the semi-periphery, especially in countries like those of the former USSR. We are especially preoccupied about the economic growth and war intensity connection that seems to have evolved in the world system, if not earlier, than at least since 1946. It is entirely possible that a military Keynesian consensus will emerge in the world system, but that will be a consensus towards warfare.



We also show that Europe's crisis is not caused by what the neo-liberals term a "lack of world economic openness" but rather, on the contrary, by the enormous amount of passive globalization that Europe – together with Latin America – experienced over recent years. Our combined measure of the velocity of the globalization process is based on the increases of capital penetration over time, on the increases of economic openness over time, and on the decreases of the comparative price level over time: the United States, Mexico, Venezuela, larger parts of Africa and large sections of West and South Asia escaped from the combined pressures of globalization, while Eastern and Southern Latin America, very large parts of Europe, Uzbekistan, Mongolia, Thailand and Malaysia, Russia and China were characterized by a specially high tempo of globalization.

The "wider Europe" of the EU-25 is not too distantly away from the social realities of the more advanced Latin American countries. From the viewpoint of world systems theory, especially from the angle of the "Re-Orient" sub-school, initiated by the late Andre Gunder Frank, such tendencies are not a coincidental movement along the historic ups and downs of social indicators, but the very symptom of a much more deeper-rooted crisis, which is the beginning of the real re-marginalization and re-peripherization of the European continent.

So, what should be done? By the governments of the world, and by the globalization critical social movements? Only a movement towards global democracy is the valid answer to the fact that the peoples of the world live in a single global social system. The establishment of a European democratic federal state would be the first and most important step in the direction of a socio-liberal world democracy.

JEL Classification: C21, D31, E30, F02

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## Executive Summary

Latin America, after more than two decades of neo-liberal economic policies, goes to the left, while Europe embarked on neo-liberalism in the 1990s and follows precisely such a course of policies that seem to have gone bankrupt in Latin America nowadays, ever since. So, is Latin America in reality the “mirror” of Europe’s own future? You name the Latin American countries that now follow other paths of development: Venezuela, Bolivia with its more radical movements against the status quo, Argentina, Brazil, Chile ... With every election in Latin America these days, the left, and not the neo-liberal right, seems to triumph, while in Europe powerful social forces still maintain “**the Washington Consensus**”.

John Williamson originally coined the phrase in 1990 “to refer to the lowest common denominator of policy advice being addressed by the Washington-based institutions to Latin American countries as of 1989.”<sup>2</sup> These policies were:

- Fiscal discipline
- A redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure
- Tax reform (to lower marginal rates and broaden the tax base)
- Interest rate liberalization
- A competitive exchange rate
- Trade liberalization
- Liberalization of inflows of foreign direct investment
- Privatization
- Deregulation (to abolish barriers to entry and exit)
- Secure property rights

Now instead of writing, as so many others do, the n-th tirade against the neo-liberal doctrine, we would like to offer a more systematic, empirical world system oriented understanding of the ongoing processes.

Europe can learn a lot from Latin America (**Chapter 1**). First of all, Latin America ever since the end of the era of import substitution in the mid 1960s and the early 1970s and the installation of harsh, right-wing oriented military regimes in such countries as Argentina, Brazil, Chile and Uruguay at that time was a real experimenting ground for neo-liberal economists (“the famous Chicago boys” in Chile), whose experiments were put in practice in Eastern Europe after the transition in the 1990s and whose experiments are now being increasingly implemented in Western Europe.

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<sup>2</sup> Williamson, John. “Did the Washington Consensus Fail?” Outline of Remarks at CSIS. Washington DC: Institute for International Economics, November 6, 2002. and Williamson, John. “What Should the World Bank Think About the Washington Consensus?” World Bank Research Observer. Washington, DC: The International Bank for Reconstruction and Development, Vol. 15, No. 2 (August 2000), pp. 251-264

Starting from the mid 1980s, Europe began to attempt to outpace the rhythm of globalization in Latin America and the Caribbean, and today has larger capital inflows per GDP than Latin America.

While Latin America seems to have decreased its levels of globalization recently (see also **Chapter 7**), Europe most thoroughly opened itself up to the international market forces. As we show in this work, there is a certain time-lag in the rhythm of globalization; and there is also a time-lag in the development of inequality over time. For this comparison, we utilize the new statistical materials, offered by Professor James K. Galbraith from the University of Texas. Galbraith deals with the limited character of the usual World Bank or Eurostat household surveys. Galbraith uses annual data based on wage inequality between the different economic sectors in the world economy instead.

His data collections for over 70 countries from the early 1960s onwards point in a pessimistic direction. Galbraith and his team could show that on the basis of such data, **global inequality** is increasing under globalization. However, inequalities in Latin America, in tandem with a certain reversal of the globalization tendencies, decreased since the mid 1990s, while inequality in the European centers increases.

I personally think that the time has come now for a major global social **political shift away from the “Washington Consensus”** towards a **“Vienna Consensus”** that could evolve from the **EU-LAC Summit meeting in May 2006** in Vienna.

The current EU-Presidency in the First Half 2006 starts out from the diagnosis that globalization, accelerated technological progress and demographic change raise major challenges for European economies, for example:

- Faster growth of global trade flows and, as a result, further integration of the world economy;
- Enormous expansion of the global workforce;
- Increasing shifts in the traditional division of labor between the previously well-established industrialized countries (USA, EU, Japan) and the emerging economies, in particular China and India, with regard to the technology and knowledge content of the products traded;
- Growing importance of human capital and qualifications in the development towards “knowledge societies”.

In parallel to these developments, the Presidency spoke about the awareness of a **common “European social model”** that has grown in Europe. Its key characteristics are:

- A **basic commitment to social cohesion and solidarity** and to combating social poverty and discrimination;
- **General access to health-care and education systems;**
- A **broad coverage of social protection systems;**
- A **significant role of the public sector in the provision of the required infrastructure.**
- The **need for social security** basically has strong roots in European society and, therefore, is a certain constant factor when reforms are developed.

The **flexicurity approach**, proposed by the Austrian EU-Presidency that should help member countries to adapt to the challenges of globalization in the 21<sup>st</sup> Century, can be described

*“as a comprehensive political strategy of co-ordinated measures to promote, on the one hand, flexibility in the labour market as well as the modernisation of work organisation and labour relations and, on the other hand, job security and social protection taking account of vulnerable and disadvantaged groups in the labour market.”*

Just as dependency theory experienced its heyday in the late 1960s and early 1970s as an expression of the de-facto tandem tendency of shrinking globalization rates and inequality rates, dependency and left-wing populism are again on the increase on the Latin American subcontinent, as there are reversals in the long-term trends of globalization and inequality. Following the scientific argument proposed by the late **Andre Gunder Frank**, these periods of **“dependency populism”** were however the attempt to propel a nationally-oriented “growth model”, while the outward oriented, **neo-liberal phases in Latin America**, socio-politically supported and made possible by the right-wing military dictatorships of the period, ended in the catastrophe of the **“lost decade”** and the stagnation of the 1980s. Latin America recovered from the stagnation of the early and mid 1980s at the end of that decade, reached a certain and short plateau of growth in the mid 1990s and has entered a downward trend since then (the wave of renewed “dependency populism” is thus no wonder). Following a rather Andre Gunder Frankian argument, Europe, by contrast, **answered** the period of the **shrinking growth rates** of the 1960s and 1970s by its own kind of application of **dependency theory**, i.e. the Delors **industrial policy and growth pact** period. **Jacques Delors**, who was **President of the European Commission** from 1985 to 1995, by his strategy of industrial policy can be really regarded as the **architect** of the European **recovery** out of the **depression** of the 1970s and early 1980s, whose beginning coincided with the so-called “oil-shock” of 1973. Under the weight of neoliberalism, globalization and Maastricht austerity, the European center gave up this growth strategy, with the result of downward trends in the economic growth rates since the end of the 1980s, rising globalization and rising inequality.

Such a dependency-theory oriented, or if you wish, “Latin American” reading of European realities will of course not go uncontested in the scholarly literature.

In **Chapter 2** we look at the cross-national evidence about globalization and the human condition. A recent very thorough liberal globalist flagship synopsis of the quantitative peace- and development research evidence over the last decades by de Soysa and Gleditsch (2002) maintains that globalization, especially openness to trade and foreign direct investment, lead towards

- a) increased democracy
- b) development
- c) less inequality
- d) a better environment
- e) peace.

Analyzing world social, gender, ecological and economic development on the basis of the main 9 predictors, compatible with the majority of the more than 240 published studies on the cross-national determinants of the “human condition” around the globe, we present the results of 32 equations about development performance from 131 countries. We come to the conclusion that while there is some confirmation for the “blue”, market paradigm as the best and most viable way of world systems governance concerning economic growth, redistribution and gender issues, the “red-green” counter-position is confirmed concerning such vital and basic indicators as life expectancy and the human development index (**Chapter 2**).

For the **globalization -> poverty reduction school** to be maintained, it must be shown that **several indicators of globalization**, and not just the indicator “*share of foreign trade by GDP*”, **are significantly and systematically linked to a series of indicators of national and social well-being, including income redistribution, democracy, and sustainable development, irrespective of the development level achieved.**

Dependency and world system theory generally hold that poverty and backwardness in poor countries – like in Latin America and the Muslim world - are caused by the peripheral position that these nations have in the international division of labor. **Ever since the capitalist world system evolved, there is a stark distinction between the nations of the center and the nations of the periphery.** Fernando Henrique Cardoso summarized the quantifiable essence of dependency theories as follows:

- there is a financial and technological penetration by the developed capitalist centers of the countries of the periphery and semi-periphery
- this produces an unbalanced economic structure both within the peripheral societies and between them and the centers
- this leads to limitations on self-sustained growth in the periphery
- this favors the appearance of specific patterns of class relations
- these require modifications in the role of the state to guarantee both the functioning of the economy and the political articulation of a society, which contains, within itself, foci of inarticulateness and structural imbalance (Cardoso, 1979)

It seems to be important to emphasize that our three indicators of dependency measure three different types of “dependent development”:

- **MNC penetration** measures the different degrees of weight that foreign capital investments have in the host countries
- **Unequal exchange** (ERDI) measures the degree to which globalization has contributed to lowering the international price level of a country; i.e. it is an indicator about the openness of the price system vis-à-vis the pressures of globalization. The result of this is an unequal transfer from the peripheries to the centers, which used to be high-price countries
- For dependency authors, **foreign savings** show the weight that foreign savings, mostly from the centers and richer semi-peripheries, have in the accumulation process of the host countries in the periphery and semi-periphery.

At this point and in view of the results confirmed in this work it seems appropriate to recall here that Galtung's original 1969 essay, which started the global quantitative dependency debate, was all connected to his theory of "structural violence". Galtung at that time was not interested in economic growth, but in "structural violence" which is occurring when life conditions of a partner in a systematic interaction are below levels which might be potentially experienced in a different, and more just global social order (i.e. the large majority segments of population living in poverty in the periphery, referred to in "critical peace research" as the "periphery of the periphery", are subjected to a relationship of domination, wielded by the small and powerful elites in the Third World, which is part and parcel of the domination structure, commanded by the elites of the center over the entire global structure). The term "*potential realizations*", introduced by "critical peace research" in the late 1960s and early 1970s is also important here, for it links life conditions to the level of development of the productive forces in society. We interpret this as nothing else but the residuals from the "plateau curve of basic human needs", introduced by Joshua Goldstein in his article in "World Development", 1985.

In general terms, we explain development performance by the following standard multiple cross-national development research equation:

**(Equation 1) development performance**  $_{1990 - \text{end } 1990s} = a_1 + b_1 \text{ * first part curvilinear function of development level} + b_2 \text{ * second part curvilinear function of development level} + b_3 \text{ * stock of transnational investment per GDP (UNCTAD)}_{\text{mid } 1990s} + b_4 \text{ * unequal exchange (ERDI)} + b_5 \text{ * foreign saving} + b_6 \text{ * public education expenditures per GDP} + b_7 \text{ * membership in the Islamic Conference} + b_8 \text{ * European Union membership} + b_9 \text{ * state interventionism}$

In our investigation, we found the following significant determinants of world development:

As one of the three main indicators of dependency, the **reliance on foreign savings** eases the distribution burden against the poorer segments of society during the accumulation process and it positively affects the gender relations in society and the efficiency of the eco-market economy, but it has several negative effects on a variety of other development processes, including economic growth, the environment and human development.

The **negative effects** of **high foreign savings** are on:

1. *female share of life years*
2. *economic growth 1990-2002*
3. *% immunization against measles*
4. *% immunization against TB*
5. *Factor Social Development*
6. *female life expectancy*
7. *freedom from a high % of people not expected to survive age 60*
8. *freedom from a high female share of suicide*
9. *freedom from a high infant mortality rate*
10. *freedom from CO2 emissions per capita*
11. *freedom from high maternal mortality ratio*

12. *freedom from injuries and deaths from road accidents per 100.000 inhabitants and year*
13. *human development index*
14. *life expectancy, 1995-2000*

The **positive effects** of foreign savings are on:

1. *female economic activity rate as % of male economic activity rate*
2. *freedom from a high income concentration - share of income/consumption richest 20% to poorest 20%*
3. *freedom from a high rate of teen-age mothers as % of all mothers*
4. *GDP output per kg energy use*
5. *gender empowerment*

**State interventionism** increases the performance of countries under the Kyoto process and leads towards an improved growth performance and human development, but it fails to resolve three basic issues: sexism, inequality and the eco-market efficiency of the economy.

The **beneficial effects of state interventionism** for development are on:

1. *% immunization against measles*
2. *% immunization against TB*
3. *economic growth 1990-2002*
4. *Factor Social Development*
5. *female life expectancy*
6. *female share of life years*
7. *freedom from a high % of people not expected to survive age 60*
8. *freedom from a high female share of suicide*
9. *freedom from a high infant mortality rate*
10. *freedom from CO2 emissions per capita*
11. *freedom from high maternal mortality ratio*
12. *human development index*
13. *life expectancy, 1995-2000*

The **negative effects of state interventionism** are on:

1. *female economic activity rate as % of male economic activity rate*
2. *freedom from a high income concentration - share of income/consumption richest 20% to poorest 20%*
3. *freedom from a high rate of teen-age mothers as % of all mothers*
4. *GDP output per kg energy use*

**MNC penetration** contributes to a higher economic growth, but it has negative consequences for human survival and life expectancy. In addition, an interesting phenomenon worthy of further research is the interconnection between decaying public services, decaying public transport and decaying public health services in the host countries of transnational investment on the one hand and the strategic policies of transnational corporations on the other hand, concentrated on the private sector, private transport, private medical services and the private automobile. The strengthening triple alliance between the MNCs, local capital and the state is a net result of the globalization process, and it still has dire social consequences – such as for social cohesion - as well.

The **significant positive effect of MNC penetration** is **higher economic growth**. MNC PEN has only this significant positive trade-off with the economic growth rate:

**1. Economic growth 1990-2002**

The **significant negative effects** are on:

2. *% immunization against measles*
3. *% immunization against TB*
4. *Factor Social Development*
5. *female economic activity rate as % of male economic activity rate*
6. *female life expectancy*
7. *female share of life years*
8. *freedom from a high % of people not expected to survive age 60*
9. *freedom from a high female share of suicide*
10. *freedom from a high income concentration - share of income/consumption richest 20% to poorest 20%*
11. *freedom from a high infant mortality rate*
12. *freedom from a high rate of TBC cases per 100.000 inhabitants*
13. *freedom from a high UNDP HIV index*
14. *freedom from political rights violations*
15. *human development index*
16. *life expectancy, 1995-2000*

**Unequal exchange** has positive effects on economic growth, the Kyoto process and the eco-market efficiency of the economy, and a negative trade-off with the immunization against TB indicator for public health. The **positive effects** of price reform/unequal exchange are:

1. *economic growth 1990-2002*
2. *freedom from CO2 emissions per capita*



3. ***GDP output per kg energy use***
4. ***gender empowerment***

The only **significant negative effect** is on:

1. ***% immunization against TB***

As the Marxist classics and dependency theory have reminded us, capitalism is interested in appropriating the surplus value, and that means at higher stages of development always “the relative surplus value”. That means a standard of living that might be above the absolute poverty levels, but that is still a polarized social structure that puts the needs of capital ahead of the needs of those millions of human beings around the globe that struggle for shelter, for freedom from qualitative and quantitative hunger, from oppression, and marginalization. Apart from that capital does not abolish all these contradictions that are deepening, like in the late 19<sup>th</sup> Century during its globalization, the politically highly conflictive international landscape of our globe.

Ever since the *belle époque* of globalized capitalism and the “**Century of Peace**” 1817 – 1914 broke down in the terrible world crisis 1914 – 1945, the idea that globalization, human progress and liberal capitalism go hand in hand, and that increased trade, communications and foreign direct investments are the best and surest way to secure peace, well-being and prosperity of a maximum number of the inhabitants of our globe, has not gone uncontested. Karl Polanyi's “*Great Transformation*” (1944) is the real starting point of a debate about “world systems governance” (**Chapter 3**) because Polanyi was the first to show that the very liberal market principle is responsible for the inner-systemic tendency to war in the global capitalist system and that at the end of the day the system is not compatible with human well-being, peace and ecological sustainability in the long run.

In contrast to the Leninist revolutionaries of his day, Polanyi foresaw a democratic and regulated system combining markets – but not a market society – and democracy. The socio-liberal Keynesian welfare reformers of the New Deal and early post-WWII years were politically successful in building up structures of national and international institutions that meant a significant departure from the laissez faire capitalism of the pre-1914 years. With the pendulum swinging towards neo-liberal ideas in the 1970s and 1980s in most western countries and also in the developing world, radical critiques of globalization and dependence also gained ground anew. Authors like Samir Amin, Fernando Henrique Cardoso and Raul Prebisch were widely received around the globe, and also quantitative scholars – most notably in the United States of America – took up the idea that dependency from the structures of the centers does not always lead towards a balanced and successful process of development in the world's peripheries.

In **Chapter 3** we **challenge** the **neo-liberal consensus** about democracy and the pure market economy as the way to development, equality, a good environment and peace by first discussing latest United Nations ECLAC findings on the dynamics of world development from 1820 to 1998 that show precisely

that **not liberal laissez faire allowed for the ascent of the former peripheries and semi-peripheries, but the much condemned strategies of import substitution and selective re-integration into the global order after 1945**. Selected market interventions and the fairly regulated regime of the early post-war years assured stability in Europe and Japan and contributed to social and economic recovery from the Great Depression and the Second World War. Karl Polanyi and Andre Gunder Frank, and not the “pure market” economy strategists, are proven right by our figures. Large sections of our globe experienced a severe crisis, even recession during the 1990s, and especially in the Muslim world, in Africa and in East Central Europe, hardly promised lands are in sight.

Only a handful of the countries of the world with complete data provided support for the thesis that rapid globalization goes hand in hand with accelerating growth, and sinking inequality: only 16% of the countries of the world since 1980 proved the neo-liberal hypothesis that rapid globalization is a precondition of accelerating growth and falling inequality.

It is to be expected that Western and Eastern Europe, Latin America, and also Japan that all owed their relative ascent in global society after 1945 to their import substitution strategies, will be the main losers during the ongoing globalized decades. Re-analyzing the existing data for the 1990s clearly shows that the winners and losers of globalization were indeed distributed very unevenly around the globe.

The final balance of globalization since 1990 was the income impoverishment of Eastern Europe and the Muslim world in the Middle East and North Africa.

The wave of global politics and economics in the 1990s negatively affected the social balances in many countries. In a significant portion of the countries of the globe, inequality and globalization – the inflow of foreign direct investments per host country GDP - are on the increase since 1980, as the present author could confirm in his recent works based on the data series of the ILO, the UTIP project at the University of Texas, and the World Bank. These analyses of the dynamics in the world system calculated the time series correlations of globalization, economic growth (Global Development Network Growth Database, William Easterly and Mirvat Sewadeh, World Bank), unemployment (Laborsta ILO), and inequality (UTIP, University of Texas Inequality Project, Theil indices of inequality, based on wages in 21 economic sectors).

**the success and failure of globalization since 1980 on a global level**

globalization and its effects – world sample with complete data	states that fulfilled the criterion	states that did not fulfill the criterion	total number of states with complete data	% of states meeting the promises of globalization
rising foreign direct investment inflows	78	10	88	88, 6
sinking comparative price levels <sup>3</sup>	66	25	91	72, 5
accelerating economic growth	60	28	88	68, 2
sinking unemployment	38	53	91	41, 8
sinking inequality	19	69	88	21, 6

**the success and failure of globalization since 1980 on the level of the EU-25**

globalization and its effects – EU-25 sample with complete data	states that fulfilled the criterion	states that did not fulfill the criterion	total number of EU-25 states with complete data	% of states meeting the promises of globalization
sinking comparative price levels	21	2	23	91, 3
rising foreign direct investment inflows	21	2	23	91, 3
accelerating economic growth	19	4	23	82, 6
sinking unemployment	10	13	23	43, 5
sinking inequality	5	18	23	21, 7

Legend: based on Tausch, 2004 – 2005, calculated with World Bank, ILO, and UTIP data

Present attempts to stabilize the world order by bringing in the major western industrialized countries plus Russia (the so-called G-8, composed by France;

<sup>3</sup> always defined here as 1/ERDI (ERDI is the exchange rate deviation index, being equal to GDP PPP/ GDP exchange rate)

United States; United Kingdom; Russian Federation; Germany; Japan; Italy; Canada; European Union) must face up to the fact that these countries represent a declining part of world purchasing power. The rise of Asia makes the present G7/G8 structure increasingly irrelevant.

An interesting counter-position to overcome the present world governance inequalities is the G-20, largely created under the influence of Chinese foreign policy. The members of the G-20 are the finance ministers and central bank governors of the following 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, Saudi-Arabia, South Africa, Turkey, the United Kingdom and the United States. Another member is the European Union, represented by the Council presidency and the President of the European Central Bank. The managing director of the IMF and the president of the World Bank, plus the chairpersons of the International Monetary and Financial Committee and Development Committee of the IMF and World Bank also participate in the talks as ex-officio members.

Some real "ascending dragons" are outside the G-8 group. We can only underline here the point, driven home by the eminent US military strategist Colin S. Gray, who was an architect of President Ronald Reagan's armament strategy in the 1980s:

*"The menace of major, if not necessarily decisive, interstate war will return to frighten us when great-power rivals feel able to challenge American hegemony. If you read Thucydides, or Donald Kagan, you will be reminded of the deadly and eternal influence of the triad of motives for war: "fear, honor, and interest". Unquestionably, there has been a radical change in the character of the dominant form of terrorism since the end of Cold War. The roots of this phenomenon lie in a crisis within the Islamic domain. However, it is ironic that the United States contributed hugely, though inadvertently of course, to al Qaeda's development with its vast level of support for the holy warriors who defeated the Soviets in Afghanistan. Strategists should never forget the peril of ambush by the malign workings of the law of unintended consequences. Al Qaeda is justly regarded today as the defining threat of this era. The catastrophic events of 9/11 certainly brought down the curtain on the strategically somewhat aimless interwar decade of the 1990s. But does the emergence of such terrorism signal an enduring change in the character of warfare? The answer has to be a resolute no. No guarantees can be offered, but it is as certain as anything can be in the inherently uncertain world of international conflict that al Qaeda will lose, and lose decisively. It will be beaten, but not by the United States and assuredly not by the US armed forces. Al Qaeda will be defeated by fellow Muslims devoted to moderate and modernizing policies." (Gray, 2005: 22 – 23)*

Following a reasoning inspired by world system theory and world system governance, the "West" should try to accommodate as best as possible at least the legitimate aspirations of the rising world Muslim powers, like Indonesia, Turkey, Saudi-Arabia, Egypt, Bangladesh, Malaysia, Algeria and Morocco. The policies of Turkish accession to the European Union and of the European Neighborhood Policies with the Mediterranean countries in the so-called Barcelona process have no alternative.

A major argument that cautions against the idea that neo-liberal global governance leads to global well-being is the fact that capitalist development is of cyclical nature, with strong fluctuations every 50 years (**Chapter 4 and Chapter 5**). Kondratiev cycles, to be sure, are an almost as dirty a word in the social scientific profession as “dependency theory”. Nevertheless, a new attempt will be made to study these cycles with new data of world industrial production from 1740 until 2004, thus situating the analysis where it should be expected to be in world systems research, i.e. at the level of the entire capitalist world economy.

Many observers – ever since the days of Nobel Laureate Simon Kuznets – would implicitly agree that the weakest points of the Kondratiev cycle literature are mainly

- a) the divergent dating schemes
- b) the contradicting projections of Kondratiev waves into the near future
- c) the lack of attempts to formulate Kondratiev hypotheses with production data and not price data
- d) the lack of focus on the capitalist world system on its totality
- e) the failure to take up anew that promising direction of quantitative research, first presented by Joshua Goldstein (1988), who looked into the interrelationship between the world war cycle, the world hegemonic cycle and the world production cycle.

However, the massive contemporary and historical literature on these cycles or waves cannot be simply overlooked.

**Nikolai Dmytriyevich Kondratiev** (1892-1938) worked in the Agricultural Academy and Business Research Institute in Moscow. He analyzed **wholesale prices** and then **interest rates, wages** and **foreign trade** in the leading western economies, the **United States, Britain, Germany** and **France**. Finally he also analyzed data on the **production and consumption of coal, pig iron** and lead. He adjusted production figures to allow for population change and used a **moving average (nine years)** to remove statistical ‘noise.’

For one, Nicolai Kondratiev’s work and personality now received due international attention. **Kondratiev** never yielded to pressure put on him by the Stalinist regime of his time to renounce his ideas, and **was killed 1938 in the GULAG**. Last but not least, **Kondratiev’s native Russia fully rehabilitated one of her greatest social scientists of all times and now devotes a state research institute to scientific investigation in his memory**.

Kondratiev downswings were always particularly severe in the Russian periphery of the world system, and the ups and downs of reform and the re-centralization of government are closely linked to the Kondratiev cycle. The cyclical swings in the periphery are by far more pronounced than in the center and the depressions more severe. The level of inequality is historically higher in the periphery than in the center, but inequality also increases in the centers. Such comparisons clearly suggest three tendencies:

- a) first, a faster growth in the peripheries during the beginning B-phase of the Kondratiev cycle
- b) a more severe depression in the peripheries than in the center

## c) a belated recovery in the periphery

The very logic of industrial processes and basic innovations, as well as the societal models, connected with them, would suggest building cyclical fluctuations into more general theories of development (Amin, 1997). Blast furnaces and other important components of the industrial process, too, have a certain life-cycle, comparable with the Juglar and Kuznets cycle, just as technical innovations are scattered in a non-random fashion along time, coinciding with the Kondratiev cycle (Bornschieer, 1988 and 1995; for a very comprehensive summary Scandella, 1998). There are short term instabilities of 3 to 5 years duration (Kitchin cycles), 8-11 years duration (Juglar cycles), 18-22 years duration (Kuznets waves), and longer, 40-60 year Kondratiev waves. The following dating scheme could be suggested in the light of the Schumpeterian theory tradition (Scandella, 1998). Global capitalism since 1740 had the following Kuznets cycles (our calculations based on the untransformed rates of global industrial production growth, 1740 – 2004), based on polynomial expressions of the 6<sup>th</sup> order:

1741-1756;  $R^2 = 23.5 \%$   
 1756-1774;  $R^2 = 36.1 \%$   
 1774-1793;  $R^2 = 34.8 \%$   
 1793-1812;  $R^2 = 39.7 \%$   
 1812-1832;  $R^2 = 16.4 \%$   
 1832-1862;  $R^2 = 25.7 \%$   
 1862-1885;  $R^2 = 36.3 \%$   
 1885-1908;  $R^2 = 56.2 \%$   
 1908-1932;  $R^2 = 44.2 \%$   
 1932-1958;  $R^2 = 19.1 \%$   
 1958-1975;  $R^2 = 60.9 \%$   
 1975-1992;  $R^2 = 75.8 \%$

We tended to analyze the period between 1756 and 1832 as the 1<sup>st</sup> Kondratiev cycle of the industrial age, the period between 1832 and 1885 as the 2<sup>nd</sup> Kondratiev cycle, the period between 1885 and 1932 as the 3<sup>rd</sup> Kondratiev cycle, and the period between 1932 and 1975 as the 4<sup>th</sup> Kondratiev cycle. So, according to this logic, we are now in the 5<sup>th</sup> Kondratiev cycle of the industrial age, with one Kuznets cycle after the depression of the mid-1970s already well behind us, and the second Kuznets cycle since 1992 pointing in a downward direction.

For Bornschieer, there are the following phases in the K-cycle:

upswing  
 prosperity  
 prosperity-recession  
 crisis  
 temporary recovery  
 depression

Our tests show that our Bornschieer dating scheme much better corresponds to the structure of world production data than the alternative, proposed by

Goldstein. This scheme is in line with the dating scheme proposed by Joshua Goldstein, Phil O'Hara, and Ernest Mandel, among many others. However this dating scheme might very well correspond to the movement of prices.

For us **1756, 1832, 1885, 1932** and **1975** are the beginnings of new **Kondratiev** waves, while 1756, 1774, 1793, 1812, 1832, 1862, 1885, 1908, 1932, 1958, 1975, and 1992 are the turning points (troughs) of the Kuznets cycles.

It also should be noted that the hypothesis about B-phases of the Kondratiev waves – a very strong linear or non-linear down-ward swing of about 20 years duration, - receives at least some direct confirmation from the untransformed, original new world industrial production growth data, based on Goldstein (1740 – 1974 and UNIDO Statistical Office, 1975 – 2004). Working with a polynomial expression of the 3<sup>rd</sup> order, we arrive at the following  $R^2$  for our B-phases of the Kondratiev waves. For all 20 year periods before our measurement points, the B-phase-hypotheses are confirmed:

pre-1756	12, 8 %
pre-1832	6, 5 %
pre-1885	8, 9 %
pre-1932	41, 8 %
pre-1975	28, 4 %

There is indeed compelling reason to believe that the **rhythm** of stop-go movements in the **world economy will shorten**, thus living out one of the basic predictions of Marxian economic thought: during the *belle époque* of world capitalism in the 19<sup>th</sup> Century, a time difference of 23 or more years between the troughs of one Kuznets cycle and the next one was very common, while today we seem to be heading towards time periods of 17 years.

Now, one of the most intriguing features of contemporary capitalism is the fact that vigorous upswings need to be supported by a **tightly organized new world political hegemonic order**, while the **strength of the downswings and the severity of the depressions always are a function of the waning world political order (Chapter 5)**. Like a little ship that is out there in rough seas, with very strong tidal waves pushing the ship away from the coast. All real major depressions in the world system were **hegemonic transition phases**, and all these major crises thus had the character of what the present author calls a **"Tsunami wave" of world politics** that each time was also connected with terrible social upheavals, depressions and the onsets of major power wars, like the great crash of the early 1340s, which marked the beginning of the Genoese age (Arrighi) or Portuguese and Genoese age (Modelski), the crash of the 1560s, which marked the beginning of the Dutch era, the depression of the 1750s and 1760s, which marked the beginning of the British era, and the Great Depression in the 1930s, which was the terminal crisis of British world capitalist dominance (Arrighi, 1995) (see **Chapter 3 and 4**).

We show for the first time in the literature the fatal interconnection between these world political and world economic "tsunami waves" in a more systematic fashion.

Attinà interprets the global political cycles of the world system in accordance with Modelski as:

global war macrodecision -> global power execution - >de-legitimization and agenda setting -> de-concentration and coalition building - >global war macrodecision et cetera

The defense pact aggregation index neatly measures, Attinà argues, these cycles. In **Chapter 5**, we compare these Attinà cycles with the long swing of world economic development and come to the conclusion that these two cyclical movements are roughly in parallel. **The tsunami crisis of world politics always pre-cedes the tsunami economic crisis. The world military order is absolutely necessary for the maintenance of the world economic order.**

Summing up our insights into Kondratiev and war cycles, we come to the conclusion that in the most recent phase of capitalism, its "Casino" character becomes ever more apparent, with a sharp distinction between the winners and losers of the system.

On methodological terms, our re-formulation of Bornschier's dating scheme (1996, 1988) which is also based on sociological long-term data, receives a relative confirmation in our essay. Although we date the trough in the 1830s earlier than Bornschier, we coincide with his analysis of the 19<sup>th</sup> Century and large sections of the 20<sup>th</sup> Century. We somewhat differ with other world system scholars on the dating game, for sure:

### The Kondratiev cycle dating game

#### a) untransformed original data

	O'Hara	Tausch	Dates suggested by sliding correlation method
1st Kondratiev	1779-1847	1756-1832	1756-1819
2nd Kondratiev	1847-1893	1832-1885	1819-1862
3rd Kondratiev	1893-1931	1885-1932	1862-1918
4th Kondratiev	1931-1992	1932-1975	1918-1954
5th Kondratiev	1992-	1975-	1954-1993
R <sup>2</sup> 1st K	2, 59	3, 25	<b>4, 43</b>
R <sup>2</sup> 2nd K	4, 68	1, 5	<b>15, 77</b>
R <sup>2</sup> 3rd K	24, 66	<b>28, 71</b>	7, 39
R <sup>2</sup> 4th K	8, 01	<b>9, 34</b>	5, 59
R <sup>2</sup> 5th K	<b>33, 7</b>	6, 32	23, 14



**b) 9-year sliding averages**

	O'Hara	Tausch	Dates suggested by sliding correlation method
1st Kondratiev	1779-1847	1756-1832	1756-1819
2nd Kondratiev	1847-1893	1832-1885	1819-1862
3rd Kondratiev	1893-1931	1885-1932	1862-1918
4th Kondratiev	1931-1992	1932-1975	1918-1954
5th Kondratiev	1992-	1975-	1954-1993
R <sup>2</sup> 1st K	32,6	41,3	<b>45,6</b>
R <sup>2</sup> 2nd K	25,2	15,3	<b>27,2</b>
R <sup>2</sup> 3rd K	50,0	43,8	<b>65,6</b>
R <sup>2</sup> 4th K	27,7	<b>39,6</b>	32,7
R <sup>2</sup> 5th K	91,9	70,2	<b>92,0</b>

By re-analyzing latest conflict data (great power battle fatalities from all wars, Goldstein, 1988 and COW/PRIO, 2005, **Chapter 6**) from 1495 to 2002 and as yet unpublished UNIDO data about the growth of world industrial production 1740 – 2004 (see: **Chapter 4**) it is shown that the **long Kuznets and Kondratiev swings and cycles of capitalist world development** that play such an important role in the analysis of global war since 1495 **have indeed not ended** after the end of Communism, and that instability, and not stability, characterize the world economy, and that there is an indented “W” shaped pattern of global conflict since 1495 that did not end with the end of the Cold War. To this effect, we present in this work new conflict data for the involvement of the Great Powers (UN Permanent Security Council members + Germany) in wars (annual battle fatalities) for the entire period 1945 – 2002, based on standard peace research data (PRIO Oslo, Correlates of War data, see **Chapter 5**, data analysis: **Chapter 6**).

World hegemonies that characterize the workings of world capitalism arise and they also end. As it is well-known in world system research, especially from the works of Arrighi and Silver, there are signal crises of world capitalism (the usual Kondratiev depressions), and there are terminal crises of the world system, when hegemonies end. Peaceful transitions from one hegemony to the other are among the most intricate questions of peace research and peace policy of our time. These moments of world hegemony transformation, as Arrighi and Silver and as Boswell (1999) have shown, are especially dangerous culminations of world depressions and are characterized by a subsequent fight for world hegemony, like during the great crash of the 1340s, which marked the beginning of the Genoese age (Arrighi) or Portuguese and Genoese age (Modelski), the crash of the 1560s, which marked the beginning of the Dutch era, the depression of the 1750s and 1760s, which marked the beginning of the British era, and the Great Depression in the 1930s, which was the terminal crisis of British world capitalist dominance (Arrighi, 1995). Regulation can be successful, like after

1560, and 1930, and deregulation can be successful, like after 1340, 1760, and - most probably - the 1980s (compiled from Arrighi, 1995).

So, where are we now? 1870? 1913? 1938? World systems theory is full of speculation about the future, and much of world systems research writing projects a major global war by around 2020 or 2030. Just let us quote from famous world systems researchers:

a) **Goldstein** (2005) returned to his “**conflict clock**” (Goldstein, 1988: 259). Looking back on his predictions and his work, he now defines 2000 as the war trough year, to be followed by a 2005 price trough and real wage peak, 2010 an expansion phase, 2015 a production peak, 2020 an investment peak, 2025 an innovation trough and 2025 a war peak, and 2030 a price peak. Goldstein is clear about his prediction about the 2020s as the next real danger zone of world politics:

*“In my 1988 book I pointed to the period around the 2020s as a potential danger zone, and it still worries me” (Goldstein, 2005: 8)*

b) **Chase-Dunn and Podobnik** (1999) see a **50/50 chance of global war** by around 2020, with the most likely contenders of the US being either a United Europe under German leadership or Japan

c) **Boswell** (1999) presents a list of **10 system evolution steps**, starting by the relative decline of the United States, followed by imperial rivalry and global war between 2010 and 2020, to be followed by another world system sequence, ending by 2080 or 2090 in yet another cycle of relative decline of the hegemon who won the last world war by 2010/2020 ...

d) Work by **Attinà and Modelski** also suggests that we most probably will not escape the fatal cycle of global leaderships and global contenders. Since the mid 1960s, the **defense pact aggregation index** that measures the percentage share of defense pact members in the total number of states in the international system i.e. the control that existing, established mechanisms of world political leadership exercise over global politics, has **declined**, suggesting that the era of global power by the United States, which was established in 1945, definitely comes to an end and that our era is pretty similar to the era 1850 – 1878, which was characterized by the **de-legitimation** of the then British leadership, followed by the **de-concentration** of the international system and the era of coalition-building between 1878 – 1914, which ended, as we all too well know, in the **catastrophe** of 1914.

At any rate, the contemporary geographic and systemic **selective retreat** of the respects **for civil rights** around the globe – an average positive trend development 1995 – 2003 notwithstanding -, suggests that **freedom is on the retreat precisely in those regions, where there were gains in freedom and human rights owing to the transformations of 1989 and the second and third wave of democratization of the 1980s and 1990s**, thus partially contradicting the liberal globalist optimism inherent in the analysis by Soysa and Gleditsch (2002). The **retreat of democracy and human rights will most probably go hand in hand with a more conflict-oriented foreign policy in years to come**. Under the weight of globalization and the openings of markets, the weak economies and societies of the former communist world and several

democracies of the South witness a real retreat of civil liberties, exacerbated by the recent wave of increasing human rights abuses in the context of the *"global war on terror"*.

At this stage, it is again important to look into the cycles of reform and regime tightening in Eastern Europe (as we already did in **Chapter 3 and 5** as well as in the statistical comparison in the appendix to **Chapter 6**). Just as during the world depression of the 1930s democracy could not survive in the region (Polanyi, 1944), today the danger arises that instability and not democratization will triumph in the end, especially in countries like those of the former USSR. The turning points in the long waves between the ascents and decline phases (B-phases) were always the beginnings of political decay in the region, while the ascent phases were associated with authoritarian modernization; time-lags between the Western cycle and the Eastern semi-periphery and periphery have to be taken into account. The decisive-*kairos*-years are (dates before 1756 from Goldstein, 1988):

1509  
1539  
1575  
1621  
1689  
1756  
1832  
1885  
1932  
1975

The former hegemonic contenders from earlier global wars slowly slide into a non-acceptance of their status in the international system. The real power struggle erupts already soon after the great hegemonic war, and through the ups and downs of the history of the system evolves slowly into the hegemonic challenge. Seen in such a way, not 1989, but Korea and Vietnam could become rather the benchmarks of the future W-structure of conflict in the international arena.

Our final synopsis about world system tendencies towards peace or towards conflict (Chapters 5 and 6) do not support the generalized hypothesis that with global capitalism peace is "around the corner". Apart from the well-known data on conflicts per decade in the world system over the last 500 years (Brecke, 1999) that show no secular trend towards peace under globalization, we are especially preoccupied about the economic growth and war intensity connection that seems to have evolved in the world system, if not earlier, than at least since 1946. It is entirely possible that a military Keynesian consensus will emerge in the world system, but that will be a consensus towards warfare.

The combination of factors that favor war and not peace in the world system could not be more adverse: the relationship between declining world political order (as measured by the Attinà defense pact index), declining world economic growth (as measured by the rates of world industrial production growth), rising war intensity (that only leveled off in the 1990s in order to increase anew, see above) and rising world inequality (as measured by the rising world GINI inequality index, calculated by Schultz) have to be reconsidered. Our hypothesis

is - also in view of developments beyond the 1990s - that the *belle époque* of globalization from 1960 – 1990 **did not bring about a more stable, egalitarian and peaceful world.**

Updating conflict data (great power battle fatalities from all wars, Goldstein, 1988 and COW/PRIO, 2005) is thus an important task of contemporary peace research and global governance studies (**Chapter 6**). Goldstein's famous data series on great power battle fatalities from all wars ends in 1975, and his update presented in 2005 on war tendencies is based on other indicators, including US military spending, but not on an update of his original data series.

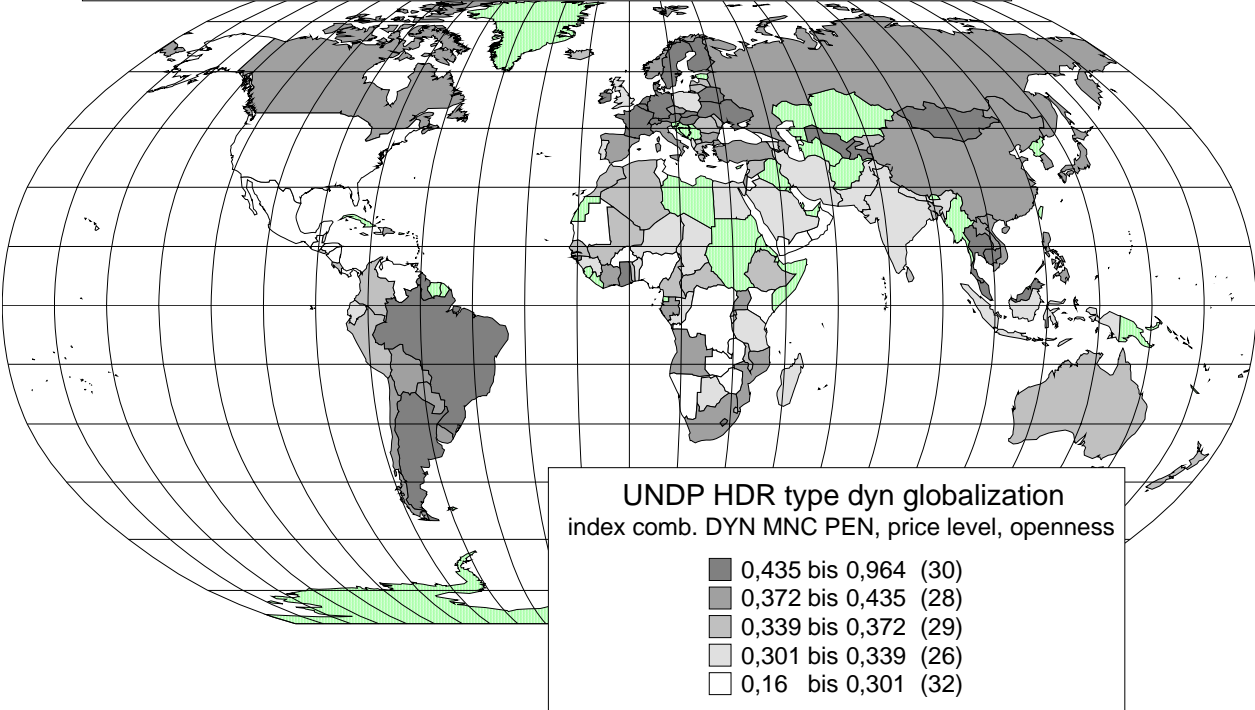
In **Chapter 7** we finally show that Europe's crisis is not caused by what the neo-liberals term a "lack of world economic openness" but rather, on the contrary, by the enormous amount of passive globalization that Europe – together with Latin America – experienced over recent years.

Our combined measure of the velocity of the globalization process, presented here for the first time in the literature, is an UNDP-Indicator type, combining three different dimensions on a uniform scale, ranging from 0 (lowest value) to 1 (highest value). It is based on the increases of capital penetration over time, on the increases of economic openness over time, and on the decreases of the comparative price level over time i.e. multiplying the three dimension/component indices by 1/3 in the calculation of the final index and adding them together.

Properly taking into account that rises in the price level are a movement away from globalization, and falling price levels are a movement towards globalization, we finally interpret our results in the following way: the United States, Mexico, Venezuela, larger parts of Africa and large sections of West and South Asia escaped from the combined pressures of globalization, while Eastern and Southern Latin America, very large parts of Europe, Uzbekistan, Mongolia, Thailand and Malaysia, Russia and China were characterized by a specially high tempo of globalization.

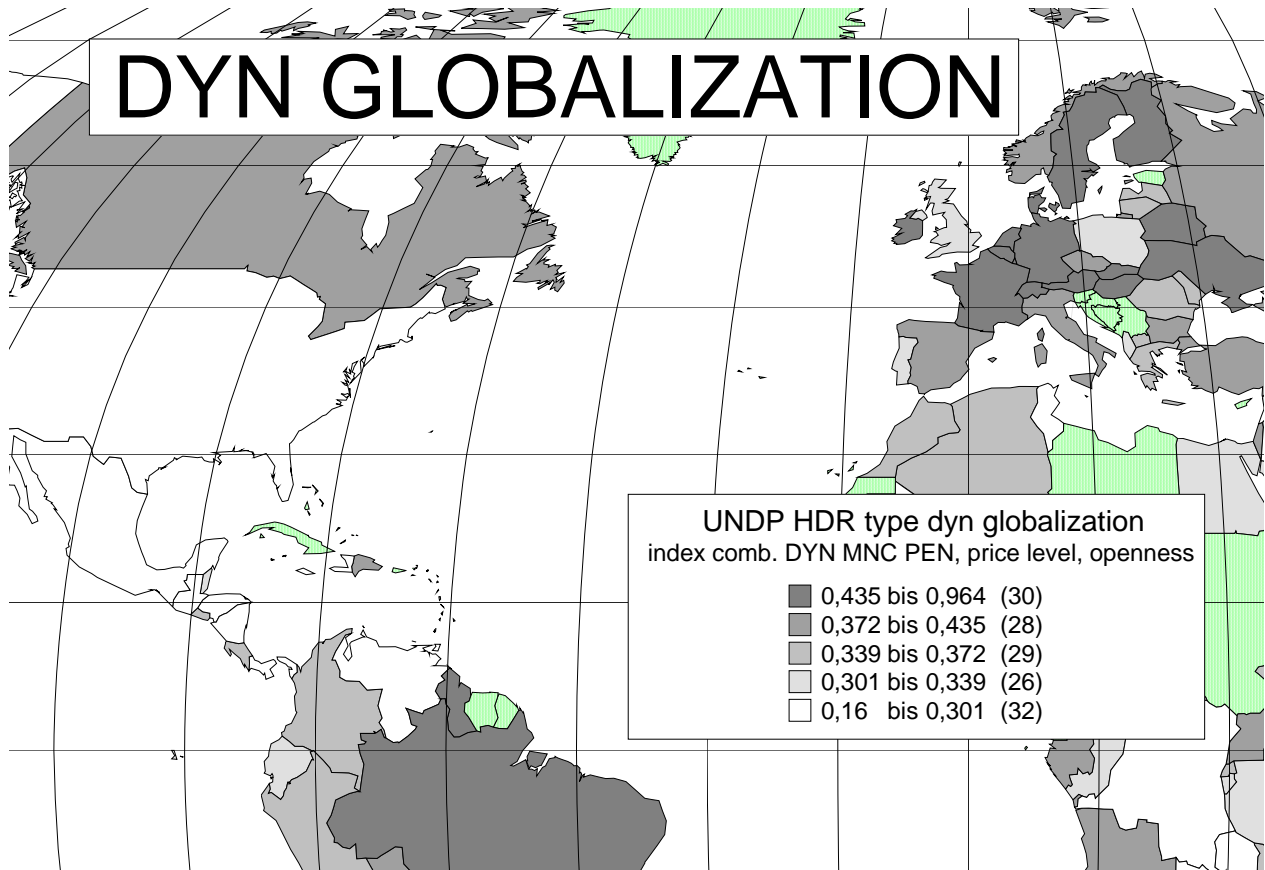
**The velocity of globalization: the combined effects of core capital penetration increase, 1995 – 2000, openness increase, 1993 – 2003 and the lowering of international price levels as compared to the United States, 1998 - 2002**

# DYN GLOBALIZATION



Countries with missing values are marked in green colors

**(continued): The velocity of globalization: the combined effects of core capital penetration increase, 1995 – 2000, openness increase, 1993 – 2003 and the lowering of international price levels as compared to the United States, 1998 - 2002**



Countries with missing values are marked in green colors

In the face of such challenges, it is small wonder that European politicians call for a radical, far-reaching debate.

Provocative, as our comparisons might be it can also be shown that especially the “wider Europe” of the EU-25 is not too distantly away from the social realities of the more advanced Latin American countries. One Table (Table 7.7) shows the results of such a UNDP-indicator-oriented comparison EU-25, Latin America and the Caribbean and the MEDA partner countries of the European Union:

**Social cohesion in the EU-25, in Latin America and the Caribbean, and in the MEDA partner countries of the European Union**

critterion	Which Latin American and Caribbean countries outperform worst performing EU nation?	Which Arab MEDA EU-partner countries outperform worst performing EU nation?	worst EU-25 nation	value for worst EU-25 nation	value for the US
human development index	Barbados, Argentina, Chile, Uruguay, Costa Rica		<b>Latvia</b>	0, 836	0, 944
inequality between richest 20 % and poorest 20 %	Jamaica	Egypt, Jordan, Algeria, Morocco, Tunisia	<b>Portugal</b>	8	8, 4
life expectancy at birth	Costa Rica, Chile, Cuba, Dominica, Uruguay, Mexico, Barbados, Panama, Argentina, Ecuador, Antigua and Barbuda, Venezuela, Colombia, Saint Lucia, Belize	Libya, Tunisia, Syria, Lebanon	<b>Latvia</b>	71, 6	77, 4
probability at birth of surviving to age 65, female	Chile, Costa Rica, Cuba, Uruguay, Panama, Argentina, Mexico, Venezuela, Ecuador	Tunisia, Syria, Libya	<b>Latvia</b>	81, 9	86, 7
probability at birth of surviving to age 65, male	Costa Rica, Cuba, Chile, Panama, Mexico, Barbados, Uruguay, Ecuador, Argentina, Venezuela, Belize, Saint Lucia, Paraguay, Colombia, Saint Vincent, Peru, Jamaica, El Salvador, Nicaragua, Trinidad & Tobago, Honduras, Suriname, Brazil, Bahamas, Dominican Republic, Bolivia, Guatemala	Syria, Tunisia, Algeria, Lebanon, Jordan, Morocco, Egypt	<b>Estonia</b>	57, 2	79, 1
ratio of estimated female to male earned income	Jamaica, Bahamas, Barbados, Uruguay, Panama, Colombia, Trinidad and Tobago, Nicaragua, Bolivia, El Salvador, Brazil, Venezuela, Guyana, Chile, Mexico, Honduras, Costa Rica, Argentina, Dominican Republic	Morocco, Tunisia	<b>Austria</b>	0, 35	0, 62
real income of the poorest 20 % in purchasing power parities	none		<b>Latvia</b>	3749	10142
gender development index	Barbados, Argentina, Chile, Uruguay		<b>Latvia</b>	0, 834	0, 942
gender empowerment measure	Bahamas, Costa Rica, Argentina, Trinidad and Tobago, Barbados, Mexico, Panama, Dominican		<b>Malta</b>	0, 486	0, 793

	Republic, Bolivia, Peru, Uruguay, Colombia, Ecuador				
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Pretty much the sample results emerge from a systematic comparison of the data contained in the **University of Texas Inequality Project (UTIP)**. Our own research results for the period after 1980, based on Galbraith's data, largely correspond to this diagnosis:

### **sharply rising inequality 1980 – 99 (>.50)**

**EU-29:** Latvia, Finland, Hungary, Portugal, Romania, Slovenia, Poland, Slovakia, United Kingdom, France, Netherlands, Luxembourg, Ireland, Bulgaria, Greece, Sweden, Spain, Belgium, Malta, Austria, Turkey, Italy, Croatia

**LAC:** Bahamas, Ecuador, Venezuela, Panama, Mexico, Suriname, Brazil, Uruguay, Puerto Rico, Colombia, Argentina, El Salvador, Guatemala, Barbados, Honduras, Bolivia, Trinidad & Tob., Peru, Jamaica

**EEA:** Norway

**MEDA:** Egypt, Tunisia, Algeria

**WIDER:** Ukraine, U.S.S.R./ Russia, Moldova, Azerbaijan

**Western democracies:** Australia, New Zealand, Canada, Japan, United States, Israel

### **moderately rising inequality 1980 – 99 (between 0.49 and 0.0)**

**EU-29:** Czech R, Cyprus, Germany, West (series discontinued after the unification of Germany)

**LAC:** Dominican Rep.

**EEA:** none

**MEDA:** Syrian Arab Republic

**WIDER:** Kyrgyz Rep, Armenia

**Western democracies:** none

### **moderately sinking inequality 1980 – 99 (between -0.1 and -.49)**

**EU-29:** Lithuania, Denmark

**LAC:** Nicaragua, Chile, Haiti

**EEA:** none

**MEDA:** Morocco, Jordan



**WIDER:** none

**Western democracies:** none

**rapidly sinking inequality 1980 – 99 (time series correlation –0.5 or below)**

**EU-29:** Germany, East (series discontinued after the unification of Germany)

**LAC:** Costa Rica, Cuba

**EEA:** Iceland

**MEDA:** None

**WIDER:** None

**Western democracies:** None

Europe is characterized by often extremely rising income inequality rates and the **disappearance of social inclusion** in all European Union member countries, candidate and accession countries except **Lithuania** and **Denmark**:

**rising and falling inequality in the world system**

**Europe (EU-29)**

	<b>rising inequality</b>	<b>falling inequality</b>
Gini > 50	none	none
Gini 40 - 49.9	Turkey, Greece	none
Gini 30 - 39.9	Finland, Hungary, Portugal, Poland, Slovakia, United Kingdom, France, Netherlands, Luxembourg, Ireland, Bulgaria, Sweden, Spain, Belgium, Malta, Austria, Italy, Croatia, Cyprus	Lithuania, Denmark
Gini < 29.9	Latvia, Romania, Slovenia, Czech R.	none <sup>4</sup>

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<sup>4</sup> the discontinued data series for the two parts of Germany were not interpreted here

**Latin America and the Caribbean**

	<b>rising inequality</b>	<b>falling inequality</b>
Gini > 50	Jamaica, Trinidad & Tob., Guatemala	none
Gini 40 - 49.9	Bahamas, Ecuador, Venezuela, Panama, Mexico, Suriname, Brazil, Uruguay, Puerto Rico, Colombia, Argentina, El Salvador, Barbados, Honduras, Bolivia, Peru, Dominican Rep.	Nicaragua, Chile, Haiti, Costa Rica
Gini 30 - 39.9	none	Cuba
Gini < 29.9	none	none

**MEDA countries, Balkan countries, and “Wider Europe” in the former USSR**

	<b>rising inequality</b>	<b>falling inequality</b>
Gini > 50	Armenia	
Gini 40 - 49.9	Yugoslavia, Egypt, U.S.S.R./Russia, Azerbaijan, Tunisia, Albania, Kyrgyz Rep, Syrian Arab Republic	Morocco, Jordan
Gini 30 - 39.9	Algeria, Macedonia, Ukraine, Moldova	none
Gini < 29.9	none	none

**Closely connected** to the tendencies of **rising inequality** is the trend towards **rising unemployment**. Only Cyprus, Denmark, Honduras, Iceland, Ireland, Korea Republic, Malaysia, Mexico, Netherlands, Portugal, Thailand, United Kingdom, and the United States had a low unemployment rate (< 5 %) that still fell over time, while Albania, Algeria, Argentina, Colombia, Croatia, Ecuador, Estonia, Greece, Nicaragua, Panama, Poland, Slovakia, South Africa, Spain, Trinidad&Tob., Tunisia, Ukraine, Uruguay, and Venezuela all had an unemployment rate of 10 % or above that rose over time.

**unemployment - tendencies in the world system**

<b>EU-29</b> unemployment	<b>unemployment rising</b> <b>over time, 1980-2001</b>	<b>unemployment</b> <b>falling over time,</b> 1980 - 2001
below 5 %	Austria, Sweden, Luxembourg	Cyprus, Denmark, Netherlands, Ireland, United Kingdom, Portugal
5 % to 10 %	France, Germany, Italy, Finland, Czech Republic	Hungary, Turkey, Slovenia, Belgium, Romania
10 % to 15 %	Spain, Greece, Estonia	Latvia
15 % to 20 %	Poland, Slovakia, Croatia	Bulgaria, Lithuania
> 20 %	none	none
<b>LAC</b> unemployment		
below 5 %	none	Mexico, Honduras
5 % to 10 %	Belize, Peru, Brazil	El Salvador, Chile, Costa Rica, Barbados
10 % to 15 %	Trinidad&Tob., Colombia, Panama, Venezuela, Nicaragua, Ecuador	none
15 % to 20 %	Uruguay, Argentina	none
> 20 %	none	none
<b>European</b> <b>Neighbors</b> unemployment		
below 5 %	Azerbaijan, Belarus	none
5 % to 10 %	Russian Fed., Egypt	Moldova
10 % to 15 %	Ukraine	Morocco, Georgia, Serbia
15 % to 20 %	Tunisia, Albania	none
> 20 %	Algeria	none
<b>other countries</b> unemployment		
below 5 %	Singapore, China, Switzerland, Norway	Malaysia, United States, Iceland, Thailand, Korea Republic
5 % to 10 %	New Zealand, Australia, Israel, Japan, Indonesia	Canada
10 % to 15 %	none	none
15 % to 20 %	none	none
> 20 %	South Africa	none

The most visible and clear-cut indicators of mass poverty, however, are the gender-specific **probabilities at birth of surviving to age 65**. The UNDP neatly documents these two data sets on its statistical website (<http://hdr.undp.org/statistics/data/>). The data outprints, ranked by survival rates for the female and the male population, are documented in the appendix to Chapter 7 in appendix Tables 7.9 and 7.10.

Our world maps clearly support the view that in terms of human survival, Europe for a long time has ceased to be a “center” country, and long ago has started to re-become a periphery. From the viewpoint of world systems theory, especially from the angle of the “Re-Orient” sub-school, initiated by the late Andre Gunder Frank, this is not a coincidental movement along the historic ups and downs of social indicators, perhaps to be explained in addition by the devastating long-term effects of the social transformation crisis in the East, but the very symptom of a much more deeper-rooted crisis, which is the beginning of the real re-marginalization and re-peripherization of the European continent [after the interval of European ascent, which according to Andre Gunder Frank only lasted from 1750 to the last quarter of the 20<sup>th</sup> Century, and which interrupted the millennia of Chinese dominance in the world economy].

If that line of argument, which applies Andre Gunder Frank’s reasoning about a long-term structural crisis of Europe, is correct, then other indicators should support the argument as well. And indeed they do. Our appendix tables to Chapter 7 neatly show that

- **combined ratios of trends towards human misery** (unemployment, inequality, stagnation) are very **strong in most European countries** (Appendix Table 7.1. and 7.2.)
- **absolute poverty rates in the US and in Europe are comparable**<sup>5</sup> (see Appendix Tables 7.3. to 7.8.)
- **poverty rates in the European periphery** cannot be measured in **relative terms alone** (i.e. the famous Eurostat measure which specifies the risk-of-poverty rate as defined by the share of persons with an equivalized disposable income below the risk-of-poverty threshold, which is set at 60% of the **national** median equivalized disposable income (after social transfers)). Bringing in **absolute income levels (see point above)**, it indeed emerges that poverty in the US and in the European periphery is comparable (see again Appendix Tables 7.3. to 7.8.)

The next question, which arises in such a context then is the question as to whether figures on income inequality and economic growth do support the arguments, just explained (Appendix Tables 7.11. and 7.12.). Is there a tendency towards stagnation, and towards inequality, which supports the argument put forward by Andre Gunder Frank about a more long-term structural crisis of the “European model”?

The absolute center of the debate about the “European social model” is the social-Keynesian conviction that

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<sup>5</sup> transatlantic honesty please: the social debacle of New Orleans, summer 2005, has its equivalent in Europe – the French riots of late fall and early winter 2005/2006

- Europe’s current account surplus at that time was a sign of economic strength; while America has a secular current account deficit
- high gross social expenditures provide an ideal framework for subsequent high productivity growth rates; i.e. Europe with its strong social safety nets has ideal chances for faster productivity growth than the United States

There are different ways to look at the empirical record. While there are those who maintain that most recent developments have pulled away the carpet beneath such beliefs, there is strong counter-evidence to the contrary. The Eurostat data series on social protection levels and productivity already confirm this; there is a positive correlation which explains more than 16 % of productivity levels between social protection and productivity.

Critics might say that this does not take into account global changes in productivity that disproportionately favor the Asian economies. But still, the evidence on a European level and on the level of the Lisbon competition has to be kept in mind. But the contrary of what critics of the social welfare state assume is true: social protection levels and world economic competitiveness have a clear positive trade-off, and the correlation between the two variables is extremely high, in fact social protection levels explain more than ½ (i.e. 52 %) of world economic competitiveness.

The intensive globalization that Europe experienced, points in the direction of globalization not leading to more equality, at least as suggested by the available new evidence under survey here, mainly because Europe starts to neglect social protection. Available indicators indicate that the European continent experienced over the last years a real radical neo-liberal globalization and transformation, while the benefits of this transformation are rather mixed.

Our appendix Tables to Chapter 7 (Appendix 7.3 ff.) all confirm the broader picture, merging from the text Table 7.7 (above), Table 7.14 (above) and Table 7.15 (below) – that poverty in Europe emerges as a much more serious problem, when we abolish the incorrect assumption that absolute income levels do not matter. Another way to look methodologically correctly at these dynamics is to compare the absolute real per capita purchasing power level of the poorest 20 % across the globe:

**World poverty (n = 124 countries with complete UNDP 2005 data)**

real per capita income, poorest 20 % in \$ and PPP in 2003	EU-29	European Neighborhood Program	Balkan	LAC	Western democracies	other countries
< 1000 \$		Georgia, Uzbekistan, Kyrgyzstan, Moldova, Rep. of, Tajikistan		Brazil, Nicaragua, Colombia, Panama, Peru, Venezuela, El Salvador, Ecuador, Guatemala, Bolivia,		Botswana, Vietnam, Pakistan, Bangladesh, Cambodia, Guinea, Lao People's Dem. Rep., Swaziland, Ghana, Rwanda, Cameroon, Papua New Guinea, Zimbabwe, Mauritania, Nepal, Senegal, Mongolia, Gambia, Namibia, Uganda, Côte d'Ivoire, Mozambique, Yemen, Ethiopia,

				Paraguay, Honduras		Kenya, Burkina Faso, Nigeria, Mali, Tanzania, U, Rep, of, Madagascar, Lesotho, Guinea- Bissau, Burundi, Malawi, Zambia, Central African Republic, Niger, Sierra Leone
1000 - 2000		Turkmenista n, Egypt, Jordan, Azerbaijan, Morocco, Armenia		Uruguay, Argentina, Dominican Republic, Chile, Mexico, Jamaica		South Africa, Iran, Islamic Rep, of, Sri Lanka, Indonesia, India, China, Philippines
2000 - 3000	Romania, Bulgaria, Turkey	Kazakhstan, Belarus, Ukraine, Tunisia, Algeria	Macedo nia, TFYR, Bosnia and Herzogo vina, Albania	Trinidad and Tobago, Costa Rica		Thailand, Malaysia
3000 - 4000	Latvia	Russian Federation				
4000 - 5000	Lithuania, Croatia, Poland, Estonia					
5000 - 6000	Slovakia, Portugal					
6000 7000	- Hungary				Israel	Singapore
7000 8000	- Greece				New Zealand	Hong Kong, China (SAR), Korea, Rep, of
> 8000 \$	Ireland, Finland, Denmark, Austria, Sweden, Germany, Belgium, Netherlands, France, Italy, Slovenia, Czech Republic, Spain, United Kingdom				Norway, Japan, Canada, Switzerlan d, United States, Australia	

Legend: our own compilations from UNDP Human Development Report, 2005

These differences in real purchasing power of the poorest 20 % in the different groups of countries deserve our further attention – with the integration of the European Periphery into the larger European “whole” Europe becomes more and more similar to the developing regions, especially in Latin America and the Muslim Mediterranean. The radical consequence to be drawn from such comparisons is that European social policies more and more have to become “European development policies”.

**It is no wonder then that debates in Europe intensify. More government, less government, more privatization, less privatization, more**

**globalization, less globalization?** Who, in the end, is to blame for this crisis? With the Social Keynesian European consensus **politically** in retreat, a new catchword has entered the European political scene – **globalization**.

Our final multivariate model (Chapter 7) takes both the possible short-term dynamic effects of the increases in the reliance on foreign direct investment and the long-term stagnation effects of MNC penetration into account. In addition to the quantitative effects of the dependent variables used in Chapter 2 of this study, we introduce DYN MNC PEN, 1995 – 2000, as formulated in Map 7.1., into the equations. We test the effects of these independent variables on DYN Human Development (formulation Map 7.6), increases or decreases of world Human Development ranks (formulation Map 7.5) and economic growth (see Map 7.13).

The original expectation expressed by Volker Bornschier throughout his quantitative work that MNC penetration leads to short-term dynamics and long-term stagnation, is by and large confirmed again by Table 7.16, especially for the dynamics of human development over time. The short-term effect on growth is significant at the 00.03 percent level, the long-term negative effect is however only significant at the 12.5 % error level.

### **So, what should be done? By the governments of the world, and by the globalization critical social movements?**

Our own position further develops ideas, put forward recently by Chase-Dunn and Boswell (2005) – only a **movement towards global democracy** is the valid answer to the fact that the peoples of the world live in a single global social system (Chapter 3 and Chapter 8). In contrast to Chase-Dunn and Boswell, who start out from a concept of a movement towards global democracy as a [presently very unrealistic] step towards the global **socialization of the most important means of production** we rather tend to argue that a **federalist democratic structure** is needed both at the level of the **European Union** as well as on the level of the **United Nations** (Chapter 3). In addition, we argue with Kiljunen (2000, 2003) that globalization is still half way through. The world is yet far from being a uniform entity where human societies together constitute a single global social system. The global markets are not regulated by a global administration, a global legislation or a global democratic decision-making.

**A global taxation is needed.** In that context, the highly interesting proposal by Austrian Federal Chancellor Dr. Wolfgang Schüssel should be mentioned. The Austrian chancellor Wolfgang Schüssel called for new taxes that European citizens would pay directly to Brussels to finance the European Union's budget. Schüssel said the new European tax could be levied on investors' short-term profits and on international air and sea travelers.

### **Forget about the European Constitution in its present form, and go for a true European and even world federal democracy.**

By allowing for full-fledged democracy on the European level, combined with a socio-liberal social policy, based on a market economy, an active human capital formation, gender empowerment, an economic policy that largely ends state subventions for energy misuse and private transport, and an open system of migration policy, generally modeled around the existing patterns of migration policy in countries like Australia, Canada, and the United States of America, there

would be enough room for a real economic and social recovery on the level of the European states. It goes without saying that the insane agricultural policy of the European Union and all forms of other protectionism must be ended, in favor of a large-scale policy of 'negative income taxation' and a basic social minimum that at the same times abolishes many other forms of state intervention in the economy. The horrific indirect tax burdens, existing in Europe, must be ended in favor of a system of progressive direct taxation. It goes without saying that knowledge production and knowledge consumption should be fully opened to privatization, with the abolition of the state monopoly on Universities as the most urgent reform measure for the coming decade, and a full system of Universities on the market, as in the United States of America. The central European state would receive a limited amount of the financial resources, with 7.5 % of European government revenue concentrated in the center. This is very much above the present resources, but very much below the centralism of states like Sweden that control over 50 % of the national economy. The 7.5 % proportion should be fixed on a permanent basis. Since federalism is one of the most important preconditions of a successful long-term development strategy, such a new and real European constitution would have to be approved by a European-wide referendum and the national parliaments.

The establishment of a European democratic federal state would be the first and most important step in the direction of a socio-liberal world democracy, to be modeled pretty much on the same two-chamber pattern (with the UN General Assembly becoming the World Senate, with only two elected Senators from each state sitting in the World Senate).



# 1. Introduction – a reformist perspective on global governance

In Euro-centric Europe, comparisons of European development patterns with Latin America are rare these days. Yet such comparisons look rather promising upon closer inspection. Latin America, after more than two decades of neo-liberal economic policies, goes to the left, while Europe embarked on neo-liberalism in the 1990s and follows precisely such a course of policies that seem to have gone bankrupt in Latin America nowadays, ever since. So, is Latin America in reality the “mirror” of Europe’s own future? You name the Latin American countries that now follow other paths of development: Venezuela, Bolivia with its more radical movements against the status quo, Argentina, Brazil, Chile ... With every election in Latin America these days, the left, and not the neo-liberal right, seems to triumph, while in Europe powerful social forces still maintain “**the Washington Consensus**”.

John Williamson originally coined the phrase in 1990 “to refer to the lowest common denominator of policy advice being addressed by the Washington-based institutions to Latin American countries as of 1989.”<sup>6</sup> These policies were:

- Fiscal discipline
- A redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure
- Tax reform (to lower marginal rates and broaden the tax base)
- Interest rate liberalization
- A competitive exchange rate
- Trade liberalization
- Liberalization of inflows of foreign direct investment
- Privatization
- Deregulation (to abolish barriers to entry and exit)
- Secure property rights

That “Washington Consensus” has been summarized many times in the literature, among others by Raffer (pp. 305 - 323 in Tausch, 2003).

The counter-position, advanced by globalization critics, environmentalists, liberation theologians of all denominations, and - most recently - dissidents from the once homogeneous neo-liberal camp would hold that unfettered globalization increases the social gaps between rich and poor both within countries as well as on a global scale. Open today a major newspaper anywhere around the European continent, it will tell you pretty much the same message as the Washington Consensus does: **Europe must liberalize**. What about reading out the following

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<sup>6</sup> Williamson, John. “Did the Washington Consensus Fail?” Outline of Remarks at CSIS. Washington DC: Institute for International Economics, November 6, 2002. and Williamson, John. “What Should the World Bank Think About the Washington Consensus?” World Bank Research Observer. Washington, DC: The International Bank for Reconstruction and Development, Vol. 15, No. 2 (August 2000), pp. 251-264

article by Ruth Lea in the *Daily Telegraph* on January 19, 2006 to the people who took part in the angry protests against ultraliberal policies in, say, Buenos Aires during the economic collapse in 2001, or the energy resource protests in, say, Bolivia in 2003?:

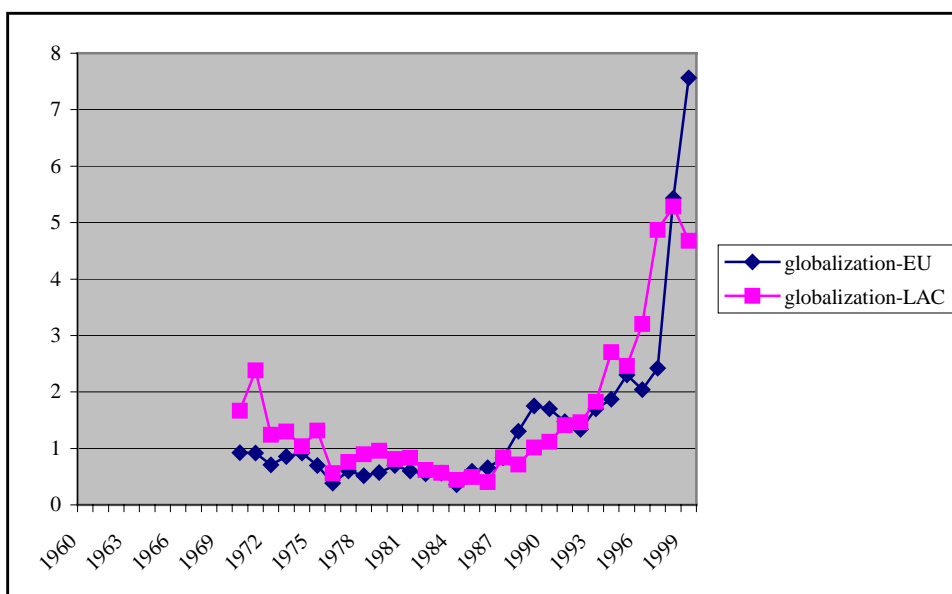
*"The British six-month presidency of the EU ended ignominiously in December with a cave-in on the EU budget for the years 2007-2013. (...) With the new year, however, came the new presidency. Austria is now firmly in the saddle with Chancellor Wolfgang Schüssel and his foreign minister calling for a revival of the Constitutional Treaty, which some may have thought had been killed off last year by the French and Dutch electorates. (...) For those of us who believe that the EU needs to raise its competitive game the Austrian economic agenda is a dispiriting affair. Three specific aspects spring to mind. The first concerns the Services Directive, intended to open up markets in all services except those which are subject to sector specific legislation such as the financial services. Last year the French, keen to protect their plumbers from the invading Polish, effectively blocked the directive. The Austrian strategy is to balance its "market-opening" objectives with "harmonisation" measures, possibly involving further employment regulations, which are intended to prevent "social dumping" - an EU conceit whereby business shifts from expensive and heavily regulated regions to less costly and more lightly regulated regions. In other words, any competitive spur that the directive may have had, may very effectively be blunted. The second is yet another attempt to ban the UK's opt-out to the 48-hour week under the Working Time Directorate. The opt-out is, incidentally, widely supported by British employees. The European Parliament voted to ban the opt-out last summer amid much rejoicing but the move was subsequently stymied by the Council of Ministers - though probably only temporarily. And the third is a "new EU Social Agenda" on welfare harmonisation. Apparently some initial common objectives for social protection are expected to be adopted at the March 2006 summit and attention will be given to coordinating social security systems. I do wonder which planet the EU's political élites are on. Not only are such policies woefully irrelevant to the poorest members of the EU but this agenda comprehensively fails to address the very real issue of "meeting the **China challenge**", which the British Chancellor has rightly referred to on many occasions. (...) Last October, he published a paper which emphasised just how rapidly the global economy was changing and how significantly Europe's share was slipping. In 1980, the EU's share of global output was 26pc; by 2015 it is expected to be just 17pc, Treasury figures reveal. Given the EU's anti-competitive mindset, this projection could be optimistic. In the meantime, there appears to be nothing in the Austrian agenda aimed at tackling the high unemployment levels experienced in many EU countries. Political concerns about high unemployment were behind the restrictions that 12 of the EU15 member states imposed on the movement of people from the ten new member states in May 2004. (Ireland, Sweden and the UK were, de facto, the exceptions.) In April this year these restrictions will be reviewed with the "old" countries given the option of maintaining their restrictions for another three years, maximum, or loosening them. I expect that many of the restrictions will be retained. But by 2011, following a further review in 2009, all these restrictions will have to go - high unemployment or not." (Ruth Lea in *Daily Telegraph*, January 19, 2006, at <http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2006/01/16/ccruth16.xml>)*

Now instead of writing, as so many others do, the n-th tirade against the neo-liberal doctrine, we would like to offer a more systematic, empirical world system oriented understanding of the ongoing processes.

In many ways, Latin America's past over the last decades is Europe's future. Europe can learn a lot from Latin America. First of all, Latin America ever since the end of the era of import substitution in the mid 1960s and the early 1970s and the installation of harsh, right-wing oriented military regimes in such countries as Argentina, Brazil, Chile and Uruguay at that time was a real experimenting ground for neo-liberal economists ("the famous Chicago boys" in Chile), whose experiments were put in practice in Eastern Europe after the transition in the 1990s and whose experiments are now being increasingly implemented in Western Europe.

The empirical record of what has really happened in terms of globalization, growth and inequality in both continents, suggests however a more structural and world-system oriented interpretation. Starting from the mid 1980s, Europe began to attempt to outpace the rhythm of globalization in Latin America and the Caribbean, and today has larger capital inflows per GDP than Latin America. In our statistical comparison to test this hypothesis, we excluded the European semi-periphery nations that joined the European Union in the 1970s (Ireland), 1980s (Greece, Portugal, Spain) and in 2004 (Eastern Europe + Cyprus + Malta) that would have distorted with their enormous capital inflows and their catching-up industrial growth our presentation unduly in favor of our hypothesis.

**Graph 1.1: the pace of investment inflows per GDP in selected European center countries and in the Latin American and Caribbean periphery and semi-periphery nations**



Legend: our analysis compares the EU-center countries Austria, Belgium, Denmark, Finland, France, Italy, Luxembourg, Netherlands, Sweden, and United Kingdom with the Latin American and Caribbean periphery and semi-periphery nations: Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, Venezuela, RB. The data series for this comparison are those of the UTIP project at the University of Texas, and the World Bank (Global Development Network

Growth Database, William Easterly and Mirvat Sewadeh, World Bank and the UTIP, University of Texas Inequality Project, which reports Theil indices of inequality, based on wages in 21 economic sectors in the world economy since the early 1960s). Variables: globalization (annual investment inflows per GDP), growth (annual real economic growth rates of the GDP per capita) and inequality (Theil-Index of sectoral income inequality, based on UNIDO statistics, as reported by the UTIP project).

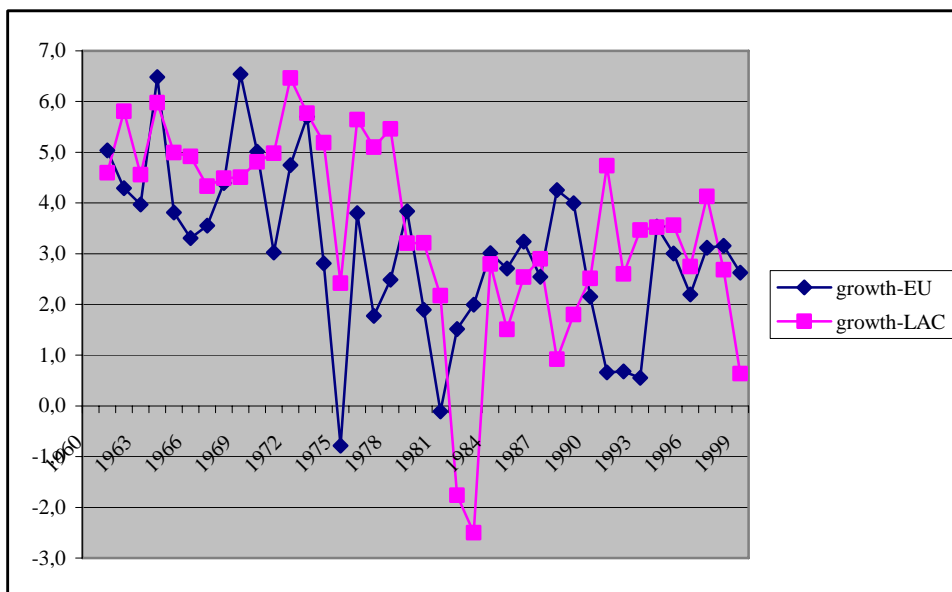
Available from:

<http://www.worldbank.org/research/growth/GDNdata.htm>

<http://utip.gov.utexas.edu/>

The next graph analyses the tendencies of economic growth in both continents, again excluding the European semi-periphery nations that joined the European Union in the 1970s (Ireland), 1980s (Greece, Portugal, Spain) and in 2004 (Eastern Europe + Cyprus + Malta).

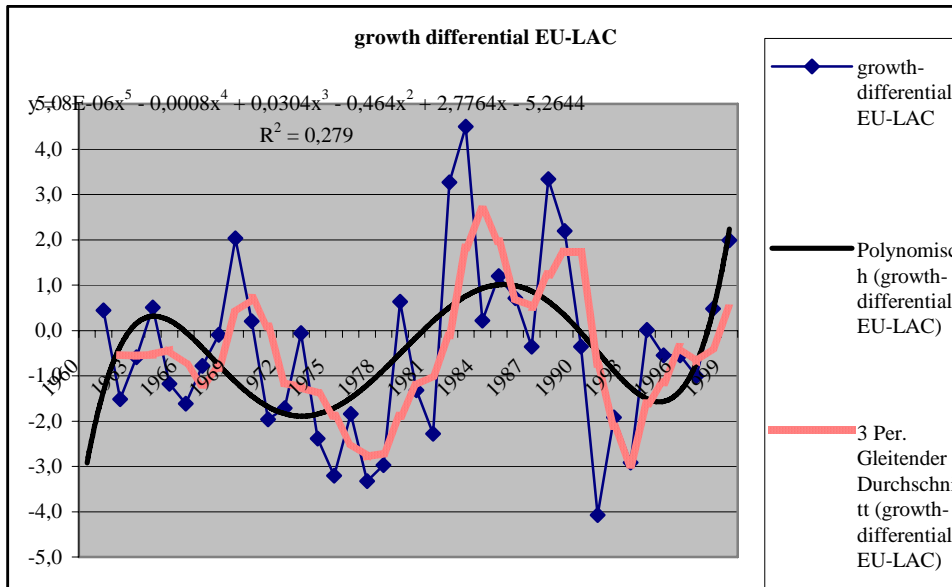
**Graph 1.2: economic growth in selected European center countries and in the Latin American and Caribbean periphery and semi-periphery nations**



Legend: see above

Transnational capital flows during the **beginning downswing** in the center to the periphery, where the belated cycle still allows huge profits; during the **belated periphery depression** transnational capital again flows to the center, thus **exacerbating the debt crisis in the periphery** (see the highly relevant contributions on this subject by the Russian social scientist Aleksandr Bobrovnikov, quoted in the bibliography). During the upswing periods of the capitalist world economy (see Chapters 3 – 6 of this work) the center is better placed than the periphery and semi-periphery.

**Graph 1.3: economic growth differentials EU-LAC in selected European center countries and in the Latin American and Caribbean periphery and semi-periphery nations**

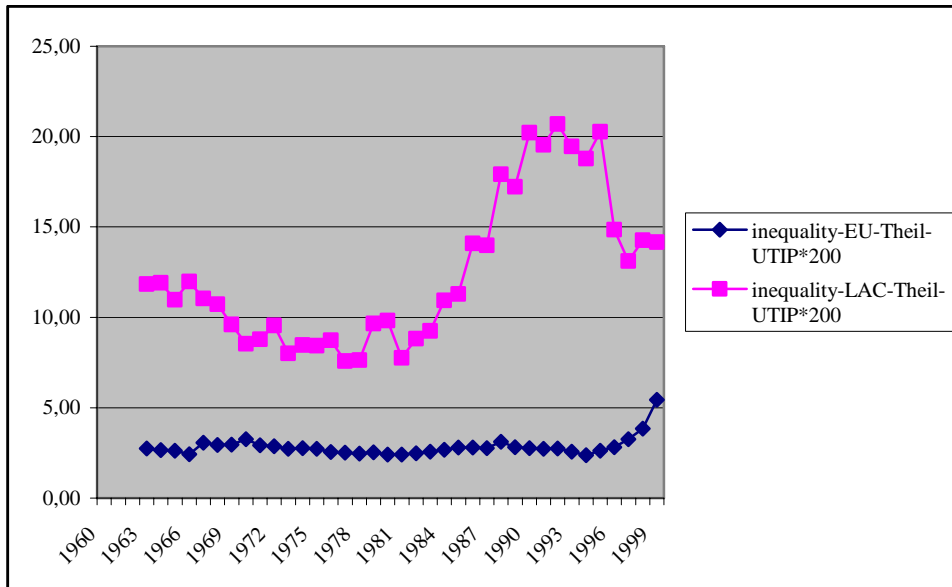


Legend: see above

While Latin America seems to have decreased its levels of globalization recently (see also Chapter 7 of this work), Europe most thoroughly opened itself up to the international market forces. As shown by Graph 1.1. above, there is a certain time-lag in the rhythm of globalization; and there is also a time-lag in the development of inequality over time. For this comparison, we utilize the new statistical materials, offered by Professor James K. Galbraith from the University of Texas. Galbraith deals with the limited character of the usual World Bank or Eurostat household surveys. Galbraith uses annual data based on wage inequality between the different economic sectors in the world economy instead.

His data collections for over 70 countries from the early 1960s onwards point in a pessimistic direction. His research project also estimated the econometric relationships between these inequality data and the often deficient World Bank data series and projects GINI coefficients of estimated income inequality over time since 1960 in these more than 70 countries that concentrate the large majority of world population within their borders. Galbraith and his team could show that on the basis of such data, **global inequality** is increasing under globalization. However, inequalities in Latin America, in tandem with a certain reversal of the globalization tendencies, decreased since the mid 1990s, while inequality in the European centers increases.

**Graph 1.4: economic inequality in selected European center countries and in the Latin American and Caribbean periphery and semi-periphery nations**



Legend: see above

I personally think that a major global social **political shift is necessary away from the “Washington Consensus”** towards a **“Vienna Consensus”** that could evolve from the **EU-LAC Summit meeting in May 2006** in Vienna and the **prior Informal Meeting of Employment and Social Affairs Ministers in Villach, January 19<sup>th</sup> to 21<sup>st</sup> 2006**, held under the Austrian EU-Presidency<sup>7</sup>.

The **background information**, circulated at that Conference by the EU-Presidency First Half 2006, started out from the diagnosis that globalization, accelerated technological progress and demographic change raise major challenges for European economies, for example:

- Faster growth of global trade flows and, as a result, further integration of the world economy;
- Enormous expansion of the global workforce;
- Increasing shifts in the traditional division of labor between the previously well-established industrialized countries (USA, EU, Japan) and the emerging economies, in particular China and India, with regard to the technology and knowledge content of the products traded;
- Growing importance of human capital and qualifications in the development towards “knowledge societies”.

In parallel to these developments, the Presidency paper spoke about the awareness of a **common “European social model”** has grown in Europe. Its key characteristics are:

<sup>7</sup> [http://www.eu2006.at/en/Meetings\\_Calendar/Dates/January/1901BESO.html](http://www.eu2006.at/en/Meetings_Calendar/Dates/January/1901BESO.html)

- A **basic commitment to social cohesion and solidarity** and to combating social poverty and discrimination;
- **General access to health-care and education systems;**
- A **broad coverage of social protection systems;**
- A **significant role of the public sector in the provision of the required infrastructure.**
- The **need for social security** basically has strong roots in European society and, therefore, is a certain constant factor when reforms are developed.

The **flexicurity approach**, proposed by the Austrian EU-Presidency, can be described

*“as a comprehensive political strategy of co-ordinated measures to promote, on the one hand, flexibility in the labour market as well as the modernisation of work organisation and labour relations and, on the other hand, job security and social protection taking account of vulnerable and disadvantaged groups in the labour market. Thus, flexicurity is an overarching paradigm for reforming the different national employment and social systems in Europe. A core principle is its integral view of various policy areas. These include, for example: legal framework of employment (e.g. protection from dismissal, working time legislation and new forms of employment); degree of differentiation and permeability between various types of work (e.g. employment vs. self-employment); wage-bargaining systems; measures of active labour market policy; unemployment benefits; social protection in the case of illness, accidents at work, old age, etc. Here, attention has to be given both to substitutive interactions (e.g. protection from dismissal — higher transfers) and to complementary interactions (e.g. transfers — mandatory activation) of individual instruments with a view to the dual objective of flexibility and security. Flexicurity is anchored in the Integrated Guidelines for Growth and Jobs in two ways: First, Guideline No 21 (“Promote flexibility combined with employment security and reduce labour market segmentation having due regard to the role of the social partners”) links the above-mentioned core elements with measures in the fields of undeclared work, anticipation of economic change, work organisation and transitions in occupational status, etc. Second, flexicurity-oriented measures address, in general, the three key challenges of the Lisbon Strategy in the field of employment, i.e. increasing the adaptability of workers, encouraging more people to enter the labour market and investing more in human capital and lifelong learning.”<sup>8</sup>*

Just a few best practice examples, mentioned in the Presidency paper can be mentioned here:

- The **Danish approach** that is frequently used as a “reference model” in that context. It basically rests on the three pillars of low protection from dismissal, wide access to relatively generous unemployment benefits and active labor market policy. A strong focus is also put on activation and re-integration. In terms of GDP, Denmark is the Member State spending most on active labor market policy all over the EU. The unemployed are obliged to regularly contact the public employment service and to prepare

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<sup>8</sup> See footnote above

personal “action plans”; in this respect, the measures also include strong incentives. The results show, the Presidency says, *“that the Danish labour market is characterised by a very high dynamism: around one third of the workforce changes jobs every year and, at slightly less than eight years, the average duration of employment with one company is short by international comparisons. In 2004, Denmark recorded an employment rate of 75.7% and, hence, ranked first in the EU.”*<sup>9</sup>

- Flexicurity requires, the Presidency paper says, an integral approach to labor market and enterprise policy measures; it forms the framework for creating adequate incentives promoting entrepreneurship. It mentions **Sweden**, for example, which implemented an unemployment insurance scheme for the self-employed whose basic characteristics correspond to the scheme for employees. Thereby, the risk involved in a change from employed to self-employed occupation is reduced, start-ups are encouraged and, as a result, job creation is promoted.
- The **Netherlands**, where the Flexibility and Security Act issued in 1999 essentially facilitated the conclusion of fixed-term contracts. At the same time, however, minimum standards were introduced to raise the security of employees under these “new” types of contracts. The related provisions include equal access to training measures and equal treatment under employment-dependent insurance schemes. The conclusion of successive fixed-term contracts is considered to constitute an abuse. At the EU level, too, there are regulations on the equal treatment of employees and the control of abuse with regard to temporary work contracts.
- Another example is the **new Austrian scheme of severance pay/employer-based retirement income provision** (introduced in 2002): it significantly raised the flexibility of employment conditions while maintaining security. Before the reform, employees were entitled to receive severance pay based on long-term or lifelong employment with one company. The reform shifted the obligation to make severance payments to independent staff provision funds to which employers contribute on a monthly basis. As a result, the entitlement to severance pay is now independent of any employer changes. At the same time, employers became able to evenly spread their severance pay contributions over time, thereby increasing financial predictability. In this context, an interesting example also is the Austrian Betriebspensionsgesetz (Company Pension Act) containing provisions of labor law on occupational retirement provision. The Act essentially relates to four types of provision guarantees: pension company commitments of domestic or foreign pension companies; occupational group insurance; direct guarantees; life insurance. Within the framework of pension company commitments, occupational group insurance and life insurance, the employer has to make contributions for the benefit of the employees to a pension company or an insurance company that invests these contributions and, on occurrence of the benefit event, pays out a pension.

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<sup>9</sup> See footnote above



The European social affairs ministers, gathered at the Villach January 19 to 21, 2006 meeting agreed that the social dimension in the framework of the revised Lisbon strategy should be strengthened by **streamlining open coordination**. It should become easier for the citizens to recognize and experience that **social protection, social cohesion and social inclusion are top priorities at EU level**:

*"In this context it seems appropriate to recall the commitment of the Lisbon European Council to make a **decisive impact on the eradication of poverty, in particular child poverty**. With regard to the future development of pensions, the commitment to adequacy, sustainability and the modernisation of pension systems should be reaffirmed. The challenges in the field of healthcare and long-term care, which will be of even greater significance in the future due to the demographic development, should also be stressed. The ministers underlined that the streamlined open coordination in the areas of **social inclusion, pensions as well as health and long-term care may contribute to growth and employment and that policies promoting growth and employment may in turn contribute to advancing social protection and social cohesion at European and national level.**"<sup>10</sup>*

Just as dependency theory experienced its heyday in the late 1960s and early 1970s as an expression of the de-facto tandem tendency of shrinking globalization rates and inequality rates, dependency and left-wing populism are again on the increase on the Latin American subcontinent, as there are reversals in the long-term trends of globalization and inequality. Following the scientific argument proposed by the late **Andre Gunder Frank**, these periods of **"dependency populism"** were however the attempt to propel a nationally-oriented "growth model", while the outward oriented, **neo-liberal phases in Latin America**, socio-politically supported and made possible by the right-wing military dictatorships of the period, ended in the catastrophe of the **"lost decade"** and the stagnation of the 1980s. Latin America recovered from the stagnation of the early and mid 1980s at the end of that decade, reached a certain and short plateau of growth in the mid 1990s and has entered a downward trend since then (the wave of renewed "dependency populism" is thus no wonder). Following a rather Andre Gunder Frankian argument, Europe, by contrast, **answered** the period of the **shrinking growth rates** of the 1960s and 1970s by its own kind of application of **dependency theory**, i.e. the Delors **industrial policy and growth pact** period. **Jacques Delors**, who was **President of the European Commission** from 1985 to 1995, by his strategy of industrial policy can be really regarded as the **architect** of the European **recovery** out of the **depression** of the 1970s and early 1980s whose beginning coincided with the so-called "oil-shock" of 1973. Under the weight of neoliberalism, globalization and Maastricht austerity, the European center gave up this growth strategy, with the result of downward trends in the economic growth rates since the end of the 1980s, rising globalization and rising inequality.

Such a dependency-theory oriented, or if you wish, "Latin American" reading of European realities will of course not go uncontested in the scholarly literature.

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<sup>10</sup> See footnote above

A recent very thorough liberal globalist flagship synopsis of the quantitative peace- and development research evidence over the last decades (Soysa and Gleditsch, 2002) maintains that globalization, especially openness to trade and foreign direct investment, leads towards

- a) increased democracy
- b) development
- c) less inequality
- d) a better environment
- e) peace.

In a way, this synopsis by de Soysa and Gleditsch is a starting point for our own analysis. Impressive, as their surveyed literature is, the present author would like to raise throughout this text the important point that the promises of laissez-faire world governance, now so dominant in the world after the demise of the Eastern bloc and the capitalist reform process in China, have either not materialized, or have only partially materialized, and that counterweights to the dominant liberal international order are necessary, both at the national as well as at the international level. Thus, our case for improving world systems governance by reforming the international institutions in the direction of more "global" and "regional democracy", support to pro-poor growth strategies and upgrading the role of international law and the role of civil societies (Oden, 2002), is based on a thorough quantitative re-analysis of the balance sheet of global development both in a cross-national comparison as well as in time series studies about the capitalist world economy since 1495/1740.

Standard globalization critical contemporary political science knowledge maintains that due to globalization we are faced with a qualitatively different world order at the present time [Beeson, 2005, furthermore Afheldt H. (1994), Agnew J. (2001), Axtmann R. (1995), Boxberger G. and Klimenta H. (1998), Dunning J. H. (2001), Gavin B. (2001), George S. and Gould E. (2000), Griffin K. (1996), Laxer G. (1993), Laxer G. (2005), Luttwak E. (1999), O'Hara P. A. (2003b), O'Hara P. A. (2005a), Pfaller A. (2000), Ramonet I. (1998), Shaw T. M. (1994), Shaw T. M. (1995), Stilwell F. (2000), Went R. (2002)]. The rise of transnational corporations, foreign direct investment, hot capital flows, portfolio investment already represent a considerable transformation of the international system. In addition, the "Bretton Woods" institutions (i.e. the World Bank group and the IMF group) as well as the World Trade Organization, WTO, constitute, the argument runs, a new and decisive step on the road to neo-liberal global governance. The same source (Beeson, 2005) thinks it to be entirely likely that Europe is "pooling" national sovereignty and thus is the "exception that proves the rule". For him, the state remains to be a central player in other parts of the world, like East Asia, the private sector is less developed and independent, and national sovereignty is still jealously guarded.

As stated at the last EU-Latin America and Caribbean Summit in Guadalajara in 2004, there are absolute limits to both unilateralism and the lack of social cohesion that so characterize the present phase of the neo-liberal global order under the hegemonic leadership by the United States under the Bush administration. What could be Europe's contribution to such a world "beyond unilateralism"?

The European Commission can be considered as both a major scientific source and global major player in the debate about world systems governance at the same time. Starting off from a cautious position and as part of the process of preparing the *“White Paper on Governance”* by the European Commission in 2001, the Commission initially made recommendations on how to strengthen the European Union's contribution to global governance. The mentioned *“White Paper”* adopted by the Commission<sup>11</sup> extends the perspective beyond Europe and provides an input to the debate on global governance. It supports the idea that the Union should seek to apply the principles of **good governance** to its global responsibilities.

For the Commission, the structures and the quality of governance are critical determinants of social cohesion or social conflict, the success or failure of economic development, the preservation or deterioration of the natural environment, as well as the respecting or violation of human rights and fundamental freedoms.

Social cohesion is a new field of cooperation in the entire EU-LAC partnership and in the EU discourse on global governance, endorsed as a main priority by the 3rd EU-LAC Summit held in Guadalajara in May 2004. In the European Union's Social Policy Agenda (COM (2000) 379), social cohesion is defined as an objective: *“To prevent and eradicate poverty and exclusion and promote the integration and participation of all in economic and social life.”*<sup>12</sup>

Exclusion is often, the Commission argues, reinforced by open and more subtle forms of discrimination on grounds of gender, race, social status, ethnic origin etc.<sup>13</sup>

*“Geographical location can also strongly influence levels of social inclusion; national cohesion can be threatened when regional inequalities within a country become more pronounced.”*<sup>14</sup>

The state, the Commission argues, has a fundamental role to play in guaranteeing a degree of social cohesion. While it must not ignore the need for macro-economic stability and sound public finances, the state can make the tax system fairer and more progressive. It can change the way public money is spent to achieve greater redistribution and repair holes in the social fabric (i.e. exclusion). It can also promote social cohesion by focusing on delivering higher levels of social protection for all. Measures to foster participatory democracy are also a crucial part of strengthening social cohesion. It is essential that, alongside representative democracy, the public is involved in decision-making through consultation with civil-society organizations.<sup>15</sup>

The Commission believes that Latin America and the Caribbean have little chance of achieving sustainable growth without tackling the causes of the social exclusion that affects large numbers of people in those countries.

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<sup>11</sup> [http://europa.eu.int/comm/governance/governance\\_global/index\\_en.htm](http://europa.eu.int/comm/governance/governance_global/index_en.htm)

<sup>12</sup> see footnote before

<sup>13</sup> see footnote before

<sup>14</sup> see footnote before

<sup>15</sup> see footnote before

The European Union itself, the Commission argues, is also finding it increasingly hard to maintain its own level of social cohesion. A substantial proportion of EU-25 citizens (16 % in 2004) have incomes that are less than 60% of the national median income. In the EU-15, this percentage is likewise 16 %; in the Euro-zone it is a staggering 17 %. There are persistent inequalities in income and in the regional distribution of employment. The number of ways into poverty is growing rapidly. In response to these problems, the EU's Heads of State and Government formulated a **global strategy against social exclusion and poverty** at the **European Council meeting in Lisbon in March 2000**. The strategy highlights objectives such as:

the creation of good-quality, stable jobs,  
modernization of economic structures  
strengthening of social cohesion.

**Tackling social inequality** and creating a more inclusive society **is now a moral, economic and political priority**. At the EU-Rio Group ministerial conference in March 2003, former Commissioner Chris Patten explained the reasons for this new priority:

*"Morally speaking, misery and exclusion are contrary to basic values of human dignity and human rights. Economically, social inequalities prevent whole sections of society from contributing to growth through consumption, savings and investment. Numerous studies have shown the negative relationship between inequality and growth. Lastly, politically, inequalities and exclusion weaken democracy and threaten peace and stability"* Chris Patten's speech in Vouliagmeni, 28 March 2003<sup>16</sup>

A real breakthrough in the direction of formulating an active European Union approach to world systems governance was the Declaration by Heads of State and Government of Latin America, the Caribbean and the European Union, in Guadalajara, 2004. The Guadalajara declaration<sup>17</sup> states among other points on multilateralism:

8. *We reiterate that an effective multilateral system, based on international law, supported by strong international institutions and with the United Nations at its centre, is essential for achieving peace and international security, sustainable development and social progress.*

9. *We reaffirm the central role of the United Nations in the promotion of economic and social development and the eradication of poverty and hunger.*

10. *We share a core belief in the multilateral system of collective security enshrined in the Charter of the United Nations. We stress our strong support for UN organs in the exercise of their full responsibilities, functions and powers, in accordance with the Charter.*

11. *We are committed to cooperating in the United Nations on the prevention of conflicts, peaceful resolution of disputes, crisis management, peace-keeping and post-conflict peace-building operations, in accordance with the UN Charter and the principles of international law.*

12. *We recognise the need to make the multilateral system more responsive and effective in meeting global threats and challenges. In this regard, we are*

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<sup>16</sup> see footnote before

<sup>17</sup> [http://www.rmalc.org.mx/eventos/alcue/documentos/declaracion\\_oficial\\_english.pdf](http://www.rmalc.org.mx/eventos/alcue/documentos/declaracion_oficial_english.pdf)

*committed to the reform and revitalisation of the United Nations, including the General Assembly and the Security Council. (...)*

*14. We recognise that the strengthening of regional organisations is an essential means of enhancing multilateralism. (...)*

*16. We are convinced that a multilateral approach to security provides the best means to maintain international order. We will prioritise the promotion of concrete progress in disarmament, in particular nuclear, chemical and biological weapons, arms control, and non-proliferation, including by seeking the universalisation, upholding and implementation of the multilateral agreements in this area, and by reinforcing the role of the United Nations. We recognise the Non-Proliferation Treaty as the cornerstone of the non-proliferation regime, and we reiterate our support for the implementation of this instrument in all its aspects. Likewise, we will promote the effective implementation of the UN Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons. We will support bi-regional projects to prevent the illegal production and trafficking of such arms and promote measures for their collection and destruction. (...)*

*18. We express our full support for the International Criminal Court as an effective means to combat impunity from the most heinous crimes of concern to the international community. The States Parties call on those countries which have not done so to ratify or accede, as applicable, to the Rome Statute.*

The important paragraphs on social cohesion state:

*39. We stress that poverty, exclusion and inequality are an affront to human dignity, and that they weaken democracy and threaten peace and stability. We reiterate our commitment to attain the Millennium Development Goals by 2015 and underline our determination to build fairer societies by strengthening social cohesion, especially bearing in mind the principle of global common responsibility.*

*40. We reiterate the primary responsibility of our governments, together with civil societies, to lead processes and reforms aimed at increasing social cohesion, by fighting poverty, inequality and social exclusion. We stress the need to undertake measures to combat xenophobia and discrimination, based in particular on the grounds of gender, race, belief or ethnicity, while guaranteeing respect for cultural diversity. In addition, we underline the importance of combating all forms of violence, especially violence against women and domestic violence.*

*41. We underline our determination to build fairer societies by favoring social investment focused on education at all levels, nutrition, health, housing, water supply and sanitation, as well as employment-intensive infrastructure development projects, in order to alleviate poverty. Innovative multilateral financial mechanisms are essential instruments for achieving these ends.*

*42. We emphasise the need to dedicate an adequate level of public spending to social sectors, basic infrastructure, national solidarity funds, improved access to social services or other activities that benefit the poor and marginalised groups, avoiding excessive dependence on external financing for these policies.*

*43. We will promote economic policies which encourage investment and better income distribution in order to narrow the existing inequality and inequity gaps, so that macroeconomic achievements benefit population groups in situations of inequality, poverty and exclusion, thereby strengthening democratic governance.*

Needless to say that a **thorough quantitative re-analysis of the issue of human well-being and globalization** has enormous possible repercussions for various policy areas of the European Union. The European Union's **external relations** [Amato G. and Batt J. (1999), Attinà F. (2002), Baldwin R. E. et al. (1997), Bandt J. de et al. (Eds.)(1980), Drekonja-Kornat G. and Tokatlian J. G. (Eds.)(1983), Gower J. (1996), Tausch A. (2001), Tausch A. (2002a), and Telo M. and Telr M. (2006)] are just as affected by this question as the European Union's more immediate neighborhood policy, i.e. with the surrounding Muslim **Mediterranean countries** [Adler E. and Crawford B. (2002), Attinà F. (2003b), Attinà F. (2004), Belkacem L. (2001), del Sarto R. (2002), Esfahani H. S. (2000), Gaerber A. (1999), Ghazouani S. and Goaid M. (2001), Herrmann P. and Tausch A. (Eds.)(2005a), Herrmann P. and Tausch A. (Eds.)(2005b), Houry M. El and Panizza U. (2001), Omran M. (2001), Tausch A. (2003a), Togan S. (2002), Tovias A. (2002), and World Bank Middle East and North Africa Region (2002)].

Some critics of this "Euromed" or "Barcelona process" maintained, as Samir Amin did recently in Herrmann/Tausch, 2005 that the Euro-Mediterranean partenariat process, initiated in Barcelona in 1995, has

*" (...) proven bankrupt -- first, because there is no true Euro-Arab dialogue associating all the Arab countries with all their European counterparts and, second, because since its birth, its other goal has been to impose Israel's integration on the region, although this country, due to its apartheid policies, should be isolated from the international community. It is Europe's responsibility to distance itself from the US, on the political as on the economic levels, and to lend substance to its references to human rights. The struggle for democracy (in Tunisia, Turkey...) is first and foremost the people's concern. The construction of alternatives must be the response to neoliberal expansion, the social consequences of which are objectively ruinous; and it must rest upon converging modes of struggle and resistance to the dominant model." (Amin, in Herrmann/Tausch, 2005).*

Finally, also the results of this study have immediate repercussions for the **EU's Lisbon strategy**. In his now famous speech at the European Parliament, Prime Minister Tony Blair said in 2005:

*What would a different policy agenda for Europe look like?*

*First, it would modernise our social model. Again some have suggested I want to abandon Europe's social model. But tell me: what type of social model is it that has 20m unemployed in Europe, productivity rates falling behind those of the USA; that is allowing more science graduates to be produced by India than by Europe; and that, on any relative index of a modern economy - skills, R&D, patents, IT, is going down not up. India will expand its biotechnology sector fivefold in the next five years. China has trebled its spending on R&D in the last five.*

*Of the top 20 universities in the world today, only two are now in Europe. (...)*

*The purpose of our social model should be to enhance our ability to compete, to help our people cope with globalization, to let them embrace its opportunities and avoid its dangers. Of course we need a social Europe. But it must be a social Europe that works. (...)*

*And we've been told how to do it. The Kok report in 2004 shows the way. Investment in knowledge, in skills, in active labor market policies, in science parks and innovation, in higher education, in urban regeneration, in help for small businesses. This is modern social policy, not regulation and job protection that may save some jobs for a time at the expense of many jobs in the future. (...)*

*And since this is a day for demolishing caricatures, let me demolish one other: the idea that Britain is in the grip of some extreme Anglo-Saxon market philosophy that tramples on the poor and disadvantaged. (British Prime Minister Tony Blair, available at: <http://www.number10.gov.uk/output/Page7714.asp>)*

Generally, there is no consensus among globalization critics and globalization supporters in the Lisbon literature [Die Presse (2005), Kirby P. (1981), Kirby P. (1998), Kirby P. (2002), Palme J. (2005), Petrella R. (1995), Sapir A. (2005a), Sapir A. (2005b), Soete L. (2005), Tsoukalis L. (2005), and Weil P. (2005), just to mention a few].

Our own position further develops ideas, put forward recently by Chase-Dunn and Boswell (2005) – only a **movement towards global democracy** is the valid answer to the fact that the peoples of the world live in a single global social system (Chapter 3 and Chapter 8). In contrast to Chase-Dunn and Boswell, who start out from a concept of a movement towards global democracy as a [presently very unrealistic] step towards the global **socialization of the most important means of production** we rather tend to argue that a **federalist democratic structure** is needed both at the level of the **European Union** as well as on the level of the **United Nations** (Chapter 3). In addition, we argue with Kiljunen (2000, 2003) that globalization is still half way through. The world is yet far from being a uniform entity where human societies together constitute a single global social system. The global markets are not regulated by a global administration, a global legislation nor a global democratic decision-making. The international system still revolves around sovereign nation-states. Subsequently, the existing international organizations represent only inter-governmental fora for collaboration. They do not receive their mandates and legitimacy directly from the peoples even though the UN Charter nobly declares “We the peoples of the United Nations...”. Kiljunen is right in stressing that the strength of each government largely depends on the available economic resource. Leading Western countries show the way. These countries have organized themselves into the G-7/G-8 through which they coordinate their financial and economic policies and thereby striving to guide the global economic development. Leading economic organizations like the IMF, the World Bank and the WTO, are under the control of the leading western nations. In order to properly manage the global economy, the G-7/G-8, Kiljunen argues, is too narrow both in representation and in approach. The countries it includes inhabit only 12 % of the world population. As long as countries like China, Brazil and India are excluded from the group, it will not even cover all the major economies of the world. The Commission on Global Governance, headed by the former Prime Minister of Sweden, Ingvar Carlsson, presented in its final report various proposals how to advance a worldwide system of governance. A core proposal was the establishment of a economic security council of the world. The **new UN-Economic Security Council**, proposed, among others, by Kiljunen, should not be founded to counterbalance the G-7 but rather to build on it. Integral to its task would be to

include all the leading economies of the world. Also, a regional representation is needed safeguarding the representation of every continent. Moreover, the inclusion of regional economic blocks should be considered. For instance, the European Union, the ASEAN (Association of South East Asian Nations) and the MERCOSUR (South America's Common Market) from Latin America could represent their member-states. An excessive size of the new forum could thus be avoided. The Economic Security Council would assume the leading role in the co-ordinating and regulating of the global economy. Its focus would include economic, social, environmental as well as development issues in the widest sense. It would acquire a similar standing in relation to the global economic matters that the Security Council has in peace and security issues. The new organ would coordinate the work of the international financial institutions and the WTO as well as the UN system. **As a consequence, the UN Economic and Social Council (ECOSOC), could be removed** (Kiljunen, 2000, 2003).

**A global public administration** would also require an **independent global financing** which is not conditioned upon the will of individual governments. Already the international commission which dealt with the North-South issues, headed by the German Chancellor Willy Brandt in the year 1980, suggested in its report an automatic financing for international operations. The same was iterated by the Commission on Sustainable Development lead by the Prime Minister of Norway, Gro Harlem Brundtland. **A global taxation is needed**<sup>18</sup>. The UNDP has

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<sup>18</sup> In that context, the highly interesting proposal by Austrian Federal Chancellor Dr. Wolfgang Schüssel should be mentioned (see the article from the IHT under the title „Austrian leader proposes direct taxes for the EU“ by Graham Bowley, *International Herald Tribune*, THURSDAY, JANUARY 19, 2006, which reads as follows:

*BRUSSELS The Austrian chancellor Wolfgang Schüssel, on Wednesday called for new taxes that European citizens would pay directly to Brussels to finance the European Union's budget. Schüssel's call, which will most likely to face fierce opposition from Britain and other member states, represents an idea that is crystallizing among some EU leaders that the Union must be given greater powers to tax its citizens directly if it is to end the interminable wrangling among member governments over their EU budget contributions. "Europe needs a strong way of financing itself," Schüssel said in a speech to the European Parliament in Strasbourg. Austria is the current holder of the EU's rotating presidency. The idea of direct taxation could mark an important stage in the evolving nature of the European Union, which in 2004 expanded from 15 to 25 members. But some member states, most prominently Britain, want to retain national control over their tax policies and have fought to restrict the expansion of the EU's central budget, which among other things redirects funds from richer to poorer members and pays for common EU policies. Schüssel, who wants to use Austria's presidency to restore confidence in the EU after the rejection of the constitutional treaty last year, said the Union would not survive if it continued to rely solely on budget contributions from national governments. He said that giving the EU power to levy taxes directly would end the kind of infighting that soured relations for most of last year during talks on the EU's 2007-13 budget. "We will kill ourselves next time - the member states - if we negotiate only on this basis," he said. Schüssel and other EU leaders, like José Manuel Barroso, president of the European Commission, see a direct tax as a possible step in the evolving nature of the EU, which in recent years has taken on new members and added the single currency, the euro, among a core group of its members. Schüssel said the new European tax could be levied on investors' short-term profits and on international air and sea travelers, but gave no further details. A British government spokeswoman said: "This is something that the U.K. has reservations about, and we are not alone. There are other member states that have concerns about it." The idea for a direct European tax is not a new one, but it has come to the fore since member states reached a seven-year budget deal in December after bitter negotiations, and after the European Commission was given the role of reviewing the whole of the budget in 2008. At present the EU receives some funds directly from the import duties and value-added tax receipts of member states, but its activities are financed mostly by direct annual handouts from the EU's richest members, like Germany and Britain. In December, Barroso hinted at support for a new direct EU tax to give the EU more of its own resources and so break the dependence on contributions from national budgets. This is one of*



requested the same in its annual reports. There are many options, according to Kiljunen, for global revenue raising. International trade, telecommunication and traveling can be taxed. Foreign currency transactions could be imposed a turnover tax. The exploitation of the global commons, such as the sea bed, the atmosphere, the space and the Antarctica could be charged. Also some of the environmental taxes such as the ones imposed on carbon dioxide emissions or the discharge of sea waste could be globalized. It is not so much a question of whether there exists feasible global tax opportunities or whether it could be technically arranged. Rather, it is still a question of a lack of common global will to deal with matters (Kiljunen, 2003).

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*the ideas the commission is considering in its review of the EU budget planned for 2008. A spokesman for the Austrian government in Brussels would not give any more details on the proposed taxes, beyond saying that they were a means of "starting the discussion." In the past, President Jacques Chirac of France has supported a tax on aviation fuel as a way to finance development spending. The European Parliament, which had argued for a larger EU budget for 2007-13, on Wednesday voted against the deal struck by EU governments at their summit meeting in December. In principle, the Parliament has veto power over the budget, but it is unlikely to substantially change the Union's agreement. The Parliament will now enter into negotiations with Schüssel, who represents EU member states. He said Wednesday that he expected that a deal would be reached with Parliament within the next few months and indicated that governments might be willing to contribute further - but not significantly - to the E862 billion, or \$1 trillion, already agreed upon for the seven year budget. Schüssel, who faces elections in Austria later this year, has played down the need for deep economic change during his presidency, an issue that contributed to the crisis of confidence in the EU last year and led to the rejection of the EU's proposed constitution in referendums in France and the Netherlands. In his speech Wednesday, he emphasized social protection and called for negotiation about economic modernization between governments, trade unions and employers. He appeared to cast some doubt on EU plans to liberalize the European market in services, suggesting that it may not be possible to push through the EU services directive during Austria's six-month presidency. In a separate interview, Karl-Heinz Grasser, the Austrian finance minister, also gave a cool reception to the EU services directive, which the European Parliament will vote on in February. The services directive has raised fears about cheap labor from countries such as Poland taking jobs in Western Europe. Grasser said that "a Czech plumber working in Austria" has to adhere to Austrian standards, notably in the area of social protections and wages. "I don't want to protect individual jobs, but I do want to protect jobs," he said. The conservative Austrian People's Party of Schüssel and Grasser faces a tough election in the autumn. Its main opponent is the Social Democratic Party, which has tapped into a broad vein of skepticism in the Austrian electorate toward the EU services directive. Most polls show the People's Party slightly behind the Social Democrats. Also, the Alliance for Austria's Future, the party of Jörg Haider that is the conservative coalition partner, may not make it into the Austrian Parliament, polls show. Schüssel said a direct tax would put an end to what he called the "unhappy tension" between countries that were net contributors and those that were net recipients in the EU. He said that it was "absurd" that "short-term financial transactions are completely exempted from tax, it's absurd there are tax gaps, that international aviation is part of a tax gap."*

## 2. Why neo-liberal globalization does not produce the results it promises on a global scale: globalization and the human condition, 1980 - 2005

### 2.1. Introduction

As already stated in the introduction to this work, a recent very thorough liberal globalist flagship synopsis of the quantitative peace- and development research evidence over the last decades by de Soysa and Gleditsch (2002) maintains that under such a research design, globalization, especially openness to trade and foreign direct investment, lead towards

- a) increased democracy
- b) development
- c) less inequality
- d) a better environment
- e) peace.

Analyzing world social, gender, ecological and economic development on the basis of the main 9 predictors, compatible with the majority of the more than 240 published studies on the cross-national determinants of the "human condition" around the globe, we present the results of 32 equations about development performance from 131 countries. We come to the conclusion that while there is some confirmation for the "blue", market paradigm as the best and most viable way of world systems governance concerning economic growth, re-distribution and gender issues, the "red-green" counter-position is confirmed concerning such vital and basic indicators as life expectancy and the human development index.

### 2.2. Globalization and the human condition

De Soysa and Gleditsch centered their analysis about globalization and the human condition on the indicator "*world economic openness*", which in a way is biased. Conventional wisdom of the "Washington Consensus" has it that it is always the periphery or semi-periphery country that got it all wrong during a crisis, like in East Asia, Russia or recently in Turkey and that a good combination of economic freedom, privatization, tight monetary policies and above all private foreign direct investment will "fix" it, once the forces of the market are properly at work (see also Raffer in Tausch, 2003, and Chapter 1 above). Literature, supporting the "**Washington Consensus**" now abounds, **highlighting pro-market policies and world economic openness as strategies for social and economic well-being**, social justice and economic growth, and a peaceful

world [Barro R. J. (1991), Barro R. J. (1994), Barro R. J. (1996a), Barro R. J. (1996b), Barro R. J. (2000), Barro R. J. (2001), Barro R. J. (2003), Barro R. J. (2004a), Barro R. J. (2004b), Barro R. J. and Grilli V. (1994), Barro R. J. and McCleary R. M. (2003a), Barro R. J. and McCleary R. M. (2003b), Barro R. J. and McCleary R. M. (2004), Barro R. J. and Sala-i-Martin X. (1991), Barro R. J. and Sala-i-Martin X. (1995/98), Barro, R. J. and Sala-i-Martin X. (1992), Becker G. (1993), Betcherman G. (2002), Bhagwati J.N. (1989), Carroll E. (2000), Dollar D. (2005), Dollar D. and Kraay A. (2000), Dollar D. and Kraay A. (2001a), Fukuyama F. (1991), Gholami R., Lee S. Y. T and Heshmati A. (2003), Haouas I; Yagoubi, M; and Heshmati A (2002a), Haouas I; Yagoubi, M; and Heshmati, A. (2002b), Harss C. and Maier K. (1998) Heshmati A. (2003a), Heshmati A. (2003b), Heshmati A. and Addison T. (2003), Kearny A.T. (2001), Klein M. et al. (2001), Moore M. (2003), Nederveen-Pieterse J. (1997), Olson M. (1982), Olson M. (1986), Olson M. (1987), Weede E. (1990), Weede E. (1992), Weede E. (1993a), Weede E. (1993b), Weede E. (1996a), Weede E. (1996b), Weede E. (1997), Weede E. (1999a), Weede E. (2002) Weede E. (2003), Weede E. (2004a), Weede E. (2004b), Weede E. (2004c), Weede E. (2004d), Weede E. (2005), Weede E. and Muller E. N. (1998)].

The **counter-position**, advanced by globalization critics, environmentalists, liberation theologians of all denominations, and - most recently - dissidents from the once homogeneous neo-liberal camp would hold that unfettered globalization increases the social gaps between rich and poor both within countries as well as on a global scale. Most of the adherents of this camp would share the view proposed by Cornia and Kiiski that income distribution in the world system has worsened during the period of globalization. Indeed, the challenge by dependency theory to the neo-classical consensus is a real one – especially in a time of growing stagnation in the centers and social polarization in many countries of the periphery. The massive literature on dependency is still influential in the countries of the world periphery, the recent wave of neo-liberal globalization notwithstanding [Addo H. (1986), Amin S. (1973), Amin S. (1976), Amin S. (1980) Amin S. (1984), Amin S. (1989), Amin S. (1992), Amin S. (1994a), Amin S. (1994b), Amin S. (1994c), Amin S. (1997a) Amin S. (1997b), Avery W. P. and Rapkin D. P. (1989), Bello W. (1989), Bello W.; with Shea Cunningham and Bill Rau (1999), Cardoso F. H. (1969), Cardoso F. H. (1972), Cardoso F. H. (1973), Cardoso F. H. (1977), Cardoso F. H. (1979), Cardoso F. H. and Faletto E. (1971), Cordova A. (1973), Cordova A. and Silva - Michelena H. (1972), Dubiel I. (1983), Dubiel I. (1993), Feder E. (1972), Flechsig St. (1987), Flechsig St. (1994), Flechsig St. (2000), Froebel F. et al. (1977a), Froebel F. et al. (1977b), Froebel F. et al. (1984), Froebel F. et al. (1986), Furtado C. (1970), Gonzales Casanova P. (1973), Griffin K. and Gurley J. (1985), Hettne B. (1983), Kay C. (1989), Kay C. (1991), Kent G. (1984), Kirby P. (2003a), Kirby P. (2003b), Köhler G. (1975), Köhler G. (1976b), Köhler G. (1978b), Köhler G. (1995), Prebisch R. (1981), Prebisch R. (1983), Prebisch R. (1984), Prebisch R. (1986), Prebisch R. (1988a), Prebisch R. (1988b) Raffer K. (1987a), Russett B. (1978), Singer P. I. (1971), Singer P. I. (1971), Singer P. I. (1972), Singer P. I. (1973), Singer P. I. (1974) Singer P. I. (1976), Singer P. I. (1977), Singer P. I. (1981a), Singer P. I. (1981b), Singer P. I. (1986), Singer P. I. (1987), Singer P. I. (1988), Singer P. I. (1991), Singer P. I. (1998), Singer P. I. (1999a), Singer P. I. (1999b), Singer P. I. et al. (1977), So A. Y. (1990), Sunkel O. (1966), Sunkel O. (1973a), Sunkel O. (1973b), Sunkel O. (1978a), Sunkel O. (1978b), Sunkel O. (1980), Sunkel O. (1984), Sunkel O. (1991), and Sunkel O. (1994)].

It has been established fairly well enough that there is a continuing phenomenon of world poverty. But what beyond that? Is globalization really the cause of world poverty? Or is rather the absence of globalization and foreign investment to blame for the continued misery in countries, say, like Myanmar, while outward-looking policies dramatically increased the lot of wide strata of the population in countries like China, Thailand and India over the last decades?

This growing international controversy on globalization and social inequality can be neatly portioned in two camps – scholars maintaining that world inequality is increasing during globalization, and scholars, maintaining that world inequality is decreasing over time during globalization. Much of the confusion rests on the fact that most globalization - > increasing inequality studies deal with world incomes measured at exchange rates, while world income distribution and world social equity, measured in purchasing power parities or “hard” basic human needs indicators, tended to become more egalitarian over recent decades. Flagship studies, permitting a pessimistic interpretation now include Arrighi G. (1991), Arrighi G. et al. (1996b), Babones S. J. (2005), Bergesen A. J. and Bata M. (2002), Berry A. et al. (1981), Bornschieer V. (2002), Breedlove W. L. and Patrick N. D. (1988), Caminada K. and Goudswaard K. (2000), Chase-Dunn Ch. K. (1984), Cornia G. A. (Ed.) (2004), Cornia G. A. and Kiiski S. (2002), Cornia G. A., Addison T. and Kiiski S. (2003), Galbraith J. K. (2002), Galbraith J. K. and Berner M. (2001), Galbraith J. K. and Kum H. (2005), Galbraith J. K. and Pitts J. W. (2002), Gradstein M and Milanovic B. (2004), Korzeniewicz R. P. and Moran T. P. (1997), Milanovic B. (2002), Milanovic B. (2003a), Milanovic B. (2003b), Milanovic B. (2005), Nollert M. (1990), and Schultz T. P. (1998). Especially the thorough methodological criticism voiced by the very well-known US economist James K. Galbraith should be mentioned here. As already mentioned in Chapter 1 of this work, his new, freely available<sup>19</sup> UTIP (*University of Texas Inequality Project*) global inequality data base documents wage inequality (inequality of wages in 21 economic sectors) for over 70 countries on a time series base from 1960 onwards. This massive research project then estimates the econometric relationships between these inequality data and the often deficient World Bank data series and projects GINI coefficients of estimated income inequality over time since 1960 in these 70 countries that concentrate the large majority of world population within their borders. Galbraith and his team could show that on the basis of such data, **global inequality** is increasing under globalization. Some of his most important results are presented in the form of maps in Chapter 7.

The most important studies that support the hypothesis that world income inequality decreases with globalization today include Australian Treasury (2001), Crafts N. (2000), Dowrick, S. and Akmal M. (2001b), Firebaugh G. (1999), Firebaugh G. (2000), Firebaugh G. (2002), Firebaugh G. (2003), Firebaugh G. and Goesling B. (2004), Goesling B. (2001), Goesling B. and Firebaugh G. (2004), Melchior A., Telle, K., and Wiig, H. (2000), and Rodas-Martini P. (2001).

Ever since Kurt Rothschild's famous article in the *Economic Journal* in 1944, it is known that the share of imports – or also of exports - per GDP is a function of the size of nations. Per se, small and open economies tend towards social compromise, and are in fact the subject of an important, today mostly neglected

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<sup>19</sup> <http://utip.gov.utexas.edu/>

debate about “**small states in the International System**”. To this one must add that corporatism, high union density, social coherence, and other characteristics of these small, world economically open democracies interact [Katzenstein P. (1974), Rothschild K. W. (1963), Rothschild K. W. (1966), Rothschild K. W. (1984), Rothschild K. W. (1985), Wallerstein M. (1989)]. Such characteristics would be assumed to be typical for countries like Austria, the Irish Republic, the Netherlands, and Switzerland, but certainly not all neo-liberally oriented countries of the world.

Even with adjustments, the indicator is heavily dependent upon the size of a nation. It emerges from the Dollar/Kraay data set that the highest openness over the last decade was to be found in Estonia, Norway and Saint Lucia. From their data set it also emerges that among the 30 most open economies of the entire world economy were small territory and country cases like Hong Kong, Luxembourg, Saint Lucia, Slovenia and Switzerland. Also we find the two nations Communist Bulgaria before the transformation and Belarus under the Lukashenka regime. The heavily social democratic “Consociational Democracies” Austria, Denmark, the Netherlands and Sweden in the 1980s and 1990s, and social democratic Norway are also among the sample. If anything, thus the Dollar and Kraay results demonstrate either (what Kraay certainly did not intend) that Communism Bulgarian or Lukashenka-style is **the** model of world economic openness, **or** that there is some truth in Professor Peter Katzenstein’s theory about small states, the need for social compromise and social partnership in such states, and redistribution and development in such nations and their ascent in the international system<sup>20</sup>.

<sup>20</sup> see especially: “Corporatism and Change: Austria, Switzerland and the Politics of Industry” (Ithaca: Cornell University Press, 1984; paperback edition 1987; Spanish translation 1987). In that context, it is worthwhile to analyze the top 30 “globalizers” according to Dollar and Kraay. We sorted his original data with the EXCEL “sort” routine. It seems that except for the cases of communist Bulgaria in the 1980s and postcommunist Belarus, and the then Crown Colony Hong Kong, all other countries support rather Katzenstein’s small state theory and not Dollar and Kraay’s own interpretation

The top 30 globalizers according to Kraay and associates in alphabetical order

Openness Index	Country Code	Country	Year
0,9014	AUT	Austria	1987
1,2614	BEL	Belgium	1979
1,3456	BEL	Belgium	1985
1,5769	BEL	Belgium	1992
1,0761	BGR	Bulgaria	1989
1,2134	BGR	Bulgaria	1984
0,9689	BLR	Belarus	1993
1,0415	CHE	Switzerland	1982
0,8597	DNK	Denmark	1986

0, 9396	DNK	Denmark	1991
0, 8840	EST	Estonia	1993
1, 0722	EST	Estonia	1998
0, 9003	HKG	Hong Kong	1976
0, 9225	HKG	Hong Kong	1971
0, 9743	HKG	Hong Kong	1981
1, 1419	HKG	Hong Kong	1986
1, 7160	HKG	Hong Kong	1991
1, 0190	IRL	Ireland	1987
0, 8957	LCA	Saint Lucia	1995
2, 6691	LUX	Luxemburg	1985
3, 0757	LUX	Luxemburg	1991
0, 9087	NLD	Netherlands	1975
0, 9605	NLD	Netherlands	1981
1, 0302	NLD	Netherlands	1986
1, 1636	NLD	Netherlands	1991
0, 8586	NOR	Norway	1989
0, 8831	NOR	Norway	1979
0, 9553	NOR	Norway	1995
0, 9975	SVN	Slovenia	1992
0, 8465	SWE	Sweden	1995

The top 30 anti-globalizers according to Kraay and associates

CODE	Country	YEAR	OPENAV
ARG	Argentina	1961	0, 0719
BDI	Burundi	1992	0, 0819
BGD	Bangladesh	1963	0, 0171
BGD	Bangladesh	1973	0, 0176
BGD	Bangladesh	1978	0, 0193
BGD	Bangladesh	1988	0, 0226
BGD	Bangladesh	1983	0, 0228
BGD	Bangladesh	1995	0, 0299
BRA	Brazil	1970	0, 0613
BRA	Brazil	1986	0, 0707
BRA	Brazil	1960	0, 0713

### **2.3. The fundamental determinants of the human condition**

For the **globalization -> poverty reduction school** to be maintained, it must be shown that **several indicators of globalization**, and not just the indicator *“share of foreign trade by GDP”*, **are significantly and systematically linked to a series of indicators of national and social well-being, including income redistribution, democracy, and sustainable development, irrespective of the development level** achieved.

Today, a truly massive cross-national research literature exists whose results are often diametrically opposed to one another, with dependency scholars claiming that dependency has adverse affects on the ‘human condition’ (economic growth, income equality, human well-being, gender and ecological relationships), while neo-liberal scholars claiming the opposite. In view of the massive, contradictory evidence, often based on smaller samples of countries and equally limited number of indicators, a new approach is taken here, trying to show the effects of the major available indicators, ranging from dependency to basic elements of the Washington Consensus, relevant in the literature, available for a sufficient number of countries (> 120 nations), on the widest number of available international indicators from standard international sources (above all the UNDP) from a wide number of UN-Millennium indicators and basic human needs, social inequality, human rights, gender justice, and/or ecological well-being variables. We try to do justice to some 240 quantitative studies that are contained in our bibliography, and try to present in this theoretical overview those determinants of the “human condition” that are sufficiently available for more than 120 nations [see Ahluwalia M. S. (1974), Ahulwalia M. S. (1976), Alderson A. and Nielsen F. (1999), Alderson A. S., Beckfield J. and Nielsen F. (2005), Babones S. J. (2002), Barro R. J. (1991), Barro R. J. (1994), Barro R. J. (1996a), Barro R. J. (1996b), Barro R. J. (2000), Barro R. J. (2001), Barro R. J. (2003), Barro R. J. (2004a),

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BRA	Brazil	1981	0, 0726
BRA	Brazil	1976	0, 0817
CHN	China	1980	0, 0197
CHN	China	1985	0, 0362
CHN	China	1990	0, 0630
ETH	Ethiopia	1995	0, 0772
IND	India	1977	0, 0287
IND	India	1988	0, 0335
IND	India	1983	0, 0338
IND	India	1993	0, 0347
KOR	South Korea	1961	0, 0518
KOR	South Korea	1966	0, 0680
MOZ	Mozambique	1996	0, 0774
NPL	Nepal	1977	0, 0310
NPL	Nepal	1984	0, 0367
NPL	Nepal	1995	0, 0585
PAK	Pakistan	1990	0, 0783
PAK	Pakistan	1985	0, 0820
RWA	Rwanda	1983	0, 0627

Barro R. J. (2004b), Barro R. J. and Grilli V. (1994), Barro R. J. and McCleary R. M. (2003a), Barro R. J. and McCleary R. M. (2003b), Barro R. J. and McCleary R. M. (2004), Barro R. J. and Sala-i-Martin X. (1991), Barro R. J. and Sala-i-Martin X. (1995/98), Barro, R. J. and Sala-i-Martin X. (1992), Becker G. (1993), Beckerman W. (1992), Beer L. (1999), Beer L. and Boswell T. (2002), Bergesen A. and Fernandez R. (1999), Betcherman G. (2002), Bhagwati J.N. (1989), Bornschier V. and Ballmer-Cao, T. H. (1979), Bornschier V. and Chase-Dunn Ch. K (1985), Bornschier V. and Heintz P., reworked and enlarged by Th. H. Ballmer - Cao and J. Scheidegger (1979), Bornschier V. and Nollert M. (1994), Bornschier V. et al. (1980), Bornschier V., Chase-Dunn Ch. and Rubinson R. (1977), Boswell T. and Dixon W. J. (1993), Boswell T. and Dixon W.J. (1990), Bradshaw Y. (1987), Bradshaw Y. and Huang J. (1991), Bradshaw Y. W. and Schafer M. J. (2000), Bradshaw Y. W., Noonan R; and Gash L. (1993), Breedlove W. L. and Armer J. M. (1996), Breedlove W. L. and Armer J. M. (1997), Bullock B. and Firebaugh G. (1990), Burns T. J. et al. (1994), Burns T. J., Kentor J. D. and Jorgenson, A. (2002), Burns T. J., Kick E. L. and Davis B. L. (2003), Caporaso J. A. (1978), Carroll E. (2000), Chan St. and Mintz A. (1992), Chase-Dunn Ch. K. (1975), Chase-Dunn Ch. K. (2005), Clark R. (1992), Clark R. et al. (1991), Crenshaw E. M. (1991), Crenshaw E. M. (1992), Crenshaw E. M. (1993), Crenshaw E. M. (1995), Crenshaw E. M. and Ansari A. (1994), Crenshaw E. M. and Jenkins J. C. (1996), Crenshaw E. M. and Oakey, D. R. (1998), Crenshaw E. M.; Ameen A. Z.; and Christenson. M. (1997), Crenshaw E. M.; Christenson M.; Oakey D. R. (2000), Delacroix J. and Ragin Ch. (1981), Dixon C. J., Drakakis-Smith D. and Watts H. D. (1986), Dixon W. J. (1984), Dixon W. J. and Boswell T. (1996b), Dollar D. (2005), Dollar D. and Kraay A. (2000), Dollar D. and Kraay A. (2001a), Easterly W. (2001), Easterly W. (2002), Ehrhardt-Martinez K.; Crenshaw E. M.; and Jenkins J. C. (2002), Evans P. B. and Timberlake M. (1980), Fain H. D. et al. (1997), Fiala R. (1992), Firebaugh G. (1992), Firebaugh G. (1996), Firebaugh G. and Beck F. D. (1994), Frey R. S. and Field C. (2000), Fukuyama F. (1991), Galtung J. (1971), Galtung J., Chase-Dunn, Ch. K. et al. (1985), Gartner R. (1990), Ghobarah H. et al. (2001), Gholami R., Lee S. Y. T and Heshmati A. (2003), Gissinger R. and Gleditsch N. P. (1999), Goldfrank W. L. (1999), Gore A. (1994), Grimes P. and Kentor J. (2003), Hadden K. and London B. (1996), Haouas I; Yagoubi, M; and Heshmati A (2002a), Haouas I; Yagoubi, M; and Heshmati, A. (2002b), Hertz E. et al. (1994), Heshmati A. (2003a), Heshmati A. (2003b), Heshmati A. and Addison T. (2003), Huang J. (1995), Roberts J. T., Grimes P. E. and Jodie L. Manale J. L. (2003), Jenkins J. C. and Scanlan S. J. (2001), Johnson R. B. (1986), Jorgenson A. K. and Rice J. (2005), Kasarda J.D. and Crenshaw E.M. (1991), Kearny A.T. (2001), Kent G. (1995), Kentor J. D. (1998), Kentor J. D. (2001), Kentor J. D. (2005), Kentor J. D. and Boswell T. (2003), Kentor J. D. and Jang J. S. (2004), Kick E. L. and Davis B. L. (2001), Kick E. L. et al. (1990), Kick E. L. et al. (1995), Kick E. L., Davis B. L. and Burns T. J. (1998), Kick E. L., Davis B. L. and Burns T. J. (2000), Klein M. et al. (2001), Klitgaard R. and Fedderke J. (1995), Köhler G. (1976a), Köhler G. and Tausch A. (2002), Kohli A. et al. (1984), Krahn H. and Gartrell J. W. (1985), Lena H. F. and London B. (1993), London B. (1987), London B. (1988), London B. (1990), London B. and Robinson T. (1989), London B. and Ross R. J. S. (1995), London B. and Smith D. A. (1988), London B. and Williams B. A. (1988), London B. and Williams B. A. (1990), Lopez G. A. and Stohl M. (1989), Meyer W. H. (1996), Miller C. D. (1999), Mittelman J. (1994), Moaddel M. (1994), Moon B.E. and Dixon W.J. (1992), Moore M. (2003), Muller E. N. (1988), Muller E. N. (1993), Muller E. N. (1995), Muller E. N. and Seligson M. A. (1987), Munasinghe M., Miguel: de and Sunkel O. (2001), Neapolitan J. L. and



Schmallegger F. (1997), Nederveen-Pieterse J. (1997), Nielsen F. (1995), Nolan P. D. (1983), Nollert M. (1994a), Nollert M. (1994b), O'Loughlin J.; Ward M. D.; and Shin M. (1998), Olson M. (1982), Olson M. (1986), Olson M. (1987), Prechel H. (1985), Ragin C. C. and Bradshaw Y. W. (1992), Ram R. (1992), Robinson T.D. and London B. (1991), Rothgeb J. M. Jr. (1993a), Rothgeb J. M. Jr. (1993b), Rothgeb J. M. Jr. (1996a), Rothgeb J. M. Jr. (1996b), Rothgeb J. M. Jr. (1999), Rothgeb J. M. Jr. (2002), Rothgeb, J. M. Jr. (1995), Rubinson R. (1976), Russett B. (1983a), Russett B. (1983b), Sawada Y. and Yotopoulos P. A. (1999), Sawada Y. and Yotopoulos P. A. (2002), Shafik N. and Bandyopadhyay S. (1992), Shandra J. M., London B. and Williamson J. B. (2003), Shandra J. M., Ross R. J. S., London B. (2003), Shandra J. M.; London B.; Whooley O. P; Williamson J. B. (2004), Shandra J. M.; London B.; Williamson J. B. (2003), Shandra J. M.; Nobles J.; London B.; Williamson J. B. (2004), Shandra J. M.; Nobles, J. E.; London B.; Williamson, J. B. (2005), Shandra J., London B, Whooley O. P., et al. (2004), Shen C. and Williamson J. B. (2001), Shin M. E. (1975), Shin M. E. (2002), Simpson M. (1990), Smith D. A and London B. (1990), Smith D. A. (1994), Smith D. A. (1996), So A. Y. (1990), Soysa I. de (2002), Soysa I. de (2003), Soysa I. de and Gleditsch N. P. (2002), Soysa I. de and John R. Oneal, J. R. (2000), Soysa I. de and Neumayer E. (2005), Spar D. (1999), Stack St. (1998), Stokes R. and Anderson A.. (1990), Sunkel O. (1990), Suter Ch. (2005), Tausch A. (1986), Tausch A. (1989a), Tausch A. (1989b), Tausch A. (1990), Tausch A. (1991), Tausch A. (1998a), Tausch A. (1998b), Tausch A. (2003b), Tausch A. (2005b), Tausch A. (2005d), Tausch A. and Prager F. (1993), Timberlake M. and Kantor J. (1983), Timberlake M. and Williams K.R. (1984), Timberlake M. and Williams K.R. (1987), Trezzini B. and Bornschier V. (2001), Tsai P-L. (1995), Van Rossem R. (1996), Wagstaff A. and Watanabe N. (2002), Ward K. B. (1984), Weede E. (1985), Weede E. (1990), Weede E. (1992), Weede E. (1993a), Weede E. (1993b), Weede E. (1996a), Weede E. (1996b), Weede E. (1997), Weede E. (1999a), Weede E. (2002), Weede E. (2003), Weede E. (2004a), Weede E. (2004b), Weede E. (2004c), Weede E. (2004d), Weede E. (2005), Weede E. and Muller E. N. (1998), Weede E. and Tiefenbach H. (1981), Wickrama K. A. S. and Mulford Ch. L. (1996), Wimberley D. W. (1990), Wimberley D. W. (1991), Wimberley D. W. and Bello R. (1992), Wimmer A. (2002), Yotopoulos P. A. (1996), Yotopoulos P. A. (1997a), Yotopoulos P. A. (1997b), Yotopoulos P. A. and Floro S. L. (1992), Yotopoulos P. A. and Lin J. Y. (1993), Yotopoulos P. A., Nugent J. B. (1976), Yotopoulos P. and Sawada Y. (2005)].

**Dependency authors** generally explain backwardness and stagnation by the ever-growing dependent insertion of these countries into the world economy. Starting with the writings of Perroux, Prebisch and Rothschild in the 1930s, their leading spokespersons all would stress the unequal and socially imbalanced nature of development in regions that are highly dependent on investment from the highly developed countries. Short-term spurts of growth notwithstanding, long-term growth will be imbalanced and unequal, and will tend towards high negative current account balances.

Later **world system analyses** – that started with the writings of the Austro-Hungarian socialist Karl Polanyi after the First World War - tended to confirm and expand this dependency argument. Capitalism in the periphery, like in the center, is characterized by strong cyclical fluctuations, and there are centers, semi-peripheries and peripheries. The rise of one group of semi-peripheries tends to be at the cost of another group, but the unequal structure of the world

economy based on unequal transfer tends to remain stable. Authors from the world system approach tended to discard the “culturalist” explanations, offered by Huntington, and rather would support the argument that world economic position, and not culture, determines conflict. The massive world systems literature continues to be a stream of the scientific debate subsisting at the major Universities, publishing houses and scholarly journals around the world, the near complete global triumph of the neo-liberal theory notwithstanding [Arrighi G. (1989), Beaud M. (1990), Chase-Dunn Ch. (1999), Chase-Dunn Ch. K. (1991), Chase-Dunn Ch. K. (1992a), Chase-Dunn Ch. K. (2000), Chase-Dunn Ch. K. and Grimes P. (1995), Denmark R. A., Modelski G., Gills B. K. and Friedman J. (2000), Dunaway W. A. and Wallerstein I. (Eds.)(2003), Frank A. G. (1978a), Frank A. G. (1978b), Frank A. G. (1980), Frank A. G. (1981), Frank A. G. (1983), Frank A. G. (1992), Frank A. G. (1994), Frank A. G. (1998), Frank A. G. and Frank - Fuentes M. (1990), Frank A. G. and Gills B. (Eds.)(1993), Goldfrank W. L. (1978), Goldfrank W. L. (1990), Hettne B. (1989), Hettne B. (1995a), Hopkins T. K. (1982), Hopkins T. K. and Wallerstein I. et al. (1982), Oddone and associates, 2004 – 2005; Polanyi, K. (1979), Polanyi K. (1957), Ray J. L. (1983), Ross R. J. S. and Trachte K.C. (1990), Wallerstein I. (1974), Wallerstein I. (1976), Wallerstein I. (1978), Wallerstein I. (1979a), Wallerstein I. (1979b), Wallerstein I. (1980), Wallerstein I. (1982), Wallerstein I. (1983a), Wallerstein I. (1983b), Wallerstein I. (1984), Wallerstein I. (1986), Wallerstein I. (1989a), Wallerstein I. (1989b), Wallerstein I. (1990), Wallerstein I. (1991a), Wallerstein I. (1991b), Wallerstein I. (1997), Wallerstein I. (1998), and Wallerstein I. (2000)]

Dependency and world system theory generally hold that poverty and backwardness in poor countries – like in Latin America and the Muslim world - are caused by the peripheral position that these nations have in the international division of labor. **Ever since the capitalist world system evolved, there is a stark distinction between the nations of the center and the nations of the periphery.** Fernando Henrique Cardoso summarized the quantifiable essence of dependency theories as follows:

- there is a financial and technological penetration by the developed capitalist centers of the countries of the periphery and semi-periphery
- this produces an unbalanced economic structure both within the peripheral societies and between them and the centers
- this leads to limitations on self-sustained growth in the periphery
- this favors the appearance of specific patterns of class relations
- these require modifications in the role of the state to guarantee both the functioning of the economy and the political articulation of a society, which contains, within itself, foci of inarticulateness and structural imbalance (Cardoso, 1979)

A rising degree of monopolization in the leading center countries over time determines that, in order to keep the share of wages at least constant, a rising exploitation of the raw material producers sets in to offset the balance. There is massive, internationally published evidence that speaks in favor of dependency theory. However, it would be wrong to portray dependency simply in terms of MNC penetration, and to neglect other aspects of that relationship. Such authors as Singer and Tausch from the dependency camp and Hollis B. Chenery from the World Bank have put emphasis on the **resource balance** as an indicator of the weight of **foreign saving**. The work of the Brazilian economist Paul Israel

Singer, which is particularly neglected in the English speaking world, must be especially mentioned here, because his "dependency theory" specifically integrated foreign saving.

Other formulations of dependency insisted on '**unequal exchange**', which, according to one such formulation, hampers development (i.e. double factorial terms of trade of the respective country are  $< 1.0$ ; see Raffer, 1987, Amin, 1975). Labor in the export sectors of the periphery is being exploited, while monopolistic structures of international trade let the centers profit from the high prices of their exports to the world markets in comparison to their labor productivity. Since double factorial terms of trade are simply net barter terms of trade weighted by productivities (F) of X, exports, and M, imports, the formula

$((PX * FX)/(PM*FM)) = 1$  denotes the conditions of 'equal' exchange as opposed to unequal transfer:

$$((PX * FX)/(PM*FM)) = < 1.0$$

Nations with

$$((PX * FX)/(PM*FM)) = > 1.0$$

are the countries that benefited from unequal exchange.

Losses or gains from unequal transfer are calculated as the difference between a "fair value" of exports/imports and the "actual (unfair) value" of exports/imports. The estimation formula is:

$$T = d*X - X$$

where

d = the exchange rate deviation index (also designated as "ERD" or "ERDI" in the literature)

X = the volume of exports from a low- or middle-income country to high-income countries (valued at the actual exchange rate)

T = the unrecorded transfer of value (gain or loss) resulting from unequal transfer

The transfer of value from the peripheries to the center, according to this reasoning, is gigantic:

### **Unequal transfer 1965 and 1995, by Center/Periphery**

Unequal transfer  
Gain (+)  
Loss (-)

CENTER PERIPHERY  
(% of OECD GDP) (% of NON-OECD GDP)

1965 +1.4% - 1.8 %  
 1995 +8 % -24 %

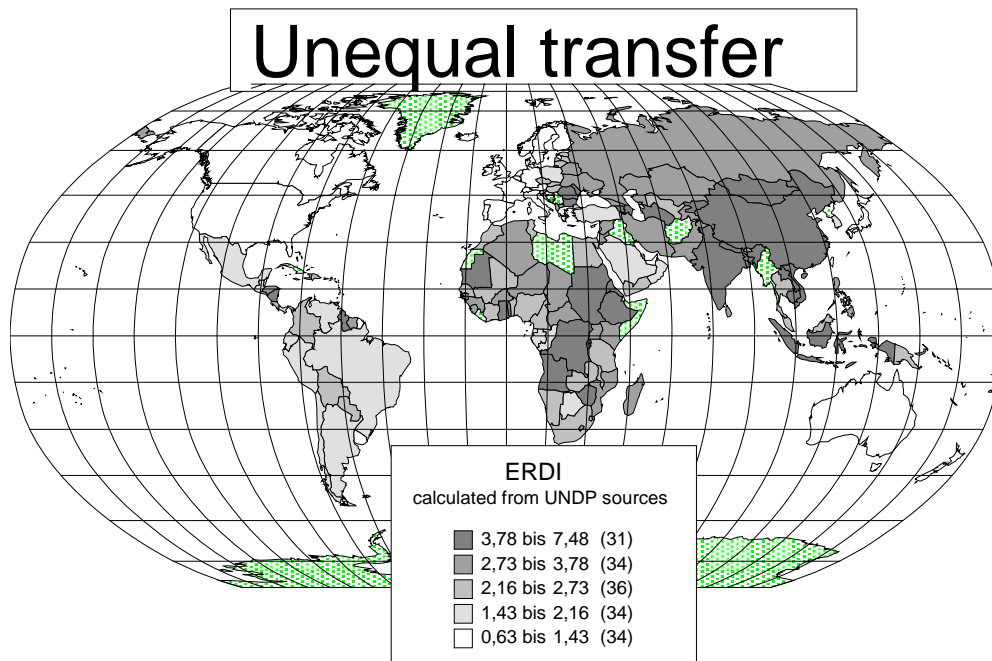
(Number of countries: OECD N=19 (1965) and N=22 (1995); NON-OECD N=88 (1965) and N=97 (1995)) [See Kohler/Tausch, 2002, further literature on unequal exchange as a development bloc includes today Emmanuel, A. (1972), Köhler G. (1998a), Köhler G. (1998a), Köhler G. (1999a), Köhler G. (1999b), Raffer K. (1987b), Raffer K. (1995), Raffer K. and Murshed S. M. (1993), Raffer K. and Singer H. W. (1996), Raffer K. and Singer H. W. (2001), Sawada Y. and Yotopoulos P. A. (1999), Sawada Y. and Yotopoulos P. A. (2002), Yotopoulos P. A. (1996), Yotopoulos P. A. (1997a), Yotopoulos P. A. (1997b), Yotopoulos P. A. and Floro S. L. (1992), Yotopoulos P. A. and Lin J. Y. (1993), Yotopoulos P. A., Nugent J. B. (1976), and Yotopoulos P. and Sawada Y. (2005)].

**Comparative „price levels“** are, the Eurostat definition goes, the ratio between GDP at purchasing power parities (PPPs) and GDP at market exchange rates for each country. To quote Eurostat:

*“Comparative price levels are the ratio between Purchasing power parities (PPPs) and market exchange rate for each country. PPPs are currency conversion rates that convert economic indicators expressed in national currencies to a common currency, called Purchasing Power Standard (PPS), which equalises the purchasing power of different national currencies and thus allows meaningful comparison. The ratio is shown in relation to the EU average (EU-25 = 100). If the index of the comparative price levels shown for a country is higher/ lower than 100, the country concerned is relatively expensive/cheap as compared with the EU average.”* (Quotation from Eurostat website, April 6, 2005, at: [http://epp.eurostat.cec.eu.int/portal/page?\\_pageid=1133,1406352,1133\\_1406373&dad=portal&schema=PORTAL](http://epp.eurostat.cec.eu.int/portal/page?_pageid=1133,1406352,1133_1406373&dad=portal&schema=PORTAL))

*“Comparative price levels“* do measure nothing else but the reciprocal value of our variable “unequal exchange” (ERDI). A country, following the Commission’s price reform strategy, is a country with a low international price level and a high ERDI.

Our geographical presentation of our own variables used in the analysis will be kept to a minimum. Among the dependent variables, we just mention **MNC penetration**, **unequal transfer** and the **resource balance** as the three “master variables” of dependency. **Unequal transfer** is strongest in the periphery, and weakest in the centers, with the semi-periphery showing medium levels of exposure to unequal transfer. Our map might be even termed to be an update of this Wallersteinian concept to the realities of the turn of the Century and Millennium, with the centers having values that correspond to the zones of lighter color, the semi-peripheries in grey colors, and the peripheries in dark colors.

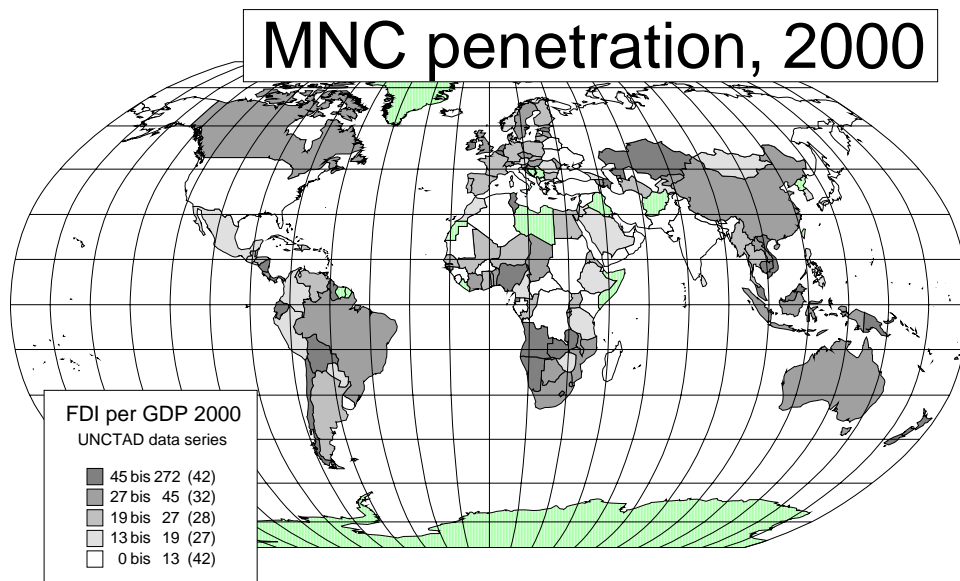
**Map 2.1: unequal transfer in the world system**

Legend: "bis" is the shorthand for "ranging from" "to". Countries marked in green color: missing values

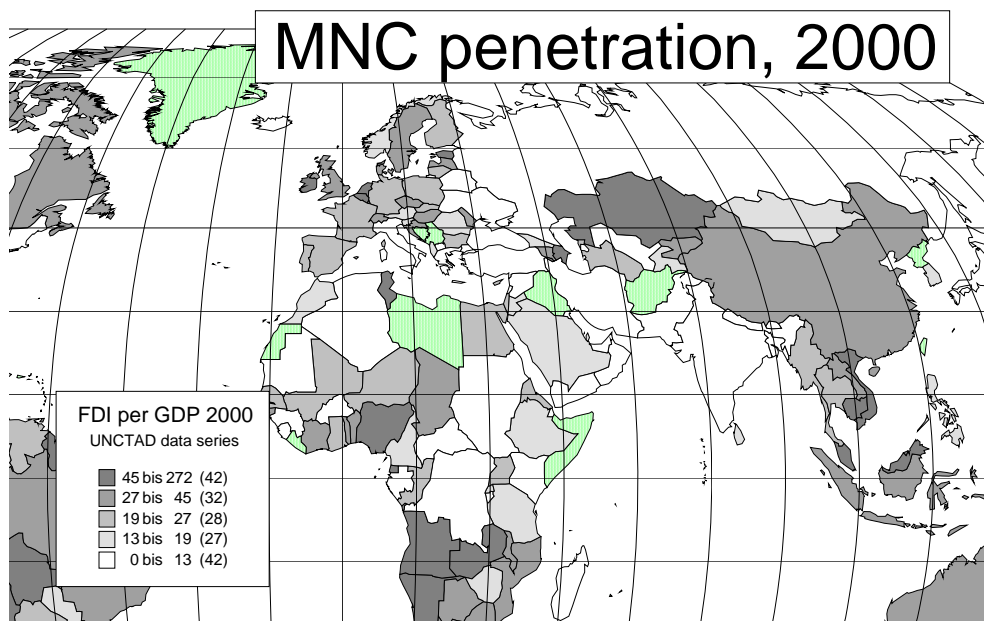
The abundant research literature on the semi-periphery highlights the non-permanent character of the semi-peripheral position, with historic strong upward and downward movements, but a stability of the structure as such. While some semi-peripheries rise, the others stagnate, almost suggesting that one semi-periphery rises at the cost of the other [Arrighi G. et al. (1991), Arrighi G. et al. (1996c), Arrighi G., Hamashita T. and Selden M. (Eds.)(2003), Chase-Dunn Ch. K. and Hall Th. D. (1997), Inglehart R. and Carballo M. (1997), Martin W. and Wallerstein I. (Eds.)(1990), Tausch A. (1993), Vaeyrynen R. (1997)].

In general terms, we observe today high levels of MNC penetration in the "dominion economies" like Australia and Canada, in Western Europe, in some parts of Eastern Europe, in Central Asia, other parts of the former USSR, in many parts of Latin America, Southern and Western Africa, in Egypt, in Tunisia, and in China and Southeast Asia:

**Map 2.2: MNC penetration in the world system**



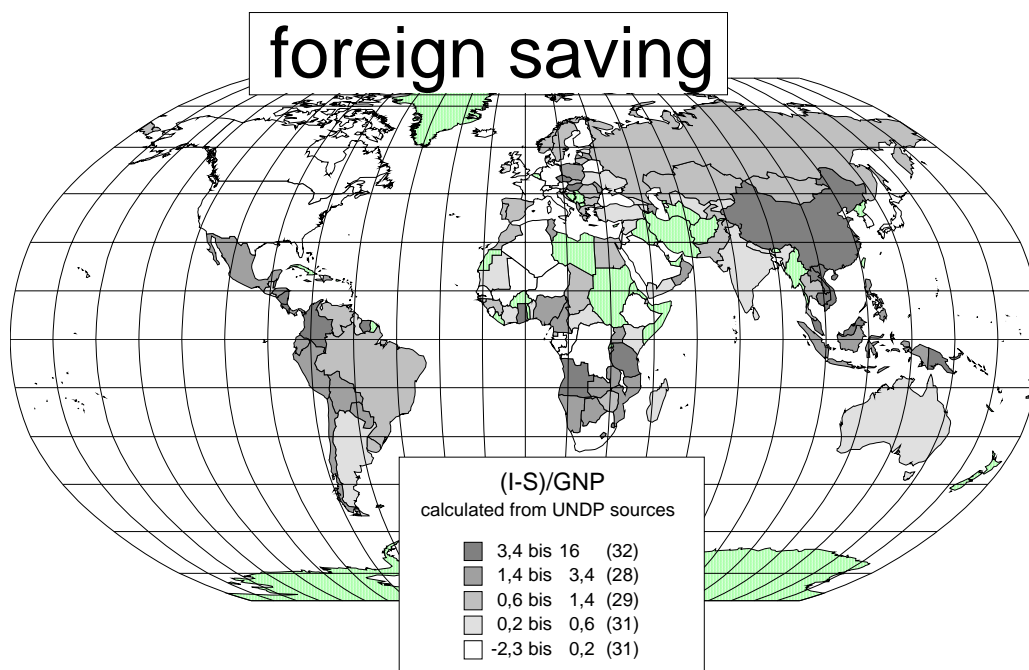
Legend: missing values for Greenland, Suriname, French Guyana, West Sahara, Bosnia/Herzegovina, Serbia, Montenegro, Libya, Iraq, Somalia, Afghanistan and North Korea. "bis" is the shorthand for "ranging from" "to". Countries marked in green color: missing values



MNC penetration received a vast attention in the published titles of the comparative research literature of the last 3 decades, among them Bailey P.; Parisotto A. and Renshaw G. (1993), Bornschier V. (1976), Bornschier V. and Heintz P., reworked and enlarged by Th. H. Ballmer - Cao and J. Scheidegger (1979), Bornschier V. et al. (1980), Dixon C. J., Drakakis-Smith D. and Watts H. D. (1986), Gosh P. K. (1984), International Labor Office and United Nations Centre on Transnational Corporations (1988), International Labour Office (2000), Jenkins R. (1987), Nollert M. (2005), Robinson R. D. (1987), Twomey M. J. (1993), United Nations Centre on Transnational Corporations (1983), United Nations Conference on Trade and Development (current issues), and Wheelwright T. (2001). While different authors disagree on the direction of the influence of MNC penetration on the human condition, they'd all underline the **strong influence** of MNC penetration on employment, economic growth, income distribution and overall development.

**Foreign saving**, for its turn, is strongest in many parts of Latin America, Southern Africa, in the "new Europe" and in China and in several countries of Southeast Asia:

**Map 2.3: foreign saving in the world system**



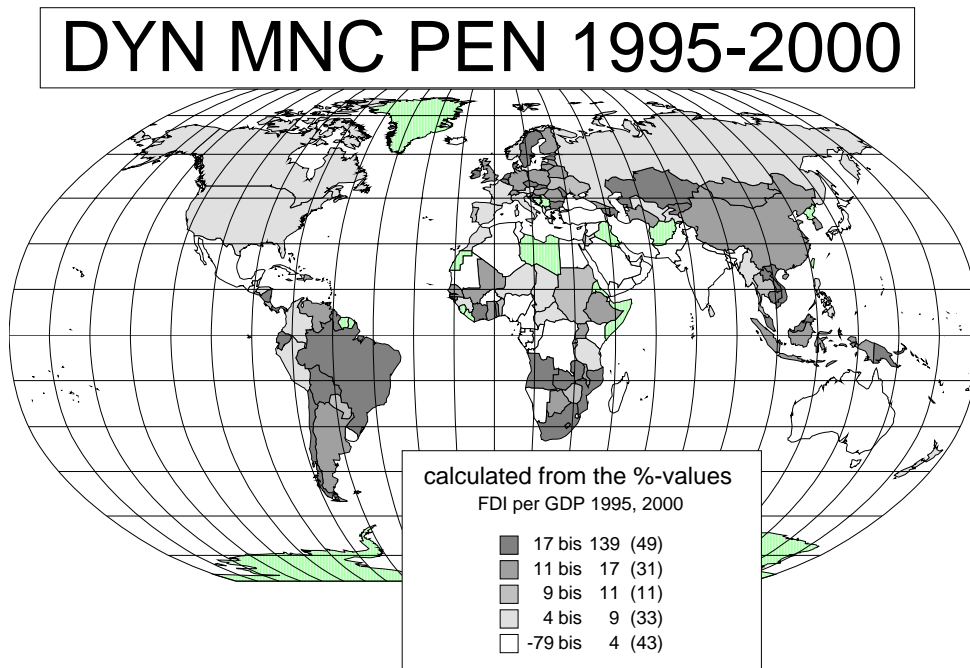
Legend: "bis" is the shorthand for "ranging from" "to". Countries marked in green color: missing values

During the 1990s, penetration by transnational capital dramatically increased in many parts of Europe (especially in what was described by Donald Rumsfeld<sup>21</sup>,

<sup>21</sup> See also: <http://www.rferl.org/nca/features/2003/01/24012003172118.asp>

US Secretary of Defense as “the new Europe”); in eastern Latin America, in Southern Africa, in Central Asia and in South and Southeast Asia. However, there was a **dramatic decrease of MNC penetration in most countries of the Arab world** during the second half of the 1990s:

**Map 2.4: the increase/decrease of MNC penetration in the world system**



Legend: “bis” is the shorthand for “ranging from” “to”. Countries marked in green color: missing values

As to the **causality** of the **dependency/underdevelopment connection**, perhaps one of the clearest paragraphs to be found in the current literature is to be encountered in the essay written by L. Beer in 1999:

*“As opposed to Modernization theory's emphasis on the internal dynamics of economic growth, World-System and Dependency theories are neo-Marxist perspectives that focus on the global structure of the capitalist world economy.*

*(...) This approach argues that national economic growth, inequality and sociopolitical change can only be understood through the analysis of a nation's relative position in the spacioeconomic hierarchy of the world system. That is, the relationship between economic growth and income inequality within any single nation is dependent on that society's relational position in the world division of labor and global power structure. It is asserted that the dynamics of capitalist accumulation in developing countries are different than the processes observable in core nations.*

*(...) The issue that World-System/Dependency analyses point our attention to is not the lack of economic growth in developing nations, but the type of growth their dependent status affords them and it's consequences.*



*(...) In the World-System/Dependency perspective, capitalist development is dependent on social and material inequality and this inequality is in turn a result of incorporation into the world system. National economic growth and income distribution are in large part determined by growth potentials of productive activities in the larger global structure. Therefore, this approach hypothesizes that stratification of income will correspond with the world division of labor and position in the world economy.*

*(...) There are variants to the World-System/Dependency approach regarding the creation of income inequality, some of which emphasize concentration of land ownership (...) or national export-structure. (...) Many empirical studies of this relationship have confirmed a significant association between foreign corporate penetration.*

*(...) In the World-System/Dependency perspective there are three mechanisms that are hypothesized to link foreign investment and social inequality.*

*(...) . First, foreign investment in developing countries generates large sectoral disparities in the national economy, creates labor aristocracies and results in the underutilization of indigenous labor. Second, transnational corporations operating in developing nations accrue a disproportionate share of local sources of credit and repatriate profits rather than reinvesting them in the local economy. Finally, the governments of these nations, motivated by the necessity (generated by their incorporation into the capitalist world economy) of attracting and maintaining foreign investment, implement policies and strategies that decrease the power of labor and inhibit vertical mobility. These include tax concessions, guarantees of profit repatriation, and labor laws unfavorable to workers.*

*(...) Scholars in the World-System/Dependency tradition argue that the relationship between foreign investment and internal income inequality has different effects on various sectors of the economy, but in all segments it creates and sustains income inequality in the national population.*

*(...) Foreign capital investment in the agricultural sector destroys traditional production processes and leads to unemployment and overurbanization through its capital intensive means of organization (i.e. labor shedding, land enclosure). In the extractive sector of the economy, foreign investment benefits only a small portion of the national population and thereby increases income inequality. This is because TNC penetration in this sector creates only a small well-paid labor force and because ownership of natural resources is typically concentrated.*

*(...) World-System theorists argue that foreign investment in the manufacturing sector has the most harmful effect on national income distribution. National economies in non-core nations with large manufacturing sectors have high levels of income inequality because profits in this sector are increased by the maintenance of a large, surplus low-wage labor force. Therefore, high rates of income inequality are in the interest of transnational corporations and national elites who benefit from foreign investment; they have little incentive to take action to distribute income more equitably. Contrary to the hypotheses of Modernization theorists, the World-System perspective argues that the uneven development of highly penetrated developing economies benefits transnational corporations in that the only segment of the population which can afford to buy these manufactured goods is the wealthy elite.*

*(...) Domestic demand for these goods depends on the concentration of wealth and high levels of income inequality. Although redistribution of wealth and the resultant expansion of markets may be in the long term interest of foreign corporations, they are driven primarily by the short-term profit logic of capitalism.*

*(...) Furthermore, there is a convergence of interests between transnational corporations and the wealthy elite segments of the national population in maintaining income inequality which creates barriers to the "trickle-down" effect of industrialization predicted by Modernization theories. In addition to the incentives for inequity for foreign investors discussed above, the national elite strive to maintain their power and higher income so as to maintain privileged consumption patterns and access to status symbols. A common international class interest in the persistence of high levels of inequality thus link foreign investors and indigenous elites, leading these powerful groups to support (and in some cases attempt to increase) the existing unequal income distribution and to coopt and repress opposition from other segments of the population (...) (Beer, 1999: 4 - 7)*

It seems to be important at this point to emphasize that our three indicators of dependency measure three different types of "dependent development":

- **MNC penetration** measures the different degrees of weight that foreign capital investments have in the host countries
- **Unequal exchange** (ERDI) measures the degree to which globalization has contributed to lowering the international price level of a country; i.e. it is an indicator about the openness of the price system vis-à-vis the pressures of globalization. The result of this is an unequal transfer from the peripheries to the centers, which used to be high-price countries
- For dependency authors, **foreign savings** show the weight that foreign savings, mostly from the centers and richer semi-peripheries, have in the accumulation process of the host countries in the periphery and semi-periphery.

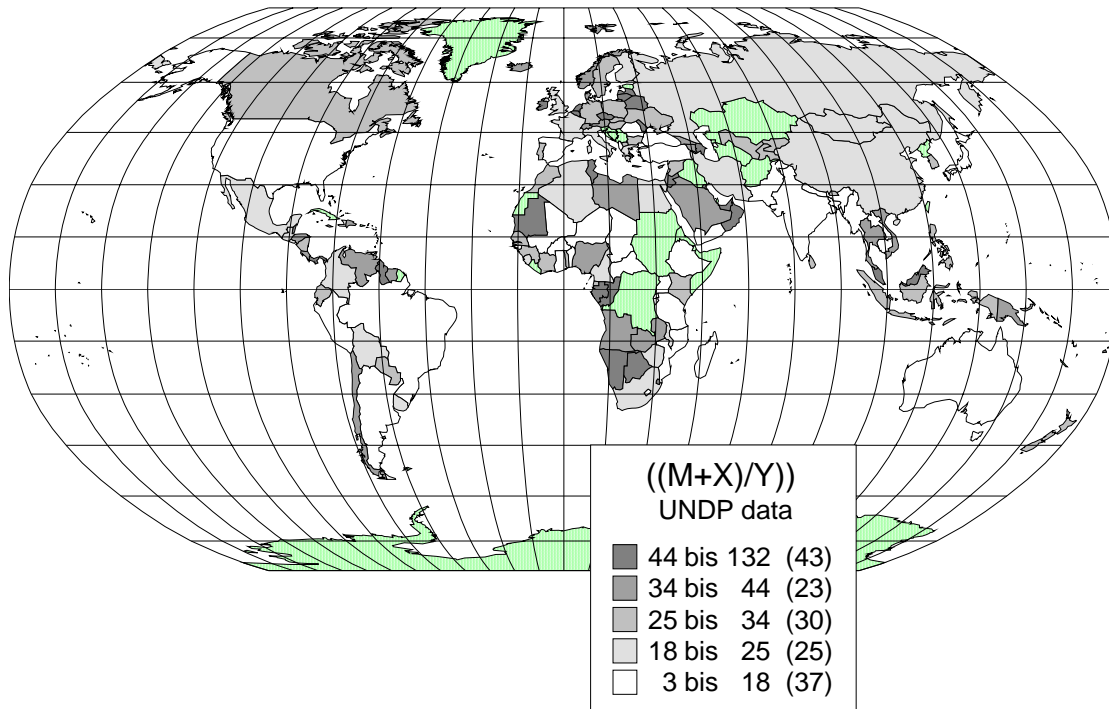
Neo-liberal authors, by contrast, interpret the world in a complete different direction from the explanations, offered by dependency theory. For them, **foreign investments** are a solid **pre-condition of growth**. A **reliance on foreign savings** would **not necessarily exclude rapid economic growth and income redistribution** in a world of liberalized financial markets (for an overview of these debates, see Kendall P., 2000; for a dependency-theory oriented counter-position Ghose A. K., 2005). Following the neo-liberal literature on the subject, there would be absolutely no need for **"financial repression"**. Shaw (1973) and McKinnon (1973) believed that "financial repression" [i.e. what neo-liberals term as such, for example capital convertibility controls etc.] had retarded the growth of many less developed countries (LDCs). Interest rate policy which resulted in the imposition of below market rates created a disincentive to save. The results are a shortage of investible resources and growth retardation. Shaw and McKinnon are thus in favor of interest rate liberalization. Roubini and Sala-i-Martin (1992) as well as Barro (1991) maintain that "financial repression" contributed to slow growth in Latin America during 1960 to 1985. The question whether or not foreign savings "crow out" domestic

savings might be hotly contested (see Ghose A. K., 2005), but for the neo-liberals it is certain that free flows of global savings and investments contribute to global and national economic and social well-being. Since capital is abundant in the centers and scarce in the periphery, the return on investment is much higher in the periphery than in the center, and capital should flow from the centers to the peripheries. In addition, neo-liberal authors, starting with Michael Lipton, have attacked "**exchange rate overvaluation**" in the developing countries, thus are diametrically **contradicting** the approach by Yotopoulos and other adherents of theories of "**unequal exchange**", presented above.

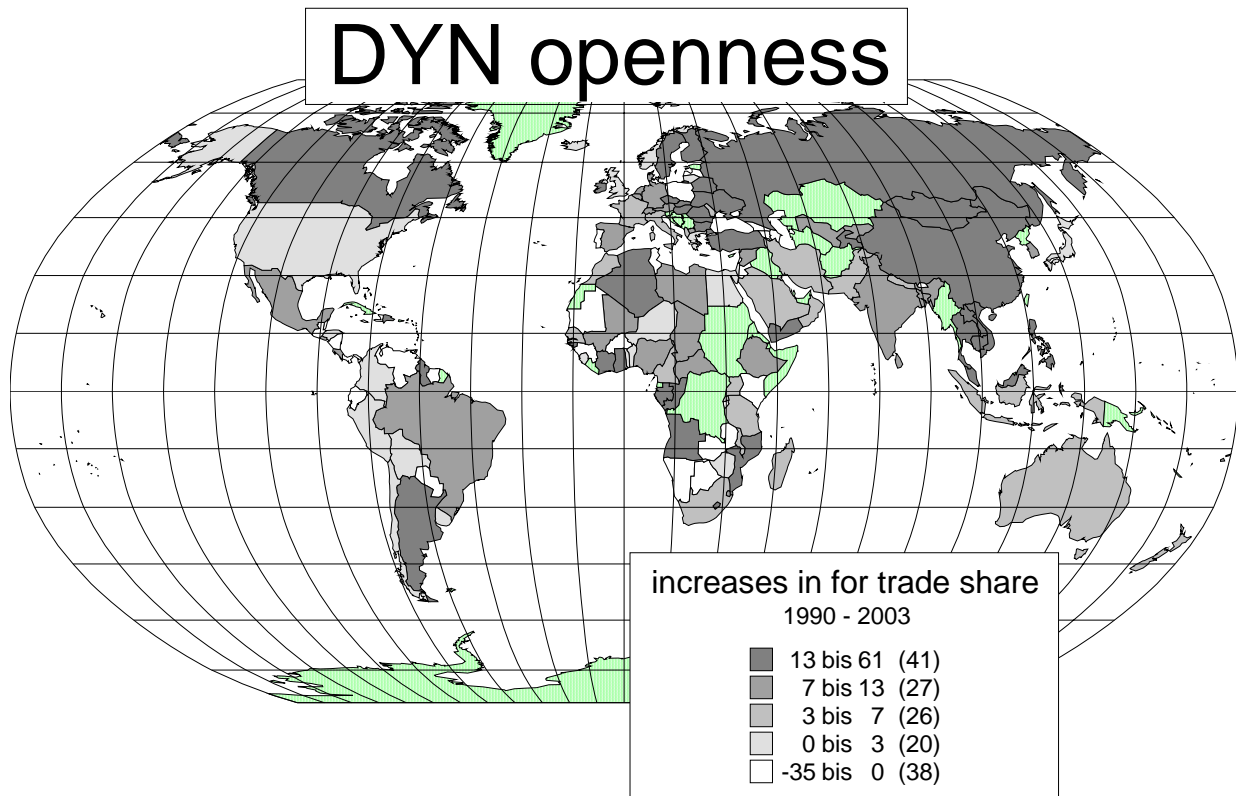
Price levels have risen faster than world price levels for the rich countries while the reverse has been the case for the poor countries. Evidence over several decades thus fails to sustain, Rao says, the expectation of growing price convergence from growing globalization. However, neo-liberals would argue that the leveling of world price levels are beneficial for world system and country economic growth rates. The most massive onslaught against the dependency theory consensus [i.e. that dependency leads to stagnation and inequality], is presented by arguments put forward by neo-liberal authors that world economic openness leads to high growth and to a redistribution of incomes. Their preferred measure of world economic openness is the share of foreign trade in total GDP, i.e. countries should re-orient their economic policies towards external markets and unfettered competition.

Map 2.5: world economic openness, by 1990

# openness, by 1990



Legend: "bis" is the shorthand for "ranging from" "to". Countries marked in green color: missing values



Legend: "bis" is the shorthand for "ranging from" "to". Countries marked in green color: missing values

The following further determinants of the human condition that form part of our model should be mentioned: On a global economy level, **neo-liberal authors** like Barro; Barro and associates; Crafts; Dadush and Brahmabatt; Dollar and Kraay and Weede generally tend to think that with the establishment of "**economic freedom**" positive patterns of development will prevail in practically all countries of the globe, irrespective of their development level. However, such reasoning should not go uncontested. Especially the painful experience of the neo-liberal transformation process in Eastern Europe after the end of Communism is a warning sign to decision-makers and scholars alike that "economic freedom" plus "world economic openness" alone cannot be for themselves the only necessary, let alone the sufficient condition for a successful capitalist development [Amsden A. H. et al. (1994), Angresano J. (1994), Barta V. and Richter S. (1996), Bauer P. (1998), Bhaduri A. and Laski K. (1996), Chase-Dunn Ch. K. (1992b), Chase-Dunn Ch. K. (Ed.), Cornia G. A. (Ed.) (1993), Cornia G. A. (Ed.) (1994), Cornia G. A. and Panizza R. (Eds.) (2000), Deacon B. (1992a), Deacon B. (1992b), Frank A. G. (1990), Gierus J. (1998), Goldfrank W. L. (1982), Havlik P. (1996), Hettne B. (1994), Hickmann Th. (1994), Hofbauer H and Komlosy A. (1994), Hofbauer H and Komlosy A. (2000), Holmes L. (1999), Holtbruecke D. (1996), Huber P. (1999), Huber P. (1999), Huebner K. (1994), Juchler J. (1986), Juchler J. (1992a), Juchler J. (1992b), Juchler J. (1992c), Juchler J. (1992d), Juchler J. (1994), Juchler J. (1995), Juchler J. (2001), Juchler J. (2003), Juchler J. (2004), Linnemann H. and Sarma A. (1991), Morawetz R.

(1991), Nolte H. H. (1989), Orenstein M. A. (1996), Orlowski L. T. (1996), Spiesberger M. (1998), Srubar I. (1994), Tausch A. (1991), United Nations Development Programme, Regional Bureau for Europe and the CIS (1999)]. Thus, selective intervention by the state seems to be the development lesson of East and South-East Asia as well as Scandinavia during the last decades. The ample literature about these aspects of selective government intervention in some of the most competitive economies in the world economy should be more widely known in cross-national research. **“Industrial policy”**, and **“active adoption to the changing structures of the international division of labor”**, and not pure economic freedom seems to be the catchword of the day [Chan St. (1989), Chan St. and Clark C. (1992), Chow P. C. Y. (2002), Cox R.W. (1994), Gereffi G. and Miguel Korzeniewicz M. (1994), Haddad M. (2002), Kiljunen K. (1987), Kiljunen K. (1988), Kiljunen K. (1992), Kiljunen K. (Ed.)(1989), Kiljunen K. (Ed.)(1990), Kiljunen K. and Avakov R. M. (Eds.)(1991), Landesmann M. (1996), Landesmann M. and Burgstaller J. (1997), Landesmann M. and Rosati D. (Eds.)(2004), Landesmann M. and Székely I. (Eds.)(1995) Landesmann M. et al. (Eds.)(2003), Liemt G. van (1992), McCallum C. (1999), Piore M. (1990), Raffer K. (1996), Tausch A. (2002b), Tausch A. (2003), and Tausch A. (2005a)]. In addition, the **“Keynesian”** legacy should not be under-estimated. “Keynesians” would expect **positive trade-offs** to hold between **“government intervention”** and **the human condition**, and not the other way around. Major Keynesian analyses include nowadays Baran P. A. (1957), Corden W. M. (1987), Cornwall J. and Cornwall W. (2001), Galbraith J. K. (1995), Kalecki M. (1972), Kalecki M. (1979), Modigliani F. (1987), Schmidt M. G. (1983), Schmidt M. G. (1986), Schwartz H. (2000), Stack St and Zimmerman D. (1982), Stack St. (1978), Stack St. (1980), Therborn G. (1985), Therborn G. (1986), and Vickrey W. (1996). Apart from that, current literature, formulating counter-positions to the neo-liberal dogma, suggests that the state is not or not always a “villain”, with only some neo-liberally inspired studies postulating a general negative trade-off between age of democracy, state sector strength and economic performance, most notably in the works of the German sociologist Erich Weede [for a survey of the debate, see also Almond G. (1991), Apter D. (1987), Axtmann R (2004), Balibar E. (1991), Barnes S. H. et al. (1979), Bollen K. A. and Jackman R. W. (1985), Dixon W. J. (1994), Esping - Andersen G. (1985), Gwartney J. et al. (1998), Jackman R.W. (1975), Korpi W. (1985), Korpi W. (1996), Korpi W. and Palme J. (2000), Kothari R. (1986), Lipset S.M. (1994), London B., Bradshaw Y. and Kim Y. J. (1993), Midgal J. S. (2001), Moeller St. et al. (2003), Weede E. (1986a), Weede E. (1986b), and Weede E. (1989)].

**Cultural theories** of development tend to stress that at present development perspectives for the large Muslim region between Morocco in the West and Iran in the East are not good. Their principal spokesperson today is Huntington, but also such diverse sources as the UNDP's *Arab Human Development Report* (2002) or the World Bank's *MENA Report* (2002) tend to highlight the various development constraints in that region. While the UNDP stresses lack of democracy, human resource development and gender equality as the main development blocks, the World Bank highlights the negative heritage of “Arab Socialism” or past state sector influence. Several authors, among them Nolland<sup>22</sup>

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<sup>22</sup> see especially: Marcus Noland and associates: <http://www.iie.com/publications/pb/pb04-4.pdf> and <http://www.iie.com/publications/wp/2003/03-8.pdf>. Arno Tausch: (2005) 'Is Islam really a development blockade? 12 predictors of development, including membership in the Organization of

and Tausch, explicitly contradicted Huntington with empirical, cross-national evidence, however. With all the global interest being expressed nowadays on Islam after the 9/11 terrorist attacks, the negligence of the issue of Muslim culture as a variable in cross-national comparative social science is somewhat surprising. For an informed debate, *inter alia* the following cross-national-research-relevant literature is available [Abdullah M. S. and Khoury A. Th. (1984), Garcia de Cortázar F. and Gonzáles Vesga J. M. (1995), S. P. (1993), Huntington S. P. (1996), Jabber P. (2001), Khoury A. Th. (1980), Khoury A. Th. (1981), Khoury A. Th. (1991), Moaddel M. (1996), Moaddel M. (1998), Moaddel M. (2004), Raffer K. and Salih M. A. M. (Ed.) (1992), Tausch A. (2003b), Tausch A. (2005c), Tausch A. (2005d), Tibi B. (1973), Tibi B. (1981), Tibi B. (1985), Tibi B. (1990), Tibi B. (1992), Tibi B. (1997a), Tibi B. (1997b), Tibi B. (1997c), Tibi B. (1998a), Tibi B. (1998b), Tibi B. (2001a), and Tibi B. (2001b)].

Ever since the writings of Colemann (1965), also education should be mentioned among the determining variables of the development performance of a country. **Education and human capital formation** figure prominently in the "Human Development Reports" of the United Nations Development Programme as variables which determine positively the development outcome. For the UNDP it has been self-evident over the last decade that gender empowerment and the re-direction of public expenditures away from defense will positively contribute to a positive development outcome. However, neo-liberal thought would caution against such premature conclusions. Erich Weede (2002) has shown that standard indicators of human capital endowment - like literacy, school enrollment ratios or years of schooling - suffer from a number of defects. They are crude. Mostly, they refer to input rather than output measures of human capital formation. Occasionally, Weede and Kaempf believe, they produce implausible effects. They are not robustly significant determinants of growth. They replaced them by average intelligence. This variable consistently outperforms the other human capital indicators in spite of suffering from severe defects of its own. Weede and his associates maintain that the immediate impact of institutional improvements, i.e., more government tolerance of private enterprise or economic freedom, on growth is in the same order of magnitude as intelligence effects are. **Public education expenditures** are still public expenditures, and it is entirely conceivable that in the long run public education expenditures might negatively affect the development chances of a society, not because they are education expenditures, but because they are still public expenditures. For such a theoretical understanding, University reform and University privatization would be important political steps to achieve a more viable development. The UNDP has devoted considerable energies into developing its own kind of human capital and human development approach that quoted large amounts of statistics how much different countries devoted to their "unproductive" military efforts and how little they devoted to the "good" public education expenditures. Such number games, however much they were linked to the generally laudable effort to document world poverty and the lack of basic human needs satisfaction, suffered from a major scientific handicap by evading the vital question to statistically show that – development levels constant – high shares of public education expenditures contribute uniformly to a good development performance, measured by

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Islamic Conference, and their influence on 14 indicators of development in 109 countries of the world with completely available data'. Ankara Center for Turkish Policy Studies, ANKAM, Insight Turkey, 7, 1, 2005: 124 - 135. Full PDF version available at [http://www.insightturkey.com/tausch2005\\_multivariate\\_analysis\\_world\\_dev.pdf](http://www.insightturkey.com/tausch2005_multivariate_analysis_world_dev.pdf)

indicators of growth, human rights, social justice, gender empowerment and ecological well-being, while the “bad” military expenditures contribute to the opposite [see Dasgupta P. (1995), Griffin K. (1987), Griffin K. and Knight J. (Eds.)(1990), O’Neill H. (1997), United Nations Development Programme (1998a); United Nations Development Programme (1998b), United Nations Development Programme (2004), United Nations Development Programme (2005a), United Nations Development Programme (2005b), United Nations Development Programme (current issues), United Nations Development Programme, Arab Fund for Economic and Social Development (2002), and Yunker J. A. (2000)]. In our macro-quantitative research design, we did not include anymore the well-documented “butter versus guns” dimension [see also Bullock B. and Firebaugh G. (1990), Chan St. and Mintz A. (1992), Deshingkar G. (1989), Kentor J. D. and Woo J. (2000), Kick E. L. et al. (1990), Köhler G. (1978a), Köhler G. (1980a), Köhler G. (1980b), Shin M and Ward M. D. (1999), Tausch A. (1986), and Tausch A. (1989a)], because the availability of military expenditure data would have limited our sample with countries with complete data for the independent variables to less than 120 nations. However, the effects of public education on development are not uniformly positive.

Our theoretical survey should be concluded by two processes, being of great importance especially to the European continent. One is the obvious argument about the **European Union** as a determining factor of European development patterns, for good or for bad. There are very diverse views nowadays on the European Union. As a research paper, published in the journal “*Parameters*” of the US Army, maintains (Wilkie, 2003):

*“Still, there are those on both sides of the Atlantic who believe that the European Union, as an old-fashioned socialist bureaucracy, is “fundamentally unreformable” and also culturally hostile to the United States” (Wilkie, 2003: 46)<sup>23</sup>*

There is a wide range of literature now available that highlights also the negative effects of European integration in a globalized world economy [for a survey of the literature and politometric evidence, see Tausch and Herrmann, 2001, furthermore Botsford D. (1997), Chiti V. (1998), Friedman M. (1997), Fuest C. (1996), Giering C. (1998), Haller M. (Ed.)(2001), Haller M. and Richter R. (Ed.)(1994), Haller M. and Schachner-Blazizek P. (Ed.)(1999), Haller M. and Schachner-Blazizek P. (Eds.)(1994), Heidenreich M (1997), Heidenreich M (1998a), Heidenreich M (1998b), Heidenreich M. (1999), Heidenreich M. (2001a), Heidenreich M. (2001b), Heidenreich M. (2003a), Heidenreich M. (2003b), Heidenreich M. (2004a), Heidenreich M. (2004b), Heidenreich M. (2004c), Heidenreich M. and Töpsch K. (1998), Hilferding R. (1915), Holzmann R. (Ed.)(1996), Malcolm N. (1995), Nollert M. (1996), Nollert M. and Fielder N. (1997), Portillo M. (1999), Rothschild K. W. (1997), Seers D. (Ed.)(1978), Tausch A. (2004a), Van Apeldoorn B. (2002), Woods A. (2000), Woodward A. and Kohli M. (2001)]. The voice of “euro-optimists” is small, but influential, including later works by Volker Bornschier, and the writings by economics Nobel laureate Robert Mundell and Stanford Professor emeritus Pan Yotopoulos. [Bornschier V. (1992), Bornschier V. (1999), Mundell R. A. and Clesse A. (Eds.)(2000), Mundell R. A. et. al. (Eds.)(2005), and Yotopoulos P. A. (2004)].

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<sup>23</sup> <http://carlisle-www.army.mil/usawc/Parameters/02winter/wilkie.htm>



The well-known **acceleration** and **maturity** effects of development have to be qualified in an important way. Ever since the days of Simon **Kuznets**, development researchers have applied curve-linear formulations in order to capture these effects. The curve-linear function of **growth**, being regressed on the natural logarithm of development level and its square, is sometimes called the 'Matthew's effect' following Matthew's (13, 12):

*'For whosoever hath, to him shall be given, and he shall have more abundance: but whosoever hath not, for him shall be taken away even that he hath'*

Social scientists interpreted this effect mainly in view of an acceleration of economic growth in middle-income countries vis-à-vis the poor countries and in view of the still widening gap between the poorest periphery nations ('have-nots') and the 'haves' among the semi-periphery countries (Jackman, 1982).

Finally, and due to lacking data, we do not include in our analysis the effects of **migration**. Theoretically being of course part and parcel of "world economic openness", this variable still suffers from the lack of really comparable data on the weight of the process in the sending and in the recipient countries. For one, a research design similar to the one reported here already had been tested with worker remittances as a further explanatory variable, besides the variables mentioned here (Tausch, 2004c). In Tausch/Herrmann, it was said that migration conserves economic structures that inhibit world economic adjustment. The most pronounced proponents of mass migration, it was further argued, from the semi-periphery and periphery are in reality those very social strata that represent the powerful urban power monopolies: instead of bringing their monopolies under the discipline of the market and allowing their agricultural regions to prosper under a system of export-led growth and mass-demand at home, they are inclined to send a considerable part of their talented work-force abroad so that it does not constitute any threat to the elites' privileged social position. State sector expenditures and a reliance on foreign aid will be part and parcel of such a migration-driven development model. The empirical evidence that was achieved by combining available data for worker remittances in 59 countries with a 109 country sample with complete data of the general model, presented in Tausch (2003b, 2005c, and 2005d) confirms a mixture of world system and neo-classical interpretations:

1) dependency on worker remittances is highly influenced by the supply of free and relatively high standard education in many of the semi-periphery countries that is reflected in the public education expenditure per GDP indicator. This argument would tend to be compatible with standard neo-classical analysis. But the status of a country as a guest worker economy is also greatly influenced by the "flows of unequal exchange", or – to put it in the language of the neo-classics, exchange rate under-valuation; and ceteris paribus Muslim nations have a significantly higher propensity towards migration. Labor scarcities in the center that drain up the "industrial reserve army", like those induced by high military expenditures; certainly contribute significantly towards the status of a country as a net labor importer.

2) outward migration eases to a great extent the national sending country gap between rich and poor, but it significantly (5 % level) is associated with slow economic growth. Outward migration reduces unemployment in the sending

countries, but the effect is not significant. There are very significant positive effects on female shares in total life years and female economic activity rates (very well explainable by arising scarcities on the labor market caused by massive male outward migration), as well as on combined indices of development (the Human Development Index). There is also a 12.5 % significant positive effect on female life expectancy. The effect of migration on the environment is contradictory: on the one hand, outward migration increases the transport intensity of a country, and thus reduces the GDP output efficiency of energy use (significant at the 12.5 % level). Outward migration is also associated with higher CO2 emissions per capita (not significant at the 12.5 % level), but the Yale/Columbia overall environment sustainability index is significantly better at the 12.5 % level (most probably, because the pressure on farm land and other resources, especially in the rural regions, decreases with massive outward migration). Interestingly enough, also the other conjecture is true: countries at the receiving end of international migration flows will be tending towards unequal growth, with deficient gender development and human development. They will experience a socially polarized development pattern, characterized by high gaps between rich and poor, but by a rapid rate of economic growth.

By and large, these results tend to support the view that much more intensive research on migration, social well being and the world system is needed to reach a canon of well-confirmed hypotheses on the subject [Arrighi G. and Silver B. J. (1984), Bauer Th. and Zimmermann, K. F. (1999), Boehring W.R. and Schloeter - Paredes M.L. (1994), Cohen R. (1991), Cohn - Bendit D. (1993), Coppel J. et al. (2001), Datta A. (1993), Franzmeyer F./Brücker H. (1997), Garson J. P. et al. (1997), Goedings S. (1997), Goedings S. (1999), ICMPD (1998), IFO-Institut (1999), IOM (International Organization for Migration) (1999), Korcelli P. (1992), Lindert P. H, and Williamson J. G. (2001), Loeffelholz H. D., und G. Köpp (1998), Morawska E. (2000), Nuscheler F. (1993), Opitz P. J. (1988), Parnreiter Ch. (1994), Rogers R. (1992), Salt J. (1996), Salt J. et al. (1999), Stalker P. (1994), Tausch A. (1997), Tausch A. (2004c), United Nations Economic and Social Council (1993a), United Nations Economic and Social Council (1993b), United Nations Economic Commission for Europe (1994), United Nations Economic Commission for Europe (1996), United Nations Economic Commission for Europe (1998), United Nations Economic Commission for Europe and United Nations Population Fund (1998), United States Central Intelligence Agency, National Foreign Intelligence Board (2001), United States Department of State (current issues), Williamson J. G. (1991), Williamson J. G. (1996), Williamson J. G. (1997), Williamson J. G. (1998a), and Williamson J. G. (1998b)].

Finally, we also should mention that we did not integrate the variable **“pension reform”** into our research design. To neglect pension funds in investigations about the capitalist world economy would be misleading. Private pension funds already amount to 44 % of current world GDP, with countries like the United States; Japan; United Kingdom; Netherlands; Canada; Switzerland; Australia; Sweden; Ireland; Finland; and Denmark taking the lead in fund development either via the introduction of a “World Bank” three pillar pension model or simply via a strong element of private pensions (“the third pillar”) besides the first, traditional PAYGO pillar (like presently in the United States of America). Slow pension fund development in most countries of the €-zone determines that the overall share of private pension funds from the €-zone is just over 2 % of world GDP. If Europe wants to fulfill its Lisbon agenda of catching up with the United

States, it must, the argument runs, overhaul its pension systems and introduce some form or other of private pension funds, which are a major force in financing technological advance in the capitalist world economy today. Tausch (2004) showed that World Bank pension reforms are associated in a positive way with the rates of change of a country's performance to the better. The time-series correlations for each country in the world system from 1980 onwards with economic growth (World Bank data series), unemployment (ILO data series), and economic inequality (University of Texas Inequality Project) are neatly explained by the explanatory variables of the multivariate model; the direction of the influence of pension reform on the three dependent variables each time indicating that pension reform is compatible with economic growth, full employment and the redistribution of incomes. The same positive effects are also at work in explaining economic growth, full employment and reductions of unemployment over time in Europe's over 300 different regions. The European regions, whose countries realized a three-pillar pension model, developed more rapidly and had – ceteris paribus – a better employment record than non-reformers. Persistent non-reform, as the German example especially dramatically shows, can lead to a *circulus viciosus* of stagnation and unemployment under the conditions of globalization [see also Barr N. (2001), Boersch-Suppan A., Ludwig A., and Winter J. (2003), Brooks S. and James E. J. (1999), Cadette W. (1999), Clark G. L. (2001a), Clark G. L. (2001b), Dahlmans G. (2000), European Commission (2000a), European Commission (2000b), European Roundtable of Industrialists, ERT (2001), Ferrera M. (2005), Fink M. and Schuh U. (2005), Fox L. and Palmer E. (2000), Gray C. and Weig D. (1999), Hagfors R. (2000), Hausner J. (1999), Holzmann R. (2000a), Holzmann R. (2000b), Holzmann R. (2004), Holzmann R. (2005), Holzmann R. (Ed.)(2001), Holzmann R. (Ed.)(2002), Holzmann R. et al. (1999), Kay St. J. (1999), Lindemann D. (2000), Mackelar L. et al. (2000), Modigliani F. (1985), Modigliani F. and Muralidhar A. (2004), Modigliani F., Ceprini M.L., and Muralidhar A. (2000), Normann G. and Mitchell D. J. (2000), Orenstein M. A. (2001), Orłowski L. T. (1995), Orszag P. R. and Stiglitz J. E. (1999), Paul S. S. and Paul J. A. (1996), Quiggin J. (1998), Raffer K. (2003), Roos J. P. (2000), Rothenbacher F. (2000), Rother P. C., Catenaro M. and Schwab G. (2003), Rutkowski M. (1998), Rutkowski M. (1999), Scherman C. G. (2000), Siebert H. (2000), St. John S. (1999), Tausch A. (2004b), Tausch A. (Ed.)(2003), The World Bank Group (2000), and Turner J. (2000)]. The integration of the pension reform variable with the research design presented here would be an important task for future research. In this essay, however, we concentrate ourselves on the effects of globalization on world development.

#### **2.4 Looking back on more than 3 decades of cross-national research on dependency and development**

The almost unlimited number of empirical studies on **peripheral capitalism and development** on a world level in the B-phase of the Kondratieff cycle from 1965 onwards go back, in a way, to the classic essay published by Johan Galtung in the *Journal of Peace Research* (Galtung, 1971). For Galtung, income inequality, and hence, relative poverty in the nations of the world system is linked to trade partner concentration of the peripheral country and a trade structure that relies on the exports of raw materials and the imports of finished products. Bornschier, Chase-Dunn, and their school later on reformulated the argument: not only

income inequality, but also long term economic growth are being negatively determined by dependency from transnational capital, to be measured by a weighted share of transnational investment penetration per the economic and demographic size of a nation. Later essays extended the argument to other indicators of human well-being, the environment as well as democratic stability.

Macroquantitative analyses modeled around the dependency/world system school generally claimed to have confirmed dependency arguments. According to these quantitative data analyses, there are powerful influences at work, which cause inequality and external imbalances in the periphery. Flagship essays and book publications of this school include nowadays over 50 studies, published internationally, dealing with dependency, economic growth and or income inequality [Alderson A. and Nielsen F. (1999), Alderson A. S., Beckfield J. and Nielsen F. (2005), Babones S. J. (2002), Beer L. (1999), Beer L. and Boswell T. (2002), Bergesen A. and Fernandez R. (1999), Bornschier V. and Ballmer-Cao, T. H. (1979), Bornschier V. and Chase-Dunn Ch. K (1985), Bornschier V., Chase-Dunn Ch. and Rubinson R. (1977), Boswell T. and Dixon W.J. (1990), Bradshaw Y. and Huang J. (1991), Breedlove W. L. and Armer J. M. (1996), Caporaso J. A. (1978), Chase-Dunn Ch. K. (1975), Crenshaw E. M. (1991), Crenshaw E. M. (1992), Crenshaw E. M. (1993), Crenshaw E. M. and Ansari A. (1994), Delacroix J. and Ragin Ch. (1981), Dixon W. J. and Boswell T. (1996b), Evans P. B. and Timberlake M. (1980), Fiala R. (1992), Galtung J. (1971), Galtung J., Chase-Dunn, Ch. K. et al. (1985), Johnson R. B. (1986), Kentor J. D. (1998), Kentor J. D. (2005), Kentor J. D. and Boswell T. (2003), Kick E. L. and Davis B. L. (2001), Kohli A. et al. (1984), Krahn H. and Gartrell J. W. (1985), London B. (1987), London B. and Ross R. J. S. (1995), London B. and Smith D. A. (1988), Moaddel M. (1994), Muller E. N. (1988), Muller E. N. (1993), Nielsen F. (1995), Nolan P. D. (1983), Prechel H. (1985), Rubinson R. (1976), Russett B. (1983a), Russett B. (1983b), Shandra J. M., Ross R. J. S., London B. (2003), Shandra J. M.; London B.; Whooley O. P.; Williamson J. B. (2004), Shandra J. M.; Nobles, J. E.; London B.; Williamson, J. B. (2005), Shandra J., London B, Whooley O. P., et al. (2004), Suter Ch. (2005), Tausch A. (1998a), Tausch A. (1998b), Tausch A. (2005b), Timberlake M. and Kantor J. (1983), Trezzini B. and Bornschier V. (2001), Tsai P-L. (1995), and Wimberley D. W. and Bello R. (1992)].

There has been a tendency in more recent cross-national research to focus not only on such variables as economic growth, income inequality and a few other indicators of social well-being, but to interpret "well-being" more widely to include also democracy, demographic transition, freedom from crime, freedom from structural imbalances in the economy, gender equality, political stability, respect for human rights, the environment. Research results by these scholars in general terms indicate that there is reason to believe that the march of global capitalism not only negatively affects the distribution of economic values in the world system, but also of democracy, human development, gender equality and the quality of the environment. These 70 or more studies were published, as their counterparts on the detrimental effects of dependence on economic growth and income inequality, with leading scholarly journals or publishing houses, thus publicizing a scholarly well-founded "globalization critique" [Bradshaw Y. (1987), Bradshaw Y. W. and Schafer M. J. (2000), Bradshaw Y. W., Noonan R; and Gash L. (1993), Breedlove W. L. and Armer J. M. (1997), Burns T. J. et al. (1994), Burns T. J., Kentor J. D. and Jorgenson, A. (2002), Burns T. J., Kick E. L. and Davis B. L. (2003), Chase-Dunn Ch. K. (2005), Clark R. (1992), Clark R. et al. (1991), Crenshaw E. M. (1995), Crenshaw E. M. and Jenkins J. C. (1996),

Crenshaw E. M. and Oakey, D. R. (1998), Crenshaw E. M.; Ameen A. Z.; and Christenson. M. (1997), Crenshaw E. M.; Christenson M.; Oakey D. R. (2000), Dixon W. J. (1984), Ehrhardt-Martinez K.; Crenshaw E. M.; and Jenkins J. C. (2002), Fain H. D. et al. (1997), Frey R. S. and Field C. (2000), Gartner R. (1990), Ghobarah H. et al. (2001), Gissinger R. and Gleditsch N. P. (1999), Goldfrank W. L. (1999), Gore A. (1994), Grimes P. and Kentor J. (2003), Hadden K. and London B. (1996), Hertz E. et al. (1994), Huang J. (1995), J. Timmons Roberts J. T., Grimes P. E. and Jodie L. Manale J. L. (2003), Jenkins J. C. and Scanlan S. J. (2001), Jorgenson A. K. and Rice J. (2005), Kasarda J. D. and Crenshaw E.M. (1991), Kent G. (1991); Kentor J. D. (2001), Kentor J. D. and Jang J. S. (2004), Kick E. L. et al. (1995), Kick E. L., Davis B. L. and Burns T. J. (1998), Kick E. L., Davis B. L. and Burns T. J. (2000), Lena H. F. and London B. (1993), London B. (1988), London B. (1990), London B. and Robinson T. (1989), London B. and Williams B. A. (1988), London B. and Williams B. A. (1990), Miller C. D. (1999), Miller M. A. L. (1995), Mittelman J. (1994), Moon B.E. and Dixon W.J. (1992), Munasinghe M., Miguel: de and Sunkel O. (2001), Neapolitan J. L. and Schmallegger F. (1997), Nollert M. (1994a), Ragin C. C. and Bradshaw Y. W. (1992), Ram R. (1992), Robinson T.D. and London B. (1991), Shandra J. M., London B. and Williamson J. B. (2003), Shandra J. M.; London B.; Williamson J. B. (2003), Shandra J. M.; Nobles J.; London B.; Williamson J. B. (2004), Shen C. and Williamson J. B. (2001), Shin M. E. (1975), Shin M. E. (2002), Smith D. A. and London B. (1990), Smith D. A. (1994), Smith D. A. (1996), Stack St. (1998), Stokes R. and Anderson A.. (1990), Tausch and Prager, 1993, Ward K. B. (1984), Wickrama K. A. S. and Mulford Ch. L. (1996), Wimberley D. W. (1990), and Wimberley D. W. (1991)].

## **2.5. Towards a research design**

This essay is well within the tradition of cross-national, macro-political and macro-sociological research. The fundamental literature on the subject and recent highlights in the relevant methodological debate are assumed to be known here [Achen Ch. H. (1982), Berry W. D. and Feldman S. (1985), Bollen K. A. (1980), Clauss G. and Ebner H. (1978), Davis B. L., Kick E. L. and Burns T. J. (2004), Deininger K. and Squire L. (1996), Deutsch K. W. (1960), Deutsch K. W. (1966), Deutsch K. W. (1978), Deutsch K. W. (1979), Deutsch K. W. (1982), Dixon W. J. and Boswell T. (1996a), Goldstein J. S. (1985a), Haller M. (2003), Haller M. (Ed.)(1990), Kriz J. (1978), Krzysztofiak M. and Luszniwicz A. (1979), Kuznets S. (1955), Lewis - Beck M. S. (1980), Lundberg M. and Squire L. (2001), Nielsen F. and Alderson A. (1997), Opp K.D. and Schmidt P. (1976), Paukert F. (1973), Puchala D. J. (2003), Russett B. (1967), Tellis A. J. et al. (2001), and Whitehouse E. (2000)].

Our empirical concept of dependence that we will use in our cross-national equations at least includes three dimensions:

- unequal transfer
- MNC penetration
- the resource balance.

Now, if globalization is good for the poor, it must be clear that the more globalized countries produced a better and more egalitarian development than the laggards in globalization, irrespective of the development level achieved.

At this point and in view of the results confirmed in this work it seems appropriate to recall here that Galtung's original 1969 essay was all connected to his theory of "structural violence"<sup>24</sup>. Galtung at that time was not interested in economic growth, but in "structural violence" which is occurring when life conditions of a partner in a systematic interaction are below levels which might be potentially experienced in a different, and more just global social order (i.e. the large majority segments of population living in poverty in the periphery, referred to in "critical peace research" as the "periphery of the periphery", are subjected to a relationship of domination, wielded by the small and powerful elites in the Third World, which is part and parcel of the domination structure, commanded by the elites of the center over the entire global structure). The term "*potential realizations*", introduced by "critical peace research" in the late 1960s and early 1970s is also important here, for it links life conditions to the level of development of the productive forces in society. We interpret this as nothing else but the residuals from the "plateau curve of basic human needs", introduced by Joshua Goldstein in his article in "World Development", 1985. Let us re-analyze in this context Galtung's famous definition:

*"(...) the basic idea is that there is such a concept as "premature death." This we know, because we know that with some changes in social structure, in general and health structure in particular, life expectancy can be improved considerably. More particularly, it may be possible to give to the whole population the life expectancy of the class enjoying appropriate health standards, that is, the "upper classes." The level enjoyed by them would be an indicator of the potential possibility to "stay alive" in that society; for all but the upper classes that would be above the actual possibility to stay alive. The difference when avoidable, is structural violence". (Galtung, 1969)*

*"Violence is present when human beings are being influenced so that their actual somatic and mental realizations are below their potential realizations (...) Violence is here defined as the cause of the difference between the potential and the actual, and that which impedes the decrease of this distance" (Galtung, 1969)*

*"The structural violence is the sum total of all the clashes built into the social and world structures and cemented, solidified so that unjust, inequitable outcomes are almost unchangeable". (Professor Johan Galtung, on his website at <http://www.transcend.org/TRRECBAS.HTM>)*

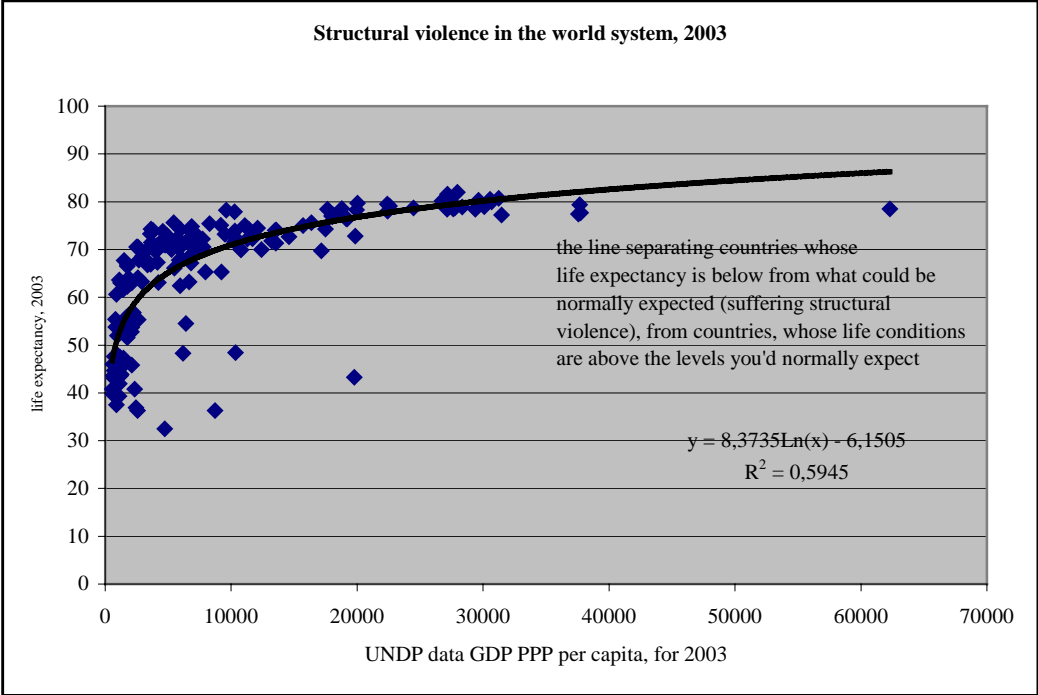
*"violence as avoidable insults to basic human needs, and more generally to life, lowering the real level of needs satisfaction below what is potentially possible" (Wikipedia, the free Encyclopedia, article on "Structural violence" [http://en.wikipedia.org/wiki/Structural\\_violence](http://en.wikipedia.org/wiki/Structural_violence))*

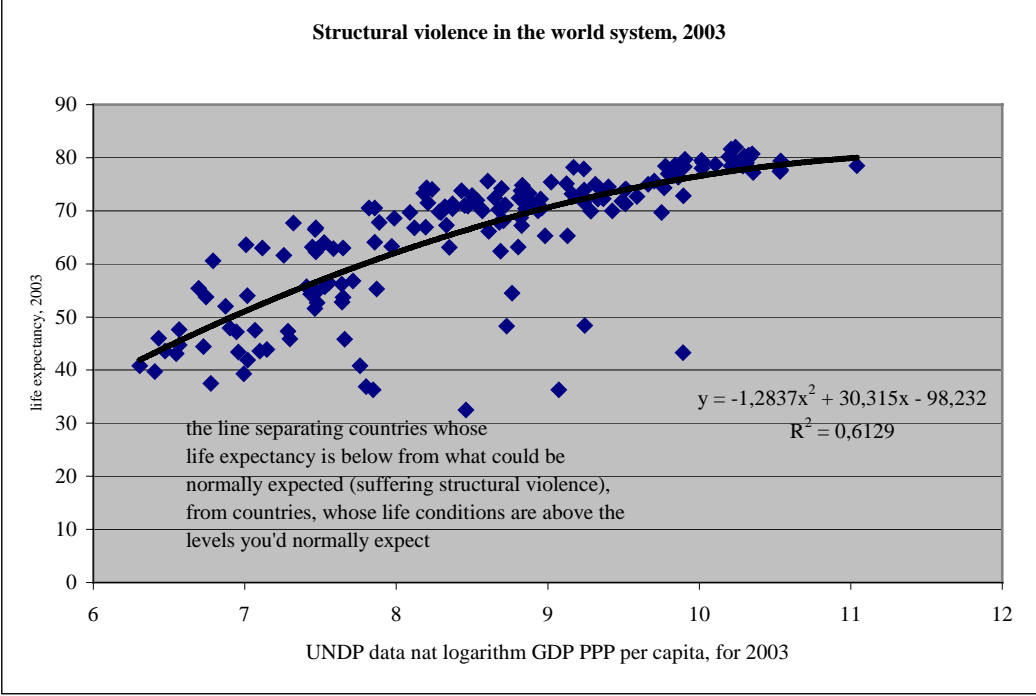
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<sup>24</sup> see also the article by Professor George Kent from the University of Hawaii at Manoa at <http://www2.hawaii.edu/~kent/ANALYZ3.html>

Graph 2.1 immediately follows from the above quotations:

**Graph 2.1: structural violence in the world system and the plateau curve of basic human needs – the actual somatic and mental realizations of the citizens of the countries of the world are below their potential realizations**



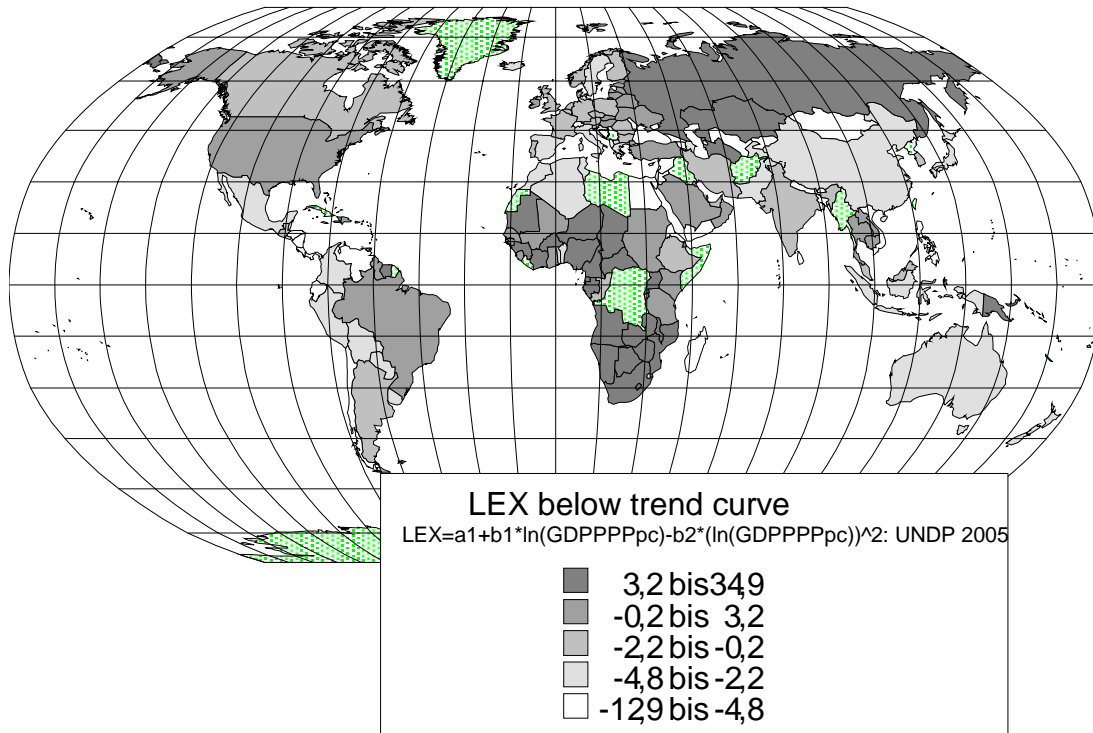


The gaps in life expectancy development in relation to the non-linear trade-off with the level of productive forces are distributed in the following fashion in the countries of the world system:

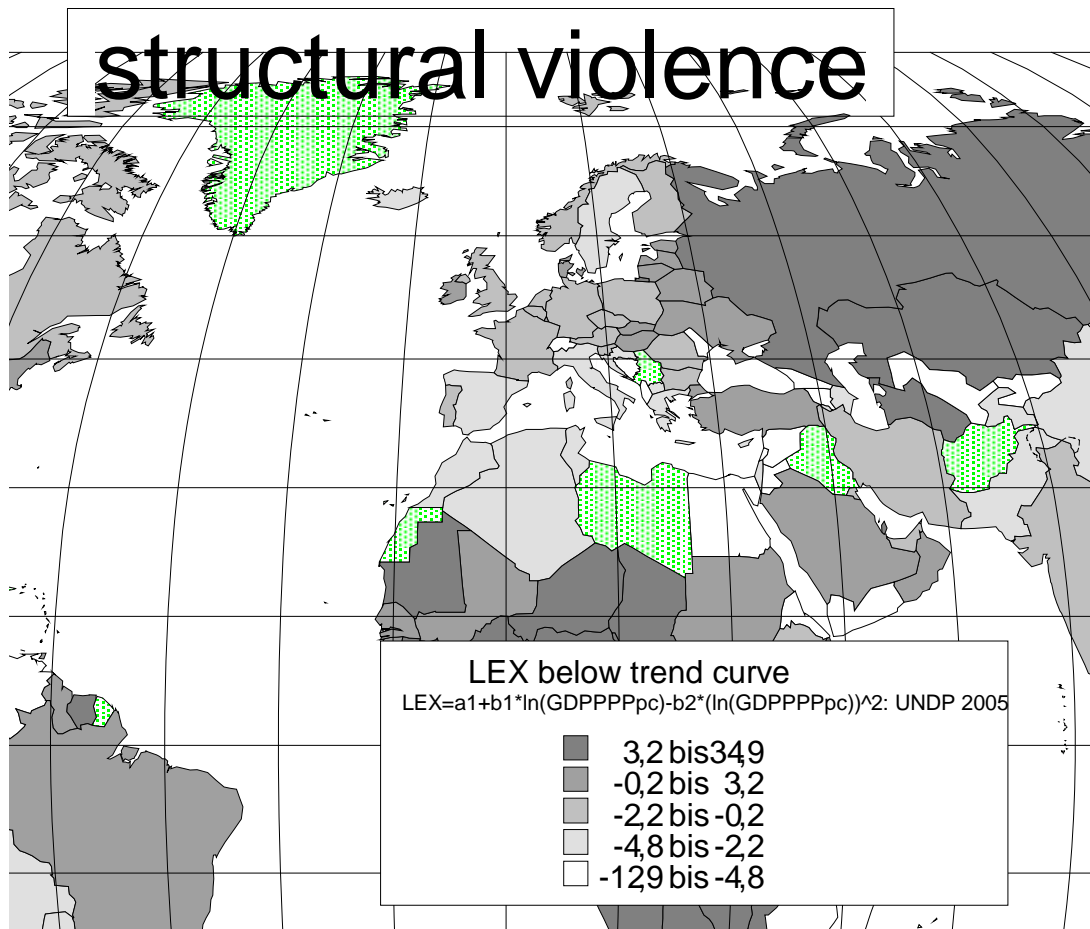


Map 2.6: structural violence in the world system

# structural violence



Legend: "bis" is the shorthand for "ranging from" "to". Countries marked in green color: missing values



Legend: "bis" is the shorthand for "ranging from" "to". Countries marked in green color: missing values

The 9 predictors in our equations measure the already achieved development level as an important control variable for possibly diminishing returns on capital as well as 3 dimensions of globalization, economic freedom versus state interventions and two variables that measure possible counter-identities to the otherwise now "unified house of capitalism" – the membership of a country in the "house of Islam" (*"Dar al Islam"*) or membership in the European Union (EU-15).

**The choice of the 131 countries was determined by the availability of a complete data series for these independent variables (if not mentioned otherwise, UNDP data):**

- **(I-S)/GNP (calculated from UNDP 2000)**
- development level  $\ln(\text{GDP PPP pc})$
- development level, square (maturity effects)  $\ln(\text{GDP PPP pc})^2$
- EU-15-membership (EU member by the year 2000, dummy variable)

- Islamic conference membership (OIC website<sup>25</sup>)
- **MNC PEN 1995 (UNCTAD)**
- public education expenditure per GDP
- state interventionism (absence of economic freedom; Heritage Foundation and Wall Street Journal website for economic freedom<sup>26</sup>, 2000)
- **unequal transfer (calculated from UNDP, concept: ERDI, reciprocal value of comparative “price levels” (developed on the basis of the ERD-Index Yotopoulos et al.)<sup>27</sup> (the Commission maintaining that a low value is good result)**

The list of our dependent variables is long and multidimensional. We claim to present with this analysis one of the most comprehensive synopses of the logic of post-1989 development available in the literature.

We proceeded in each multiple regression with list wise deletion of missing data from the list of dependent variables.

## Democracy

Absence of democracy: political rights violations (Freedom House, 2000)

## Environment

CO2 emissions per capita

ESI-Index ((Yale/Columbia environment sustainability index project website)

GDP output per kg energy use (*“eco-social market economy”*<sup>28</sup>)

## Gender development and gender empowerment

female life expectancy

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<sup>25</sup> <http://www.oic-oci.org/> there the icon “members”. In our sample, the following countries were coded as OIC member nations: Albania, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Burkina Faso, Chad, Côte d'Ivoire, Egypt, Gabon, Gambia, Guinea, Guyana, Indonesia, Iran, Islamic Rep. of, Jordan, Kazakhstan, Kyrgyzstan, Lebanon, Mali, Mauritania, Morocco, Niger, Nigeria, Pakistan, Saudi Arabia, Senegal, Syrian Arab Republic, Tajikistan, Togo, Tunisia, Turkey, Uganda, Uzbekistan, Yemen. It is to be noted that 5 former members nations of the Soviet Union are included in the sample.

<sup>26</sup> <http://www.freetheworld.com/>; also: <http://www.heritage.org/research/features/index/>. We used the latter website as the source of our data. It has to be kept in mind that the “worst” countries on the economic freedom scale have the numerically highest values, while the best countries have the numerically lowest values. Lao People's Dem. Rep. – the economically “unfreest” country in our sample, has the numerical value 4.6, while the economically freest country, Singapore, scores 1.45. We thus decided to call our indicator “state interventionism”

<sup>27</sup> it can be shown that the Eurostat data series GDP PPP per capita/GDP exchange rate per capita (EU-25=100), used for the “price level”, in reality measure GDP exchange rate per capita/GDP PPP per capita (EU-25=100).

<sup>28</sup> This term is most probably an Austrian invention. The governing Conservative People's Party – to be precise, its former Chairman Dr. Josef Riegler – seems to have invented this term in the late 1980s. For more on that debate: <http://www.nachhaltigkeit.at/bibliothek/pdf/Factsheet11OekosozMarktw.pdf>; and Michael Rösch, Tübingen University at [http://tiss.zdv.uni-tuebingen.de/webroot/sp/spsba01\\_W98\\_1/germany1b.htm](http://tiss.zdv.uni-tuebingen.de/webroot/sp/spsba01_W98_1/germany1b.htm). As an indicator of the reconciliation between the price mechanism and the environment we propose the indicator GDP output per kg energy use; the term ‘eco-social market economy’ neatly grasps all the aspects of this empirical formulation

female share of life years  
 female share of suicide  
 female suicide rate per 100.000 inhabitants  
 female unpaid family workers as % of all unpaid family workers  
 gender empowerment (UNDP HDR 2005, data for 2003)  
 maternal mortality ratio  
 rapes per 100.000 women aged >15 y.  
 teen-age mothers as % of all mothers

### Human development

% immunization against measles  
 % immunization against TB  
 % infants with low birth-weight  
 % people not expected to survive age 60  
 Factor Social Development (Tausch, 2001b, calculated from 35 UNDP social indicators, SPSS factor analysis)  
 human development index  
 infant mortality rate  
 life expectancy, 1995-2000  
 TBC cases per 100.000 inhabitants

### Human security

UNDP Conflict index (from UNDP Reducing Disaster Risk, 2004)  
 UNDP DR Index<sup>0, 5</sup> (from UNDP Reducing Disaster Risk, 2004)  
 UNDP HIV index (from UNDP Reducing Disaster Risk, 2004)

### Redistribution, growth and employment policies

economic growth 1990-2002  
 female economic activity rate as % of male economic activity rate  
 share of income/consumption richest 20% to poorest 20%

### Sustainability of social structures

divorce rate as % of marriages  
 homicide rate  
 injuries and deaths from road accidents per 100.000 inhabitants and year  
 juvenile convictions as % of all convictions

An overview about the variables used is as follows:

**Table 2.1: the independent variables**

independent variable	Source
(I-S)/GNP	UNDP HDR
State interventions	Heritage Foundation
EU-15-membership	Fischer Weltalmanach
Islamic Conference membership	OIC Website
penetration by transnational capital (MNC PEN 1995, stock of MNC investment per host country GDP)	UNCTAD

public education expenditure per GNP	UNDP HDR
unequal exchange (ERD index, exchange rate deviation index)	calculated from UNDP HDR
ln(GDP PPP pc)	calculated from UNDP HDR
ln (GDP PPP pc)^2	calculated from UNDP HDR

**Table 2.2: the dependent variables**

32 dependent variables	Source
% immunization against measles	UNDP HDR
% immunization against TB	UNDP HDR
% infants with low birth-weight	UNDP HDR
% people not expected to survive age 60	UNDP HDR
CO2 emissions per capita	UNDP HDR
divorce rate as % of marriages	UNDP HDR
economic growth 1990-2002	UNDP HDR
ESI-Index	ESI Website Yale + Columbia University
Factor Social Development	factor analysis, calculated from 35 UNDP HDR indicators (see Tausch, 2003)
female economic activity rate as % of male economic activity rate	UNDP HDR
female life expectancy	UNDP HDR
female share of life years	calculated from UNDP HDR
female share of suicide	calculated from UNDP HDR
female suicide rate per 100.000 inhabitants	UNDP HDR
female unpaid family workers as % of all unpaid family workers	UNDP HDR
GDP output per kg energy use	UNDP HDR
gender empowerment	UNDP HDR
homicide rate	UNDP HDR
human development index	UNDP HDR
infant mortality rate	UNDP HDR
injuries and deaths from road accidents per 100.000 inhabitants and year	UNDP HDR
juvenile convictions as % of all convictions	UNDP HDR
life expectancy, 1995-2000	UNDP HDR
maternal mortality ratio	UNDP HDR
Political rights violations	Freedom House
rapes per 100.000 women aged >15 y.	UNDP HDR
share of income/consumption richest 20% to poorest 20%	UNDP HDR
TBC cases per 100.000 inhabitants	UNDP HDR
teen-age mothers as % of all mothers	UNDP HDR
UNDP Conflict index (from UNDP Reducing Disaster Risk, 2004)	UNDP HDR
UNDP DR Index^0, 5 (from UNDP Reducing Disaster Risk, 2004)	UNDP HDR
UNDP HIV index (from UNDP Reducing Disaster Risk, 2004)	UNDP HDR

In general terms, we explain development performance by the following standard multiple cross-national development research equation:

**(Equation 1) development performance**  $_{1990 - \text{end } 1990s} = a_1 + b_1 \cdot \text{first part curvilinear function of development level} + b_2 \cdot \text{second part curvilinear function of development level} + b_3 \cdot \text{stock of transnational investment per GDP (UNCTAD)}_{\text{mid } 1990s} + b_4 \cdot \text{unequal exchange (ERDI)} + b_5 \cdot \text{foreign saving} + b_6 \cdot \text{public education expenditures per GDP} + b_7 \cdot \text{membership in the}$

## Islamic Conference $\pm b_8$ \* European Union membership $\pm b_9$ \* state interventionism

### 2.6. The results

In our investigation, we found the following significant determinants of world development:

**Table 2.3.: the neoliberal and a “red-green” “neo-dependency” vision of global governance. The combined results from 9 predictors in 32 equations about development performance with complete data from 131 countries (t-values in the multiple regressions and directions of the influence)**

Only results with an error probability  $< 10\%$  for the entire equation and for each coefficient are reported here

Variable name	Islamic conference	ln(GDP PPP pc)	ln (GDP PPP pc) <sup>2</sup>	public education expenditure per GNP	EU-15-membership	(I-S)/GNP	State interventions	MNC PEN 1995	unequal exchange	F	R <sup>2</sup>
human development index			1, 7982	-3, 9118		-3, 6062	5, 4932	-1, 8459		124, 51	91, 14
Factor Social Development			3, 8250			-2, 9753	4, 4823	-3, 4343		67, 94	83, 48
freedom from a high infant mortality rate				-2, 5287		-5, 2093	6, 6375	-2, 8128		59, 69	81, 74
gender empowerment	2, 1612			-4, 9143		1, 8106			2, 0601	30, 35	80, 84
female life expectancy	-2, 0437		2, 8556			-3, 0404	4, 2462	-2, 8861		36, 15	72, 89
life expectancy, 1995-2000	-1, 7768		2, 6329			-2, 8596	4, 0480	-2, 4462		36, 02	72, 82
freedom from high maternal mortality ratio			3, 2090			-2, 8784	3, 9088			25, 36	69, 32
freedom from a high % of people not expected to survive age 60	-2, 3239		2, 5138			-2, 9381	4, 0121	-1, 9224		26, 37	66, 23
GDP output per kg energy use	-1, 8417		1, 7083		-2, 3325	2, 6436	-2, 2948		1, 7276	17, 75	62, 46
freedom from CO2 emissions per capita						-4, 6178	3, 9324		2, 0448	20, 56	62, 09
freedom from political rights violations		-5, 1300	3, 0967	-4, 5592				-3, 8196		20, 33	60, 39
freedom from injuries and deaths from road accidents per 100.000 inhabitants and year			-2, 2598			-1, 8159				5, 95	59, 82
freedom from a high rate of teenage mothers as % of all mothers		1, 6687		3, 4025		2, 9077	-2, 4432			10, 15	56, 27
freedom from a high divorce rate as % of marriages	-2, 2914		1, 8029							2, 53	40, 08
% immunization against measles						-2, 7073	3, 2754	-1, 8790		8, 24	38, 80
ESI-Index	2, 4963			-2, 4736						7, 20	38, 63
freedom from a high UNDP HIV index	-4, 7276			2, 2912				-3, 1272		5, 91	35, 64

freedom from a high female share of suicide	2, 2924		2, 8284			-2, 8247	2, 9074	-1, 7986		3, 57	33, 76
freedom from a high rate of TBC cases per 100.000 inhabitants	-3, 2381		2, 4324	3, 5694				-3, 1397		6, 55	32, 75
freedom from a high rate of infants with low birth-weight										4, 89	31, 87
freedom from a high income concentration - share of income/consumption richest 20% to poorest 20%				2, 4895	2, 7717	2, 6718	-2, 4264	-2, 0050		4, 36	30, 34
econ growth 1990-2002			4, 1790			-1, 7508	1, 8278	3, 7130	1, 7710	5, 31	29, 16
female economic activity rate as % of male economic activity rate	1, 7849			-2, 1630	3, 0411	4, 6097	-4, 7873	-2, 2703		5, 44	28, 81
% immunization against TB						-1, 8319	2, 1406	-1, 7454	-2, 6754	4, 20	27, 41
female share of life years			1, 9465			-1, 7262	2, 1694	-2, 4859		4, 52	25, 17
freedom from a high UNDP Disaster Risk Index <sup>0.50</sup>					-1, 9033					3, 02	19, 26

The following 7 equations wielded no significant results either because no had an influence with an error probability of less than 10 % or because the error probability for the entire equation was higher than 10 %:

female suicide rate per 100.000 inhabitants  
female unpaid family workers as % of all unpaid family workers  
freedom from a high rate of infants with low birth-weight  
homicide rate  
juvenile convictions as % of all convictions  
rapes per 100.000 women aged > 15 years  
UNDP conflict index

The following 25 equations were interpreted:

% immunization against measles  
% immunization against TB  
economic growth 1990-2002  
ESI-Index  
Factor Social Development  
female economic activity rate as % of male economic activity rate  
female life expectancy  
female share of life years  
freedom from a high % of people not expected to survive age 60  
freedom from a high divorce rate as % of marriages  
freedom from a high female share of suicide  
freedom from a high income concentration - share of income/consumption richest 20% to poorest 20%  
freedom from a high infant mortality rate  
freedom from a high rate of TBC cases per 100.000 inhabitants  
freedom from a high rate of teen-age mothers as % of all mothers  
freedom from a high UNDP Disaster Risk Index<sup>0.50</sup>  
freedom from a high UNDP HIV index

freedom from CO2 emissions per capita  
 freedom from high maternal mortality ratio  
 freedom from injuries and deaths from road accidents per 100.000 inhabitants and year  
 freedom from political rights violations  
 GDP output per kg energy use  
 gender empowerment  
 human development index  
 life expectancy, 1995-2000

As one of the three main indicators of dependency, the **reliance on foreign savings** eases the distribution burden against the poorer segments of society during the accumulation process and it positively affects the gender relations in society and the efficiency of the eco-market economy, but it has several negative effects on a variety of other development processes, including economic growth, the environment and human development.

The **negative effects** of **high foreign savings** are on:

*female share of life years*  
*economic growth 1990-2002*  
*% immunization against measles*  
*% immunization against TB*  
*Factor Social Development*  
*female life expectancy*  
*freedom from a high % of people not expected to survive age 60*  
*freedom from a high female share of suicide*  
*freedom from a high infant mortality rate*  
*freedom from CO2 emissions per capita*  
*freedom from high maternal mortality ratio*  
*freedom from injuries and deaths from road accidents per 100.000 inhabitants and year*  
*human development index*  
*life expectancy, 1995-2000*

The **positive effects** of foreign savings are on:

*female economic activity rate as % of male economic activity rate*  
*freedom from a high income concentration - share of income/consumption richest 20% to poorest 20%*  
*freedom from a high rate of teen-age mothers as % of all mothers*  
*GDP output per kg energy use*  
*gender empowerment*



**State interventionism** increases the performance of countries under the Kyoto process and leads towards an improved growth performance and human development, but it fails to resolve three basic issues: sexism, inequality and the eco-market efficiency of the economy.

The **beneficial effects of state interventionism** for development are on:

*% immunization against measles*  
*% immunization against TB*  
*economic growth 1990-2002*  
*Factor Social Development*  
*female life expectancy*  
*female share of life years*  
*freedom from a high % of people not expected to survive age 60*  
*freedom from a high female share of suicide*  
*freedom from a high infant mortality rate*  
*freedom from CO2 emissions per capita*  
*freedom from high maternal mortality ratio*  
*human development index*  
*life expectancy, 1995-2000*

The **negative effects of state interventionism** are on:

*female economic activity rate as % of male economic activity rate*  
*freedom from a high income concentration - share of*  
*income/consumption richest 20% to poorest 20%*  
*freedom from a high rate of teen-age mothers as % of all mothers*  
*GDP output per kg energy use*

**MNC penetration** contributes to a higher economic growth, but it has negative consequences for human survival and life expectancy. In addition, an interesting phenomenon worthy of further research is the interconnection between decaying public services, decaying public transport and decaying public health services in the host countries of transnational investment on the one hand and the strategic policies of transnational corporations on the other hand, concentrated on the private sector, private transport, private medical services and the private automobile. The strengthening triple alliance between the MNCs, local capital and the state is a net result of the globalization process, and it still has dire social consequences – such as for social cohesion - as well.

The **significant positive effect of MNC penetration** is **higher economic growth**. MNC PEN has only this significant positive trade-off with the economic growth rate:

***Economic growth 1990-2002***

The **significant negative effects** are on:

***% immunization against measles***  
***% immunization against TB***  
***Factor Social Development***  
***female economic activity rate as % of male economic activity rate***  
***female life expectancy***  
***female share of life years***  
***freedom from a high % of people not expected to survive age 60***  
***freedom from a high female share of suicide***  
***freedom from a high income concentration - share of***  
***income/consumption richest 20% to poorest 20%***  
***freedom from a high infant mortality rate***  
***freedom from a high rate of TBC cases per 100.000 inhabitants***  
***freedom from a high UNDP HIV index***  
***freedom from political rights violations***  
***human development index***  
***life expectancy, 1995-2000***

**Unequal exchange** has positive effects on economic growth, the Kyoto process and the eco-market efficiency of the economy, and a negative trade-off with the immunization against TB indicator for public health. The **positive effects** of price reform/unequal exchange are:

***economic growth 1990-2002***  
***freedom from CO2 emissions per capita***  
***GDP output per kg energy use***  
***gender empowerment***

The only **significant negative effect** is on:

***% immunization against TB***

**Human resources** and human development investments ever since the publication of the first United Nations Human Development Reports in the early 1990s are regarded as the key towards a socially equitable and sustainable development. However, as often happens in development theory, the early optimism regarding the effects of one variable has soon to be qualified. In our sample, the countries with the best **public education expenditure per GDP** record were: Moldova, Rep. of, Namibia, Botswana, Lesotho, Sweden, Denmark, South Africa, Jordan, Uzbekistan, Tunisia, Israel, Finland, Poland, Saudi Arabia, Jamaica, Norway, New Zealand, Barbados, Estonia, Zimbabwe, and Yemen.

There are very surprising clear-cut negative interactions between public education expenditure and the overall quality of the environment (ESI-Index), political democracy, human development and the gender balance of society, but it also has positive effects income redistribution, and some aspects of the public health system.

The **positive effects** of **public education expenditures per GDP** are on:

*freedom from a high income concentration - share of  
income/consumption richest 20% to poorest 20%  
freedom from a high rate of TBC cases per 100.000 inhabitants  
freedom from a high rate of teen-age mothers as % of all mothers  
freedom from a high UNDP HIV index*

The **negative effects** are on:

*ESI-Index  
female economic activity rate as % of male economic activity rate  
freedom from a high infant mortality rate  
freedom from political rights violations  
gender empowerment  
human development index*

The first expression in the well-known **acceleration and maturity effects of development** -  $+ b_1 * \ln (PCI_{tn}) -$  yields the following results. The immediate **positive effects** of the **development level** on world development are:

*freedom from a high rate of teen-age mothers as % of all mothers*

The **negative effects** of the development level on world development are on:

***freedom from political rights violations***

I.e. human rights first deteriorate with rising development levels, before they improve.

The **second part of the "Kuznets-curve"** -  $b_2^* (\ln(\text{PCI}t))^2$  - has today the following **positive results** for the "maturity effects" of development:

***economic growth 1990-2002***  
***Factor Social Development***  
***female life expectancy***  
***female share of life years***  
***freedom from a high % of people not expected to survive age 60***  
***freedom from a high divorce rate as % of marriages***  
***freedom from a high female share of suicide***  
***freedom from a high rate of TBC cases per 100.000 inhabitants***  
***freedom from high maternal mortality ratio***  
***freedom from political rights violations***  
***GDP output per kg energy use***  
***human development index***  
***life expectancy, 1995-2000***

However, there is also one process that vindicates the "cultural pessimism" about the negative effects of high levels of development. The indicator:

***freedom from injuries and deaths from road accidents per 100.000 inhabitants and year***

clearly and negatively is affected by high achieved development levels. There is no significant growth acceleration at low levels of development, but a significant economic growth acceleration effect at high levels of development.

In the present research design, the most considerable **positive effects** by the **European Union** are the ones on the female employment share and on social cohesion, once you control for the other intervening variables.

***female economic activity rate as % of male economic activity rate  
freedom from a high income concentration - share of  
income/consumption richest 20% to poorest 20%***

The **negative effects** of the European Union are on the 2 social-environmental dimensions, the UNDP Disaster Risk Index and the eco-market economy:

***freedom from a high UNDP Disaster Risk Index  
GDP output per kg energy use***

At this point, we have to remind our readers here that our sample of countries with available data contained, rather for the first time in the literature, a good number of **Muslim countries** in Eastern Europe and in the former Soviet Union as well that were up to now not properly included in other cross-national surveys of global development patterns. Our sample now comprises 36 member nations of "**The Organization of the Islamic Conference (OIC)**", 6 of which are ***former Communist nations***, i.e. 63 % of all the 57 full members of the OIC:

***Albania***

Algeria

***Azerbaijan***

Bahrain

Bangladesh

Benin

Burkina Faso

Chad

Côte d'Ivoire

Egypt

Gabon

Gambia

Guinea

Guyana

Indonesia

Iran, Islamic Rep. of

Jordan

***Kazakhstan***

***Kyrgyzstan***

Lebanon

Mali

Mauritania

Morocco

Niger

Nigeria

Pakistan

Saudi Arabia

Senegal

Syrian Arab Republic

**Tajikistan**

Togo

Tunisia

Turkey

Uganda

**Uzbekistan**

Yemen

Our results about the **European Union** might be considered provocative, when consider that – contrary to popular assumptions – membership in the **Islamic Conference** is not an impediment against gender justice. Our results also clearly contradict many of the expectations inherent in the writings of Professor Samuel Huntington. 4 development indicators – 1 for the environment, and 3 indicators for gender justice – are positively and significantly determined by membership in the Islamic Conference, once you properly control for the effects of the other influencing variables. However, HIV, TB, survival, and energy efficiency, are the processes strengthening the cause of those who advocate more social inclusion in the region, especially in the Muslim nations of former Communism.

The **positive effects** of membership in the Islamic Conference on world development are on:

**ESI-Index**  
*female economic activity rate as % of male economic activity rate*  
*freedom from a high female share of suicide*  
*gender empowerment*

The **negative effects** of membership in the Islamic Conference on world development are:

*female life expectancy*  
*freedom from a high % of people not expected to survive age 60*  
*freedom from a high divorce rate as % of marriages*  
*freedom from a high rate of TBC cases per 100.000 inhabitants*  
*freedom from a high UNDP HIV index*  
*GDP output per kg energy use*  
*life expectancy, 1995-2000*

Summarizing the results of Table 2.3, we can show the following propositions to hold:

**The “red/green” perspective of “controlled globalization” and socio-liberal development**

***the perspective that uncontrolled globalization is bad for the human condition – sub-proposition high foreign savings increase the foreign control over the economy, with disastrous effects for the well-being of nations***

*the proposition is successfully tested by the equation(s) on*

*freedom from a high infant mortality rate  
 freedom from CO2 emissions per capita  
 human development index  
 female life expectancy  
 Factor Social Development  
 freedom from a high % of people not expected to survive age 60  
 freedom from high maternal mortality ratio  
 life expectancy, 1995-2000  
 freedom from a high female share of suicide  
 % immunization against measles  
 % immunization against TB  
 freedom from injuries and deaths from road accidents per 100.000 inhabitants and year  
 economic growth 1990-2002  
 female share of life years*

***the perspective that uncontrolled globalization is bad for the human condition – sub-proposition state sector controls in reality have good effects for the well-being of nations***

*the proposition is successfully tested by the equation(s) on*

*freedom from a high infant mortality rate  
 human development index  
 Factor Social Development  
 female life expectancy  
 life expectancy, 1995-2000  
 freedom from a high % of people not expected to survive age 60  
 freedom from CO2 emissions per capita  
 freedom from high maternal mortality ratio  
 % immunization against measles  
 freedom from a high female share of suicide  
 female share of life years  
 % immunization against TB  
 economic growth 1990-2002*

***the perspective that uncontrolled globalization is bad for the human condition – sub-proposition high foreign capital penetration increases the foreign control over the economy, with disastrous effects for the well-being of nations***

*the proposition is successfully tested by the equation(s) on*

*freedom from political rights violations*

*Factor Social Development*

*freedom from a high rate of TBC cases per 100.000 inhabitants*

*freedom from a high UNDP HIV index*

*female life expectancy*

*freedom from a high infant mortality rate*

*female share of life years*

*life expectancy, 1995-2000*

*female economic activity rate as % of male economic activity rate*

*freedom from a high income concentration - share of income/consumption*

*richest 20% to poorest 20%*

*freedom from a high % of people not expected to survive age 60*

*% immunization against measles*

*human development index*

*freedom from a high female share of suicide*

*% immunization against TB*

***the perspective that uncontrolled globalization is bad for the human condition – sub-proposition a high exchange rate deviation index constitutes a precondition for unequal exchange which has disastrous effects for the well-being of nations***

*the proposition is successfully tested by the equation(s) on*

*% immunization against TB*

However, this vision is going to be challenged by the dominant neo-liberal perspective.

**The “blue” perspective of “unfettered globalization” as an engine of development**

***the perspective that uncontrolled globalization is good for the human condition – sub-proposition high foreign savings increase the freedom of maneuver in the economy, with good effects for the well-being of nations***

*the proposition is successfully tested by the equation(s) on*



*freedom from a high rate of teen-age mothers as % of all mothers*  
*freedom from a high income concentration - share of income/consumption*  
*female economic activity rate as % of male economic activity rate*  
*richest 20% to poorest 20%*  
*GDP output per kg energy use*  
*gender empowerment*

***the perspective that uncontrolled globalization is good for the human condition – sub-proposition state sector controls in reality hinder the well-being of nations***

*the proposition is successfully tested by the equation(s) on*

*female economic activity rate as % of male economic activity rate*  
*freedom from a high rate of teen-age mothers as % of all mothers*  
*freedom from a high income concentration - share of income/consumption*  
*richest 20% to poorest 20%*  
*GDP output per kg energy use*  
*gender empowerment*

***the perspective that uncontrolled globalization is good for the human condition – sub-proposition high foreign capital penetration increases the well-being of nations***

*the proposition is successfully tested by the equation(s) on*

*economic growth 1990-2002*

***the perspective that uncontrolled globalization is good for the human condition – sub-proposition a high exchange rate deviation index reflects at the end of the day a comparative low price level and that the developed nations with their historically low ERD rates and high comparative price levels must open themselves up to globalization to lower their comparative price levels***

*the proposition is successfully tested by the equation(s) on*

*freedom from CO2 emissions per capita*  
*economic growth 1990-2002*  
*GDP output per kg energy use*  
*gender empowerment*

## **2.7. Discussion – the most promising direction for future dependency research is research on structural violence, but dependency theory fails to explain economic growth and income inequality**

First, we should start out here from what this article **did not achieve**. In the vast quantitative literature on globalization and development, there is recurrent

reference to the issues of **“structural disarticulation”**, i.e. the imbalance between the different economic sectors. Valuable, and well-founded in original dependency theory, as this research tradition might be, our research design was simply not intended to follow-up this particular research question [see the results, reported by Breedlove W. L. and Armer J. M. (1997), Huang J. (1995), Stokes R. and Anderson A. (1990), Wickrama K. A. S. and Mulford Ch. L. (1996)]. The same applies to the interesting studies on premature and **“inflated” urbanization** that is well compatible with the original writings of dependency theory [see: Bradshaw Y. (1987), Bradshaw Y. W. and Schafer M. J. (2000), Crenshaw E. M. and Oakey, D. R. (1998), Kasarda J.D. and Crenshaw E.M. (1991), Smith D. A and London B. (1990), Smith D. A. (1996)]. Also, the vast literature on **political stability** could only be superficially tested here (via the UNDP indicator percentage of people affected by armed conflicts, 1980 to the present). That dependency might or will lead towards political instability was being dealt with, among others, by Bornschier V. and Nollert M. (1994), Boswell T. and Dixon W. J. (1993), Muller E. N. and Seligson M. A. (1987), Nollert M. (1994b), and Wimmer A. (2002).

The vast dependency and world systems research literature on **globalization and the decaying environment** receives only **limited support**. The “red-green” notion that uncontrolled globalization is bad for the human condition – sub-proposition high foreign savings increase the foreign control over the economy, with disastrous effects for the well-being of nations - is successfully tested by the negative effects on freedom from CO2 emissions per capita. By contrast, it also holds that high foreign savings have positive effects on GDP output per kg energy use; a high exchange rate deviation index and thus a low comparative price level has a beneficial effect on the freedom from CO2 emissions per capita and the GDP output per kg energy use. Thus, a very thorough re-thinking of the existing research literature is being called for [see Beckerman W. (1992), Burns T. J. et al. (1994), Burns T. J., Kick E. L. and Davis B. L. (2003), Crenshaw E. M. and Jenkins J. C. (1996), Ehrhardt-Martinez K.; Crenshaw E. M.; and Jenkins J. C. (2002), Fain H. D. et al. (1997), Goldfrank W. L. (1999), Grimes P. and Kentor J. (2003), J. Timmons Roberts J. T., Grimes P. E. and Jodie L. Manale J. L. (2003), Jorgenson A. K. and Rice J. (2005), Munasinghe M., Miguel: de and Sunkel O. (2001), Shafik N. and Bandyopadhyay S. (1992), Shandra J. M., and London B. and Williamson J. B. (2000)].

The literature on **dependency as a reason of repression, political and social conflict** also receives only **limited confirmation**. The rates of female suicide per 100.000 inhabitants, the homicide rate, the rate of juvenile convictions per all convictions, the rate of rape per 100.000 women and the UNDP Conflict Index (% of population affected by violent conflicts, 1980 to the present) are not at all determined in a satisfactory way in the multiple regression designs tested here. High foreign savings negatively affect the freedom of a society from a high female share of suicide, and they also negatively affect the freedom of a society from injuries and deaths from road accidents per 100.000 inhabitants and year. High foreign capital penetration, in addition, has negative effects on the freedom of a society from political rights violations. This result is a serious motive for second thoughts by the followers of the neo-liberal global governance paradigm, and by and large confirms earlier such studies in the literature [Lopez G. A. and Stohl M. (1989), Meyer W. H. (1996), Muller E. N. (1995), O’Loughlin J.; Ward M. D.; and Shin M. (1998), Simpson M. (1990), Spar D. (1999), Timberlake M. and Williams K.R. (1984), Timberlake M. and Williams K.R. (1987)]. But no

significant negative effects can be reported for the other repression, political and social conflict variables under scrutiny here, thus only allowing a rather cautious confirmation of the earlier quantitative research literature [Gartner R. (1990), Gissinger R. and Gleditsch N. P. (1999), Kick E. L., Davis B. L. and Burns T. J. (2000), London B. and Robinson T. (1989), London B. and Williams B. A. (1988), Mittelman J. (1994), Neapolitan J. L. and Schmallegger F. (1997), Nollert M. (1994a), and Robinson T.D. and London B. (1991)].

Equally problematic is the result for the research tradition on **dependency and gender relations**. Support for a gender-oriented world systems theory is only to be found in those multiple regressions that have a **strong basic human needs and human development perspective**, and whose results show that high foreign savings negatively affect the female life expectancy, the freedom from high maternal mortality ratio, the freedom from a high female share of suicide and the female share of life years. Yes, a high foreign capital penetration disastrously affects the female life expectancy, the female share of life years, the female economic activity rate as % of male economic activity rate, and the freedom from a high female share of suicide. However, this feminist world system vision is going to be challenged by the dominant neo-liberal perspective. High foreign savings increase the female economic activity rate as % of male economic activity rate, a reliance on foreign savings is good for the freedom from a high rate of teen-age mothers as % of all mothers, and above all also for the UNDP gender empowerment index that master variable of all distribution oriented feminist world system research since the days of the Beijing world summit in 1995. A high exchange rate deviation index is equally also good for the gender empowerment index.

The reaction to the quantitative evidence on dependency, **income distribution and economic growth** was massive indeed in the macro-quantitative research literature. After the pioneering studies by Volker Bornschier and his school in Zurich [based on the famous compendium of data by Bornschier V. and Heintz P., reworked and enlarged by Th. H. Ballmer - Cao and J. Scheidegger (1979), with the first research results published among others in Bornschier V. et al. (1980)], this debate never really ended, and grew to hundreds of titles in the major journals of social sciences, especially published in the United States of America. That dependency in the short term might lead towards spurts of growth, but to long-term stagnation and an unequal distribution of incomes, was among the early consensuses of this kind of theory. Needless to say that Latin American dependency theory – especially in the works of Fernando Henrique Cardoso – never accepted such a stagnation oriented implications of dependency “economic growth theory”, while in the macro-quantitative research literature this theme received an enormous attention. Only some of the most important titles can be mentioned here [see Alderson A. and Nielsen F. (1999), Alderson A. S., Beckfield J. and Nielsen F. (2005), Babones S. J. (2002), Beer L. (1999), Beer L. and Boswell T. (2002), Bergesen A. and Fernandez R. (1999), Bornschier V. and Ballmer-Cao, T. H. (1979), Bornschier V. and Chase-Dunn Ch. K (1985), Bornschier V., Chase-Dunn Ch. and Rubinson R. (1977), Boswell T. and Dixon W.J. (1990), Bradshaw Y. and Huang J. (1991), Breedlove W. L. and Armer J. M. (1996), Caporaso J. A. (1978), Chase-Dunn Ch. K. (1975), Crenshaw E. M. (1991), Crenshaw E. M. (1992), Crenshaw E. M. (1993), Crenshaw E. M. and Ansari A. (1994), Delacroix J. and Ragin Ch. (1981), Dixon W. J. and Boswell T. (1996b), Evans P. B. and Timberlake M. (1980), Fiala R. (1992), Galtung J. (1971), Galtung J., Chase-Dunn, Ch. K. et al. (1985), Johnson R. B. (1986),

Kentor J. D. (1998), Kentor J. D. (2005), Kentor J. D. and Boswell T. (2003), Kick E. L. and Davis B. L. (2001), Kohli A. et al. (1984), Krahn H. and Gartrell J. W. (1985), London B. (1987), London B. and Ross R. J. S. (1995), London B. and Smith D. A. (1988), Moaddel M. (1994), Muller E. N. (1988), Muller E. N. (1993), Nielsen F. (1995), Nolan P. D. (1983), Prechel H. (1985), Rubinson R. (1976), Russett B. (1983a), Russett B. (1983b), Shandra J. M., Ross R. J. S., London B. (2003), Shandra J. M.; London B.; Whooley O. P.; Williamson J. B. (2004), Shandra J. M.; Nobles, J. E.; London B.; Williamson, J. B. (2005), Shandra J., London B, Whooley O. P., et al. (2004), Suter Ch. (2005), Tausch A. (1998a), Tausch A. (1998b), Tausch A. (2005b), Timberlake M. and Kantor J. (1983), Trezzini B. and Bornschier V. (2001), Tsai P-L. (1995), and Wimberley D. W. and Bello R. (1992)].

True enough, this literature received an unusual attention also from neo-liberal authors. The uncomfortable facts (with or without “”) of globalization and dependence, leading towards poverty and stagnation, could not go uncontested, because such facts contradict the very basic neo-liberal assumptions of how our global system works and should work. Writers were quick to point out several of the methodological difficulties of the dependency + stagnation + income inequality paradigm, and as the numbers of published articles supporting dependency theory grew, so did the methodological critiques in tandem [Firebaugh G. (1992), Firebaugh G. (1996), Firebaugh G. and Beck F. D. (1994), Rothgeb J. M. Jr. (1993a), Rothgeb J. M. Jr. (1993b), Rothgeb J. M. Jr. (1996a), Rothgeb J. M. Jr. (1996b), Rothgeb J. M. Jr. (1999), Rothgeb J. M. Jr. (2002), Rothgeb, J. M. Jr. (1995), Soysa I. de (2002), Soysa I. de (2003), Soysa I. de and Gleditsch N. P. (2002), Soysa I. de and John R. Oneal, J. R. (2000), Soysa I. de and Neumayer E. (2005), Van Rossem R. (1996), Weede E. (1985), Weede E. and Tiefenbach H. (1981)]. Neo-liberal authors, writing mostly in the 1990s, went further by trying to prove that the opposite of dependency theory holds true – not dependency, but the very lack of world economic openness and state sector influence are to blame for Third World stagnation and indeed for global economic ills. In the neo-liberal 1990s, this approach became the dominant paradigm [Barro R. J. (1991), Barro R. J. (1994), Barro R. J. (1996a), Barro R. J. (1996b), Barro R. J. (2000), Barro R. J. (2001), Barro R. J. (2003), Barro R. J. (2004a), Barro R. J. (2004b), Barro R. J. and Grilli V. (1994), Barro R. J. and McCleary R. M. (2003a), Barro R. J. and McCleary R. M. (2003b), Barro R. J. and McCleary R. M. (2004), Barro R. J. and Sala-i-Martin X. (1991), Barro R. J. and Sala-i-Martin X. (1995/98), Barro, R. J. and Sala-i-Martin X. (1992), Becker G. (1993), Betcherman G. (2002), Bhagwati J.N. (1989), Carroll E. (2000), Dollar D. (2005), Dollar D. and Kraay A. (2000), Dollar D. and Kraay A. (2001a), Fukuyama F. (1991), Gholami R., Lee S. Y. T and Heshmati A. (2003), Haouas I; Yagoubi, M; and Heshmati A (2002a), Haouas I; Yagoubi, M; and Heshmati, A. (2002b), Harss C. and Maier K. (1998), Heshmati A. (2003a), Heshmati A. (2003b), Heshmati A. and Addison T. (2003), Kearny A.T. (2001), Moore M. (2003), Nederveen-Pieterse J. (1997), Olson M. (1982), Olson M. (1986), Olson M. (1987), Weede E. (1990), Weede E. (1992), Weede E. (1993a), Weede E. (1993b), Weede E. (1996a), Weede E. (1996b), Weede E. (1997), Weede E. (1999a), Weede E. (2002), Weede E. (2003), Weede E. (2004a), Weede E. (2004b), Weede E. (2004c), Weede E. (2004d), Weede E. (2005), Weede E. and Muller E. N. (1998)].

In the final analysis, the following relationships hold: High **foreign savings** have a **negative effect on the economic growth rate** 1990-2002, and a high

**foreign capital penetration** negatively affects the **freedom of a society from a high income concentration** – [share of income/consumption richest 20% to poorest 20%]. However, this vision is going to be challenged by the dominant neo-liberal perspective. High **foreign savings** have **good effects for the freedom of a society from a high income concentration** – [share of income/consumption richest 20% to poorest 20%], and, in addition, a high exchange rate deviation index and thus **a low international price level positively** influences the **economic growth** rate, 1990 – 2002. We thus can neither say that “openness” leads to “social injustice” and growth, nor the opposite.

The **most promising research direction for future dependency and world system research** will deal with **social conditions and structural violence**. The earlier more than two dozen studies, which receive ample confirmation here, are, among others Bradshaw Y. W., Noonan R; and Gash L. (1993), Burns T. J., Kentor J. D. and Jorgenson, A. (2002), Chase-Dunn Ch. K. (2005), Dixon W. J. (1984), Frey R. S. and Field C. (2000), Ghobarah H. et al. (2001), Jenkins J. C. and Scanlan S. J. (2001), Kick E. L. et al. (1995), Kick E. L., Davis B. L. and Burns T. J. (1998), Klitgaard R. and Fedderke J. (1995), Lena H. F. and London B. (1993), London B. (1990), London B. and Williams B. A. (1990), Moon B.E. and Dixon W.J. (1992), Ragin C. C. and Bradshaw Y. W. (1992), Ram R. (1992), Shandra J. M.; Nobles J.; London B.; Williamson J. B. (2004), Shen C. and Williamson J. B. (2001), Shin M. E. (1975), Shin M. E. (2002), Tausch A. (1989b), Tausch A. (1990), Tausch A. (1991), Tausch A. and Prager F. (1993), Wimberley D. W. (1990), and Wimberley D. W. (1991). High foreign savings increase the foreign control over the economy, with disastrous effects for the well-being of nations, among others on the freedom from a high infant mortality rate, the freedom from CO2 emissions per capita, the human development index, female life expectancy, Factor Social Development, the freedom from a high % of people not expected to survive age 60, the freedom from high maternal mortality ratio, life expectancy, 1995-2000, the freedom from a high female share of suicide, % immunization against measles, % immunization against TB, the freedom from injuries and deaths from road accidents per 100.000 inhabitants and year, and the female share of life years. The list of the negative effects by foreign capital penetration on the well-being of nations is equally long and exhaustive here: the Factor Social Development, the freedom from a high rate of TBC cases per 100.000 inhabitants, the freedom from a high UNDP HIV index, female life expectancy, the freedom from a high infant mortality rate, the female share of life years, life expectancy, 1995-2000, the female economic activity rate as % of male economic activity rate, the freedom from a high % of people not expected to survive age 60, % immunization against measles, the human development index, the freedom from a high female share of suicide, % immunization against TB are all significantly and negatively affected by MNC penetration. In addition, a high exchange rate deviation index negatively and significantly affects the immunization rate against TB.

At the end of the day, it emerges that the growth and the institutional dimension of society are closely interlinked, as O'Hara correctly pointed out (O'Hara, 2005). Keeping constant the curvilinear tradeoff between development level and development performance, it emerges in our multiple regressions that globalization is able to dynamize economic growth under certain and limited conditions, for sure, but at the same time, and left to itself without the steering intervention of institutions committed to human development, it is unable to

propel the most important social indicators in a positive direction. Even worse, the glaring contradictions between globalization and such important processes as infant mortality reduction, life expectancy improvement and the host of all the other “millennium development goals” become apparent, while the positive tradeoffs of uncontrolled globalization are only and positively relevant for such indicators as economic growth, employment and – in a certain measure – income distribution in the “formal sector”. The old Marxist paradigm about the appropriation of relative surplus value comes to my mind here, and all those debates that characterized the trajectory of Marxism in the days of Tugan Baranovski, Rudolph Hilferding and Rosa Luxemburg (Tausch A. and Prager F., 1993).

In methodological terms, the present analysis tries to overcome the weaknesses inherent in dependency-oriented studies, widely criticized by neo-liberal authors who took great care to expose them, while the methodological weaknesses of their own pro-globalization approach largely unnoticed.

Dependency theory, to this day, connected with **globalization critique** and also **liberation theology** in the world’s South [see inter alia: Kirby P. (1981), and Müller Andreas et al. (2000); for a neo-liberal critique of liberation theology Novak M. A. (1987), and Novak M. A. and Jackson M. P. (1985)], poses uneasy questions about the justness of our global order, and automatically receives a more thorough “screening” by world scholarship than contending neo-liberal theories, real methodological problems that might exist notwithstanding [for the neo-liberal critique of published quantitative dependency and world systems theory writings see the per se brilliant articles Firebaugh G. (1992), Firebaugh G. (1996), Firebaugh G. and Beck F. D. (1994), Rothgeb J. M. Jr. (1993a), Rothgeb J. M. Jr. (1993b), Rothgeb J. M. Jr. (1996a), Rothgeb J. M. Jr. (1996b), Rothgeb J. M. Jr. (1999), Rothgeb J. M. Jr. (2002), Rothgeb, J. M. Jr. (1995), Soysa I. de (2002), Soysa I. de (2003), Soysa I. de and Gleditsch N. P. (2002), Soysa I. de and John R. Oneal, J. R. (2000), Soysa I. de and Neumayer E. (2005), Van Rossem R. (1996), Weede E. (1985), Weede E. and Tiefenbach H. (1981)].

Great fanfares have heralded the benefits of globalization around the globe. Taking a closer and methodologically sound look at the existing evidence, it may indeed emerge that **small states** – and not globalized states as such – are doing relatively better than big nations in the world economy, thus reviving nowadays the old hypothesis put forward by Professor Katzenstein from Cornell University many years ago in quite another context. Recent massive evidence put forward by neo-classical and pro-globalist scholars on “world economic openness” and social and other human well-being allows only such a strict interpretation, because “**world economic openness**”, i.e. the foreign trade share in GDP only measures small state status. **But this is nothing else than saying that smallness is good for growth and well-being, because smallness and world economic openness closely correlate with each other.** Re-reading Katzenstein (1984), one can only re-iterate that small states, by their being compelled to seek internal political compromise and a good relationship with their neighbors or both – seem to be in a more advantageous position in world society nowadays than their bigger competitors.

Scholars and policy-makers alike would be well advised to study the “**dissidents**” (in one way or the other) of the **not at all so homogeneous camp of neo-classical economics**, often coinciding with a continuation of

debates begun by classical development economics of the 1940s, 1950s and the early 1960s. The contradictions and inefficiencies of the “neo-model” are too obvious, and critical assumptions are hardly met in the oligopolistic environment of a periphery or semi-periphery country, characterized by centuries of colonization [Abbott J. P. and Worth O. (2002), Aghion Ph. and Williamson J. G. (1998), Alexandratos N., Bruinsma J. and Yotopoulos P. A. (1983), Chenery H. and Syrquin M. (1975), Dadush U. and Brahmabhatt M. (1995), Easterly W. (2001), Easterly W. (2002), Floro S. L. and Yotopoulos P. A. (1991), Gurr T. R. (1991), Holzmann R. (1999), Kanbur R. (2001), Kanbur R. (2005), Kanbur R. and Squire L. (2001), Lewis Sir W.A. (1978), Meier G.M. and Seers D. (Eds.)(1984), Milanovic B. and Squire L. (2005), Mills J. (2002), Myrdal G. (1972), Myrdal G. (1974), Myrdal G. (1984), O’Hara P. A. (2000), O’Hara P. A. (2003a), O’Hara P. A. (2005b), O’Hara P. A. (Ed.)(2001), O’Hara P. A. (Ed.)(2004), Pepelasis A. and Yotopoulos P. A. (1962), Perroux F. (1961), Rodrik D. (1997), Rostow W. W. (1980), Rothschild K. W. (1993a), Rothschild K. W. (1993b), Schumpeter J. A. (1950), Schumpeter J. A. (1969), Schumpeter J. A. (1980), Schumpeter J. A. (1982), Stiglitz J. (1998), Streissler E. (2002), United Nations Economic Commission for Latin America, ECLAC/CEPAL, (2002), Wood A. (1994), Yotopoulos P. A. (1966), Yotopoulos P. A. (1967), Yotopoulos P. A. (1977), Yotopoulos P. A. (1984), Yotopoulos P. A. (1989a), Yotopoulos P. A. (1989b), and Yotopoulos P. A. (1989c)]. In view of the current **“fundamentalism” of the Washington Consensus** and neo-liberalism, it seems appropriate here to recall one of the last articles by the late **Sir Karl Raimund Popper** (Popper, 1991), who quite explicitly warned against a type of market economy totalitarianism, substituting the socialist planned economy in the East.

A certainly promising direction of future research is the **basic human needs and growth-for-the-poor** approach that is so prominent nowadays also in the publications influenced by the UNDP. The cross-national quantitative studies about poverty reduction, basic needs and economic growth all suggest that the basic Myrdalian argument about poverty reduction as an engine of growth is correct. In view of the existing research results, future world system scholars, studying the relationship between dependency and development, would be well advised to think about poverty, basic human needs, life expectancy, infant mortality, survival probability at age 40 or 65 etc. and not so much on phenomena relating to “the sphere of production” like economic growth or the distribution of money incomes [see Ahluwalia M. S. (1974), Ahluwalia M. S. (1976), Bradshaw Y. W., Noonan R; and Gash L. (1993), Burns T. J., Kentor J. D. and Jorgenson, A. (2002), Chase-Dunn Ch. K. (2005), Crenshaw E. M. (1995), Crenshaw E. M.; Ameen A. Z.; and Christenson. M. (1997), Crenshaw E. M.; Christenson M.; Oakey D. R. (2000), Dixon W. J. (1984), Frey R. S. and Field C. (2000), Ghobarah H. et al. (2001), Jenkins J. C. and Scanlan S. J. (2001), Kentor J. D. (2001), Kick E. L. et al. (1995), Kick E. L., Davis B. L. and Burns T. J. (1998), Klitgaard R. and Fedderke J. (1995), Lena H. F. and London B. (1993), London B. (1988), London B. (1990), Lopez G. A. and Stohl M. (1989), Meyer W. H. (1996), Moon B.E. and Dixon W.J. (1992), Muller E. N. (1995), O’Loughlin J.; Ward M. D.; and Shin M. (1998), Ragin C. C. and Bradshaw Y. W. (1992), Ram R. (1992), Shandra J. M.; Nobles J.; London B.; Williamson J. B. (2004), Shen C. and Williamson J. B. (2001), Shin M. E. (1975), Shin M. E. (2002), Simpson M. (1990), Spar D. (1999), Stack St. (1998), Tausch A. (1989b), Tausch A. (1990), Tausch A. (1991), Tausch A. (2003b), Tausch A. (2005c), Tausch A. (2005d), Tausch A. and Prager F. (1993), Timberlake M. and Williams K.R. (1984),

Timberlake M. and Williams K.R. (1987), Wimberley D. W. (1990), and Wimberley D. W. (1991)].

It also emerges that unfettered globalization, properly specified as investment globalization, foreign saving, and unequal exchange (exchange rate deviation index) is responsible for a host of social problems and polarizing development models, although economic growth, employment and to a certain extent income redistribution are indeed positively affected by globalization.



## **2.8. Conclusions**

Certainly, as one of the most promising research strategies for future dependency studies emerge research projects that concentrate on the thorny questions of human development, human rights and basic human needs that are so closely linked to the issues of redistribution and the overall structure of society. Evidently, the question of life quality, democratic quality and the major world religions cannot be excluded, especially in the Southern Mediterranean and in the Arab world in general [see Ahluwalia M. S. (1974), Ahulwalia M. S. (1976), Bradshaw Y. W., Noonan R; and Gash L. (1993), Burns T. J., Kentor J. D. and Jorgenson, A. (2002), Chase-Dunn Ch. K. (2005), Crenshaw E. M. (1995), Crenshaw E. M.; Ameen A. Z.; and Christenson. M. (1997), Crenshaw E. M.; Christenson M.; Oakey D. R. (2000), Dixon W. J. (1984), Frey R. S. and Field C. (2000), Ghobarah H. et al. (2001), Jenkins J. C. and Scanlan S. J. (2001), Kentor J. D. (2001), Kick E. L. et al. (1995), Kick E. L., Davis B. L. and Burns T. J. (1998), Klitgaard R. and Fedderke J. (1995), Lena H. F. and London B. (1993), London B. (1988), London B. (1990), Lopez G. A. and Stohl M. (1989), Meyer W. H. (1996), Moon B.E. and Dixon W.J. (1992), Muller E. N. (1995), O'Loughlin J.; Ward M. D.; and Shin M. (1998), Ragin C. C. and Bradshaw Y. W. (1992), Ram R. (1992), Shandra J. M.; Nobles J.; London B.; Williamson J. B. (2004), Shen C. and Williamson J. B. (2001), Shin M. E. (1975), Shin M. E. (2002), Simpson M. (1990), Spar D. (1999), Stack St. (1998), Tausch A. (1989b), Tausch A. (1990), Tausch A. (1991), Tausch A. (2003b), Tausch A. (2005c), Tausch A. (2005d), Tausch A. and Prager F. (1993), Timberlake M. and Williams K.R. (1984), Timberlake M. and Williams K.R. (1987), Wimberley D. W. (1990), Wimberley D. W. (1991)].

Our equations about

human development index  
 Factor Social Development  
 freedom from a high infant mortality rate  
 gender empowerment  
 female life expectancy  
 life expectancy, 1995-2000  
 freedom from high maternal mortality ratio  
 freedom from a high % of people not expected to survive age 60  
 GDP output per kg energy use  
 freedom from CO2 emissions per capita  
 freedom from political rights violations  
 freedom from injuries and deaths from road accidents per 100.000 inhabitants and year  
 freedom from a high rate of teen-age mothers as % of all mothers

explain more than 50 % of the variance of the dependent variable each and are to be considered as highly significant.

A final synopsis about our results yields the following results:

**Table 2.4: The determination of the human condition in 32 equations about democracy, the environment, gender development and gender empowerment, human development, human security, redistribution, growth and employment policies, and the sustainability of the social structures in 131 countries with complete data about the independent variables**

	% positive influence	% negative influence	% no significant influence	total number of equations in % (total – 32 equations)
<b>MNC PEN 1995</b>	3, 13	<b>46, 88</b>	<b>50, 00</b>	100, 00
<b>(I-S)/GNP</b>	15, 63	<b>43, 75</b>	<b>40, 63</b>	100, 00
Islamic conference membership	12, 50	18, 75	68, 75	100, 00
public education expenditure per GDP	12, 50	18, 75	68, 75	100, 00
<b><i>state interventionism (absence of economic freedom)</i></b>	<b>40, 63</b>	12, 50	<b>46, 88</b>	100, 00
EU-15-membership	6, 25	6, 25	87, 50	100, 00
development level ln (GDP PPP pc)	3, 13	3, 13	93, 75	100, 00
unequal transfer (calculated from UNDP, concept: ERDI, reciprocal value of comparative "price levels)	12, 50	3, 13	84, 38	100, 00
<b><i>development level, square (maturity effects) ln (GDP PPP pc)^2</i></b>	<b>40, 63</b>	3, 13	56, 25	100, 00

As the Marxist classics and dependency theory have reminded us, capitalism is interested in appropriating the surplus value, and that means at higher stages of development always "the relative surplus value". That means a standard of living that might be above the absolute poverty levels, but that is still a polarized social structure that puts the needs of capital ahead of the needs of those millions of human beings around the globe that struggle for shelter, for freedom from qualitative and quantitative hunger, from oppression, and marginalization. Apart from that capital does not abolish all these contradictions that are deepening, like in the late 19<sup>th</sup> Century during its globalization, the politically highly conflictive international landscape of our globe.

**Appendix to Chapter 2 - The empirical results in detail**

Legend: In this and in all following tables, very small decimal numbers are abridged according to established mathematical conventions, contained in the EXCEL routine. For example, a number **0, 000141972** will be abridged to **1E-04**, i.e. a decimal number rounded to 0, 0001 and starting at the fourth number after the decimal point with three zeros after the comma. A number **9E-10** equals thus a decimal number with 9 zeros after the comma, i.e. 0, 0000000009. All our EXCEL 7.0 calculations are from UNDP and other data sources, quoted above.

As in all EXCEL 7.0 outprints, first row: un-standardized regression coefficients, second row: standard errors, second last row: t-Test and direction of the influence; last row: error probability. The values immediately below the standard errors are  $R^2$  (third row, left side entry), F, and degrees of freedom (fourth row). Below that:  $ss_{reg}$ ;  $ss_{resid}$ , i.e. the sum of squares of the regression and the sum of squares of the residuals. The right-hand entry in the third row is the standard error of the estimate y.

	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>% immunization against measles</b>	-3, 9302	76, 5487	0, 5411	0, 3847	-0, 1394	-3, 4739	-4, 5799	-0, 3082	0, 1643	-279, 8868
	1, 4517	23, 3710	1, 7905	0, 8229	0, 0742	3, 6628	5, 9011	3, 5057	0, 1290	91, 7134
	0, 3880	16, 2754								
	8, 2402	117, 0000								
	19644, 7183	30991, 9903								
<b>t-test and direction of influence</b>	<b>-2, 7073</b>	<b>3, 2754</b>	<b>0, 3022</b>	<b>0, 4675</b>	<b>-1, 8790</b>	<b>-0, 9484</b>	<b>-0, 7761</b>	<b>-0, 0879</b>	<b>1, 2734</b>	<b>-3, 0518</b>
t-test and direction of influence^2	7, 3297	10, 7281	0, 0913	0, 2186	3, 5305	0, 8995	0, 6024	0, 0077	1, 6216	9, 3132
t-test and direction of influence^0,5	2, 7073	3, 2754	0, 3022	0, 4675	1, 8790	0, 9484	0, 7761	0, 0879	1, 2734	3, 0518
degrees of freedom	117, 0000	117, 0000	117, 0000	117, 0000	117, 0000	117, 0000	117, 0000	117, 0000	117, 0000	117, 0000
error probability	0, 0078	0, 0014	0, 7630	0, 6410	0, 0627	0, 3449	0, 4392	0, 9301	0, 2054	0, 0028
F equation	8, 2402	8, 2402	8, 2402	8, 2402	8, 2402	8, 2402	8, 2402	8, 2402	8, 2402	8, 2402
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>% immunization against TB</b>	-2, 9355	54, 4311	1, 0008	0, 2068	-0, 1282	-2, 9582	-20, 2102	-3, 6071	0, 1558	-149, 4457
	1, 6024	25, 4281	1, 6860	0, 8098	0, 0734	3, 4845	7, 5541	3, 2962	0, 1315	98, 2423
	0, 2741	14, 8640								
	4, 1951	100, 0000								
	8341, 6407	22093, 8229								
<b>t-test and direction of influence</b>	<b>-1, 8319</b>	<b>2, 1406</b>	<b>0, 5936</b>	<b>0, 2553</b>	<b>-1, 7454</b>	<b>-0, 8490</b>	<b>-2, 6754</b>	<b>-1, 0943</b>	<b>1, 1847</b>	<b>-1, 5212</b>
t-test and direction of influence^2	3, 3560	4, 5821	0, 3523	0, 0652	3, 0463	0, 7207	7, 1577	1, 1975	1, 4036	2, 3140
t-test and direction of influence^0,5	1, 8319	2, 1406	0, 5936	0, 2553	1, 7454	0, 8490	2, 6754	1, 0943	1, 1847	1, 5212

degrees of freedom	100, 0000	100, 0000	100, 0000	100, 0000	100, 0000	100, 0000	100, 0000	100, 0000	100, 0000	100, 0000
error probability	0, 0699	0, 0347	0, 5541	0, 7990	0, 0840	0, 3979	0, 0087	0, 2764	0, 2389	0, 1314
F equation	4, 1951	4, 1951	4, 1951	4, 1951	4, 1951	4, 1951	4, 1951	4, 1951	4, 1951	4, 1951
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc) ^2	Constant
<b>% infants with low birth-weight</b>	0, 7226	-14, 3056	0, 0945	-0, 3503	0, 0249	0, 2255	-1, 0091	1, 9844	-0, 0585	73, 9643
	0, 5496	8, 8564	0, 6936	0, 3200	0, 0304	1, 3608	2, 1729	1, 4429	0, 0476	34, 7940
	0, 3187	5, 5957								
	4, 8856	94, 0000								
	1376, 8042	2943, 3112								
<b>t-test and direction of influence</b>	<b>1, 3146</b>	<b>-1, 6153</b>	<b>0, 1362</b>	<b>-1, 0945</b>	<b>0, 8186</b>	<b>0, 1657</b>	<b>-0, 4644</b>	<b>1, 3753</b>	<b>-1, 2296</b>	<b>2, 1258</b>
t-test and direction of influence^2	1, 7282	2, 6091	0, 0186	1, 1978	0, 6701	0, 0275	0, 2157	1, 8914	1, 5118	4, 5189
t-test and direction of influence^0,5	1, 3146	1, 6153	0, 1362	1, 0945	0, 8186	0, 1657	0, 4644	1, 3753	1, 2296	2, 1258
degrees of freedom	94, 0000	94, 0000	94, 0000	94, 0000	94, 0000	94, 0000	94, 0000	94, 0000	94, 0000	94, 0000
error probability	0, 1918	0, 1096	0, 8919	0, 2766	0, 4151	0, 8688	0, 6434	0, 1723	0, 2219	0, 0361
F equation	4, 8856	4, 8856	4, 8856	4, 8856	4, 8856	4, 8856	4, 8856	4, 8856	4, 8856	4, 8856
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc) ^2	Constant
<b>% people not expected to survive age 60</b>	2, 7382	-60, 3439	-0, 9095	1, 2477	0, 0862	-1, 5877	-1, 7310	1, 8871	-0, 2116	328, 9016
	0, 9319	15, 0404	1, 1722	0, 5369	0, 0448	2, 4102	3, 7202	2, 2926	0, 0842	59, 1554
	0, 6623	10, 7363								
	26, 3730	121, 0000								
	27359, 6292	13947, 4247								
t-test and direction of influence	2, 9381	-4, 0121	-0, 7759	2, 3239	1, 9224	-0, 6587	-0, 4653	0, 8231	-2, 5138	5, 5600
t-test and direction of influence^2	8, 6327	16, 0970	0, 6020	5, 4006	3, 6957	0, 4339	0, 2165	0, 6775	6, 3190	30, 9132
t-test and direction of influence^0,5	2, 9381	4, 0121	0, 7759	2, 3239	1, 9224	0, 6587	0, 4653	0, 8231	2, 5138	5, 5600
degrees of freedom	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000
error probability	0, 0040	0, 0001	0, 4393	0, 0218	0, 0569	0, 5113	0, 6425	0, 4121	0, 0133	0, 0000
F equation	26, 3730	26, 3730	26, 3730	26, 3730	26, 3730	26, 3730	26, 3730	26, 3730	26, 3730	26, 3730
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc) ^2	Constant
<b>CO2 emissions per capita</b>	1, 3849	-19, 2615	0, 5199	0, 1459	0, 0169	0, 8414	-2, 2297	0, 5162	-0, 0356	63, 1337
	0, 2999	4, 8982	0, 3577	0, 1655	0, 0146	0, 7326	1, 0904	0, 6933	0, 0275	19, 6317
	0, 6209	3, 1354								
	20, 5627	113, 0000								
	1819, 3395	1110, 8879								
t-test and direction of influence	4, 6178	-3, 9324	1, 4536	0, 8818	1, 1613	1, 1485	-2, 0448	0, 7445	-1, 2928	3, 2159
t-test and direction of influence^	21, 3240	15, 4635	2, 1130	0, 7775	1, 3487	1, 3191	4, 1814	0, 5543	1, 6712	10, 3420

2											
t-test and direction of influence^0,5	4, 6178	3, 9324	1, 4536	0, 8818	1, 1613	1, 1485	2, 0448	0, 7445	1, 2928	3, 2159	
degrees of freedom	113, 0000	113, 0000	113, 0000	113, 0000	113, 0000	113, 0000	113, 0000	113, 0000	113, 0000	113, 0000	
error probability	0, 0000	0, 0001	0, 1488	0, 3798	0, 2479	0, 2532	0, 0432	0, 4581	0, 1987	0, 0017	
F equation	20, 5627	20, 5627	20, 5627	20, 5627	20, 5627	20, 5627	20, 5627	20, 5627	20, 5627	20, 5627	
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant	
<b>divorce rate as % of marriages</b>	-4, 6087	75, 7092	5, 2513	3, 6807	0, 3858	-13, 7897	-5, 0382	-11, 8282	-0, 7362	-261, 2322	
	4, 0050	69, 2790	4, 4315	1, 6063	0, 3806	10, 7864	7, 4806	8, 7438	0, 4083	301, 8052	
	0, 4008	17, 8467									
	2, 5273	34, 0000									
	7244, 5728	10829, 1545									
<b>t-test and direction of influence</b>	<b>-1, 1507</b>	<b>1, 0928</b>	<b>1, 1850</b>	<b>2, 2914</b>	<b>1, 0138</b>	<b>-1, 2784</b>	<b>-0, 6735</b>	<b>-1, 3528</b>	<b>-1, 8029</b>	<b>-0, 8656</b>	
t-test and direction of influence^2	1, 3242	1, 1942	1, 4042	5, 2503	1, 0277	1, 6344	0, 4536	1, 8299	3, 2504	0, 7492	
t-test and direction of influence^0,5	1, 1507	1, 0928	1, 1850	2, 2914	1, 0138	1, 2784	0, 6735	1, 3528	1, 8029	0, 8656	
degrees of freedom	34, 0000	34, 0000	34, 0000	34, 0000	34, 0000	34, 0000	34, 0000	34, 0000	34, 0000	34, 0000	
error probability	0, 2579	0, 2822	0, 2442	0, 0283	0, 3179	0, 2098	0, 5052	0, 1851	0, 0803	0, 3928	
F equation	2, 5273	2, 5273	2, 5273	2, 5273	2, 5273	2, 5273	2, 5273	2, 5273	2, 5273	2, 5273	
error probability, entire equation	0, 0189	0, 0189	0, 0189	0, 0189	0, 0189	0, 0189	0, 0189	0, 0189	0, 0189	0, 0189	
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant	
<b>econ growth 1990-2002</b>	-0, 3924	6, 6071	0, 1256	-0, 1432	0, 0423	-0, 1095	1, 6143	-0, 4351	0, 0932	-25, 5240	
	0, 2241	3, 6148	0, 2852	0, 1310	0, 0114	0, 5837	0, 9115	0, 5471	0, 0223	14, 1962	
	0, 2916	2, 5557									
	5, 3059	116, 0000									
	311, 9044	757, 6655									
<b>t-test and direction of influence</b>	<b>-1, 7508</b>	<b>1, 8278</b>	<b>0, 4403</b>	<b>-1, 0930</b>	<b>3, 7130</b>	<b>-0, 1875</b>	<b>1, 7710</b>	<b>-0, 7954</b>	<b>4, 1790</b>	<b>-1, 7979</b>	
t-test and direction of influence^2	3, 0655	3, 3408	0, 1939	1, 1946	13, 7866	0, 0352	3, 1366	0, 6327	17, 4637	3, 2326	
t-test and direction of influence^0,5	1, 7508	1, 8278	0, 4403	1, 0930	3, 7130	0, 1875	1, 7710	0, 7954	4, 1790	1, 7979	
degrees of freedom	116, 0000	116, 0000	116, 0000	116, 0000	116, 0000	116, 0000	116, 0000	116, 0000	116, 0000	116, 0000	
error probability	0, 0826	0, 0702	0, 6605	0, 2767	0, 0003	0, 8516	0, 0792	0, 4280	0, 0001	0, 0748	
F equation	5, 3059	5, 3059	5, 3059	5, 3059	5, 3059	5, 3059	5, 3059	5, 3059	5, 3059	5, 3059	
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant	
<b>ESI-Index</b>	-0, 0785	3, 7008	-0, 5313	0, 9332	-0, 0436	-4, 1284	-2, 5811	-1, 0054	0, 0641	27, 6945	
	0, 6429	10, 3390	0, 8065	0, 3738	0, 0493	1, 6690	2, 4984	1, 6853	0, 0765	40, 7195	
	0, 3863	6, 7952									
	7, 2044	103, 0000									
	2993, 9038	4755, 9468									
<b>t-test and direction</b>	<b>-0, 1221</b>	<b>0, 3579</b>	<b>-0, 6588</b>	<b>2, 4963</b>	<b>-0, 8840</b>	<b>-2, 4736</b>	<b>-1, 0331</b>	<b>-0, 5966</b>	<b>0, 8375</b>	<b>0, 6801</b>	

<b>of influence</b>										
t-test and direction of influence^2	0, 0149	0, 1281	0, 4340	6, 2318	0, 7815	6, 1189	1, 0674	0, 3559	0, 7014	0, 4626
t-test and direction of influence^0, 5	0, 1221	0, 3579	0, 6588	2, 4963	0, 8840	2, 4736	1, 0331	0, 5966	0, 8375	0, 6801
degrees of freedom	103, 0000	103, 0000	103, 0000	103, 0000	103, 0000	103, 0000	103, 0000	103, 0000	103, 0000	103, 0000
error probability	0, 9030	0, 7211	0, 5115	0, 0141	0, 3787	0, 0150	0, 3040	0, 5521	0, 4042	0, 4979
F equation	7, 2044	7, 2044	7, 2044	7, 2044	7, 2044	7, 2044	7, 2044	7, 2044	7, 2044	7, 2044
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>Factor Social Development</b>	-0, 1097	2, 6674	0, 0072	0, 0062	-0, 0061	-0, 1551	0, 2313	-0, 0064	0, 0127	-14, 4198
	0, 0369	0, 5951	0, 0464	0, 0212	0, 0018	0, 0954	0, 1472	0, 0907	0, 0033	2, 3406
	0, 8348	0, 4248								
	67, 9401	121, 0000								
	110, 3397	21, 8348								
<b>t-test and direction of influence</b>	<b>-2, 9753</b>	<b>4, 4823</b>	<b>0, 1562</b>	<b>0, 2908</b>	<b>-3, 4343</b>	<b>-1, 6261</b>	<b>1, 5716</b>	<b>-0, 0710</b>	<b>3, 8250</b>	<b>-6, 1608</b>
t-test and direction of influence^2	8, 8523	20, 0912	0, 0244	0, 0846	11, 7942	2, 6443	2, 4700	0, 0050	14, 6310	37, 9554
t-test and direction of influence^0, 5	2, 9753	4, 4823	0, 1562	0, 2908	3, 4343	1, 6261	1, 5716	0, 0710	3, 8250	6, 1608
degrees of freedom	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000
error probability	0, 0035	0, 0000	0, 8762	0, 7717	0, 0008	0, 1065	0, 1187	0, 9435	0, 0002	0, 0000
F equation	67, 9401	67, 9401	67, 9401	67, 9401	67, 9401	67, 9401	67, 9401	67, 9401	67, 9401	67, 9401
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>female economic activity rate as % of male economic activity rate</b>	6, 0119	-100, 7620	4, 9885	1, 3411	-0, 1424	-7, 2954	-2, 2545	-0, 6902	0, 0119	469, 0724
	1, 3042	21, 0478	1, 6404	0, 7513	0, 0627	3, 3728	5, 2060	3, 2083	0, 1178	82, 7829
	0, 2881	15, 0245								
	5, 4409	121, 0000								
	11053, 8630	27314, 0750								
<b>t-test and direction of influence</b>	<b>4, 6097</b>	<b>-4, 7873</b>	<b>3, 0411</b>	<b>1, 7849</b>	<b>-2, 2703</b>	<b>-2, 1630</b>	<b>-0, 4330</b>	<b>-0, 2151</b>	<b>0, 1008</b>	<b>5, 6663</b>
t-test and direction of influence^2	21, 2498	22, 9181	9, 2484	3, 1860	5, 1544	4, 6786	0, 1875	0, 0463	0, 0102	32, 1069
t-test and direction of influence^0, 5	4, 6097	4, 7873	3, 0411	1, 7849	2, 2703	2, 1630	0, 4330	0, 2151	0, 1008	5, 6663
degrees of freedom	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000
error probability	0, 0000	0, 0000	0, 0029	0, 0768	0, 0250	0, 0325	0, 6658	0, 8300	0, 9199	0, 0000
F equation	5, 4409	5, 4409	5, 4409	5, 4409	5, 4409	5, 4409	5, 4409	5, 4409	5, 4409	5, 4409
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant

						e per GNP				
<b>female life expectancy</b>	-1, 6453	37, 0846	0, 3871	-0, 6371	-0, 0751	-0, 5487	0, 5527	-0, 9481	0, 1396	-119, 1050
	0, 5411	8, 7335	0, 6806	0, 3118	0, 0260	1, 3995	2, 1602	1, 3312	0, 0489	34, 3496
	0, 7289	6, 2342								
	36, 1541	121, 0000								
	12646, 2778	4702, 7115								
<b>t-test and direction of influence</b>	<b>-3, 0404</b>	<b>4, 2462</b>	<b>0, 5687</b>	<b>-2, 0437</b>	<b>-2, 8861</b>	<b>-0, 3920</b>	<b>0, 2559</b>	<b>-0, 7122</b>	<b>2, 8556</b>	<b>-3, 4674</b>
t-test and direction of influence^2	9, 2440	18, 0306	0, 3234	4, 1766	8, 3298	0, 1537	0, 0655	0, 5072	8, 1545	12, 0231
t-test and direction of influence^0,5	3, 0404	4, 2462	0, 5687	2, 0437	2, 8861	0, 3920	0, 2559	0, 7122	2, 8556	3, 4674
degrees of freedom	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000
error probability	0, 0029	0, 0000	0, 5706	0, 0432	0, 0046	0, 6957	0, 7985	0, 4777	0, 0051	0, 0007
F equation	36, 1541	36, 1541	36, 1541	36, 1541	36, 1541	36, 1541	36, 1541	36, 1541	36, 1541	36, 1541
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>female suicide rate per 100.000 inhabitants</b>	0, 1247	-0, 4730	1, 4449	0, 1492	0, 0183	-2, 4767	-0, 0726	0, 2830	-0, 1206	-4, 1543
	0, 8122	14, 4476	0, 7714	0, 3256	0, 0325	2, 2187	1, 5705	1, 4551	0, 0657	64, 3627
	0, 1445	4, 3751								
	1, 2008	64, 0000								
	206, 8652	1225, 0699								
<b>t-test and direction of influence</b>	<b>0, 1535</b>	<b>-0, 0327</b>	<b>1, 8732</b>	<b>0, 4584</b>	<b>0, 5635</b>	<b>-1, 1162</b>	<b>-0, 0462</b>	<b>0, 1945</b>	<b>-1, 8359</b>	<b>-0, 0645</b>
t-test and direction of influence^2	0, 0236	0, 0011	3, 5090	0, 2101	0, 3176	1, 2460	0, 0021	0, 0378	3, 3705	0, 0042
t-test and direction of influence^0,5	0, 1535	0, 0327	1, 8732	0, 4584	0, 5635	1, 1162	0, 0462	0, 1945	1, 8359	0, 0645
degrees of freedom	64, 0000	64, 0000	64, 0000	64, 0000	64, 0000	64, 0000	64, 0000	64, 0000	64, 0000	64, 0000
error probability	0, 8785	0, 9740	0, 0656	0, 6483	0, 5750	0, 2685	0, 9633	0, 8464	0, 0710	0, 9487
F equation	1, 2008	1, 2008	1, 2008	1, 2008	1, 2008	1, 2008	1, 2008	1, 2008	1, 2008	1, 2008
error probability, entire equation	0, 3049	0, 3049	0, 3049	0, 3049	0, 3049	0, 3049	0, 3049	0, 3049	0, 3049	0, 3049
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>female unpaid family workers as % of all unpaid family workers</b>	2, 4366	-38, 2251	-2, 9548	-2, 0131	0, 1147	-7, 1549	-1, 4102	4, 7305	0, 0214	209, 6084
	5, 5649	99, 2461	5, 6586	1, 6936	0, 1923	20, 5990	6, 9393	8, 5492	0, 3653	433, 6960
	0, 1162	16, 4368								
	0, 5550	38, 0000								
	1349, 4738	10266, 4585								
<b>t-test and direction of influence</b>	<b>0, 4378</b>	<b>-0, 3852</b>	<b>-0, 5222</b>	<b>-1, 1887</b>	<b>0, 5961</b>	<b>-0, 3473</b>	<b>-0, 2032</b>	<b>0, 5533</b>	<b>0, 0587</b>	<b>0, 4833</b>
t-test and direction of influence^2	0, 1917	0, 1483	0, 2727	1, 4130	0, 3553	0, 1206	0, 0413	0, 3062	0, 0034	0, 2336
t-test and direction of	0, 4378	0, 3852	0, 5222	1, 1887	0, 5961	0, 3473	0, 2032	0, 5533	0, 0587	0, 4833

influence^0,5										
degrees of freedom	38,0000	38,0000	38,0000	38,0000	38,0000	38,0000	38,0000	38,0000	38,0000	38,0000
error probability	0,6640	0,7023	0,6046	0,2419	0,5546	0,7303	0,8400	0,5833	0,9535	0,6317
F equation	0,5550	0,5550	0,5550	0,5550	0,5550	0,5550	0,5550	0,5550	0,5550	0,5550
error probability, entire equation	0,8522	0,8522	0,8522	0,8522	0,8522	0,8522	0,8522	0,8522	0,8522	0,8522
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>GDP output per kg energy use</b>	0,4281	-6,1376	-0,4492	-0,1654	0,0039	-0,1151	0,9554	-0,1758	0,0278	25,5275
	0,1619	2,6746	0,1926	0,0898	0,0098	0,4163	0,5530	0,3914	0,0163	10,9601
	0,6246	1,5698								
	17,7507	96,0000								
	393,6691	236,5613								
<b>t-test and direction of influence</b>	<b>2,6436</b>	<b>-2,2948</b>	<b>-2,3325</b>	<b>-1,8417</b>	<b>0,3954</b>	<b>-0,2764</b>	<b>1,7276</b>	<b>-0,4491</b>	<b>1,7083</b>	<b>2,3291</b>
t-test and direction of influence^2	6,9884	5,2662	5,4404	3,3919	0,1563	0,0764	2,9847	0,2017	2,9182	5,4248
t-test and direction of influence^0,5	2,6436	2,2948	2,3325	1,8417	0,3954	0,2764	1,7276	0,4491	1,7083	2,3291
degrees of freedom	96,0000	96,0000	96,0000	96,0000	96,0000	96,0000	96,0000	96,0000	96,0000	96,0000
error probability	0,0096	0,0239	0,0218	0,0686	0,6935	0,7829	0,0873	0,6544	0,0908	0,0219
F equation	17,7507	17,7507	17,7507	17,7507	17,7507	17,7507	17,7507	17,7507	17,7507	17,7507
error probability, entire equation	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>HIV rate</b>	0,2444	-7,1211	-0,3956	0,9057	0,0424	-2,4167	-0,2857	0,3643	-0,0978	40,6368
	0,3596	5,8030	0,4523	0,2071	0,0173	0,9299	1,4353	0,8845	0,0325	22,8236
	0,3211	4,1423								
	6,3581	121,0000								
	981,8688	2076,2145								
<b>t-test and direction of influence</b>	<b>0,6797</b>	<b>-1,2271</b>	<b>-0,8747</b>	<b>4,3723</b>	<b>2,4522</b>	<b>-2,5989</b>	<b>-0,1991</b>	<b>0,4118</b>	<b>-3,0105</b>	<b>1,7805</b>
t-test and direction of influence^2	0,4620	1,5059	0,7650	19,1173	6,0135	6,7544	0,0396	0,1696	9,0631	3,1701
t-test and direction of influence^0,5	0,6797	1,2271	0,8747	4,3723	2,4522	2,5989	0,1991	0,4118	3,0105	1,7805
degrees of freedom	121,0000	121,0000	121,0000	121,0000	121,0000	121,0000	121,0000	121,0000	121,0000	121,0000
error probability	0,4980	0,2222	0,3835	0,0000	0,0156	0,0105	0,8425	0,6812	0,0032	0,0775
F equation	6,3581	6,3581	6,3581	6,3581	6,3581	6,3581	6,3581	6,3581	6,3581	6,3581
error probability, entire equation	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>homicide rate</b>	-4,1005	65,2703	0,0098	0,4414	-0,0284	-10,1637	1,6843	-3,1801	0,0279	-234,0018
	1,9719	33,2763	2,2393	1,0285	0,1026	4,9742	5,8207	4,6704	0,2431	136,8474
	0,2289	11,6248								
	1,3850	42,0000								
	1684,4465	5675,7014								
<b>t-test and direction of influence</b>	<b>-2,0795</b>	<b>1,9615</b>	<b>0,0044</b>	<b>0,4292</b>	<b>-0,2772</b>	<b>-2,0433</b>	<b>0,2894</b>	<b>-0,6809</b>	<b>0,1149</b>	<b>-1,7099</b>
t-test and direction of influence^2	4,3241	3,8473	0,0000	0,1842	0,0768	4,1751	0,0837	0,4636	0,0132	2,9239



2											
t-test and direction of influence <sup>^</sup> 0, 5	2, 0795	1, 9615	0, 0044	0, 4292	0, 2772	2, 0433	0, 2894	0, 6809	0, 1149	1, 7099	
degrees of freedom	42, 0000	42, 0000	42, 0000	42, 0000	42, 0000	42, 0000	42, 0000	42, 0000	42, 0000	42, 0000	
error probability	0, 0437	0, 0565	0, 9965	0, 6700	0, 7830	0, 0473	0, 7737	0, 4997	0, 9090	0, 0947	
F equation	1, 3850	1, 3850	1, 3850	1, 3850	1, 3850	1, 3850	1, 3850	1, 3850	1, 3850	1, 3850	
error probability, entire equation	0, 2156	0, 2156	0, 2156	0, 2156	0, 2156	0, 2156	0, 2156	0, 2156	0, 2156	0, 2156	
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant	
<b>human development index</b>	-0, 0176	0, 4355	-0, 0079	-0, 0034	-0, 0004	-0, 0523	0, 0093	0, 0036	0, 0008	-1, 6649	
	0, 0049	0, 0793	0, 0064	0, 0028	0, 0002	0, 0134	0, 0187	0, 0120	0, 0004	0, 3133	
	0, 9114	0, 0536									
	124, 5069	109, 0000									
	3, 2153	0, 3128									
<b>t-test and direction of influence</b>	<b>-3, 6062</b>	<b>5, 4932</b>	<b>-1, 2427</b>	<b>-1, 2234</b>	<b>-1, 8459</b>	<b>-3, 9118</b>	<b>0, 4968</b>	<b>0, 2992</b>	<b>1, 7982</b>	<b>-5, 3140</b>	
t-test and direction of influence <sup>^</sup> 2	13, 0044	30, 1750	1, 5443	1, 4967	3, 4074	15, 3025	0, 2468	0, 0895	3, 2337	28, 2386	
t-test and direction of influence <sup>^</sup> 0, 5	3, 6062	5, 4932	1, 2427	1, 2234	1, 8459	3, 9118	0, 4968	0, 2992	1, 7982	5, 3140	
degrees of freedom	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	
error probability	0, 0005	0, 0000	0, 2166	0, 2238	0, 0676	0, 0002	0, 6203	0, 7653	0, 0749	0, 0000	
F equation	124, 5069	124, 5069	124, 5069	124, 5069	124, 5069	124, 5069	124, 5069	124, 5069	124, 5069	124, 5069	
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant	
<b>infant mortality rate</b>	7, 5367	-154, 8925	-1, 1344	-0, 8923	0, 2125	9, 4323	-1, 3033	0, 5450	-0, 1447	802, 0650	
	1, 4468	23, 3359	1, 8238	0, 8388	0, 0756	3, 7301	5, 7965	3, 5656	0, 1310	91, 7860	
	0, 8174	16, 6142									
	59, 6890	120, 0000									
	148285, 2714	33123, 9594									
<b>t-test and direction of influence</b>	<b>5, 2093</b>	<b>-6, 6375</b>	<b>-0, 6220</b>	<b>-1, 0637</b>	<b>2, 8128</b>	<b>2, 5287</b>	<b>-0, 2249</b>	<b>0, 1528</b>	<b>-1, 1044</b>	<b>8, 7384</b>	
t-test and direction of influence <sup>^</sup> 2	27, 1365	44, 0566	0, 3869	1, 1315	7, 9118	6, 3942	0, 0506	0, 0234	1, 2197	76, 3600	
t-test and direction of influence <sup>^</sup> 0, 5	5, 2093	6, 6375	0, 6220	1, 0637	2, 8128	2, 5287	0, 2249	0, 1528	1, 1044	8, 7384	
degrees of freedom	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	
error probability	0, 0000	0, 0000	0, 5351	0, 2896	0, 0057	0, 0127	0, 8225	0, 8788	0, 2716	0, 0000	
F equation	59, 6890	59, 6890	59, 6890	59, 6890	59, 6890	59, 6890	59, 6890	59, 6890	59, 6890	59, 6890	
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant	
<b>injuries and deaths from road accidents per 100.000 inhabitants and year</b>	75, 4002	-1110, 2096	-44, 7161	-12, 4961	-3, 9284	36, 4523	-122, 5528	-70, 4337	8, 8504	4479, 3267	

	41, 5232	719, 4296	45, 4165	16, 6935	3, 6221	111, 6584	75, 5294	84, 0245	3, 9164	3136, 0252
	0, 5982	185, 5956								
	5, 9548	36, 0000								
	1846064, 8595	1240045, 7428								
<b>t-test and direction of influence</b>	<b>1, 8159</b>	<b>-1, 5432</b>	<b>-0, 9846</b>	<b>-0, 7486</b>	<b>-1, 0846</b>	<b>0, 3265</b>	<b>-1, 6226</b>	<b>-0, 8383</b>	<b>2, 2598</b>	<b>1, 4283</b>
t-test and direction of influence^2	3, 2973	2, 3814	0, 9694	0, 5603	1, 1763	0, 1066	2, 6328	0, 7027	5, 1069	2, 0402
t-test and direction of influence^0,5	1, 8159	1, 5432	0, 9846	0, 7486	1, 0846	0, 3265	1, 6226	0, 8383	2, 2598	1, 4283
degrees of freedom	36, 0000	36, 0000	36, 0000	36, 0000	36, 0000	36, 0000	36, 0000	36, 0000	36, 0000	36, 0000
error probability	0, 0777	0, 1315	0, 3314	0, 4590	0, 2853	0, 7460	0, 1134	0, 4074	0, 0300	0, 1618
F equation	5, 9548	5, 9548	5, 9548	5, 9548	5, 9548	5, 9548	5, 9548	5, 9548	5, 9548	5, 9548
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>juvenile convictions as % of all convictions</b>	<b>3, 8150</b>	<b>-67, 9346</b>	<b>2, 1858</b>	<b>1, 3768</b>	<b>0, 0205</b>	<b>7, 9536</b>	<b>-1, 8280</b>	<b>0, 1686</b>	<b>-0, 3387</b>	<b>299, 1122</b>
	4, 2513	79, 8732	4, 5625	1, 2335	0, 1097	8, 7462	5, 3636	5, 2193	0, 2133	384, 4339
	0, 2150	10, 5651								
	0, 7609	25, 0000								
	764, 3499	2790, 5173								
<b>t-test and direction of influence</b>	<b>0, 8974</b>	<b>-0, 8505</b>	<b>0, 4791</b>	<b>1, 1161</b>	<b>0, 1868</b>	<b>0, 9094</b>	<b>-0, 3408</b>	<b>0, 0323</b>	<b>-1, 5879</b>	<b>0, 7781</b>
t-test and direction of influence^2	0, 8053	0, 7234	0, 2295	1, 2458	0, 0349	0, 8270	0, 1162	0, 0010	2, 5214	0, 6054
t-test and direction of influence^0,5	0, 8974	0, 8505	0, 4791	1, 1161	0, 1868	0, 9094	0, 3408	0, 0323	1, 5879	0, 7781
degrees of freedom	25, 0000	25, 0000	25, 0000	25, 0000	25, 0000	25, 0000	25, 0000	25, 0000	25, 0000	25, 0000
error probability	0, 3781	0, 4031	0, 6360	0, 2750	0, 8533	0, 3718	0, 7361	0, 9745	0, 1249	0, 4438
F equation	0, 7609	0, 7609	0, 7609	0, 7609	0, 7609	0, 7609	0, 7609	0, 7609	0, 7609	0, 7609
error probability, entire equation	0, 6735	0, 6735	0, 6735	0, 6735	0, 6735	0, 6735	0, 6735	0, 6735	0, 6735	0, 6735
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>life expectancy, 1995-2000</b>	<b>-1, 4406</b>	<b>32, 9113</b>	<b>0, 3507</b>	<b>-0, 5157</b>	<b>-0, 0593</b>	<b>-0, 2817</b>	<b>0, 6287</b>	<b>-1, 0085</b>	<b>0, 1198</b>	<b>-101, 9817</b>
	0, 5038	8, 1303	0, 6336	0, 2902	0, 0242	1, 3028	2, 0110	1, 2393	0, 0455	31, 9771
	0, 7282	5, 8036								
	36, 0232	121, 0000								
	10920, 0031	4075, 5271								
<b>t-test and direction of influence</b>	<b>-2, 8596</b>	<b>4, 0480</b>	<b>0, 5534</b>	<b>-1, 7768</b>	<b>-2, 4462</b>	<b>-0, 2162</b>	<b>0, 3126</b>	<b>-0, 8138</b>	<b>2, 6329</b>	<b>-3, 1892</b>
t-test and direction of influence^2	8, 1771	16, 3862	0, 3063	3, 1570	5, 9841	0, 0468	0, 0977	0, 6622	6, 9321	10, 1711
t-test and direction of influence^0,5	2, 8596	4, 0480	0, 5534	1, 7768	2, 4462	0, 2162	0, 3126	0, 8138	2, 6329	3, 1892
degrees of freedom	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000
error probability	0, 0050	0, 0001	0, 5810	0, 0781	0, 0159	0, 8292	0, 7551	0, 4174	0, 0096	0, 0018
F equation	36, 0232	36, 0232	36, 0232	36, 0232	36, 0232	36, 0232	36, 0232	36, 0232	36, 0232	36, 0232
error probability,	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000

entire equation	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc) ^2	Constant
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc) ^2	Constant
<b>female share of life years</b>	-0, 1112	2, 2553	0, 0278	-0, 0134	-0, 0077	-0, 2422	-0, 0717	0, 1346	0, 0113	40, 5719
	0, 0644	1, 0396	0, 0810	0, 0371	0, 0031	0, 1666	0, 2571	0, 1585	0, 0058	4, 0889
	0, 2517	0, 7421								
	4, 5211	121, 0000								
	22, 4088	66, 6371								
<b>t-test and direction of influence</b>	<b>-1, 7262</b>	<b>2, 1694</b>	<b>0, 3431</b>	<b>-0, 3609</b>	<b>-2, 4859</b>	<b>-1, 4537</b>	<b>-0, 2787</b>	<b>0, 8495</b>	<b>1, 9465</b>	<b>9, 9225</b>
t-test and direction of influence ^2	2, 9798	4, 7062	0, 1177	0, 1303	6, 1798	2, 1134	0, 0776	0, 7217	3, 7890	98, 4556
t-test and direction of influence ^0, 5	1, 7262	2, 1694	0, 3431	0, 3609	2, 4859	1, 4537	0, 2787	0, 8495	1, 9465	9, 9225
degrees of freedom	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000
error probability	0, 0869	0, 0320	0, 7321	0, 7188	0, 0143	0, 1486	0, 7810	0, 3973	0, 0539	0, 0000
F equation	4, 5211	4, 5211	4, 5211	4, 5211	4, 5211	4, 5211	4, 5211	4, 5211	4, 5211	4, 5211
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc) ^2	Constant
<b>female share of suicide</b>	3, 4988	-64, 0343	1, 2782	-1, 1524	0, 0891	-5, 6214	1, 2683	1, 3683	-0, 2832	313, 9570
	1, 2386	22, 0249	1, 1764	0, 5027	0, 0495	3, 3815	2, 3909	2, 2157	0, 1001	98, 0514
	0, 3376	6, 6606								
	3, 5683	63, 0000								
	1424, 7392	2794, 8986								
<b>t-test and direction of influence</b>	<b>2, 8247</b>	<b>-2, 9074</b>	<b>1, 0866</b>	<b>-2, 2924</b>	<b>1, 7986</b>	<b>-1, 6624</b>	<b>0, 5305</b>	<b>0, 6175</b>	<b>-2, 8284</b>	<b>3, 2020</b>
t-test and direction of influence ^2	7, 9791	8, 4528	1, 1807	5, 2550	3, 2348	2, 7636	0, 2814	0, 3813	7, 9999	10, 2526
t-test and direction of influence ^0, 5	2, 8247	2, 9074	1, 0866	2, 2924	1, 7986	1, 6624	0, 5305	0, 6175	2, 8284	3, 2020
degrees of freedom	63, 0000	63, 0000	63, 0000	63, 0000	63, 0000	63, 0000	63, 0000	63, 0000	63, 0000	63, 0000
error probability	0, 0063	0, 0050	0, 2814	0, 0252	0, 0769	0, 1014	0, 5977	0, 5391	0, 0063	0, 0021
F equation	3, 5683	3, 5683	3, 5683	3, 5683	3, 5683	3, 5683	3, 5683	3, 5683	3, 5683	3, 5683
error probability, entire equation	0, 0006	0, 0006	0, 0006	0, 0006	0, 0006	0, 0006	0, 0006	0, 0006	0, 0006	0, 0006
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc) ^2	Constant
<b>maternal mortality ratio</b>	35, 6448	-783, 9093	-8, 0343	-9, 5510	-0, 0754	31, 7460	10, 3048	-26, 0103	-4, 1894	4367, 0948
	12, 3835	200, 5496	14, 8591	6, 9195	0, 8756	30, 2718	47, 3105	28, 7962	1, 3055	793, 3667
	0, 6932	121, 7811								
	25, 3569	101, 0000								
	3384537, 2477	1497895, 0946								
<b>t-test and direction of influence</b>	<b>2, 8784</b>	<b>-3, 9088</b>	<b>-0, 5407</b>	<b>-1, 3803</b>	<b>-0, 0861</b>	<b>1, 0487</b>	<b>0, 2178</b>	<b>-0, 9033</b>	<b>-3, 2090</b>	<b>5, 5045</b>
t-test and direction of influence ^2	8, 2852	15, 2788	0, 2924	1, 9052	0, 0074	1, 0998	0, 0474	0, 8159	10, 2974	30, 2996
t-test and direction of influence ^0, 5	2, 8784	3, 9088	0, 5407	1, 3803	0, 0861	1, 0487	0, 2178	0, 9033	3, 2090	5, 5045

0, 5										
degrees of freedom	101, 0000	101, 0000	101, 0000	101, 0000	101, 0000	101, 0000	101, 0000	101, 0000	101, 0000	101, 0000
error probability	0, 0049	0, 0002	0, 5899	0, 1705	0, 9316	0, 2968	0, 8280	0, 3685	0, 0018	0, 0000
F equation	25, 3569	25, 3569	25, 3569	25, 3569	25, 3569	25, 3569	25, 3569	25, 3569	25, 3569	25, 3569
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>Political rights violations</b>	-0, 0517	0, 6468	0, 0725	-0, 0718	0, 0244	1, 4352	-0, 3406	1, 5437	-0, 0342	-3, 5961
	0, 1221	1, 9694	0, 1539	0, 0708	0, 0064	0, 3148	0, 4892	0, 3009	0, 0111	7, 7460
	0, 6039	1, 4021								
	20, 3277	120, 0000								
	359, 6609	235, 9083								
<b>t-test and direction of influence</b>	<b>-0, 4232</b>	<b>0, 3284</b>	<b>0, 4712</b>	<b>-1, 0141</b>	<b>3, 8196</b>	<b>4, 5592</b>	<b>-0, 6962</b>	<b>5, 1300</b>	<b>-3, 0967</b>	<b>-0, 4643</b>
t-test and direction of influence^2	0, 1791	0, 1079	0, 2220	1, 0283	14, 5894	20, 7862	0, 4847	26, 3171	9, 5896	0, 2155
t-test and direction of influence^0, 5	0, 4232	0, 3284	0, 4712	1, 0141	3, 8196	4, 5592	0, 6962	5, 1300	3, 0967	0, 4643
degrees of freedom	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000
error probability	0, 6729	0, 7432	0, 6384	0, 3126	0, 0002	0, 0000	0, 4876	0, 0000	0, 0024	0, 6433
F equation	20, 3277	20, 3277	20, 3277	20, 3277	20, 3277	20, 3277	20, 3277	20, 3277	20, 3277	20, 3277
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>share of income/ consumption richest 20% to poorest 20%</b>	-1, 3301	19, 5660	-1, 8604	-0, 3046	0, 0631	-3, 4870	-2, 7495	-0, 5116	0, 0042	-51, 9887
	0, 4978	8, 0637	0, 6712	0, 3122	0, 0314	1, 4007	1, 9277	1, 3595	0, 0572	32, 1888
	0, 3034	5, 0702								
	4, 3550	90, 0000								
	1007, 6008	2313, 6548								
<b>t-test and direction of influence</b>	<b>-2, 6718</b>	<b>2, 4264</b>	<b>-2, 7717</b>	<b>-0, 9758</b>	<b>2, 0050</b>	<b>-2, 4895</b>	<b>-1, 4263</b>	<b>-0, 3763</b>	<b>0, 0740</b>	<b>-1, 6151</b>
t-test and direction of influence^2	7, 1384	5, 8876	7, 6823	0, 9522	4, 0199	6, 1978	2, 0343	0, 1416	0, 0055	2, 6086
t-test and direction of influence^0, 5	2, 6718	2, 4264	2, 7717	0, 9758	2, 0050	2, 4895	1, 4263	0, 3763	0, 0740	1, 6151
degrees of freedom	90, 0000	90, 0000	90, 0000	90, 0000	90, 0000	90, 0000	90, 0000	90, 0000	90, 0000	90, 0000
error probability	0, 0090	0, 0172	0, 0068	0, 3318	0, 0480	0, 0146	0, 1572	0, 7076	0, 9412	0, 1098
F equation	4, 3550	4, 3550	4, 3550	4, 3550	4, 3550	4, 3550	4, 3550	4, 3550	4, 3550	4, 3550
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>rapes per 100.000 women aged &gt;15 y.</b>	-0, 3607	2, 6977	12, 6184	11, 7630	-0, 4046	-15, 1690	-43, 9438	-55, 9521	0, 1908	128, 9265
	11, 8566	200, 5789	13, 5245	6, 2630	0, 6271	29, 5785	32, 3221	28, 8971	1, 2484	825, 2027
	0, 2265	72, 3111								
	1, 5291	47, 0000								
	71957, 2428	245757, 9982								

<b>t-test and direction of influence</b>	<b>-0, 0304</b>	<b>0, 0134</b>	<b>0, 9330</b>	<b>1, 8782</b>	<b>-0, 6452</b>	<b>-0, 5128</b>	<b>-1, 3596</b>	<b>-1, 9363</b>	<b>0, 1529</b>	<b>0, 1562</b>
t-test and direction of influence^2	0, 0009	0, 0002	0, 8705	3, 5275	0, 4163	0, 2630	1, 8484	3, 7491	0, 0234	0, 0244
t-test and direction of influence^0,5	0, 0304	0, 0134	0, 9330	1, 8782	0, 6452	0, 5128	1, 3596	1, 9363	0, 1529	0, 1562
degrees of freedom	47, 0000	47, 0000	47, 0000	47, 0000	47, 0000	47, 0000	47, 0000	47, 0000	47, 0000	47, 0000
error probability	0, 9759	0, 9893	0, 3556	0, 0666	0, 5219	0, 6105	0, 1805	0, 0589	0, 8792	0, 8765
F equation	1, 5291	1, 5291	1, 5291	1, 5291	1, 5291	1, 5291	1, 5291	1, 5291	1, 5291	1, 5291
error probability, entire equation	0, 1530	0, 1530	0, 1530	0, 1530	0, 1530	0, 1530	0, 1530	0, 1530	0, 1530	0, 1530
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>TBC cases per 100.000 inhabitants</b>	<b>-10, 5447</b>	<b>124, 9258</b>	<b>1, 7659</b>	<b>12, 3211</b>	<b>0, 9972</b>	<b>-60, 9696</b>	<b>-1, 0441</b>	<b>-1, 8264</b>	<b>-1, 4508</b>	<b>-272, 2774</b>
	6, 6048	106, 5932	8, 3074	3, 8051	0, 3176	17, 0811	26, 3652	16, 2479	0, 5965	419, 2404
	0, 3275	76, 0892								
	6, 5486	121, 0000								
	341223, 4343	700538, 0282								
<b>t-test and direction of influence</b>	<b>-1, 5965</b>	<b>1, 1720</b>	<b>0, 2126</b>	<b>3, 2381</b>	<b>3, 1397</b>	<b>-3, 5694</b>	<b>-0, 0396</b>	<b>-0, 1124</b>	<b>-2, 4324</b>	<b>-0, 6495</b>
t-test and direction of influence^2	2, 5489	1, 3736	0, 0452	10, 4852	9, 8574	12, 7407	0, 0016	0, 0126	5, 9165	0, 4218
t-test and direction of influence^0,5	1, 5965	1, 1720	0, 2126	3, 2381	3, 1397	3, 5694	0, 0396	0, 1124	2, 4324	0, 6495
degrees of freedom	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000	121, 0000
error probability	0, 1130	0, 2435	0, 8320	0, 0016	0, 0021	0, 0005	0, 9685	0, 9107	0, 0165	0, 5173
F equation	6, 5486	6, 5486	6, 5486	6, 5486	6, 5486	6, 5486	6, 5486	6, 5486	6, 5486	6, 5486
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>teen-age mothers as % of all mothers</b>	<b>-1, 5625</b>	<b>22, 1603</b>	<b>-0, 1513</b>	<b>0, 0655</b>	<b>-0, 0339</b>	<b>-5, 8172</b>	<b>-2, 1306</b>	<b>-2, 3038</b>	<b>0, 0959</b>	<b>-54, 5064</b>
	0, 5374	9, 0701	0, 7303	0, 3256	0, 0313	1, 7097	1, 6067	1, 3806	0, 0644	38, 0174
	0, 5627	4, 4706								
	10, 1491	71, 0000								
	1825, 5932	1419, 0356								
<b>t-test and direction of influence</b>	<b>-2, 9077</b>	<b>2, 4432</b>	<b>-0, 2072</b>	<b>0, 2011</b>	<b>-1, 0844</b>	<b>-3, 4025</b>	<b>-1, 3261</b>	<b>-1, 6687</b>	<b>1, 4901</b>	<b>-1, 4337</b>
t-test and direction of influence^2	8, 4550	5, 9694	0, 0429	0, 0404	1, 1759	11, 5770	1, 7585	2, 7847	2, 2203	2, 0556
t-test and direction of influence^0,5	2, 9077	2, 4432	0, 2072	0, 2011	1, 0844	3, 4025	1, 3261	1, 6687	1, 4901	1, 4337
degrees of freedom	71, 0000	71, 0000	71, 0000	71, 0000	71, 0000	71, 0000	71, 0000	71, 0000	71, 0000	71, 0000
error probability	0, 0049	0, 0170	0, 8365	0, 8412	0, 2819	0, 0011	0, 1891	0, 0996	0, 1406	0, 1560
F equation	10, 1491	10, 1491	10, 1491	10, 1491	10, 1491	10, 1491	10, 1491	10, 1491	10, 1491	10, 1491
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant

		ns	p			expenditure per GNP				
<b>UNDP HIV Index</b>	0, 0373	-2, 4980	-0, 0509	0, 8962	0, 0552	-2, 0909	-0, 3191	0, 1788	-0, 0497	15, 1683
	0, 3193	5, 1448	0, 3967	0, 1896	0, 0177	0, 9126	1, 2385	0, 7732	0, 0319	20, 0893
	0, 3564	3, 3615								
	5, 9067	96, 0000								
	600, 6857	1084, 7493								
t-test and direction of influence	0, 1168275	-0, 4855	-0, 1284	4, 7276	3, 1272	-2, 2912	-0, 2576	0, 2312	-1, 5579	0, 7550
t-test and direction of influence^2	0, 0136487	0, 2358	0, 0165	22, 3501	9, 7792	5, 2495	0, 0664	0, 0535	2, 4271	0, 5701
t-test and direction of influence^0,5	0, 1168	0, 4855	0, 1284	4, 7276	3, 1272	2, 2912	0, 2576	0, 2312	1, 5579	0, 7550
degrees of freedom	96, 0000	96, 0000	96, 0000	96, 0000	96, 0000	96, 0000	96, 0000	96, 0000	96, 0000	96, 0000
<b>error probability</b>	<b>0, 9072</b>	<b>0, 6284</b>	<b>0, 8981</b>	<b>0, 0000</b>	<b>0, 0023</b>	<b>0, 0241</b>	<b>0, 7973</b>	<b>0, 8176</b>	<b>0, 1225</b>	<b>0, 4521</b>
F equation	5, 9067	5, 9067	5, 9067	5, 9067	5, 9067	5, 9067	5, 9067	5, 9067	5, 9067	5, 9067
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>UNDP DR Index^0,5</b>	-0, 0179	-0, 0214	0, 5528	-0, 2202	-0, 0173	-0, 9875	0, 1594	-0, 2098	0, 0248	3, 8685
	0, 2304	3, 7029	0, 2905	0, 1392	0, 0140	0, 5965	0, 9273	0, 5944	0, 0225	14, 4983
	0, 1926	2, 5754								
	3, 0209	114, 0000								
	180, 3218	756, 1012								
t-test and direction of influence	-0, 0777	-0, 0058	1, 9033	-1, 5824	-1, 2373	-1, 6555	0, 1719	-0, 3529	1, 1036	0, 2668
t-test and direction of influence^2	0, 0060	0, 0000	3, 6227	2, 5041	1, 5309	2, 7408	0, 0295	0, 1245	1, 2179	0, 0712
t-test and direction of influence^0,5	0, 0777	0, 0058	1, 9033	1, 5824	1, 2373	1, 6555	0, 1719	0, 3529	1, 1036	0, 2668
degrees of freedom	114, 0000	114, 0000	114, 0000	114, 0000	114, 0000	114, 0000	114, 0000	114, 0000	114, 0000	114, 0000
<b>error probability</b>	<b>0, 9382</b>	<b>0, 9954</b>	<b>0, 0595</b>	<b>0, 1163</b>	<b>0, 2185</b>	<b>0, 1006</b>	<b>0, 8639</b>	<b>0, 7248</b>	<b>0, 2721</b>	<b>0, 7901</b>
F equation	3, 0209	3, 0209	3, 0209	3, 0209	3, 0209	3, 0209	3, 0209	3, 0209	3, 0209	3, 0209
error probability, entire equation	0, 0014	0, 0014	0, 0014	0, 0014	0, 0014	0, 0014	0, 0014	0, 0014	0, 0014	0, 0014
	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>UNDP Conflict index</b>	-2, 1760	33, 5070	0, 6851	-1, 2651	-0, 1432	-5, 3654	-4, 0045	-6, 2631	0, 1499	-90, 7324
	1, 7836	28, 7687	2, 2484	1, 0341	0, 0932	4, 5986	7, 1459	4, 3957	0, 1616	113, 1544
	0, 0887	20, 4821								
	1, 2977	120, 0000								
	4899, 7603	50342, 2139								
t-test and direction of influence	-1, 2200	1, 1647	0, 3047	-1, 2233	-1, 5377	-1, 1667	-0, 5604	-1, 4248	0, 9276	-0, 8018
t-test and direction of influence^2	1, 4884	1, 3565	0, 0928	1, 4965	2, 3645	1, 3613	0, 3140	2, 0301	0, 8605	0, 6430
t-test and direction of influence^0,5	1, 2200	1, 1647	0, 3047	1, 2233	1, 5377	1, 1667	0, 5604	1, 4248	0, 9276	0, 8018
degrees of freedom	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000	120, 0000
<b>error probability</b>	<b>0, 2249</b>	<b>0, 2464</b>	<b>0, 7611</b>	<b>0, 2236</b>	<b>0, 1268</b>	<b>0, 2456</b>	<b>0, 5763</b>	<b>0, 1568</b>	<b>0, 3555</b>	<b>0, 4242</b>
F equation	1, 2977	1, 2977	1, 2977	1, 2977	1, 2977	1, 2977	1, 2977	1, 2977	1, 2977	1, 2977
error probability,	0, 2339	0, 2339	0, 2339	0, 2339	0, 2339	0, 2339	0, 2339	0, 2339	0, 2339	0, 2339

entire equation	(I-S)/GNP	State interventions	EU-15-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	Constant
<b>Gender empowerment index UNDP HDR, 2005</b>	0,0216	-0,2633	0,0116	0,0124	0,0003	-0,1803	0,0604	-0,0363	0,0015	1,1843
	0,0119	0,2074	0,0175	0,0057	0,0007	0,0367	0,0293	0,0262	0,0012	0,9083
	0,8054	0,0797								
	30,3539	66,0000								
	1,7359	0,4194								
<b>t-test and direction of influence</b>	<b>1,8106</b>	<b>-1,2694</b>	<b>0,6649</b>	<b>2,1612</b>	<b>0,3854</b>	<b>-4,9143</b>	<b>2,0601</b>	<b>-1,3819</b>	<b>1,2578</b>	<b>1,3039</b>
t-test and direction of influence^2	3,2781	1,6114	0,4421	4,6709	0,1485	24,1501	4,2438	1,9097	1,5821	1,7001
t-test and direction of influence^0,5	1,8106	1,2694	0,6649	2,1612	0,3854	4,9143	2,0601	1,3819	1,2578	1,3039
degrees of freedom	66,0000	66,0000	66,0000	66,0000	66,0000	66,0000	66,0000	66,0000	66,0000	66,0000
error probability	0,0748	0,2088	0,5084	0,0343	0,7012	0,0000	0,0433	0,1717	0,2129	0,1968
F equation	30,3539	30,3539	30,3539	30,3539	30,3539	30,3539	30,3539	30,3539	30,3539	30,3539
error probability, entire equation	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000

### 3. Why neo-liberal globalization and unilateralism do not work: new quantitative insights into world systems governance

#### 3.1. Introduction

This chapter starts from the definition, given by Hettne (2002) that global governance is:

*“authoritative, but not necessarily permanent or well-organised, decision making and action by a number of actors in a globalised space, more or less beyond the full control of state governments”. (Hettne, 2002: 7)*

Ever since the *belle époque* of globalized capitalism and the “**Century of Peace**” 1817 – 1914 broke down in the terrible world crisis 1914 – 1945, the idea that globalization, human progress and liberal capitalism go hand in hand, and that increased trade, communications and foreign direct investments are the best and surest way to secure peace, well-being and prosperity of a maximum number of the inhabitants of our globe, has not gone uncontested. Karl Polanyi’s “*Great Transformation*” (1944) is the real starting point of a debate about “world systems governance” because Polanyi was the first to show that the very liberal market principle is responsible for the inner-systemic tendency to war in the global capitalist system and that at the end of the day the system is not compatible with human well-being, peace and ecological sustainability in the long run.

In contrast to the Leninist revolutionaries of his day, Polanyi foresaw a democratic and regulated system combining markets – but not a market society – and democracy. The socio-liberal Keynesian welfare reformers of the New Deal and early post-WWII years were politically successful in building up structures of national and international institutions that meant a significant departure from the *laissez faire* capitalism of the pre-1914 years. With the pendulum swinging towards neo-liberal ideas in the 1970s and 1980s in most western countries and also in the developing world, radical critiques of globalization and dependence also gained ground anew. Authors like Samir Amin, Fernando Henrique Cardoso and Raul Prebisch were widely received around the globe, and also quantitative scholars – most notably in the United States of America – took up the idea that dependency from the structures of the centers does not always lead towards a balanced and successful process of development in the world’s peripheries.

Here, we **challenge** the **neo-liberal consensus** about democracy and the pure market economy as the way to development, equality, a good environment and peace by first discussing latest United Nations ECLAC findings on the dynamics of world development from 1820 to 1998 that show precisely that **not liberal laissez faire allowed for the ascent of the former peripheries and semi-peripheries, but the much condemned strategies of import substitution and selective re-integration into the global order after 1945**. Selected



market interventions and the fairly regulated regime of the early post-war years assured stability in Europe and Japan and contributed to social and economic recovery from the Great Depression and the Second World War. Karl Polanyi and Andre Gunder Frank, and not the “pure market” economy strategists, are proven right by our figures. Large sections of our globe experienced a severe crisis, even recession during the 1990s, and especially in the Muslim world, in Africa and in East Central Europe, hardly promised lands are in sight.

Only a handful of the countries of the world with complete data provided support for the thesis that rapid globalization goes hand in hand with accelerating growth, and sinking inequality: only 16% of the countries of the world since 1980 proved the neo-liberal hypothesis that rapid globalization is a precondition of accelerating growth and falling inequality.

Thoughts about the reform of the United Nations and ways to improve global governance by a movement towards global democracy wind up this chapter, which has to be speculative in a way.

### **3.2. The historical winners and losers of the globalization processes 1820 – 2005. Selective integration, not all-out world economic openness benefits the semi-periphery**

We start by the certainly provocative assertion that a thorough analysis of existing data suggests that development by free trade is a myth. Much of the re-ascent of Europe and Japan after 1945 was due to import substitution. When that ended, Europe and Japan began to slide back again vis-à-vis the United States, thus re-affirming the old wisdom of development history research in contrast to “pure” free trade economic theory (Senghaas, 1985). Senghaas’ analysis of the development history of European states today finds its confirmation in global development statistics summarized by the United Nations (2002). Indeed, one of the most important legitimate points of critique against the current neo-liberal consensus should be that the history of capitalist development must not remain in darkness, and that its recurrent crises and depressions and wars should always be kept present [Kindleberger Ch. (1996), Kuznets S. (1976), Maddison, A. (2000), Mandel E. (1972), Mandel E. (1973), Mandel E. (1978), Nolte H. H. (1982), Senghaas D. (1985), and Tilly Ch. (1992)].

Much of the free trade 19<sup>th</sup> Century and the first half of the 20<sup>th</sup> Century witnessed a European decline vis-à-vis the US, and only the import substituting and regulated postwar period after 1945 saw a relative closing the gap that began to widen again after 1973.

The late Andre Gunder Frank has implied for a long time that Europe’s quest to catch up with the US by 2010 has to be seen in the larger perspective of Asia’s re-ascent in the world system. The United Nations Economic Commission for Latin America, ECLAC/CEPAL, in its essay “*Globalización y desarrollo*” (2002)<sup>29</sup>

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29

<http://www.eclac.cl/cgi-bin/getProd.asp?xml=/publicaciones/xml/6/10026/P10026.xml&xsl=/tpl/p9f.xsl&base=/MDG/tpl/top-bottom.xsl>

provided estimates that support such a view that stresses the simultaneousness of the ascent of Asia from the 1950s onwards with the decline of Europe after 1973 in the world system:

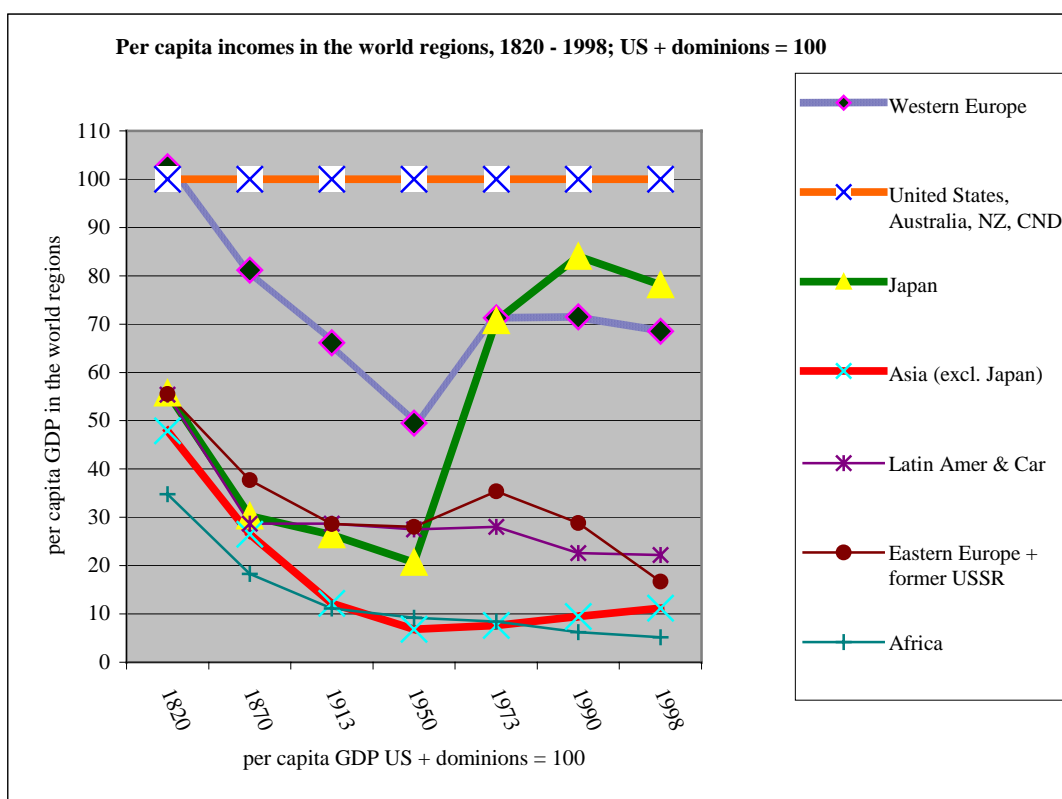
**Table 3.1.: The evolution of the gap between Europe and the US since 1820 (real GDP per capita, United States = 100 for each year since 1820)**

GDP per capita in ...	1820	1870	1913	1950	1973	1990	1998
Western Europe (in % of the US, AUS, NZ, CND)	102, 60	81, 20	66, 10	49, 50	71, 30	71, 50	68, 50
United States, Australia, NZ, CND	100, 00	100, 00	100, 00	100, 00	100, 00	100, 00	100, 00
Japan (in % of the US, AUS, NZ, CND)	55, 70	30, 30	26, 40	20, 70	70, 70	84, 00	78, 10
Asia (excl. Japan) (in % of the US, AUS, NZ, CND)	47, 90	26, 50	12, 20	6, 80	7, 60	9, 50	11, 20
Latin Amer & Car. (in % of the US, AUS, NZ, CND)	55, 40	28, 70	28, 70	27, 50	28, 00	22, 60	22, 20
Eastern Europe + former USSR (in % of the US, AUS, NZ, CND)	55, 50	37, 70	28, 60	28, 00	35, 40	28, 80	16, 70
Africa (in % of the US, AUS, NZ, CND)	34, 80	18, 30	11, 10	9, 20	8, 40	6, 20	5, 20

Source: our own calculations from CEPAL/ECLAC

Usually, world systems theories maintain that the present ongoing era of globalization already has its parallel in the 19<sup>th</sup> Century. The UN CEPAL/ECLAC data neatly demonstrate that these epochs of globalization in the 19<sup>th</sup> Century and after 1973 shifted incomes relatively away from Western Europe, Eastern Europe and Japan and in favor of the United States and the "dominions", while the era of regulation after 1945 (Arrighi, 1995) clearly re-allocated relative incomes to the West Europeans, to the East Europeans and the Japanese. Latin America also gained during the era of import substitution from around 1930 to around 1973.

**Graph 3.1.: the evolution of the “Lisbon gap” in a historical perspective**



Source: our own calculations from CEPAL/ECLAC

The movements per decade in the international positions of the various world regions tell us a very dramatic story:

**Table 3.2.: per decade gains and losses of major world regions during liberal and regulated international regimes, 1820 - 1998**

per decade gains/losses in the relative position of ... during ...	Liberal capitalism 1820-70	Monopoly capitalism 1870-1913	World wars, world depression 1913-50	regulated capitalism 1950-73	changing global order 1973-90	intensive globalization 1990-98
Western Europe	-4, 280	-3, 512	-4, 486	9, 478	0, 118	-3, 750
United States, Australia, NZ, CND	0, 000	0, 000	0, 000	0, 000	0, 000	0, 000
Japan	-5, 080	-0, 907	-1, 541	21, 739	7, 824	-7, 375
Asia (excl.	-4, 280	-3, 326	-1, 459	0, 348	1, 118	2, 125

Japan)						
Latin Amer & Car	-5, 340	0, 000	-0, 324	0, 217	-3, 176	-0, 500
Eastern Europe + former USSR	-3, 560	-2, 116	-0, 162	3, 217	-3, 882	-15, 125
Africa	-3, 300	-1, 674	-0, 514	-0, 348	-1, 294	-1, 250

Source: our own calculations from UN CEPAL/ECLAC, 2002

### **3.3. Especially the East European Periphery does not benefit from globalization**

It seems important to underline here that earlier depressions already had a tremendously devastating effect on the social structures of the periphery and the semi-periphery. It was no coincidence that Kondratiev’s theory about economic waves (see Chapter 4) was first formulated in Russia. The East European periphery typically fluctuates in the long waves of the capitalist world economy in the following way:

**Table 3.3: the logic of world economic waves and their repercussions on the Eastern periphery – the example of Poland**

	<i>cycle 1756-1832</i>	<i>cycle 1832-1885</i>	<i>cycle 1885-1932</i>	<i>cycle 1932-1975</i>	<i>cycle 1975-</i>
<b>basic social project</b>	<b>defeudalization</b>	<b>freedom of market and enterprise</b>	<b>enlargement of participation</b>	<b>welfare state, corporatism</b>	<b>decentralization, globalization, electronic revolution, civil society, NGOs</b>
prosperity reform	compulsory education, American and French Revolutions, Joseph II (Austria)	freedom of association	social security, parliamentarism	educational reform, civil rights, emancipation of women	gender empowerment, social inclusion for up to now "marginal groups" (Lesbians, Gay etc.), social security reform, modeled around the World Bank "three pillar model"
mid-cycle conflict	wars of the French Revolution, Napoleonic Wars Poland: 1807 Duchy	wars and civil wars. Poland: revolution 1863/64	Eastern Europe: revolution 1905	Vietnam war, world student rebellion, strikes, terrorism. Poland: crisis	global terrorism, 9/11 attacks in New York, anti-globalization

	of Warsaw			1968 - 70	demonstrations, Iraq war. Poland: growing executive instability, corruption, populism
basic industrial projects	steam engine (end 18th Century, Spinning Jenny (Stargrove, 1770))	railway, steamship	steel, electricity, electric motor	oil, synthetics, automobile	computer, electronics, internet
new technologies emerging during prosperity recession	steam locomotive (Puffing Billy, Hadley, 1813)	steel	petrochemicals	chips	nano-technologies, hydrogen technologies
unresolved problem	freedom of association, freedom of market and enterprise	enlargement of participation	relationship between capital, labor, state	basic income, environment, unequal exchange between North and South	global inter-religious relations, environment, social inclusion of groups presently marginalized by globalization
crisis of the model	revolution 1830	revolution 1871; Poland: socialist movement of the 1880s	revolution 1917; Poland: strikes and peasant uprisings	contestation of the model from 1968 onwards. Poland: summer 1980	most probably: growing protest movement against wars in Iraq and Afghanistan, growing dissent in the European Union
international regime A-phase	British naval dominance (George III)	liberal world trade	mercantilism	Bretton Woods	Washington Consensus
international regime B-phase	Congress of Vienna regime	liberal world trade	hyper mercantilism	neo-protectionism	most probably: growing protectionism between major trading blocs (EU, ASEAN, NAFTA)
dominant economic theory	Adam Smith 1776	John Stuart Mill 1848	Alfred Marshall 1890	John Maynard Keynes 1936	Mancur Olson 1982
political economy of the world system	David Ricardo 1817	Karl Marx 1867	Rudolph Hilferding 1910	Karl Polanyi 1944	Joseph Stiglitz 2002

Source: our own compilations and projections, based on the reported research results by Bornschier, Tausch and the current international press

Seen in such a way, not 1989, but Korea and Vietnam could become rather the benchmarks of the future W-structure of conflict in the international arena (see also, Chapter 5). For the foreign policies of the European Union, it is also important to notice the following tendency: **German-Russian alliances tend to happen during depressions, and they break up during the economic upswings of the world system:**

- Khol + Gorbi/Boris 1985 ff.
- Rapallo 1922
- Bismarck's Three Emperor Alliance 1873
- Holy Alliance 1815
- Alliance Russia-Germany 1764
- Nordic War 1700-1721

The relationship of the Kondratiev and Kuznets waves with Russian history is the following:

**Reforms (belated Kondratiev downswings)**

- Perestroika, Lenin's NEP,
- Great Reforms 1861,
- Katharina's Assembly 1775
- Nobility's Victory 1730,
- Split of the State Church 1653,
- Boris Godunow 1598-1605

**Repressive Modernization (belated Kondratiev upswings)**

- Joseph Stalin
- Imperialistic Expansion and Repressive Industrialization at the end of 19<sup>th</sup> Century
- Nicolas, the Gendarme of Europe
- Elisabeth's expansionist policy
- Peter the Great
- Michael III
- Ivan the Terrible

The reform -repression time differences are:

1985 'Gorbi' <-----> 1928 Stalin  
 57 Years

64 Years	47 Years
time difference to next reform	time difference to next repressive period

1921 NEP <-----> Alexander III 1881  
 40 Years

60 Years	56 Years
time difference to next reform	time difference to next repressive period

1861 Great Reforms <-----> Nicolas I 1825  
 36 Years

86 Years	84 Years
time difference to next reform	time difference to next repressive period

1775 Constituent Assembly <-----> Elisabeth's expansionist rule 1741

34 Years  
 45 Years time difference to next reform  
 52 Years time difference to next repressive period

1730 Victory of Nobility <-----> Peter I 1689  
 41 Years

77 Years time difference to next reform  
 76 Years time difference to next repressive period

Church Split 1653<-----> Michael III 1613  
 40 Years

55 Years time difference to next reform  
 48 Years time difference to next repressive period

Boris Godunow 1598 <-----> Ivan's 'Oprichina' 1565  
 33 Years

**Average periods of Russian history:**

Perestroika <-----> authoritarian modernization  
 40 Years  
 64.5 Years 60.5 Years

Source: our own compilations from Tausch, 1991 and 1997

**3.4 Globalization sharply polarizes**

It is to be expected that Western and Eastern Europe, Latin America, and also Japan that all owed their relative ascent in global society after 1945 to their import substitution strategies, will be the main losers during the ongoing globalized decades. Re-analyzing the existing data for the 1990s clearly shows that the winners and losers of globalization were indeed distributed very unevenly around the globe:

**Table 3.4: The social effects of globalization, 1990 – 1999**

<b><u>absolute and relative values</u></b>	Millions of people < 1 \$ a day 1990	% pop < 1 \$ a day 1990	Millions of people < 1 \$ a day 1999	% pop < 1 \$ a day 1999
East Asia and Pacific	486	30, 5	279	15, 6
Eastern Europe and Central Asia	6	1, 4	24	5, 1
South Asia	506	45	488	36, 6
Latin America and Caribbean	48	11	57	11, 1
<b>Middle East and North Africa</b>	5	2, 1	6	2, 2

Sub-Saharan Africa	241	47, 4	315	49
Total	1292	29, 6	1169	23, 2
<b><u>absolute and relative values</u></b>	Millions of people < 2 \$ a day 1990	% pop < 2 \$ a day 1990	Millions of people < 2 \$ a day 1999	% pop < 2 \$ a day 1999
East Asia and Pacific	1114	69, 7	897	50, 1
Eastern Europe and Central Asia	31	6, 8	97	20, 3
South Asia	1010	89, 8	1128	84, 8
Latin America and Caribbean	121	27, 6	132	26
<b>Middle East and North Africa</b>	50	21	68	23, 3
Sub-Saharan Africa	386	76	480	74, 7
Total	2712	62, 1	2802	55, 6
<b><u>1990 = 100</u></b>	Millions of people < 1 \$ a day	% pop < 1 \$ a day	Millions of people < 2 \$ a day	% pop < 2 \$ a day
East Asia and Pacific	57, 4	51, 1	80, 5	71, 9
Eastern Europe and Central Asia	400	364, 3	312, 9	298, 5
South Asia	96, 4	81, 3	111, 7	94, 4
Latin America and Caribbean	118, 8	100, 9	109, 1	94, 2
<b>Middle East and North Africa</b>	120	104, 8	136	111
Sub-Saharan Africa	130, 7	103, 4	124, 4	98, 3
Total	90, 5	78, 4	103, 3	89, 5
<b><u>changes since 1990</u></b>	Millions of people < 1 \$ a day	% pop < 1 \$ a day	Millions of people < 2 \$ a day	% pop < 2 \$ a day
East Asia and Pacific	-207	-14, 9	-217	-19, 6
Eastern Europe and Central Asia	+18	+3, 7	+66	+13, 5
South Asia	-18	-8, 4	+118	-5
Latin America and Caribbean	+9	+0, 1	+11	-1, 6
<b>Middle East and North Africa</b>	+1	+0, 1	+18	+2, 3
Sub-Saharan Africa	+74	+1, 6	+94	-1, 3
Total	-123	-6, 4	90	-6, 5



Legend: based on Tausch, 2004 – 2005, calculated with ILO data. Source: our own calculations from ILO sources, 2003 (Report of the Director-General: "Working out of Poverty". International Labor Conference 91st Session 2003, ILO, Geneva)

Thus, the final balance of globalization since 1990 was the income impoverishment of Eastern Europe and the Muslim world in the Middle East and North Africa:

**Table 3.5: Changes in the social structure of the world system, 1990 - 1999**

changes since 1990	increases/decreases in the percentages of population with < 2 \$ a day
<b>Eastern Europe and Central Asia</b>	<b>13, 5</b>
<b>Middle East and North Africa</b>	<b>2, 3</b>
Sub-Saharan Africa	-1, 3
Latin America and Caribbean	-1, 6
South Asia	-5
East Asia and Pacific	-19, 6
Total	-6, 5

Legend: based on Tausch, 2004 – 2005, calculated with ILO data. Source: our own calculations from ILO sources, 2003 (Report of the Director-General: "Working out of Poverty". International Labor Conference 91st Session 2003, ILO, Geneva)

### **3.5. Only 2/5 to 1/3 of world society really benefited from the recent phase of globalization**

The wave of global politics and economics in the 1990s negatively affected the social balances in many countries. In a significant portion of the countries of the globe, inequality and globalization – the inflow of foreign direct investments per host country GDP - are on the increase since 1980, as the present author could confirm in his recent works based on the data series of the ILO, the UTIP project at the University of Texas, and the World Bank. These analyses of the dynamics in the world system calculated the time series correlations of globalization, economic growth (Global Development Network Growth Database, William Easterly and Mirvat Sewadeh, World Bank), unemployment (Laborsta ILO), and inequality (UTIP, University of Texas Inequality Project, Theil indices of inequality, based on wages in 21 economic sectors; as to the sources, see Bibliography).

**Table 3.6: the success and failure of globalization since 1980 on a global level**

globalization and its effects – world sample with complete data	states that fulfilled the criterion	states that did not fulfill the criterion	total number of states with complete data	% of states meeting the promises of globalization
rising foreign direct investment inflows	78	10	88	88, 6
sinking comparative price levels <sup>30</sup>	66	25	91	72, 5
accelerating economic growth	60	28	88	68, 2
sinking unemployment	38	53	91	41, 8
sinking inequality	19	69	88	21, 6

**the success and failure of globalization since 1980 on the level of the EU-25**

globalization and its effects – EU-25 sample with complete data	states that fulfilled the criterion	states that did not fulfill the criterion	total number of EU-25 states with complete data	% of states meeting the promises of globalization
sinking comparative price levels	21	2	23	91, 3
rising foreign direct investment inflows	21	2	23	91, 3
accelerating economic growth	19	4	23	82, 6
sinking unemployment	10	13	23	43, 5
sinking inequality	5	18	23	21, 7

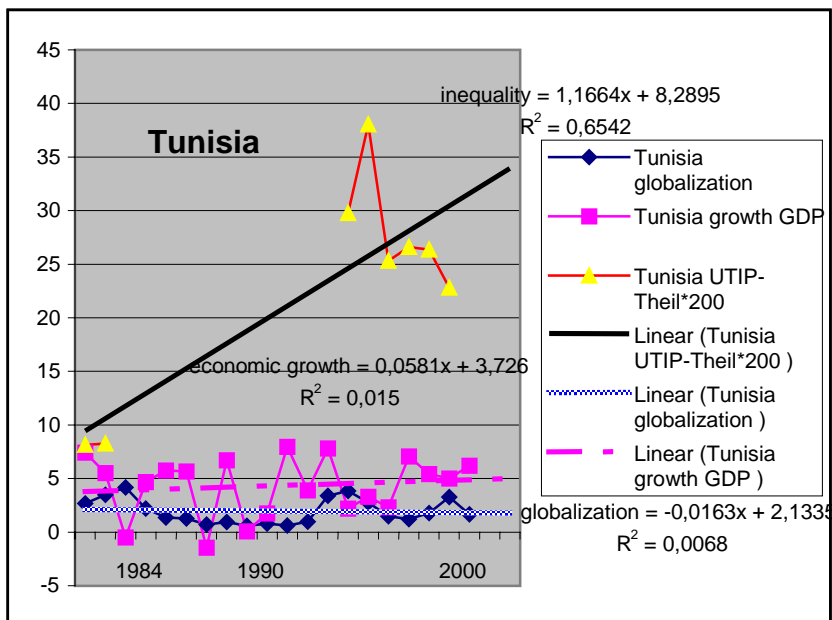
Legend: based on Tausch, 2004 – 2005, calculated with World Bank, ILO, and UTIP data

<sup>30</sup> always defined here as 1/ERDI (ERDI is the exchange rate deviation index, being equal to GDP PPP/ GDP exchange rate)

Malaysia and Jordan are practically the only major Muslim country with a falling rate of inequality since 1980. In all, 118 nations of the world with complete data were compared.

We briefly explain our methodology with the example of Tunisia: sharply rising inequality, but no noteworthy linear increase in economic growth or globalization.

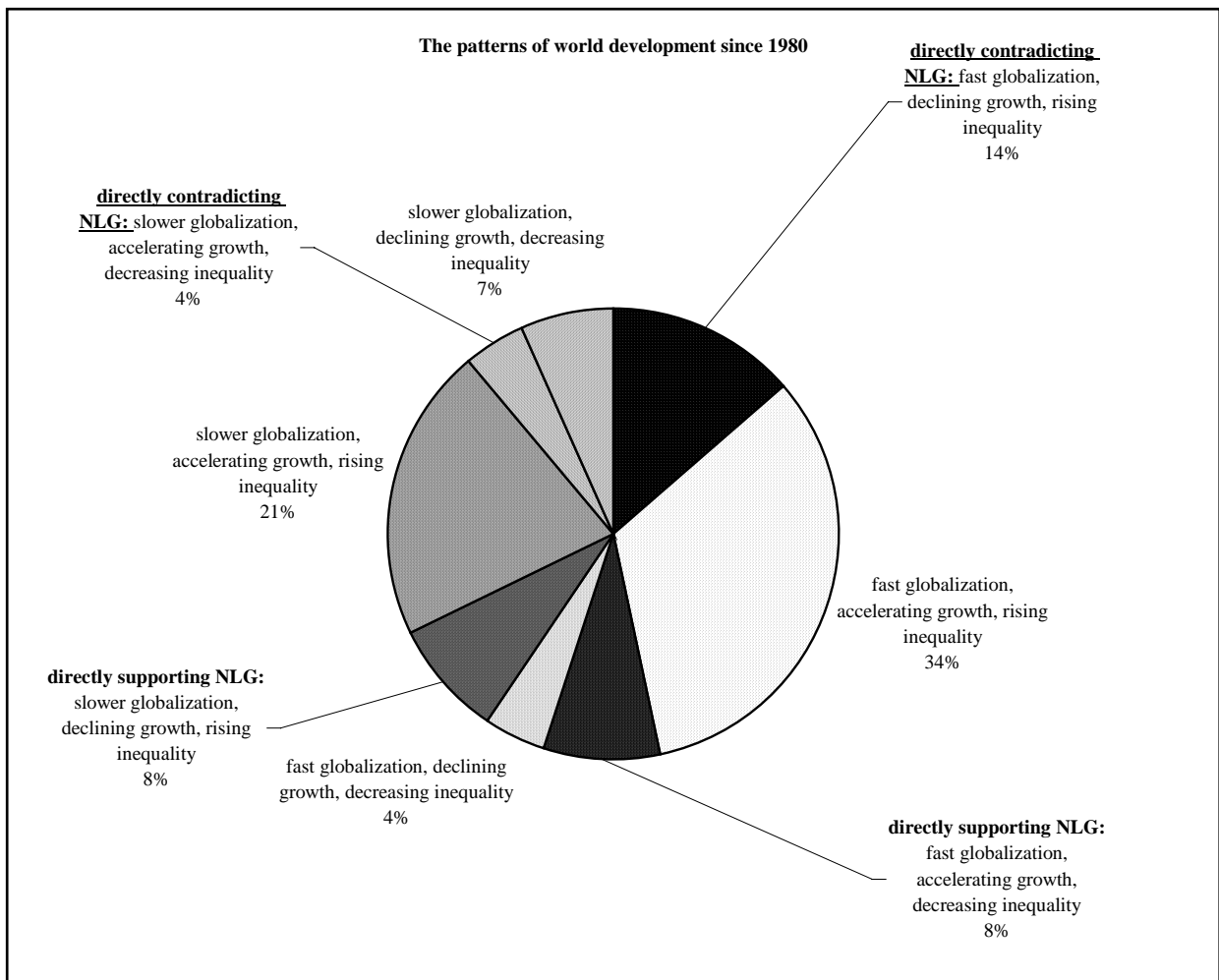
**Graph 3.2: the methodology used to study the time series patterns of globalization, economic growth, and inequality in 118 nations of the world with fairly complete data since 1980**



Legend: based on data published by the ILO, the UTIP project at the University of Texas, and the World Bank. These analyses of the dynamics in the world system used the time series of globalization, economic growth (Global Development Network Growth Database, William Easterly and Mirvat Sewadeh, World Bank), unemployment (Laborsta ILO), and inequality (UTIP, University of Texas Inequality Project, Theil indices of inequality, based on wages in 21 economic sectors) since 1980.

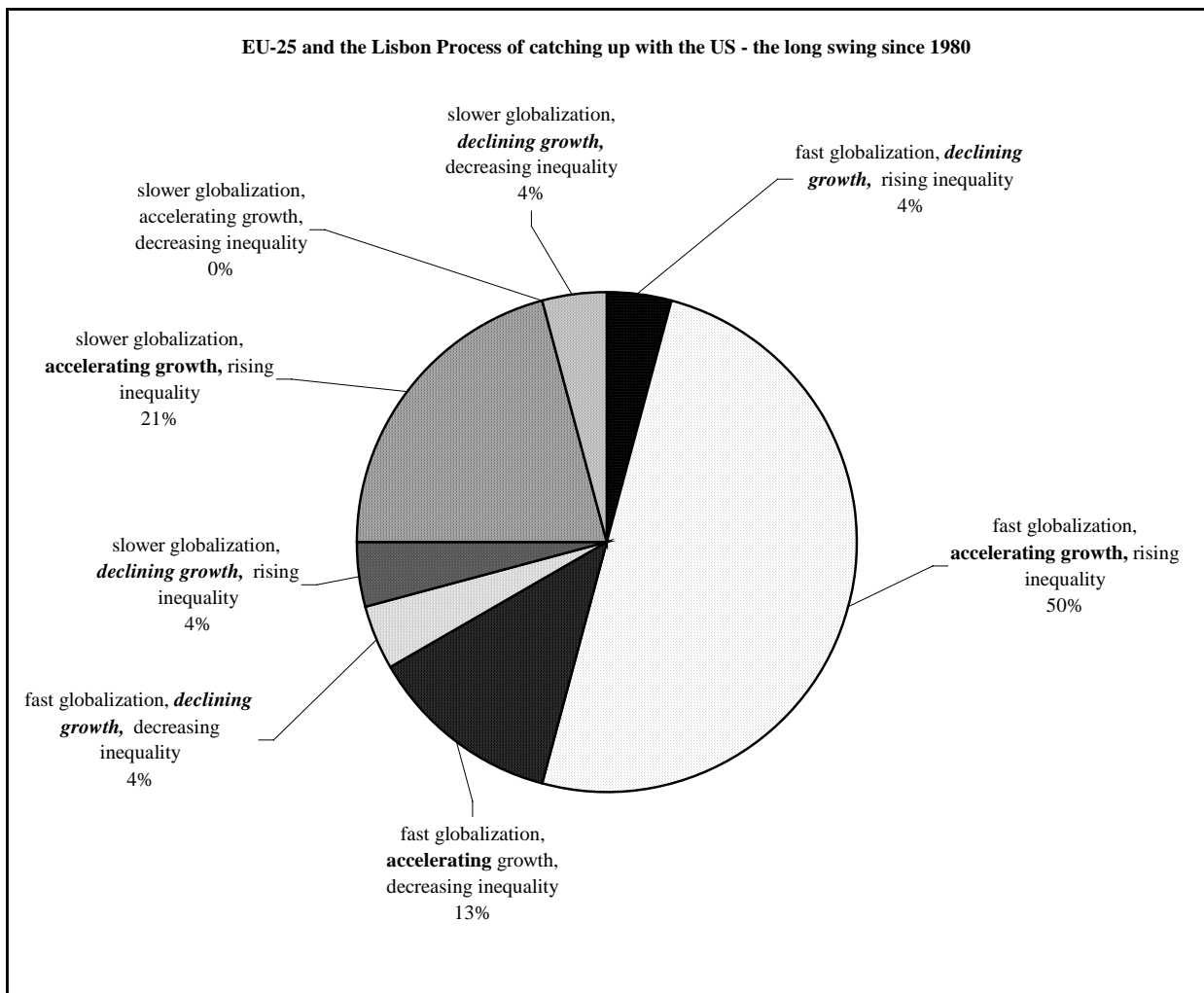
The correlations of our globalization and economic and social performance indicators corresponded to the following patterns on the level of the world system and the EU-25 countries.

**Graph 3.3: the development paths in the world system since 1980 – percentages of affected states in the world system**



Legend: based on data published by the ILO, the UTIP project at the University of Texas, and the World Bank. These analyses of the dynamics in the world system used the time series of globalization, economic growth (Global Development Network Growth Database, William Easterly and Mirvat Sewadeh, World Bank), unemployment (Laborsta ILO), and inequality (UTIP, University of Texas Inequality Project, Theil indices of inequality, based on wages in 21 economic sectors) since 1980. NLG: neo-liberal globalization

**Graph 3.4: The European Union (EU-25) in the world system since 1980 – percentages of affected states in the European Union**



Legend: based on data published by the ILO, the UTIP project at the University of Texas, and the World Bank. These analyses of the dynamics in the world system used the time series of globalization, economic growth (Global Development Network Growth Database, William Easterly and Mirvat Sewadeh, World Bank), unemployment (Laborsta ILO), and inequality (UTIP, University of Texas Inequality Project, Theil indices of inequality, based on wages in 21 economic sectors) since 1980.

**3.6. Not the exclusive G7/G8, but the G20 concept is the appropriate immediate answer to improve global governance**

The present globalist neo-liberal world system governance project is intimately linked to the hegemonic power of the United States. As it will be shown in the chapter on War Cycles, this hegemony however is most likely to come to an end.

The triumphalism of America being the unrivalled military hegemonic power of our world notwithstanding, we believe that a serious strategic and political

science analysis quickly reveals the direct manpower and other military constraints against continued U.S. military and political dominance in world affairs (Adams, 2005). It is often said that like Old Rome, America is without parallels in terms of military strength.

But such claims are a simple myth, resting upon military spending figures that just demonstrate that the Pentagon spends a real lot of money converted into international exchange rates that are still favorable to the US Dollar (budget deficit: 3.46 % of GDP, current account balance deficit per GDP 4.90 % (2003), as states by "Economist" Country Briefings, July 2005. Compare this to the +2.44 % budget data when President George W. Bush took over in 2000, as well as the current account deficit that was still at 4.19 % of GDP the same year) but which are exchange rates untenable in the long run in view of the huge double deficits of the US economy. What is unparalleled in human history is not the "bang" that the US Conventional Forces can deliver on the ground, especially in a guerrilla warfare situation, but the "buck" that went to the Pentagon defense contractors, indeed an amount unparalleled around the globe. What military manpower is concerned, even the "smaller" wars in Iraq and in Afghanistan show the extreme limits of the current capital intensive U.S. military doctrine, and for manpower reasons alone the US would be in no position to fight several conventional wars at the same time, let alone fighting another major confrontation at the same time as fighting the insurgencies in Iraq and Afghanistan.

Present attempts to stabilize the world order by bringing in the major western industrialized countries plus Russia (the so-called G-8, composed by France; United States; United Kingdom; Russian Federation; Germany; Japan; Italy; Canada; European Union) must face up to the fact that these countries represent a declining part of world purchasing power. The rise of Asia makes the present G7/G8 structure increasingly irrelevant. Let us compare for a moment the control of the present G7/G8 countries over world GDP at purchasing power parities with the emerging new world powers:

**Table 3.7: The G-8 countries and their relative purchasing power**

**a) present G-8 members**

Country	GDP (PPP US\$ billions) 2002
United States	10308
Japan	3425, 1
Germany	2235, 8
France	1601, 4
United Kingdom	1549, 1
Italy	1524, 7
Russian Federation	1185, 6
Canada	924, 7

Legend: based on the UNDP electronic statistics system, available at:  
<http://hdr.undp.org/statistics/>

An interesting counter-position to overcome the present world governance inequalities is the G-20, largely created under the influence of Chinese foreign policy. The members of the G-20 are the finance ministers and central bank governors of the following 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, Saudi-Arabia, South Africa, Turkey, the United Kingdom and the United States. Another member is the European Union, represented by the Council presidency and the President of the European Central Bank. The managing director of the IMF and the president of the World Bank, plus the chairpersons of the International Monetary and Financial Committee and Development Committee of the IMF and World Bank also participate in the talks as ex-officio members.

Some real "ascending dragons" are outside the G-8 group. They are the following nations among the world's top 25 markets in terms of purchasing power in the world. Any attempt at creating real world stability must accommodate in one way or the other at least these sometimes rapidly rising new powers of the 21<sup>st</sup> Century.

In our next Table, countries printed in bold letters are top 25 world economies, not being members of the G-20 group either.

**b) the top 25 economies in the world system that do not belong to the EU and are up to now not included in the G-7/8 concept:**

Country	GDP (PPP US\$ billions) 2002
China	5860, 9
India	2799, 6
Brazil	1355, 0
Korea, Rep, of	807, 3
Indonesia	682, 9
Australia	555, 7
South Africa	456, 8
Turkey	444, 8
<b>Iran, Islamic Rep, of</b>	<b>438, 3</b>
<b>Thailand</b>	<b>431, 9</b>
Argentina	412, 7
<b>Philippines</b>	<b>333, 5</b>
<b>Pakistan</b>	<b>281, 3</b>
<b>Colombia</b>	<b>278, 6</b>
Saudi Arabia	276, 9
<b>Egypt</b>	<b>252, 6</b>

Ukraine	237, 3
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Legend: based on the UNDP electronic statistics system, available at:  
<http://hdr.undp.org/statistics/>

We can only underline here the point, driven home by the eminent US military strategist Colin S. Gray, who was an architect of President Ronald Reagan's armament strategy in the 1980s:

*"The menace of major, if not necessarily decisive, interstate war will return to frighten us when great-power rivals feel able to challenge American hegemony. If you read Thucydides, or Donald Kagan, you will be reminded of the deadly and eternal influence of the triad of motives for war: "fear, honor, and interest". Unquestionably, there has been a radical change in the character of the dominant form of terrorism since the end of Cold War. The roots of this phenomenon lie in a crisis within the Islamic domain. However, it is ironic that the United States contributed hugely, though inadvertently of course, to al Qaeda's development with its vast level of support for the holy warriors who defeated the Soviets in Afghanistan. Strategists should never forget the peril of ambush by the malign workings of the law of unintended consequences. Al Qaeda is justly regarded today as the defining threat of this era. The catastrophic events of 9/11 certainly brought down the curtain on the strategically somewhat aimless interwar decade of the 1990s. But does the emergence of such terrorism signal an enduring change in the character of warfare? The answer has to be a resolute no. No guarantees can be offered, but it is as certain as anything can be in the inherently uncertain world of international conflict that al Qaeda will lose, and lose decisively. It will be beaten, but not by the United States and assuredly not by the US armed forces. Al Qaeda will be defeated by fellow Muslims devoted to moderate and modernizing policies." (Gray, 2005: 22 – 23)*

Following a reasoning inspired by world system theory and world system governance, **the "West" should try to accommodate as best as possible at least the legitimate aspirations of the rising world Muslim powers, like Indonesia, Turkey, Iran<sup>31</sup>, Saudi-Arabia, Egypt, Bangladesh, Malaysia, Algeria and Morocco.** The policies of Turkish accession to the European Union and of the European Neighborhood Policies with the Mediterranean countries in the so-called Barcelona process have no alternative.

What is also really at stake in the forthcoming South eastern enlargement of the European Union to integrate Turkey is precisely to bridge the gap in these structures of global governance to include the largest Muslim economy of the globe into the structures of *"global governance"*. Europe would be well advised to evaluate the possible positive repercussions of the integration of the world's largest Muslim economy into its fold also from this perspective:

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<sup>31</sup> Iran's position after the utterly unacceptable statements by its President „to wipe off“ a fellow UN member country (Israel) must be re-assessed also in this context. See also: [http://www.adnki.com/index\\_2Level.php?cat=Politics&loid=8.0.225720145&par=](http://www.adnki.com/index_2Level.php?cat=Politics&loid=8.0.225720145&par=)



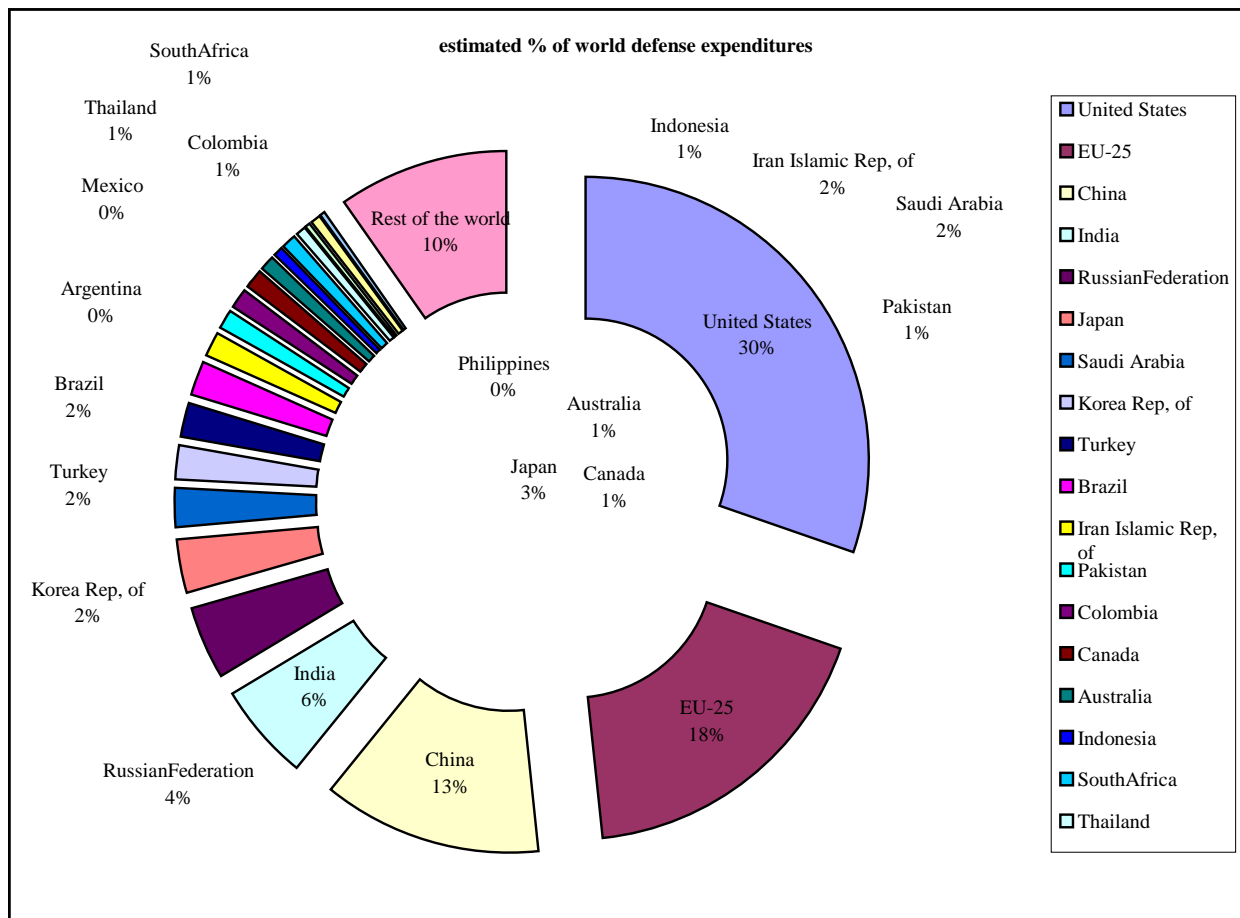
**c) The power of the European Union in the world system (markets sized > 100 billion \$ PPP by 2002)**

	GDP (PPP US\$ billions)2002	defense expenditure in thousand million \$ PPP	estimated % of world GDP PPP	estimated % of world defense expenditures
<b>EU-25</b>	<b>10773, 7</b>	<b>205, 8981</b>	<b>22, 5413377</b>	<b>17, 8520175</b>
United States	10308	350, 472	21, 5669742	30, 3870325
China	5860, 9	146, 5225	12, 2625028	12, 7039649
Japan	3425, 1	34, 251	7, 1661858	2, 96967019
India	2799, 6	64, 3908	5, 85747971	5, 58288632
Brazil	1355	21, 68	2, 83500679	1, 87972467
Russian Federation	1185, 6	47, 424	2, 48057863	4, 11181102
Canada	924, 7	11, 0964	1, 93470906	0, 96209303
Mexico	904, 6	4, 523	1, 89265472	0, 39215843
Korea Rep, of	807, 3	21, 7971	1, 68907821	1, 88987761
Indonesia	682, 9	8, 1948	1, 42880158	0, 71051512
Australia	555, 7	10, 5583	1, 16266662	0, 91543805
South Africa	456, 8	7, 3088	0, 95574251	0, 63369611
Turkey	444, 8	21, 7952	0, 93063544	1, 88971288
Iran Islamic Rep, of	438, 3	17, 532	0, 91703578	1, 52007993
Thailand	431, 9	6, 0466	0, 90364534	0, 52425937
Argentina	412, 7	4, 9524	0, 86347402	0, 42938877
Philippines	333, 5	3, 335	0, 69776735	0, 28915506
Pakistan	281, 3	13, 2211	0, 58855159	1, 14631125
Colombia	278, 6	11, 7012	0, 5829025	1, 0145311
Saudi Arabia	276, 9	27, 1362	0, 57934567	2, 3527945
Egypt	252, 6	6, 8202	0, 52850385	0, 59133294
Ukraine	237, 3	6, 8817	0, 49649233	0, 59666519
Bangladesh	230	2, 53	0, 48121886	0, 21935901
Malaysia	221, 7	5, 3208	0, 46385314	0, 46133021
Switzerland	218, 8	2, 4068	0, 4577856	0, 20867718
Vietnam	185, 4		0, 38790425	
Hong Kong, China(SAR)	182, 6		0, 38204593	
Algeria	180, 4	6, 6748	0, 37744297	0, 5787263
Norway	166, 1	3, 4881	0, 34752371	0, 30242932
Chile	153, 1	5, 9709	0, 32032438	0, 51769594
Romania	146, 2	3, 3626	0, 30588782	0, 29154807
Venezuela	135, 1	1, 8914	0, 28266378	0, 16399037
Peru	134, 1	2, 0115	0, 28057152	0, 17440342
Israel	128, 2	11, 7944	0, 26822721	1, 02261184
Nigeria	113, 6	1, 2496	0, 23768027	0, 10834428
Morocco	112, 9	4, 8547	0, 23621569	0, 42091787
Singapore	100, 1	5, 2052	0, 20943482	0, 45130733

Legend: based on the UNDP electronic statistics system, available at: <http://hdr.undp.org/statistics/>

The present unequal world distribution of global military expenditures is reflected in Graph 3.5: The top 18 global players control 90 % of the world's military expenditures.

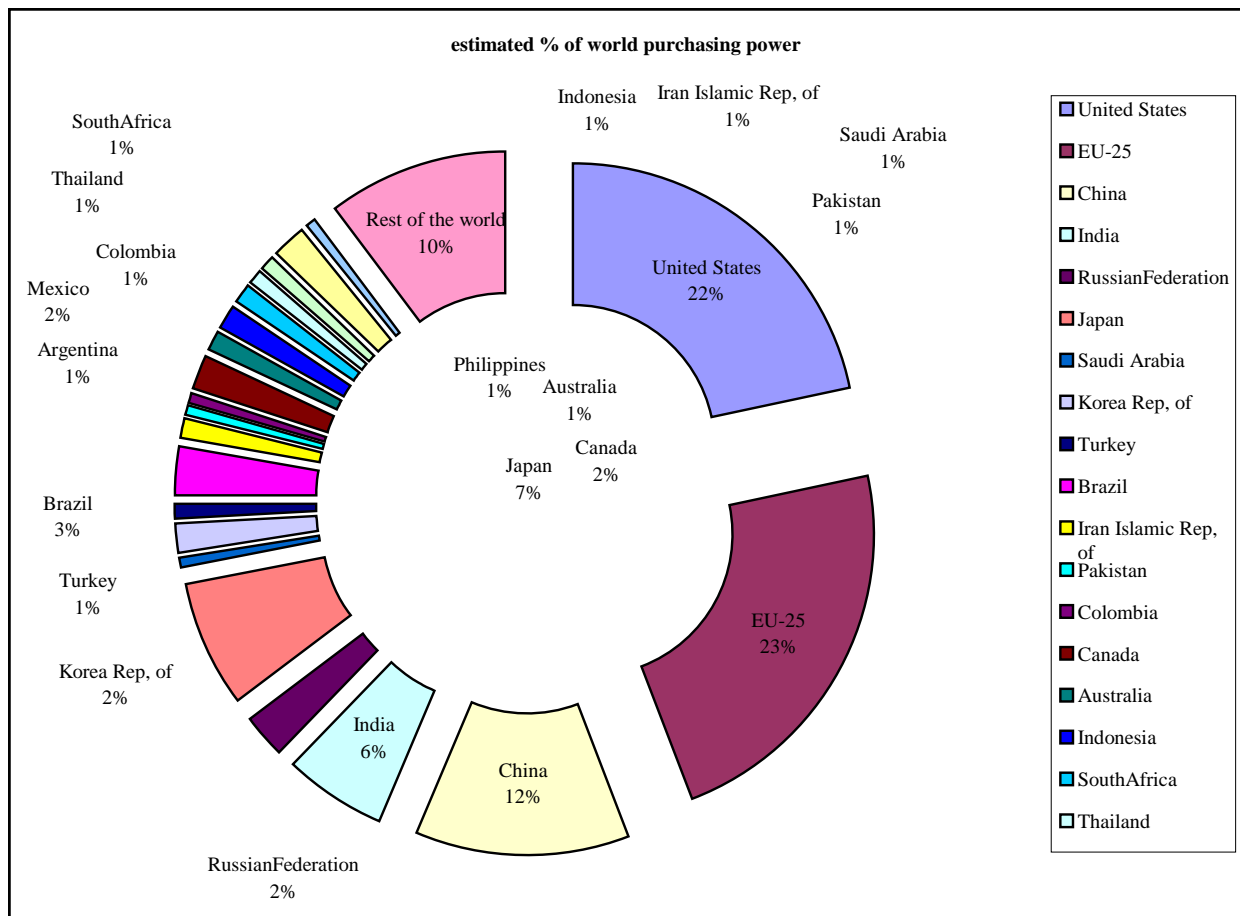
**Graph 3.5: the world system of military power**



Legend: based on the UNDP electronic statistics system, available at: <http://hdr.undp.org/statistics/>

Likewise, global purchasing power is very unevenly distributed. In fact, the top 18 entities of the world economy – 17 nation states plus the EU-25 – again control 90 % of global economic power, while the rest of the world just has 10 %. However, there are serious imbalances among these world top power holders, insofar as the military power of the United States, Saudi Arabia, Russia, Turkey, Iran, Pakistan and China is not (as yet) supported by sufficient economic power, while in world military expenditure terms, the EU-25, Japan, Mexico, Canada, Brazil, Indonesia and Argentina are dwarfs in comparison to their gigantic economic status. It is to be expected that these imbalances will be closed some way or the other during the coming years.

**Graph 3.6: the world system of economic power**



Legend: based on the UNDP electronic statistics system, available at: <http://hdr.undp.org/statistics/>

What does all this mean in terms of the concept of the **“balance of power”**? To quote again from Colin S. Gray:

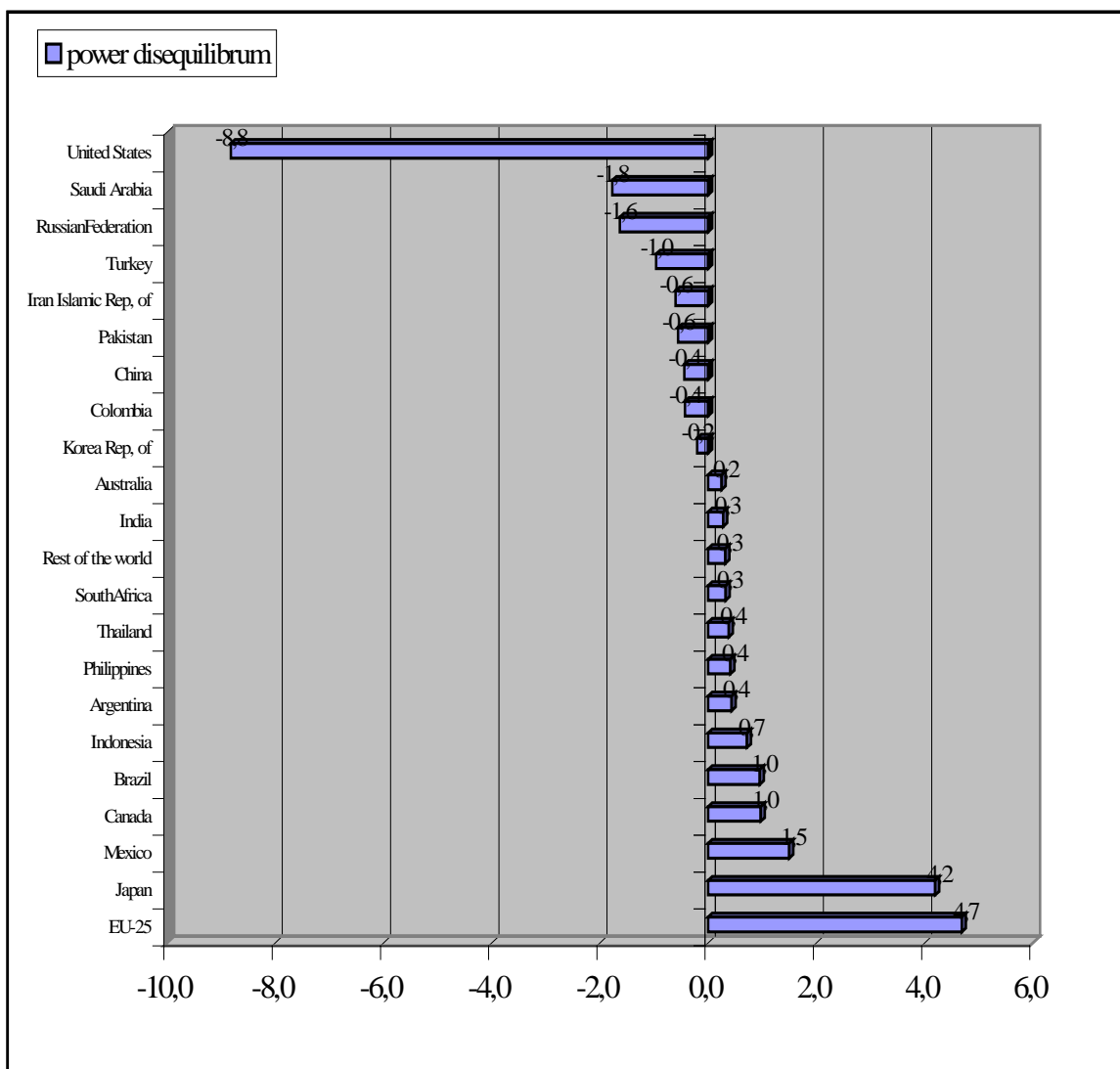
*“Where Is the Balance of Power? (...) America is the hegemon by default. (...) As noted already, the past 15 years comprised principally a postwar, or interwar, period. The political and strategic behavior of those years reflected the temporary context provided by a world abruptly deprived of its balance-of-power architecture. (...) We can predict that although the transformation push may well succeed and be highly impressive in its military-technical accomplishments, it is likely to miss the most vital marks.*

*There are a number of reasons for this rather harsh judgment. First, high-tech transformation will have only modest value, because war is a duel and all of America’s foes out to 2020 will be significantly asymmetrical. The more intelligent among them, as well as the geographically more fortunate and the*

*luckier, will pursue ways of war that do not test US strengths. Second, the military potential of this transformation, as with all past transformations, is being undercut by the unstoppable processes of diffusion which spread technology and ideas. Third, the transformation that is being sought appears to be oblivious to the fact claimed here already, that there is more to war than warfare. War is about the peace it will shape.” (Gray, 2005: 20 – 21)*

Graph 3.7 now shows the above mentioned disequilibria that exist in contemporary world society between the shares in world military and in world economic power. It is to be expected that sooner or later the nations with a comparative weakness of their military capabilities will try to close the gap and will strive to become military great powers by themselves, possibly challenging the United States one day:

**Graph 3.7: the disequilibrium between world economic and world military power**



Legend: based on the UNDP electronic statistics system, available at: <http://hdr.undp.org/statistics/>. Europe's economic power would suggest that Europe increases its share in global military expenditures by 4.7%, while America's economic power, measured in the share of the US in world purchasing power, does not support their high share in global military outlays by more than 8%

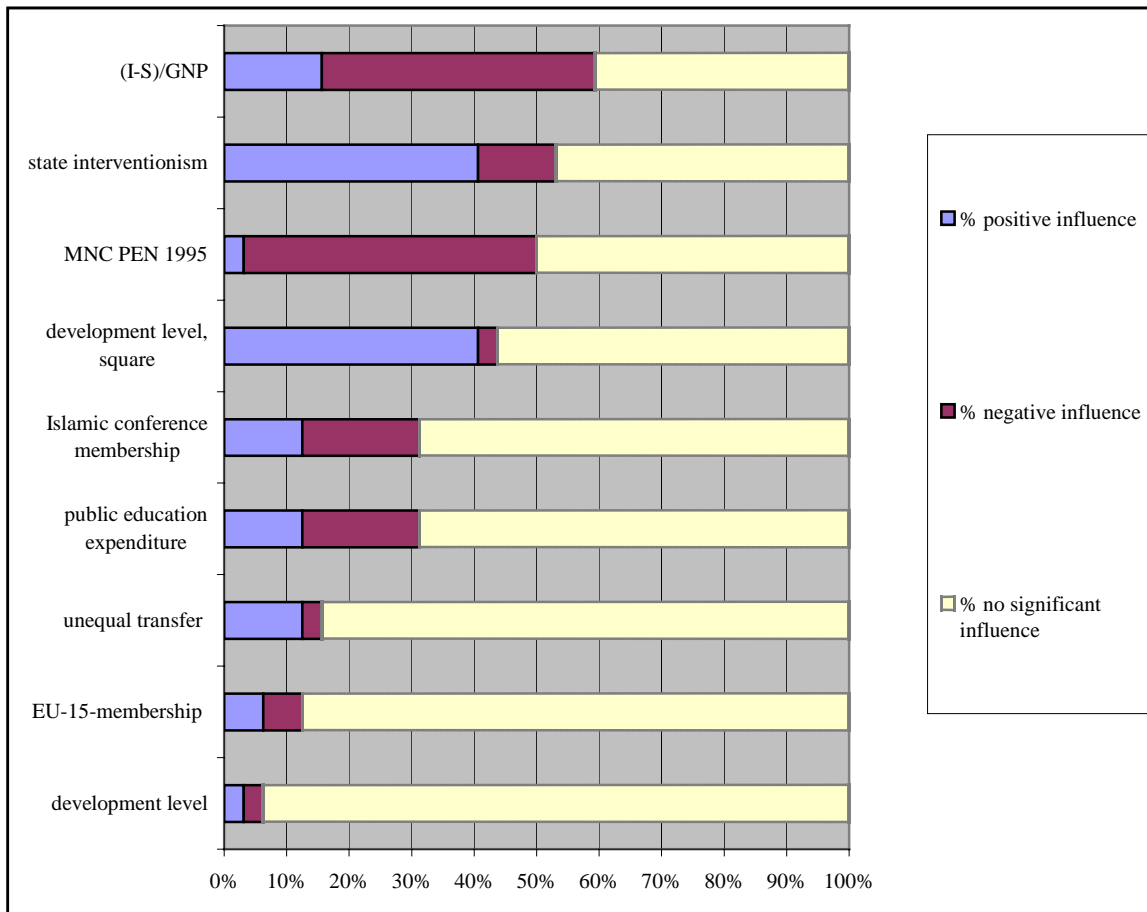
### **3.7. World democracy – why not?**

Times and times again there was evidence in the literature (see -> Bibliography) that globalization leads to a cycle what Fernando Henrique Cardoso once termed:

- there is a financial and technological penetration by the developed capitalist centers of the countries of the periphery and semi-periphery
- this produces an unbalanced economic structure both within the peripheral societies and between them and the centers
- this leads to limitations on self-sustained growth in the periphery
- this favors the appearance of specific patterns of class relations
- these require modifications in the role of the state to guarantee both the functioning of the economy and the political articulation of a society, which contains, within itself, foci of inarticulateness and structural imbalance

We have shown in the analysis about world development since the 1980s that uncontrolled globalization leads to no end of the problem of **structural violence** (Chapter 2). If we really want to achieve long-lasting breakthroughs in “global governance”, we have to re-consider the theoretical and practical implications of the **“CEPAL/ECLAC” - alternative approach to global governance**, and **not** simply **rely** on the forces of **“world economic openness”**. The Synthesis of our empirical research results (Chapter 2) allows the hypothesis that the **mobilization of internal savings** and an **active and stronger state**, and **less uncritical reliance on direct foreign investments**, as was correctly foreseen by the early CEPAL/ECLAC-school (Flehsig St., 1984, Flehsig St., 1994, Flehsig St., 2000, Prebisch R., 1983, Prebisch R. 1986, Prebisch R. 1988a, Prebisch R. 1988b, Singer P. I. 1971), are still the most efficient tools of “global governance”.

**Graph 3.8: the influence of 9 predictors of the human condition (measured by 32 indicators) and the practical relevance of these predictors for “global governance”**



**High foreign savings** increase the foreign control over the economy, with **disastrous effects** for the well-being of nations. We tested this proposition is successfully with our equations on

- freedom from a high infant mortality rate
- freedom from CO2 emissions per capita
- human development index
- female life expectancy
- Factor Social Development
- freedom from a high % of people not expected to survive age 60
- freedom from high maternal mortality ratio
- life expectancy, 1995-2000
- freedom from a high female share of suicide
- % immunization against measles
- % immunization against TB
- freedom from injuries and deaths from road accidents per 100.000 inhabitants and year

economic growth 1990-2002  
female share of life years

We also have shown that **state sector controls** have **good effects** for

freedom from a high infant mortality rate  
human development index  
Factor Social Development  
female life expectancy  
life expectancy, 1995-2000  
freedom from a high % of people not expected to survive age 60  
freedom from CO2 emissions per capita  
freedom from high maternal mortality ratio  
% immunization against measles  
freedom from a high female share of suicide  
female share of life years  
% immunization against TB  
economic growth 1990-2002

A **high foreign capital penetration** increases the foreign control over the economy, with **disastrous effects for the well-being of nations**, i.e. on:

freedom from political rights violations  
Factor Social Development  
freedom from a high rate of TBC cases per 100.000 inhabitants  
freedom from a high UNDP HIV index  
female life expectancy  
freedom from a high infant mortality rate  
female share of life years  
life expectancy, 1995-2000  
female economic activity rate as % of male economic activity rate  
freedom from a high income concentration - share of income/consumption  
richest 20% to poorest 20%  
freedom from a high % of people not expected to survive age 60  
% immunization against measles  
human development index  
freedom from a high female share of suicide  
% immunization against TB

A **high exchange rate deviation index** constitutes a precondition for unequal exchange which has **disastrous effects on**

% immunization against TB

With neo-liberal economic and social governance continuing on an unabated scale, and with the world hegemonic power play by the United States entering the limit zone of its feasibility, the question about world systems governance transition enters the stage.

In their world-systems-based analysis of the spiral of capitalism and socialism, Boswell and Chase-Dunn (2000) arrive at the conclusion that the European Union would be best fitted to become an engine of socially progressive transformation of the world system. Such an analysis would find lots of sympathy among labor-oriented or social-movement oriented circles on both sides of the Atlantic and beyond, and is also reflected in various other 'denominations' of the world systems profession, like in the statements by Samir Amin, who - although very critical of the Union in its present form - speaks about the necessity for Europe to become an alternative pole in the world economy, characterized by the tendencies towards unfettered globalization.

The European role in transforming the present-day western-biased global governance system cannot be underestimated: the European Union as the driving force behind a movement towards global governance, as the only and reasonable alternative to the workings of the capitalist world system and its tendencies towards inequality and conflict, was on the minds of several world system writers. This scenario is the policy-option and practical end-result of the assessment of future trends in the world system, presented by Boswell and Chase-Dunn (2000). Although there is wide agreement in the literature on the need of a transition of the world system to a system of global governance (see Kiljunen, 2000), the ways to achieve this are more or less a theme for speculation.

The scenario of the continuation of global conflicts – and that means above all – inner-capitalist rivalries - is somber in nature, it enjoys a high kind of probability, and it has dire consequences. It shows that there is a recurrent, and shortening cycle of conflict in the international system, linked to the long waves of economics and politics. We have maintained elsewhere (Tausch, 2003) that the European Union repeats the errors of in Latin America in the late 1950s and early 1960s, so well known to dependencia theory, and becomes - like Brazil at that time - a technologically very dependent zone of the world economy. Europe is also facing the danger of repeating the fatal errors of the landmass-based attempts at world systems hegemony, like Venice, the Hapsburgs, France and Germany. The societal and economic contradictions of technological dependence and rent seeking interact and increase, most probably leading towards a deepening of the unequal relations between the European center and the European periphery. Migration from the periphery to Europe, partially the result of these unequal exchange mechanisms with the European center, will increase the adaptation and globalization pressure on the European economy. Unlike America, whose economy is more open and thus adapts itself to migration much faster, Europe's structures are too inflexible and technologically dependent. The predicted downward cycle of the European position in the world system threatens to lead to a more assertive and authoritarian pattern of action vis-à-vis migration and vis-à-vis the other big trading blocs. The increasing societal role of corruption and organized crime as well as the lack of democracy within the European Union will increase, and not decrease with EU enlargement.

A positive scenario of world system governance would start from the assumption that anyway; Europe is not in a position to become a global challenger. The scenario would be a radical, socio-liberal, and global approach, directed against nationalism, protectionism, and social decay. Instead of accumulating world power, Europe should accumulate competence in problem solving, in modeling the future, and in treating better the tormented environment. Thus, the enlarged



European Union should concentrate its still existing, considerable economic and world political energies on creating the conditions for global governance and global innovation. Thus, Europe at last would show a real greatness - foregoing the concept of power in benefit of the concept of global well-being and welfare. The scenario shares with the former German Foreign Minister Joschka Fischer the vision of a fully democratic Europe, presented in his speech at the Humboldt-University in Berlin on May 12, 2000. Of course, a real European constitution is necessary, as well as a true European constitutional and administrative court, which would substitute and enlarge the present legal bodies. Our federal and socio-liberal vision is incompatible with the vision of a Europe of nations, which - in the ultimate instance - leads to the distribution coalition building at the level of the European institutions. A Europe of nations will always, in one way or the other, lead to a blockade of the European institutions - the small nations versus the big ones, the South against the North; the Euro ins against the Euro outs, the wine drinkers against the beer consumers, the friends of pasta and salami against the adherents of sausage and so on. The number of combinations is infinite, and a Europe of 27, let alone many more member states, is simply ungovernable on the basis of the present institutions. The failed European Constitution project, rejected by the people of France and the Netherlands, and not even being put to a vote in euro-skeptic Britain, was only a half-way measure towards a true federal European democracy. Ideas of a 'small reform', with some shifting going on between the small and the large states, using endless number games in terms of commissioners, voting rights and what have, do not resolve the basic conflict and are simply unworkable: Parliament must be the locus of politics, and not the counting of the numbers behind the scenes, and trading - as before - measure x for support of measure y in coalition with z. Parliament must be strengthened, and there should be a second chamber of the European parliament as well - one 'House of Representatives' based on roughly equal electoral districts, with 1 million inhabitants electing 1 MP (for the smaller states with a population of less than 1 million, there must be an exception), and one 'upper house', a European Senate, giving each member country exactly 2 seats, irrespective of the population size of the country. To avoid the kind of distribution coalition building so typical for many European political systems, based on proportional representation, there should be a British type of past the post electoral system in place.

By allowing for full-fledged democracy on the European level, combined with a socio-liberal social policy, based on a market economy, an active human capital formation, gender empowerment, an economic policy that largely ends state subventions for energy misuse and private transport, and an open system of migration policy, generally modeled around the existing patterns of migration policy in countries like Australia, Canada, and the United States of America, there would be enough room for a real economic and social recovery on the level of the European states. It goes without saying that the insane agricultural policy of the European Union and all forms of other protectionism must be ended, in favor of a large-scale policy of 'negative income taxation' and a basic social minimum that at the same times abolishes many other forms of state intervention in the economy. The horrific indirect tax burdens, existing in Europe, must be ended in favor of a system of progressive direct taxation. It goes without saying that knowledge production and knowledge consumption should be fully opened to privatization, with the abolition of the state monopoly on Universities as the most urgent reform measure for the coming decade, and a full system of Universities on the market, as in the United States of America. The central European state

would receive a limited amount of the financial resources, with 7.5 % of European government revenue concentrated in the center. This is very much above the present resources, but very much below the centralism of states like Sweden that control over 50 % of the national economy. The 7.5 % proportion should be fixed on a permanent basis. Since federalism is one of the most important preconditions of a successful long-term development strategy, such a new and real European constitution would have to be approved by a European-wide referendum and the national parliaments.

The establishment of a European democratic federal state would be the first and most important step in the direction of a socio-liberal world democracy, to be modeled pretty much on the same two-chamber pattern (with the UN General Assembly becoming the World Senate, with only two elected Senators from each state sitting in the World Senate). The executive organs of the United Nations become the world government, with the main agencies becoming the world ministries. The World House of Representatives could be modeled around the same pattern as the European House of Representatives, with 10 million inhabitants electing 1 representative; and in the smaller states, 1 representative from each country. Needless to say that the same arguments that we used for the European case should become valid on a world level. The world state should finance itself at the beginning by a symbolic flat 0.5 % direct tax on all incomes, irrespective of their size. The highest tax level that the world legislature could impose would be 3 % of incomes. A global Tobin-type of tax and a global Kerosene tax would finance global development.

### **Appendix to Chapter 3**

**Model (1) time series correlations suggest: Strong tendency towards globalization (>0.5), tendency towards slow growth (<0.0), tendency towards rising inequality (>0.0) – the worst of all worlds under globalization. The rallying-point of the anti-globalization movements**

Brazil  
Bulgaria  
Ecuador  
Gambia, The  
Jamaica  
Latvia  
Moldova  
Mongolia  
Pakistan  
Romania  
Russian Federation  
South Africa  
Turkey  
Ukraine  
Zambia  
Zimbabwe

**Model (2) Strong tendency towards globalization (>0.5), but tendency towards higher growth (<0.0), and tendency towards rising inequality (>0.0) – model: globalization with growth – at an inequality price. Countries that could tend towards stronger protest movements**

Albania  
Argentina  
Armenia  
Austria  
Azerbaijan  
Bangladesh  
Bolivia  
Canada  
Chile  
China  
Cote d'Ivoire  
Czech Republic  
Denmark  
Ethiopia  
Finland  
Honduras  
Hungary  
Ireland

Israel  
Lesotho  
Madagascar  
Malawi  
Mexico  
Mozambique  
Netherlands  
Nigeria  
Norway  
Panama  
Peru  
Philippines  
Poland  
Portugal  
Slovak Republic  
Sweden  
Tanzania  
Trinidad and Tobago  
United Kingdom  
United States  
Venezuela, RB

**Model (3) Strong tendency towards globalization (>0.5), tendency towards higher growth (<0.0), and tendency towards falling inequality (<0.0) – model: redistribution with growth under globalization. Countries, whose experience contradicts the anti-globalization movements and theories**

Belgium  
Costa Rica  
Croatia  
Dominican Republic  
France  
Germany  
India  
Nepal  
Nicaragua  
Uganda

**Model (4) Stronger tendency towards globalization (>0.5), tendency towards slower growth (<0.0), and tendency towards falling inequality (<0.0)**

Korea, Rep.  
Kyrgyz Republic  
Lithuania  
Thailand  
Tonga

**Model (5) tendency towards weaker globalization (> 0.5), tendency towards slower growth (<0.0), tendency towards rising inequality – the worst of all worlds for neo-liberal growth theory (failed anti-globalization)**

Algeria  
Bahamas, The  
Burundi  
Cameroon  
Colombia  
Congo, Dem. Rep.  
Egypt, Arab Rep.  
Italy  
Japan  
Morocco

**Model (6) tendency towards weaker globalization (< 0.5), tendency towards higher growth (<0.0), but tendency towards rising inequality (>0.0) – model: “successful anti-globalization” – at an inequality price**

Australia  
Barbados  
Central African Republic  
El Salvador  
Fiji  
Gabon  
Ghana  
Greece  
Guatemala  
Iran, Islamic Rep.  
Kuwait  
Macedonia, FYR  
Malta  
New Zealand  
Papua New Guinea  
Portugal  
Rwanda  
Senegal  
Seychelles  
Slovenia  
Spain  
Syrian Arab Republic  
Tunisia  
Uruguay  
Yemen, Rep.

**Model (7) tendency towards weaker globalization (<0.5), tendency towards higher growth (<0.0), and tendency towards falling inequality (<0.0) – model: “successful anti-globalization” – at no inequality price**

Iceland  
Liberia  
Mauritius  
Sri Lanka  
Togo

**Model (8) tendency towards weaker globalization (<0.5), tendency towards slow growth (<0.0), and tendency towards falling inequality (<0.0) – model:**

Cyprus  
Haiti  
Indonesia  
Jordan  
Kenya  
Malaysia  
Singapore  
Swaziland

## 4. Why neo-liberal globalization and unilateralism do not work: Kondratiev waves, based on Goldstein's and UNIDO world industrial production data 1740 – 2004. Is a re-make of the world depression of the 1970s and the early 1980s ahead?

### 4.1. Introduction

A major argument that cautions against the idea that neo-liberal global governance leads to global well-being is the fact that capitalist development is of cyclical nature, with strong fluctuations every 50 years. This idea goes back to the Russian statistician Nikolai Kondratiev. In view of the massive literature that exists on Kondratiev waves or long waves of capitalist development (see O'Hara, 2000 – 2004), it might seem to be a heroic attempt to arrive at new results on this subject.

Kondratiev cycles, to be sure, are an almost as dirty a word in the social scientific profession as "dependency theory". Nevertheless, a new attempt will be made to study these cycles with new data of world industrial production from 1740 until 2004<sup>32</sup>, thus situating the analysis where it should be expected to be in world systems research, i.e. at the level of the entire capitalist world economy.

A 50- to 60-year economic cycle was also observed by the Dutchman **Jakob Van Gelderen**<sup>33</sup> in 1913 although there is no evidence of a connection with Kondratiev. **William Henry Beveridge** (1879-1963), later Lord Beveridge, studied wheat prices back to the 1500's. He also discovered many cycles, publishing his findings in 1921 and 1923 (three years earlier than Kondratiev).

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<sup>32</sup> Our new data of world industrial production growth from 1740 through to 2004 are based on Goldstein (up to 1974), and from 1975 onwards on as yet unpublished data and estimates by the **United Nations Industrial Development Organization in Vienna**, kindly put to our disposal by its Statistical Director Dr. Tetsuo Yamada. Our new data about great power battle fatalities from all wars, 1945 – 2002 are based on our own estimates from the PRIO/Correlates of War data. Recent interest in long waves all go back in one way or another to the works of Schumpeter. Recent important contributions included those by IIASA and NATO. They certainly contributed towards freeing the debate on Kondratiev from the narrow boundaries of Marxian economics (for further details see Devezas and Corredine, 2001).

<sup>33</sup> **Deep political and personal tragedy characterizes also the life of this great Dutch researcher and politician. To escape the holocaust, he took his life on May 14, 1940.** Apart from his legacy as an economist and sociologist, he served his country also as parliamentary deputy for the social democrats [SDAP] in the 2<sup>nd</sup> Chamber. At the moment of his death, he was only 49 years.

One of these cycles occurred every 50 to 60 years, with an average periodicity of 54 years.

Many mainstream economists to this day do not hide their critique, often even contempt for the *"long cycles"* (see Samuelson, n.d.). Several authors, writing in the tradition of econometrics and the methodology of sciences, also only have devastating remarks to make about *"cycles"* (*nota bene* Beck N. 1991; and Silverberg G., 2005). Many observers – ever since the days of Nobel Laureate Simon Kuznets – would implicitly agree that the weakest points of the Kondratiev cycle literature are mainly

- a) the divergent dating schemes
- b) the contradicting projections of Kondratiev waves into the near future
- c) the lack of attempts to formulate Kondratiev hypotheses with production data and not price data
- d) the lack of focus on the capitalist world system on its totality
- e) the failure to take up anew that promising direction of quantitative research, first presented by Joshua Goldstein (1988), who looked into the interrelationship between the world war cycle, the world hegemonic cycle and the world production cycle.

However, the massive contemporary and historical literature on these cycles or waves cannot be simply overlooked. Leading researchers from the mainstream of econometrics and systems research now regularly contribute to the debate, which will receive certainly an additional impetus by the present oil price rises, accelerating inflation and rates of interest and stagnation, like in the 1970s and early 1980s. Particularly reassuring is also the vigorous scientific homecoming of Kondratiev to his native Russia [see Albritton R. (2001), Alexander M. A. (2002), Barnett V. (2002), Barr K. (1979), Black J. (2005), Bobróvnikov A. V. (1989), Bobróvnikov A. V. (1994), Bobróvnikov A. V. (1996), Bobróvnikov A. V. (1999), Bobróvnikov A. V. (2002), Bobróvnikov A. V. and Teperman, V. A. (2000), Bornschier V. (1988), Bornschier V. (1996), Bornschier V. and Suter Chr. (1992), Bosserelle E. (2001), Boswell T. and Chase-Dunn Ch. K. (2000), Brenner R. (1998), Chase-Dunn Ch., Kawano Y., and Brewer B. (2000), David A. and Wheelwright T. (1989), Davydov V. M., Bobróvnikov A. V. and Teperman V. A. (2000), Devezas T. C. and Corredine J. T. (2001), Devezas T. C. and Modelski G. (2003), Devezas T. C., Limestone H. A. and Santos H. J. S. (2005), Fischer D. H. (1999), Freeman Ch. and Louçã F. (2001), King J. E. (2000), Kleinknecht A. (1987), Kleinknecht A.; Mandel E.; and Wallerstein I.. (1992), Knoop T. A. (2004), Kondratiev N. D. (1980, posthumously), Kondratiev N. D. (1984, posthumously), Kondratiev N. D. (1998, posthumously), Louçã F. (1997), Louçã F. (1999), Louçã F. and Reijnders J. (Eds.)(1999), Mandel E. (1980), O'Hara P. A. (1994), O'Hara P. A. (2001), Perez C. (2003), Radzicki M. J. (2003), Reijnders J. (2001), Rostow W. W. (1978), Scandella L. (1998), Silver B. J. (1992), Silver B. J. (1994), and Strom St. et al. (Eds.)(1998)].

We show by re-analyzing latest as yet unpublished UNIDO data about the growth of world industrial production and by re-analyzing well-established data about world conflict that the **long Kuznets and Kondratiev swings and waves of capitalist world development** and conflict **from 1740 onwards** that play such an important role in the quantitative analysis of global war, **have not ended** after the end of Communism.



By updating the well-known world production data 1740 – 1975, based on the estimates by Kuczynski and coherently presented by Goldstein (1988), we are at least trying to fulfill the condition theoretically to be deduced from the world systems approach that price or production data should be for the **world economy** as a whole. Furthermore, **production** data were always considered to be the Achilles heel of Kondratiev cycle analyses, since most hypotheses about waves were based on **price data series**. A very large section of economic theory – rightly or wrongly – does not believe in Kondratiev swings anyway, and considers them to be “science fiction” at worst.

#### **4.2. The cycle of world depressions**

**Nikolai Dmytriyevich Kondratiev** (1892-1938) worked in the Agricultural Academy and Business Research Institute in Moscow. He analyzed **wholesale prices** and then **interest rates, wages** and **foreign trade** in the leading western economies, the **United States, Britain, Germany** and **France**. Finally he also analyzed data on the **production and consumption** of **coal, pig iron** and lead. He adjusted production figures to allow for population change and used a **moving average (nine years)** to remove statistical ‘noise.’

For one, Nicolai Kondratiev’s work and personality now received due international attention. **Kondratiev** never yielded to pressure put on him by the Stalinist regime of his time to renounce his ideas, and **was killed 1938 in the GULAG**. Research by the Portuguese economist and politician Francisco Louçã has demonstrated that **Stalin**, in view of the enormous international reputation that Professor Kondratiev enjoyed already in the West, wrote a **letter** to Foreign Minister **Molotov** in August 1930, **demanding the execution of Kondratiev**. Condemned to 8 years in prison, Kondratiev served, as Louçã has shown, his sentence from 1932 onwards, near Moscow. Kondratiev still managed to think about his research and indeed finished some manuscripts in prison (Kondratiev, 1998). Also the **circumstances of Kondratiev’s death**, which were unknown to vast sections of earlier research, **have now become clear**. His last letter was sent to his daughter Elena Kondratieva on August 31<sup>st</sup>, 1938. **On September 17<sup>th</sup> 1938** he was subjected to a second trial, **condemned and executed by firing squad**.

We should not forget here, as Luigi Scandella has reminded us that long waves in general form part and parcel of social scientific debates since their first discovery by Hyde Clark in 1847, to be followed by W. S. Jevons (1884), Alexander Israel Helphand (1901), J. Van Gelderen (1913), J. Lescure (1914), and the Russian Marxist M. I. Tougan-Baranovski, who was Kondratiev’s teacher. **Akerman** received a **totalitarian counterpoint by Siegfried von Ciriacy-Wantrup’s study**, published in **Berlin 1936**, on ‘*Agrarkrisen und Stockungsspannen - Zur Frage der Langen Welle in der wirtschaftlichen Entwicklung*’. Ciriacy maintains that war is not the consequence, but the cause of economic upsurges - a theory, perfectly fitting with the official Nazi German spirit of the time (1936). However, **Ernst Wagemann** already showed in his study on ‘*Struktur und Rythmus der Weltwirtschaft: Grundlagen einer weltwirtschaftlichen Konjunkturlehre*’ (Berlin, 1931) that the real tensions in the world system arise out of the unequal spread of capitalist growth on a world scale, between what he calls the old capitalist countries with high densities of capital and labor, the neo-capitalist countries,

where capital and labor are 'relatively scarce', the semi-capitalist nations with abundant labor and scarce capital, and the "non-capitalist nations". Migration, foreign investment and technical innovations all swing along the long waves, and the flows of migrations and investments are caused by the economic differences between the four mentioned categories (for a more detailed literature survey, see Scandella, 1998). Inequality and not homogenization, characterize the international system.

Although many contemporary economists treat the legacy of Kondratiev with utter contempt, Louçã could show that several **major figures of economics** of the 20<sup>th</sup> Century, **among them Economic Nobel Prize winners**, were deeply impressed by Kondratiev's research. It suffices to mention here not just Joseph Alois Schumpeter and also in a way **Simon Kuznets**, but **Ragnar Frisch; Gottfried Haberler; Alvin H. Hansen; Walt Rostow; and Jan Tinbergen**. The **revival of Kondratiev research** in the 1960s and beyond is linked to the simulation efforts of **Jay Forrester** at the **MIT** in the context of his world-modeling for the **Club of Rome**. **IIASA** developed a highly sophisticated debate on the issue, centered mainly around the works of the **physicist Cesare Marchetti** and the **Portuguese sociologist Tesseleno Devezas**. Devezas' research is particularly noteworthy here, because it combines sociological insights into values and generations with the mathematics of cyclical swings in economics and demography. **Forrester** reproduced a 50 year pattern for the US-economy, based on his System Dynamics National Model (NM-model) which is based on 15 sectors. Marchetti moved the debate away from price series to physical quantities, including production and energy consumption. Unfortunately, as sophisticated and statistically satisfying as this IIASA debate might sound, it has been rather overlooked by both the mostly Marxist and world system supporters of Kondratiev waves and also by their economist detractors.

Early on, the **United States Central Intelligence Agency** commissioned a research paper by Ehud Levy-Pascal in the 1970s on Kondratiev cycles, and it was published in 1976. Quantitative sociological surveys of Kondratiev type of waves were also carried out by the Swiss world system sociologist Volker Bornschier. Also a decisive breakthrough in the entire debate was the Ph. dissertation by Joshua Goldstein at the Massachusetts Institute of Technology under supervision of Hayward Alker Jr., which was published in 1988. **NATO's** interest in the entire question has an obvious background – long cycle theory allows long-term predictions that are important for military and political contingency planning. Last but not least, **Kondratiev's native Russia fully rehabilitated one of her greatest social scientists of all times and now devotes a state research institute to scientific investigation in his memory**.

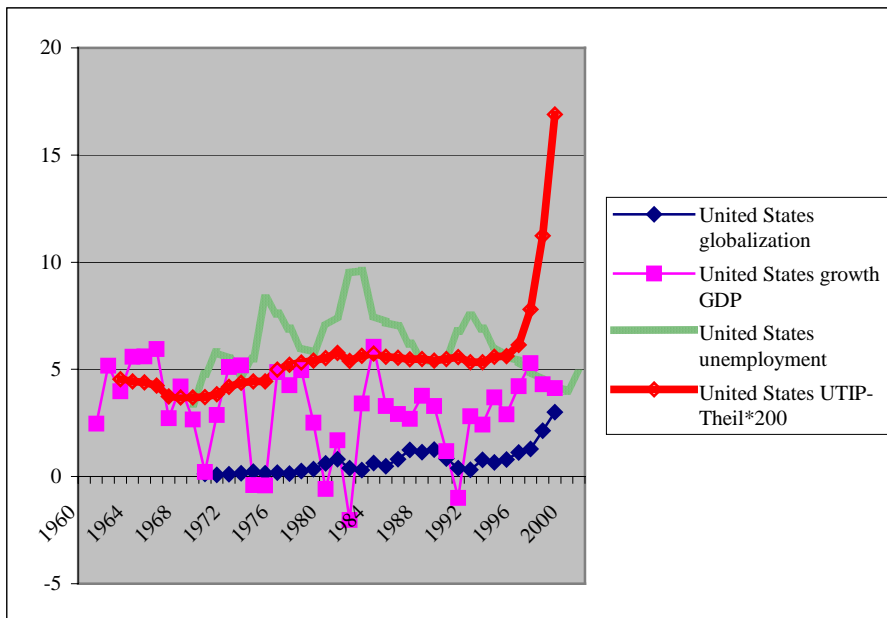
One promising research direction is to look upon the international system not only a system of social and economic polarization, but also as a system of recurring international long-run tensions that erupt along socio-economic conflict lines. Ever since the days of Akerman's pioneering study (1936), social scientists have studied by quantitative methods the connection between economic long waves and major wars, among them Modelski, 1987, and Goldstein, 1988.

In this context it should be emphasized that the recent Russian re-reading of Kondratiev also touches on the nature of waves in the center and in the periphery. Especially the Russian economist Aleksandr Bobrovnikov put forward

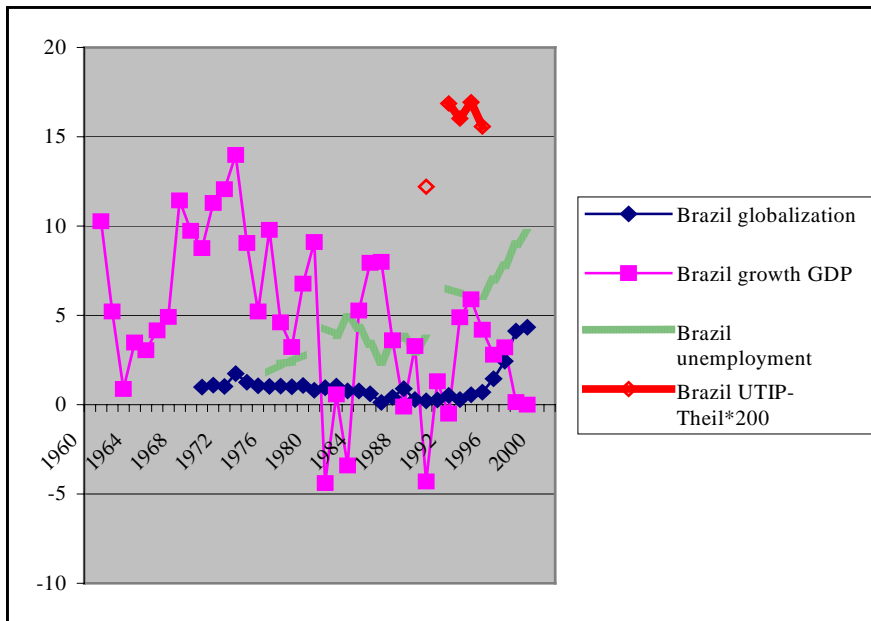
an interesting frame of reference, in fact linking the Kondratiev cycle debate with *dependencia* theory. Bobrovnikov makes the point that transnational capital flows during the beginning downswing in the center to the periphery, where the belated cycle still allows huge profits; during the belated periphery depression transnational capital again flows to the center, thus exacerbating the debt crisis in the periphery. A stylized comparison between the cycle of the center (United States of America) and the periphery (Brazil) as well a full-scale comparison of the patterns of growth in the 17 center countries and 61 periphery countries with reasonable complete data show the relevance of this point:

**Graph 4.1: the Kondratiev waves in the centers and in the peripheries**

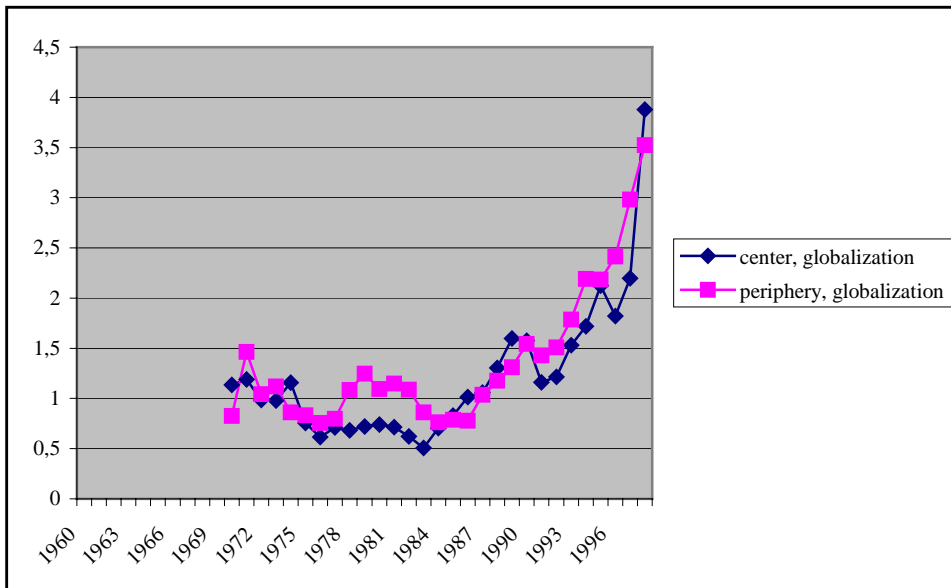
**a) the United States**



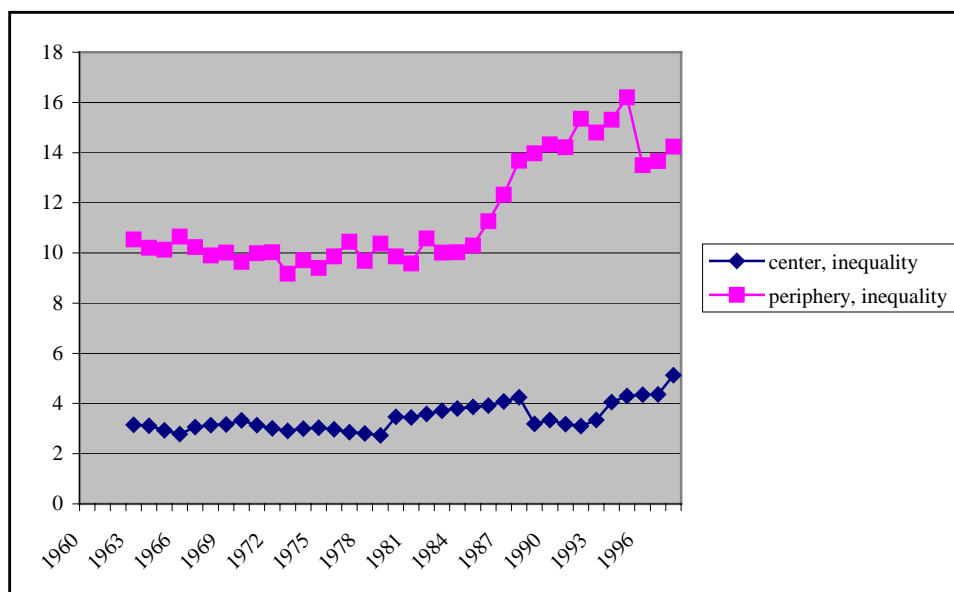
**b) Brazil**



**c) globalization in 17 center countries and 61 periphery countries since 1960**



### c) inequality in 17 center countries and 61 periphery countries since 1960

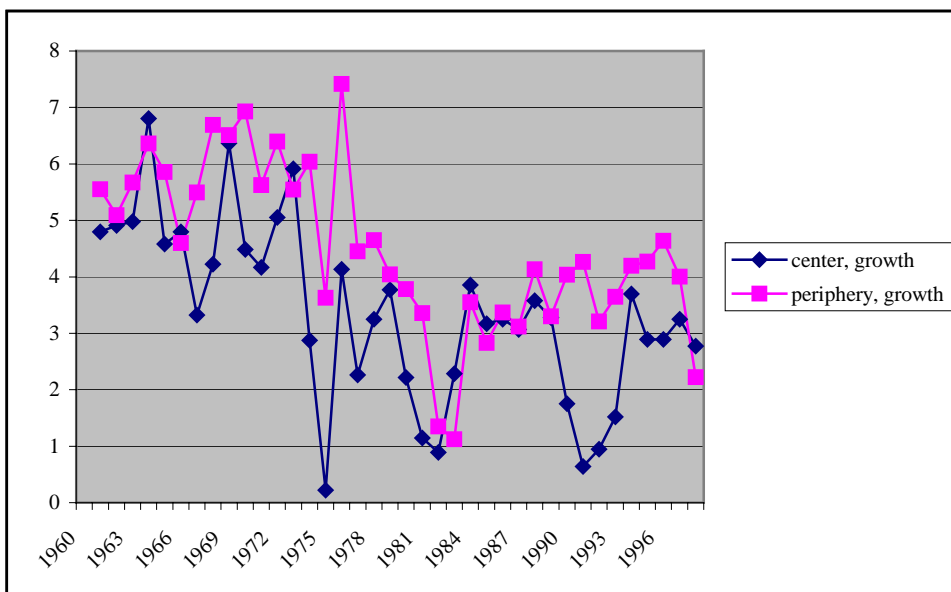
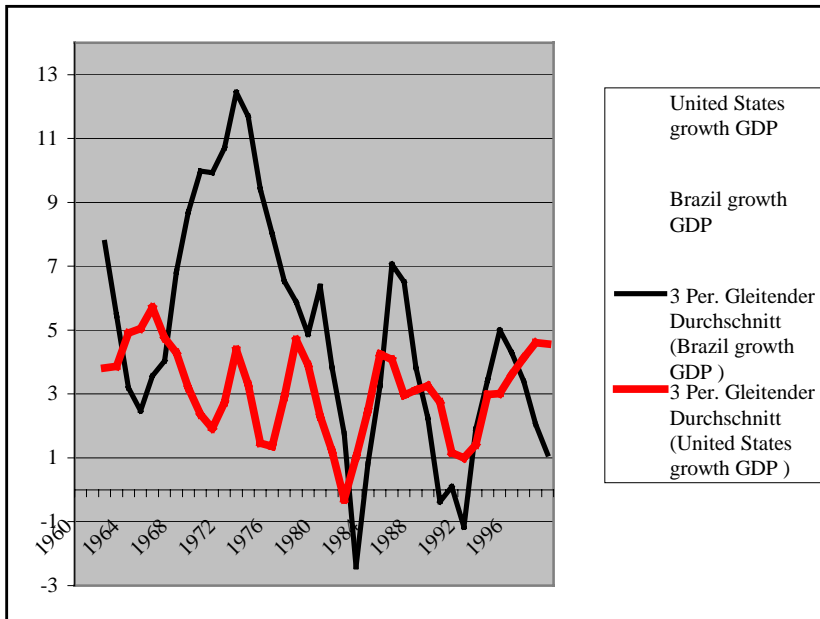


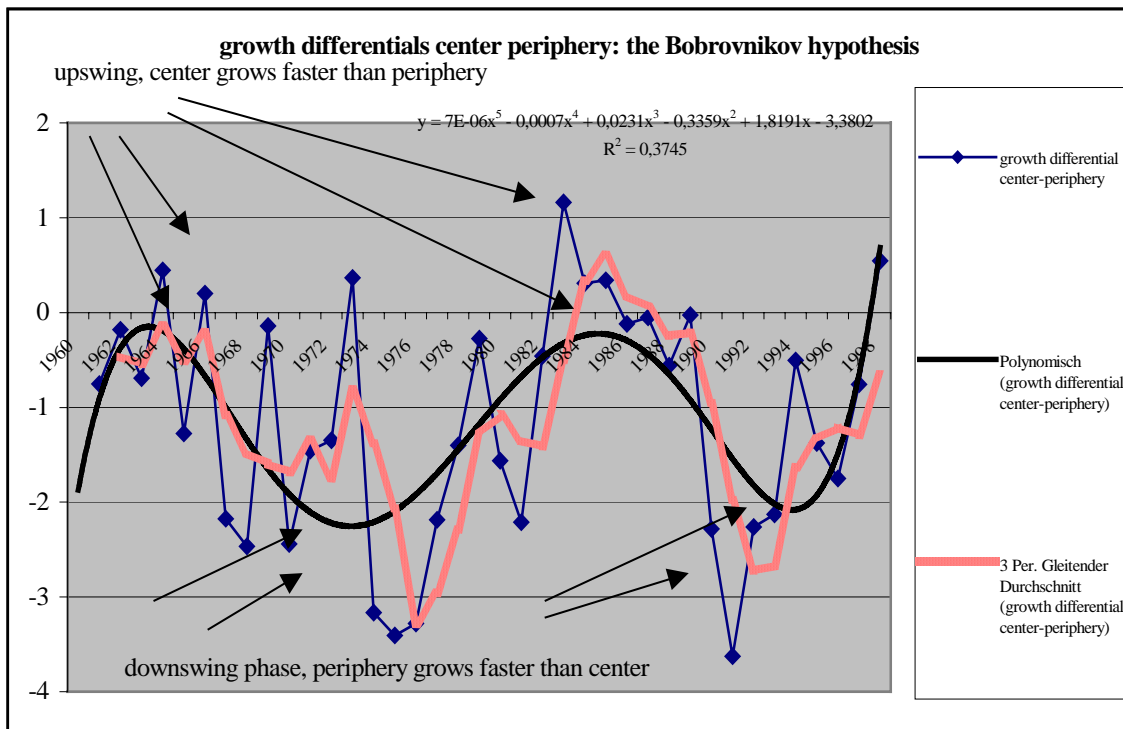
Legend: based on data published by the ILO, the UTIP project at the University of Texas, and the World Bank. These analyses of the dynamics in the world system used the time series of globalization, economic growth (Global Development Network Growth Database, William Easterly and Mirvat Sewadeh, World Bank), unemployment (Laborsta ILO), and inequality (UTIP, University of Texas Inequality Project, Theil indices of inequality, based on wages in 21 economic sectors) since 1980. In the global comparison, the following countries were compared: **17 countries of the center:** Australia, Austria, Belgium, Canada, Denmark, Finland, France, Iceland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Sweden, United Kingdom, United States. **61 countries of the periphery:** Bangladesh, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cote d'Ivoire, Ecuador, Egypt Arab Rep., El Salvador, Fiji, Gabon, Ghana, Greece, Guatemala, Haiti, Honduras, Hong Kong, China, Hungary, India, Indonesia, Iran, Islamic Rep., Ireland, Israel, Jamaica, Jordan, Kenya, Malawi, Malaysia, Malta, Mauritania, Mauritius, Mexico, Morocco, Nepal, Nicaragua, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Portugal, Saudi Arabia, Senegal, Singapore, South Africa, Spain, Sri Lanka, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uruguay, Venezuela, RB, Zambia, Zimbabwe

Kondratiev downswings were always particularly severe in the Russian periphery of the world system, and the ups and downs of reform and the re-centralization of government are closely linked to the Kondratiev cycle. Looking at the growth and development differentials, Bobrovnikov's such important point for world systems governance receives a dramatic illustration. The cyclical swings in the periphery are by far more pronounced than in the center and the depressions more severe. The level of inequality is historically higher in the periphery than in the center, but inequality also increases in the centers. Such comparisons clearly suggest three tendencies:

- first, a faster growth in the peripheries during the beginning B-phase of the Kondratiev cycle
- a more severe depression in the peripheries than in the center
- a belated recovery in the periphery

**Graph 4.2: growth differentials US – Brazil, 1960 – 2000 and center – periphery, 1960 – 2000**



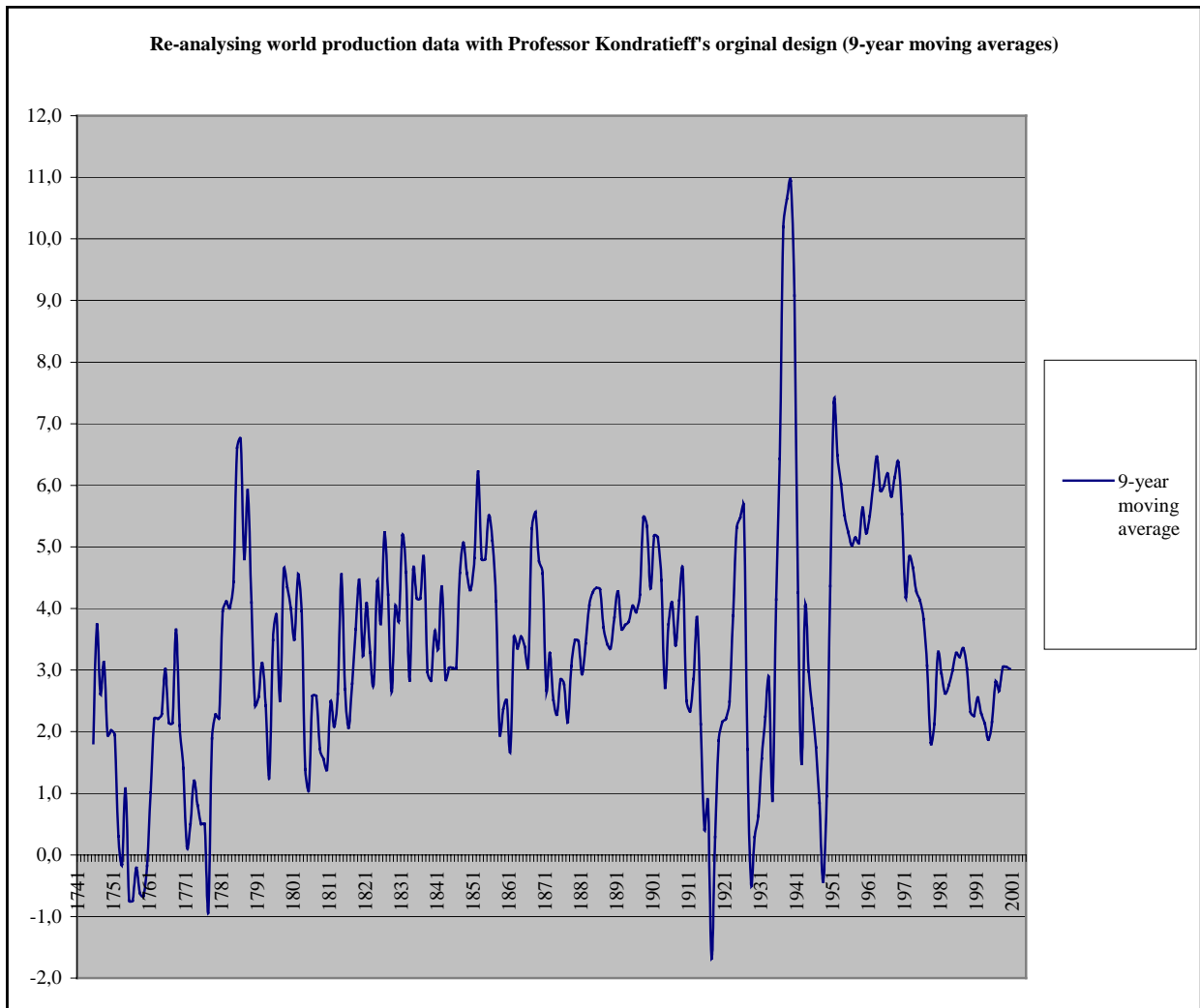


Legend: 3 Per. gleitender Durchschnitt = 3 year sliding average. Based on data published by the ILO, the UTIP project at the University of Texas, and the World Bank. These analyses of the dynamics in the world system used the time series of globalization, economic growth (Global Development Network Growth Database, William Easterly and Mirvat Sewadeh, World Bank), unemployment (Laborsta ILO), and inequality (UTIP, University of Texas Inequality Project, Theil indices of inequality, based on wages in 21 economic sectors) since 1980. Again note the point made by Professor Aleksandr Bobrovnikov in Moscow: transnational capital flows during the beginning downswing in the center to the periphery, where the belated cycle still allows huge profits; during the belated periphery depression transnational capital again flows to the center, thus exacerbating the debt crisis in the periphery. In the global comparison, the following countries were compared: **17 countries of the center:** Australia, Austria, Belgium, Canada, Denmark, Finland, France, Iceland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Sweden, United Kingdom, United States. **61 countries of the periphery:** Bangladesh, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cote d'Ivoire, Ecuador, Egypt Arab Rep., El Salvador, Fiji, Gabon, Ghana, Greece, Guatemala, Haiti, Honduras, Hong Kong, China, Hungary, India, Indonesia, Iran, Islamic Rep., Ireland, Israel, Jamaica, Jordan, Kenya, Malawi, Malaysia, Malta, Mauritania, Mauritius, Mexico, Morocco, Nepal, Nicaragua, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Portugal, Saudi Arabia, Senegal, Singapore, South Africa, Spain, Sri Lanka, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uruguay, Venezuela, RB, Zambia, Zimbabwe

It is also possible that the belated character of the periphery cycle pushed countries like Russia into their military-driven technological cycles. The world systems approach maintains that without effective world systems governance and peace mechanisms, the world system would threaten to drift back into deadly cycles of hegemonic challenge and global wars. History did not end in 1989, thus, only flags have changed, the world systems approach would say. According to Goldstein's empirical analysis in particular (1988), the capitalist world system tends continuously towards wars and violent conflicts. Although

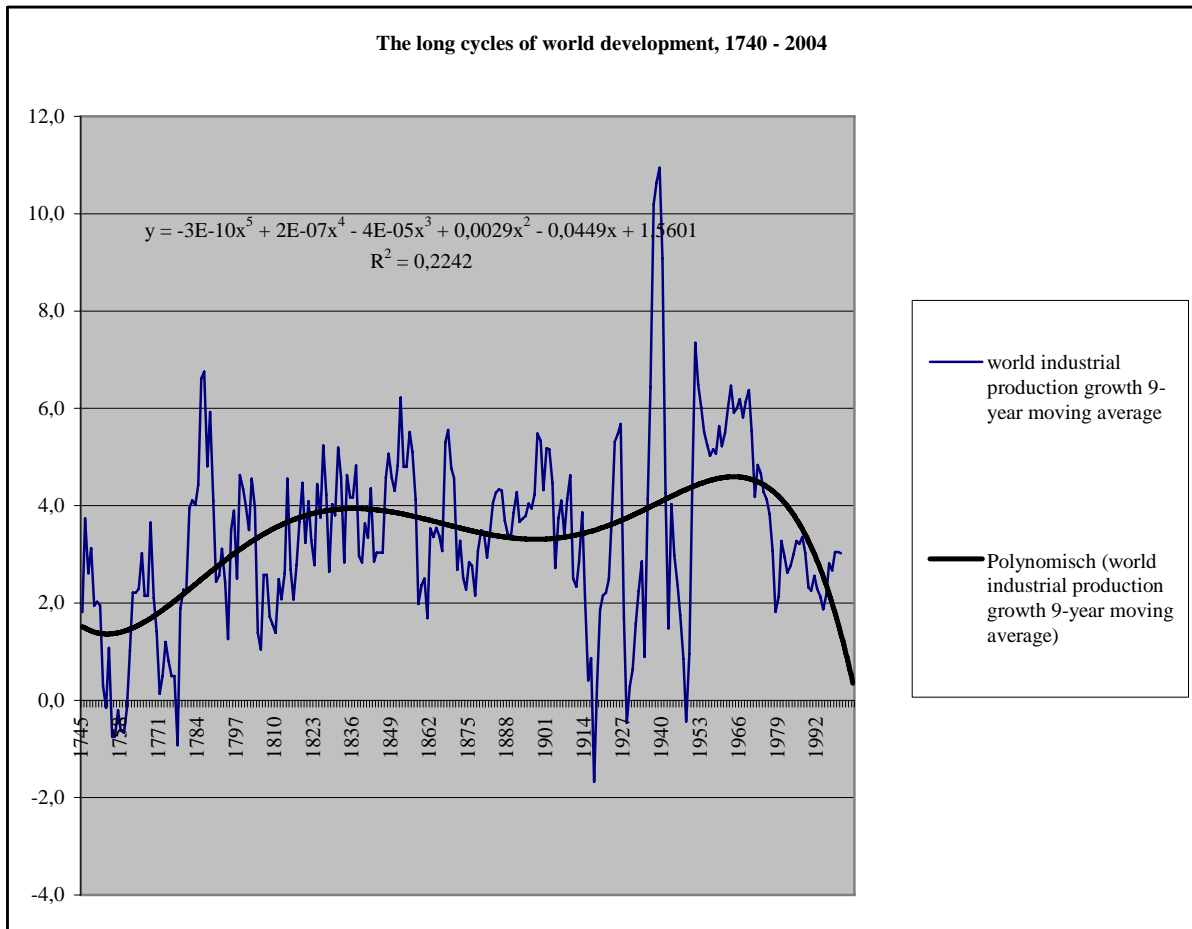
such assumptions and theses are quite common in long-wave research, a thorough re-analysis of the original data presented by Goldstein should be carried out, especially to test the validity of polynomial trends as applied to the original, untransformed data series on economic (industrial) growth and battle fatalities from major power wars.

**Graph 4.3: original data and 9-year sliding averages of world industrial production growth. Attempting to establish an overall cycle with a polynomial expression of the 6<sup>th</sup> order**



Legend: based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004)





Legend: Polynomisch = polynomial Source: our own calculations from Goldstein (1988) and statistical data provided by the UNIDO Statistical Office, United Nations, Vienna (Director Dr. Yamada). 9 year sliding averages, and a polynomial expression of the 5<sup>th</sup> order, like in Professor Kondratiev's original research design. For the yearly growth rates before 1975, see Goldstein (1988). Polynomisch = polynomial expression. As to the post 1975 growth rates, including the value for 1975, the UNIDO figures are:

	world industrial growth
1975	-4, 3
1976	7, 4
1977	4, 8
1978	3, 9
1979	4, 0
1980	0, 5
1981	1, 2
1982	-1, 0
1983	2, 7

1984	6, 0
1985	4, 4
1986	1, 9
1987	5, 1
1988	6, 1
1989	3, 0
1990	0, 7
1991	0, 3
1992	-0, 3
1993	-0, 4
1994	3, 8
1995	4, 6
1996	2, 8
1997	4, 6
1998	0, 7
1999	3, 3
2000	6, 1
2001	-1, 5
2002	3, 1
2003	3, 8
2004	4, 4

The very logic of industrial processes and basic innovations, as well as the societal models, connected with them, would suggest to build cyclical fluctuations into more general theories of development (Amin, 1997). Blast furnaces and other important components of the industrial process, too, have a certain life-cycle, comparable with the Juglar and Kuznets cycle, just as technical innovations are scattered in a non-random fashion along time, coinciding with the Kondratiev cycle (Bornschiefer, 1988 and 1995; for a very comprehensive summary Scandella, 1998). There are short term instabilities of 3 to 5 years duration (Kitchin cycles), 8-11 years duration (Juglar cycles), 18-22 years duration (Kuznets waves), and longer, 40-60 year Kondratiev waves. The following dating scheme could be suggested in the light of the Schumpeterian theory tradition (Scandella, 1998). Global capitalism since 1740 had the following Kuznets cycles (our calculations based on the untransformed rates of global industrial production growth, 1740 – 2004), based on polynomial expressions of the 6<sup>th</sup> order:

1741-1756; R<sup>2</sup> = 23.5 %  
1756-1774; R<sup>2</sup> = 36.1 %  
1774-1793; R<sup>2</sup> = 34.8 %  
1793-1812; R<sup>2</sup> = 39.7 %  
1812-1832; R<sup>2</sup> = 16.4 %  
1832-1862; R<sup>2</sup> = 25.7 %  
1862-1885; R<sup>2</sup> = 36.3 %  
1885-1908; R<sup>2</sup> = 56.2 %  
1908-1932; R<sup>2</sup> = 44.2 %  
1932-1958; R<sup>2</sup> = 19.1 %

1958-1975;  $R^2 = 60.9\%$   
1975-1992;  $R^2 = 75.8\%$

We tended to analyze the period between 1756 and 1832 as the 1<sup>st</sup> Kondratiev cycle of the industrial age, the period between 1832 and 1885 as the 2<sup>nd</sup> Kondratiev cycle, the period between 1885 and 1932 as the 3<sup>rd</sup> Kondratiev cycle, and the period between 1932 and 1975 as the 4<sup>th</sup> Kondratiev cycle. So, according to this logic, we are now in the 5<sup>th</sup> Kondratiev cycle of the industrial age, with one Kuznets cycle after the depression of the mid-1970s already well behind us, and the second Kuznets cycle since 1992 pointing in a downward direction.

The long cycle literature tells us why there is a recurrent pattern of instability in the social orders both at the level of national society as well as at the level of the international system. Long waves are to be explained by at least 13 different types of theories (see also Scandella, 1998, Goldstein, 1988, Bornschier and Suter, 1992, Bornschier, 1988, expanded and updated English version 1996; and Arrighi, 1995).

With the economic crisis of 1825, the stock exchange collapse of 1873, the Black Friday of 1929 and the world recession of 1973/75, world capitalism has experienced quite severe downswing-phases that hit with elementary weight especially the countries of the periphery and the semi-periphery.

The present author was led to disagree in one fundamental aspect with Chase-Dunn and Grimes, 1995: Kondratievs exist, especially when one filters out the very short-term Kitchin cycle. And add to this the lagged movement of world prices and interest rates that are part and parcel of the cycle structure (Scandella, 1998). Among the main theories that explain these Kondratiev waves, the following schools stand out (Bornschier and Suter, 1992, O'Hara, 2000 - 2004):

(i) economic factor theories that again have to be broken down into the sub-categories of innovation theories, capital accumulation theories, sector theories, and terms of trade approaches

(ii) socio-cultural factor theories that explain from the viewpoint of quantitative and historical sociology the long waves by the social structure of accumulation, by the modes of regulation (regulatory approaches), by technological styles, by employment processes, by social inequality trends, by social movements and conflicts, by waves of order, or by societal structural change

(iii) hegemonic cycle theories in the quantitative international relations school that link Kondratiev waves to international instability, war and peace.

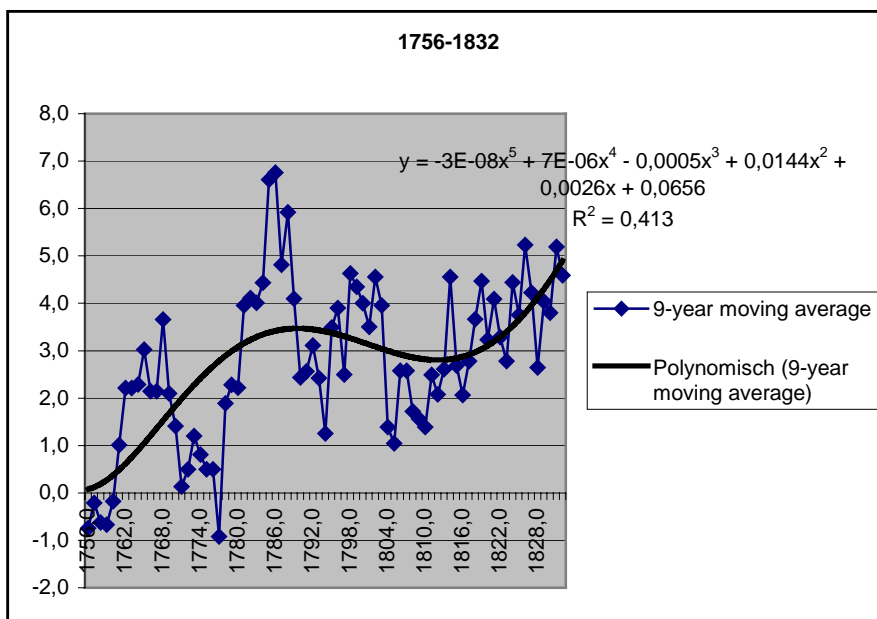
### 4.3. The Kondratiev dating game

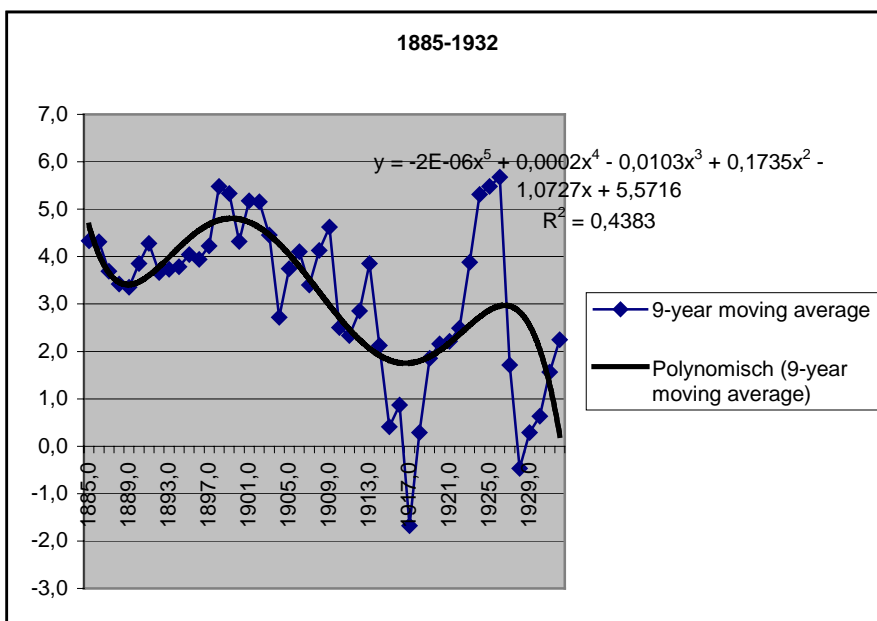
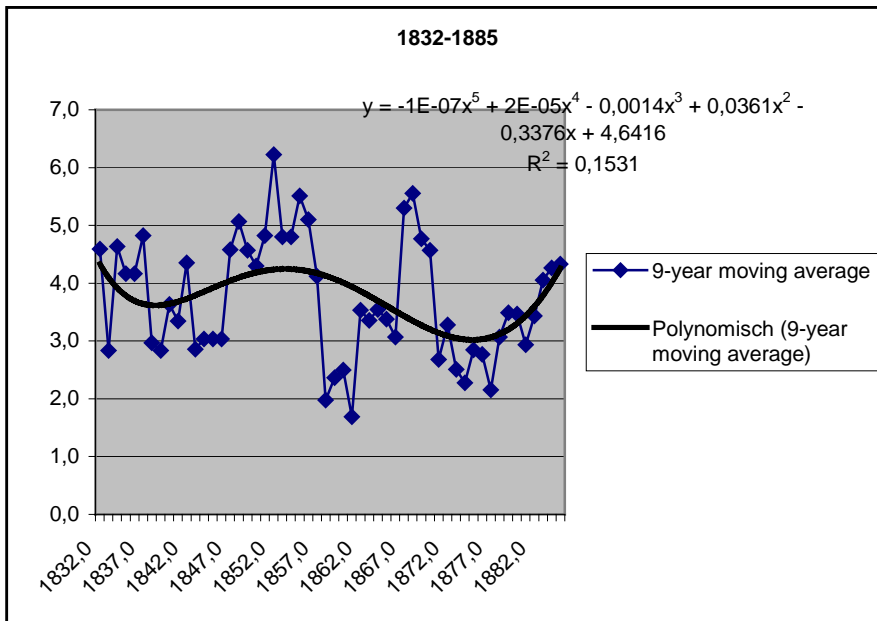
For Bornschier, there are the following phases in the K-cycle:

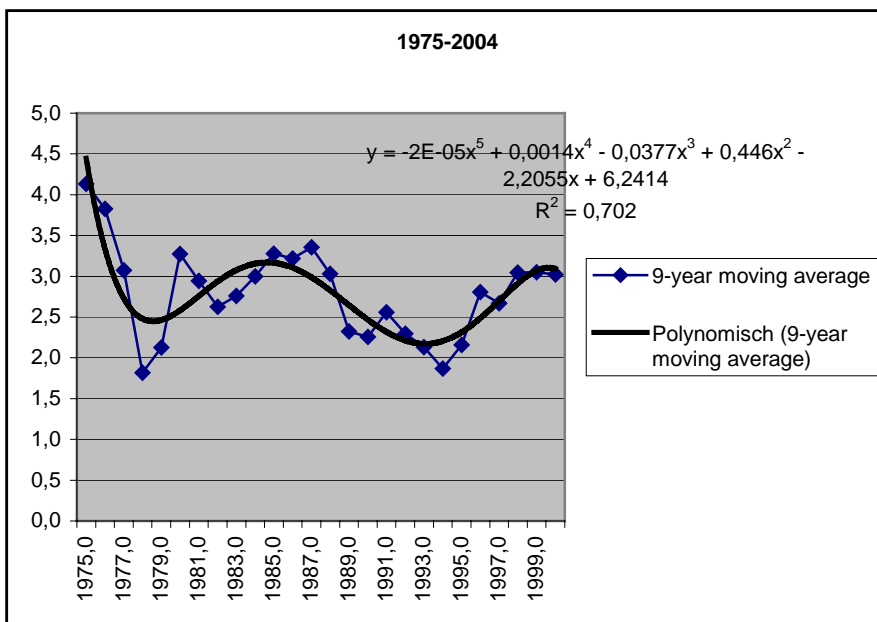
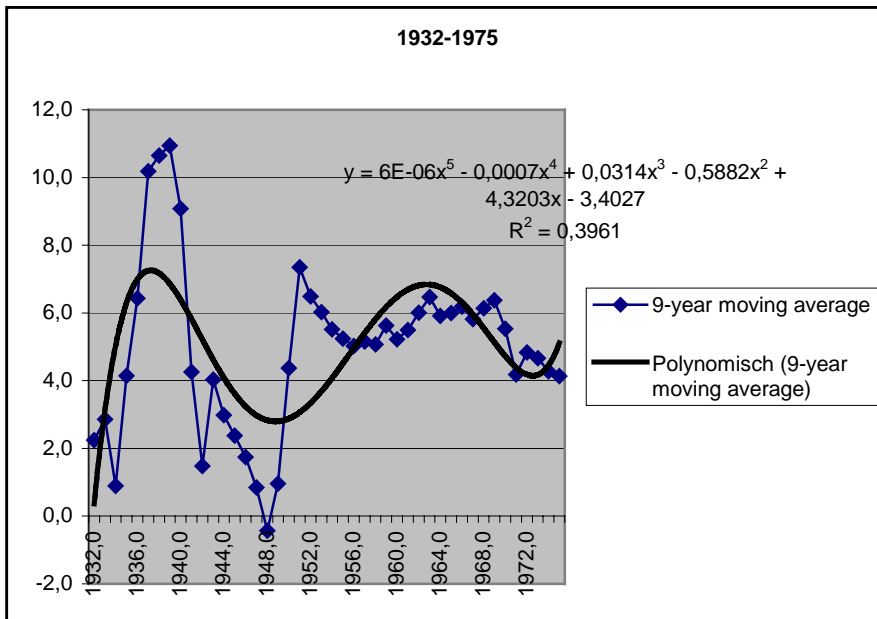
- upswing
- prosperity
- prosperity-recession
- crisis
- temporary recovery
- depression

**Graph 4.4a: The dating scheme for the Kondratiev waves: the indented “M”-structure: Kondratiev waves in the world system, 1740 – 2004, replicating Kondratiev’s original research design with real production data (polynomial expressions of the 5<sup>th</sup> order based on yearly world industrial production growth data [9-year moving averages]) and an updated version of Bornschier’s dating scheme)**

For all following graphs Polynomisch = polynomial expression







Legend: all calculations based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004)

Polynomisch = polynomial expression

#### **4.4. Kondratievs, the shorter Kuznets cycles and the even longer logistic cycles**

Our tests show that our Bornschier dating scheme much better corresponds to the structure of world production data than the alternative, proposed by Goldstein. This scheme is in line with the dating scheme proposed by Joshua Goldstein, Phil O'Hara, and Ernest Mandel, among many others. However this dating scheme might very well correspond to the movement of prices.

For us **1756, 1832, 1885, 1932** and **1975** are the beginnings of new **Kondratiev** waves, while 1756, 1774, 1793, 1812, 1832, 1862, 1885, 1908, 1932, 1958, 1975, and 1992 are the turning points (troughs) of the Kuznets cycles.

It also should be noted that the hypothesis about B-phases of the Kondratiev waves – a very strong linear or non-linear down-ward swing of about 20 years duration, - receives at least some direct confirmation from the untransformed, original new world industrial production growth data, based on Goldstein (1740 – 1974 and UNIDO Statistical Office, 1975 – 2004). Working with a polynomial expression of the 3<sup>rd</sup> order, we arrive at the following  $R^2$  for our B-phases of the Kondratiev waves. For all 20 year periods before our measurement points, the B-phase-hypotheses are confirmed:

pre-1756	12, 8 %
pre-1832	6, 5 %
pre-1885	8, 9 %
pre-1932	41, 8 %
pre-1975	28, 4 %

A more rigorous analysis should also look into the 20 year Kondratiev cycle B-phase downswing periods and their **end-points** in world industrial production growth history since 1740. We analyzed all the possible backward 20 year time-series correlations of world industrial production growth with the respective **preceding time axis**. Among the possible 245 correlation coefficients the following time points showed a correlation coefficient of stronger than  $-0.20$ , thus confirming a possible B-phase hypothesis. Data points, which **roughly** support the dating scheme proposed by Bornschier and the present author, are printed in **bold letters**. As far as our knowledge goes, for the first time such a "sliding correlation analysis" method, enabled by the wide ranging possibilities of the EXCEL Computer Program, is applied to the Kondratiev cycle debate. **The end points of the strongest 20 year downswing periods in world industrial production growth history thus are:**

**Table 4.1: Kondratiev B-phases, end-points**

	20 year correlations (end points of Kondratiev B-phases)
<b>1983</b>	-0, 5305717
<b>1982</b>	-0, 5128865
<b>1981</b>	-0, 4538392
1921	-0, 4479609
<b>1984</b>	-0, 4010483
<b>1978</b>	-0, 3733437
1862	-0, 3460248
<b>1980</b>	-0, 3424254
1919	-0, 3381979
<b>1985</b>	-0, 3183821
<b>1763</b>	-0, 3169101
1920	-0, 3135565
1914	-0, 3011064
1817	-0, 300445
<b>1987</b>	-0, 2965902
1995	-0, 2818183
1979	-0, 2796559
1986	-0, 2712966
1918	-0, 2660563
<b>1885</b>	-0, 2646443
1863	-0, 2636268
1761	-0, 2592539
1814	-0, 2543054
1813	-0, 2427299
1870	-0, 2392297
1952	-0, 2347525
1915	-0, 2275737
1781	-0, 2214471
<b>1760</b>	-0, 2209805
1917	-0, 2198011
2002	-0, 2125985
1780	-0, 2103531
1991	-0, 205384

Legend: all calculations based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004)

Bearing this methodology in mind, we also analyzed the **strongest possible 20 year A-phases** to be confirmed by the Goldstein/UNIDO world industrial production growth data series from 1741 onwards as follows. The **starting points of the strongest 20 year upswing phases** are thus to be dated as



(forward time series correlations of world industrial production growth with the time axis from 1741 onwards greater or equal to 0.20):

**Table 4.2: Kondratiev A-phases, starting points**

	20 year correlations (starting points of Kondratiev A-phases)
<b>1944</b>	0, 41292197
<b>1770</b>	0, 39473915
<b>1945</b>	0, 3910372
1924	0, 38226062
<b>1873</b>	0, 36194063
<b>1773</b>	0, 34920162
<b>1767</b>	0, 33942349
<b>1837</b>	0, 32579709
1923	0, 32138919
1768	0, 31097366
1943	0, 29138484
1925	0, 28386968
<b>1771</b>	0, 27455981
<b>1753</b>	0, 2737515
<b>1883</b>	0, 27315325
1918	0, 23816282
1954	0, 22897036
1870	0, 22747681
1772	0, 22641869
<b>1884</b>	0, 22592412

Legend: all calculations based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004)

The **same methodology** can also be applied to test another, **rather vaguely formulated hypothesis of world system cycle research** - that of a **“logistic cycle”** proposed by Professor Immanuel Maurice Wallerstein (cycles of 150 – 200 years length). The empirical support for a linear interpretation of such cycles is somewhat ambiguous, and we decided to report here all time series correlations that are stronger or equal to – 0.05 for the B-Phase and greater or equal 0.05 for the A-phase. If there is such a cycle, there must be an A-phase of 75 –100 years duration, and there must be a B-phase of 75 to 100 years duration. There is good reason to believe that a logistic cycle started somewhere in 1756 and ended in the terrible **World Depression of the 1930s** (1932), and had its peak somewhere in the early 19<sup>th</sup> Century. According to the logic of that model, the new logistic cycle that started out of the depression of the 1930s will have reached its peak with the expected next **Kondratiev** and **Kuznets** depressions to be expected to start by around 2006 to 2011 (see also Chapter 4.5). From then onwards, global capitalism again will be in a declining period.

**Table 4.3: Logistic cycles, B-phases, end-points**

	<b>logistic cycle (75 years) - B-Phase correlation of world industrial production growth data - year is end point of a B-Phase</b>
1921	-0, 16983
<b>1932</b>	-0, 14885
<b>1933</b>	-0, 12355
1919	-0, 11691
1922	-0, 11080
1918	-0, 10535
1996	-0, 09665
1920	-0, 08846
<b>1934</b>	-0, 08288
1924	-0, 08177
1938	-0, 07923
1925	-0, 07825
1923	-0, 07664
<b>1931</b>	-0, 07311
1917	-0, 06559
1896	-0, 05974
1926	-0, 05583
1946	-0, 05098
1998	-0, 05083
1937	-0, 05037

Legend: all calculations based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004)

**Table 4.4: Logistic cycles, starting points for the A-phase**

	<b>75 year correlations (A-phases logistic cycles, starting points)</b>
<b>1754</b>	0, 1609067
<b>1751</b>	0, 15427556
<b>1749</b>	0, 15143574
<b>1756</b>	0, 147693
<b>1753</b>	0, 14405007
1869	0, 13545828
1899	0, 12379558
1900	0, 12133565
<b>1745</b>	0, 11516335
<b>1748</b>	0, 11318804
<b>1752</b>	0, 11210274

<b>1755</b>	0, 11162971
1744	0, 11118303
1903	0, 11116136
1870	0, 10783098
1904	0, 1063158
<b>1762</b>	0, 1059197
1906	0, 10434398
<b>1750</b>	0, 10145674
1907	0, 0990628
1902	0, 09837263
1767	0, 09782592
<b>1757</b>	0, 09782077
1905	0, 09677357
1914	0, 09488285
<b>1759</b>	0, 09413652
1898	0, 09405995
1741	0, 09223501
1868	0, 09192129
1770	0, 09015027
1901	0, 08984574
<b>1765</b>	0, 08950508
1892	0, 08949985
1896	0, 08827461
<b>1746</b>	0, 08650967
1913	0, 08625674
1792	0, 08609957
1800	0, 08568042
<b>1747</b>	0, 08566035
1891	0, 08558482
1908	0, 08377025
1771	0, 08365852
1897	0, 08205455
1793	0, 08178865
<b>1760</b>	0, 08115958
1911	0, 08045169
1743	0, 07953421
<b>1761</b>	0, 07873628
1786	0, 0780979
1790	0, 07739906
1893	0, 07640852
1890	0, 07292182
<b>1758</b>	0, 07267848
1801	0, 07139596
1895	0, 07062045
1910	0, 07047498
1912	0, 06946018

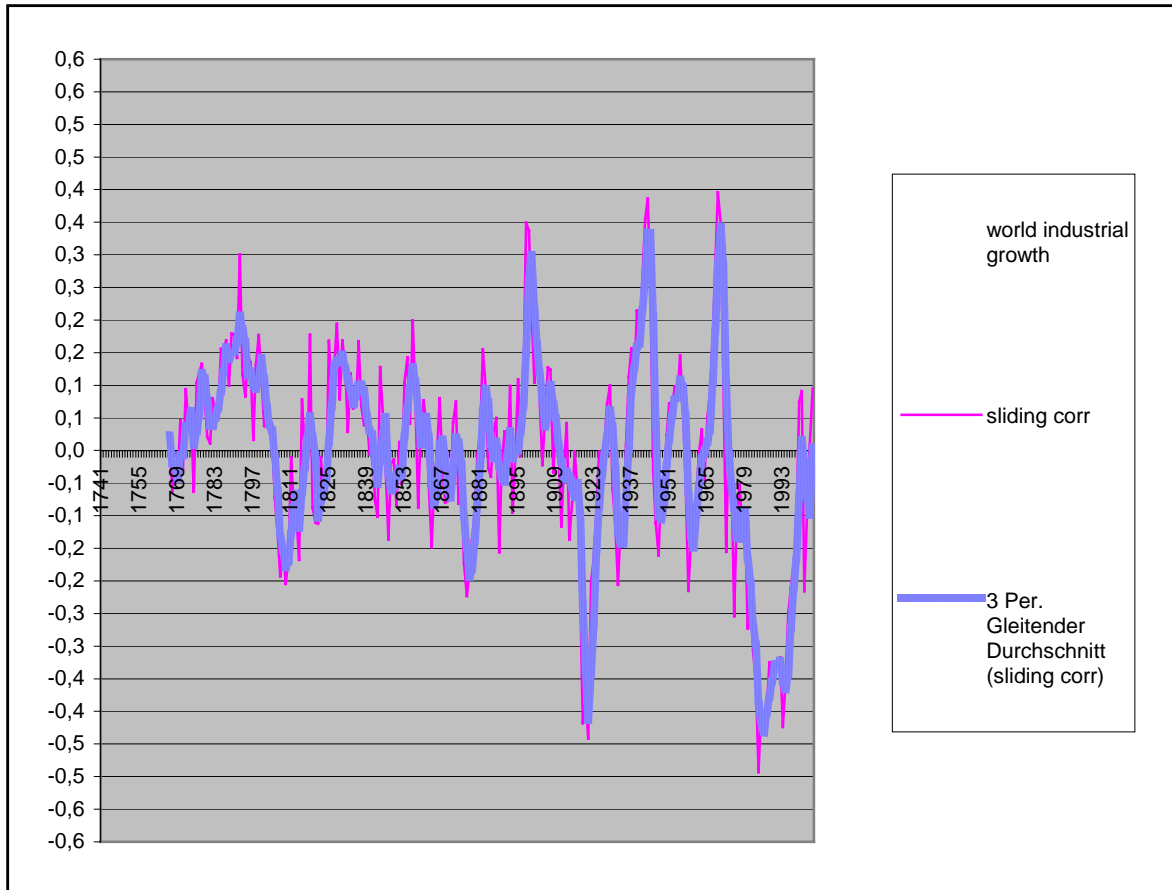
1766	0, 06922803
1867	0, 06914103
1787	0, 068968
1768	0, 06484511
1894	0, 06350089
1772	0, 06278631
1773	0, 06218177
1742	0, 06067005
1915	0, 05902868
1797	0, 05891733
1774	0, 05719518
<b>1763</b>	0, 05589737
<b>1764</b>	0, 0555462
1791	0, 05452455
1779	0, 05289202

Legend: all calculations based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004)

A more rigorous analysis should also look into the 20 year Kondratiev cycle B-phase downswing periods and their **end-points** in world industrial production growth history since 1740. To this end, we analyzed all the possible backward 20 year time-series correlations of world industrial production growth with the respective **preceding time axis**.

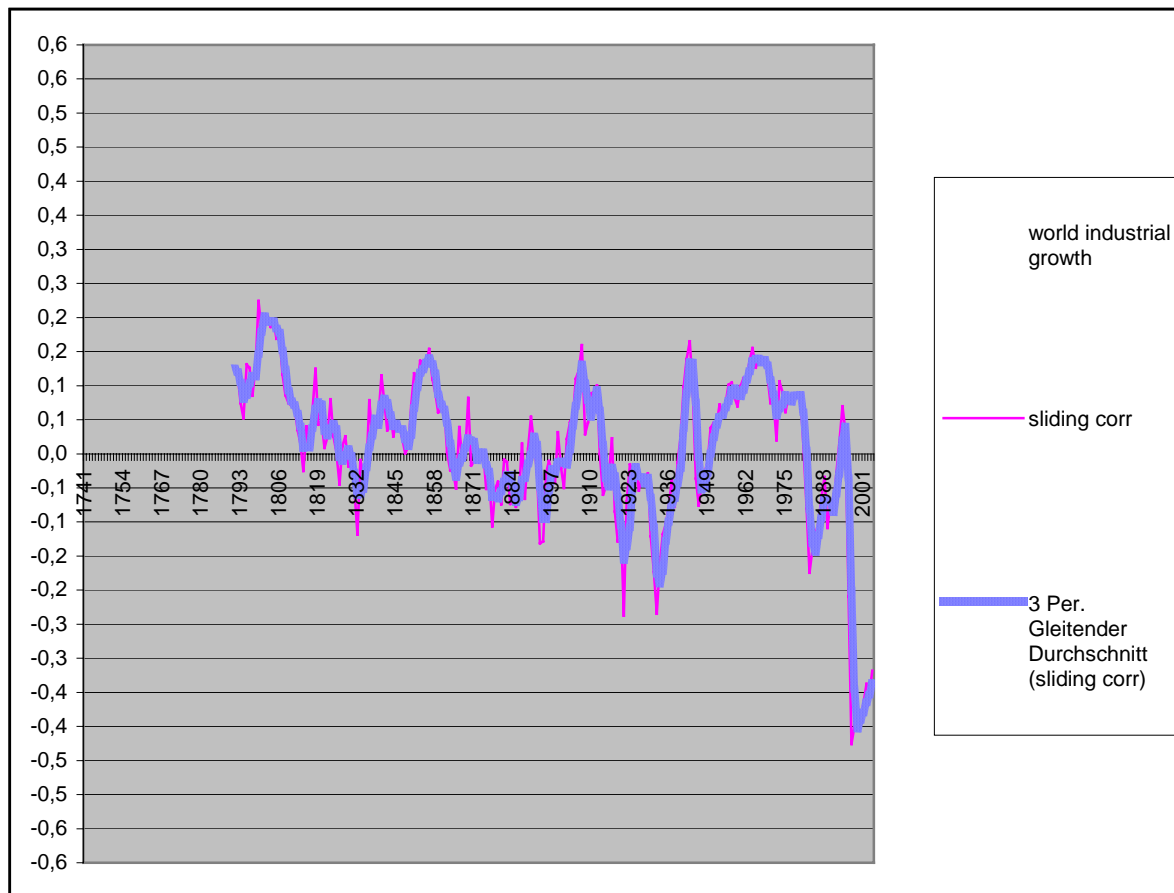
The 245 correlation coefficients yielded the following 20 year fluctuations of the world economy from 1740 onwards:

**Graph 4.4b: the 50-year fluctuations in the world economy (sliding correlations)**



Legend: our graph shows the “sliding correlations” from 1741 to 2004 for periods of 25 years duration. By around 1980, there was thus a strong negative correlation of the world industrial growth rates from 1965 to 1980 with the time axis, 1965 – 1980 etc.. Since our method measures the “B-phase” with a 25 years duration, the entire cycle is 50 years.

The **same methodology** can also be applied to test another, **rather vaguely formulated hypothesis of world system cycle research** - that of a **“logistic cycle”** proposed by Professor Immanuel Maurice Wallerstein (cycles of 150 – 200 years length). The empirical support for a linear interpretation of such cycles is somewhat ambiguous, and we decided to report here all time series correlations of 50 years duration.

**Graph 4.4c: the 100 year fluctuations in the world economy**

Legend: our graph shows the “sliding correlations” from 1741 to 2004 for periods of 50 years duration. By around 1980, there was thus a a strong negative correlation of the world industrial growth rates from 1930 to 1980 with the time axis, 1930 – 1980 etc. Since our method measures the “B-phase” with a 50 years duration, the entire cycle is 100 years.

#### **4.5. The Logic of the Contemporary Crisis – shortening time intervals between major world economic crashes?**

In the following, we would like to present some thoughts, which might be relevant for future theory formulation on the K-cycles. First of all, there is indeed compelling reason to believe that the **rhythm** of stop-go movements in the **world economy will shorten**, thus living out one of the basic predictions of Marxian economic thought:

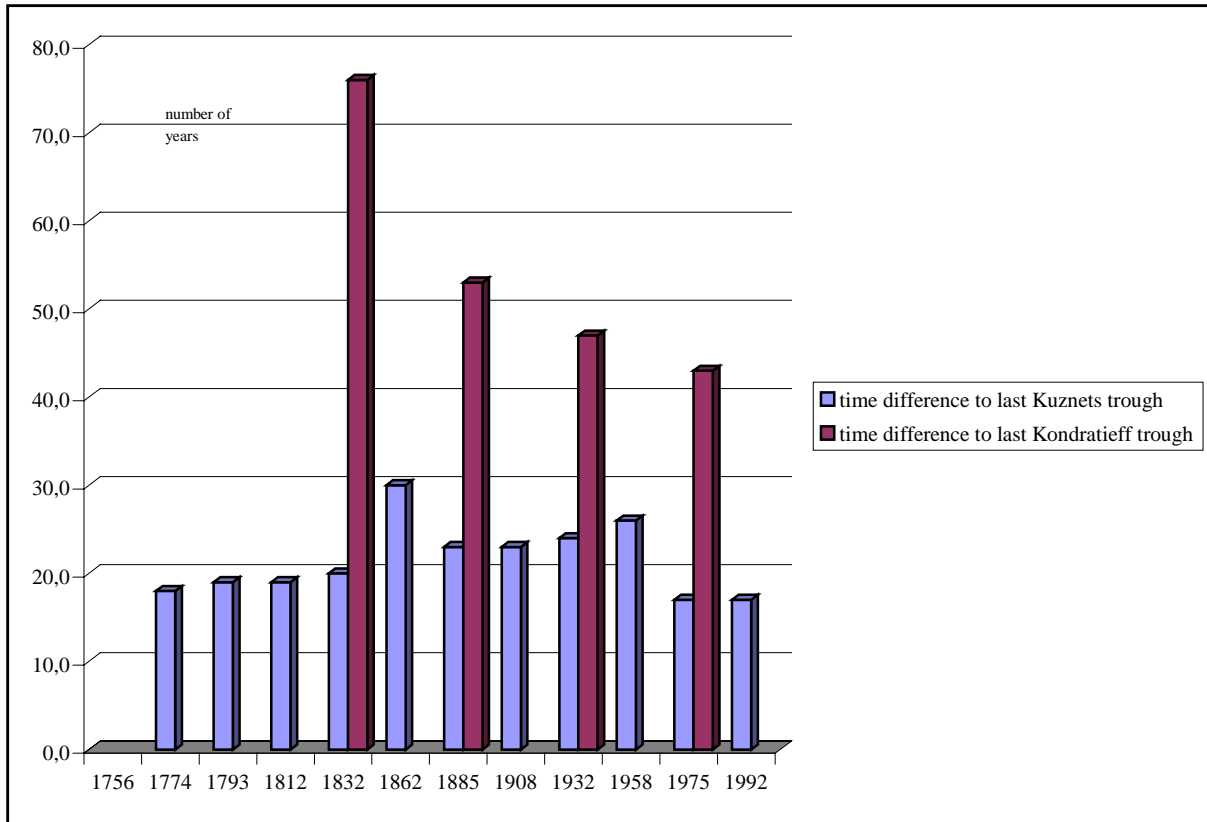
**Table 4.5: “the shortening rhythm of crisis and booms”**

	time difference to last Kuznets trough	time difference to last Kondratiev trough
1756		
1774	18	
1793	19	
1812	19	
1832	20	76
1862	30	
1885	23	53
1908	23	
1932	24	47
1958	26	
1975	17	43
1992	17	

Legend: all calculations based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004)

During the *belle époque* of world capitalism in the 19<sup>th</sup> Century, a time difference of 23 or more years between the troughs of one Kuznets cycle and the next one was very common, while today we seem to be heading towards time periods of 17 years. Likewise, the probable duration of the Kondratievs seems to have shortened considerably as well. If we take our own dating game as a starting point, we arrive at an expected cycle length that now seems to be not longer than 40 years:

**Graph 4.5: the shortening sequence of booms and crises in the world system**

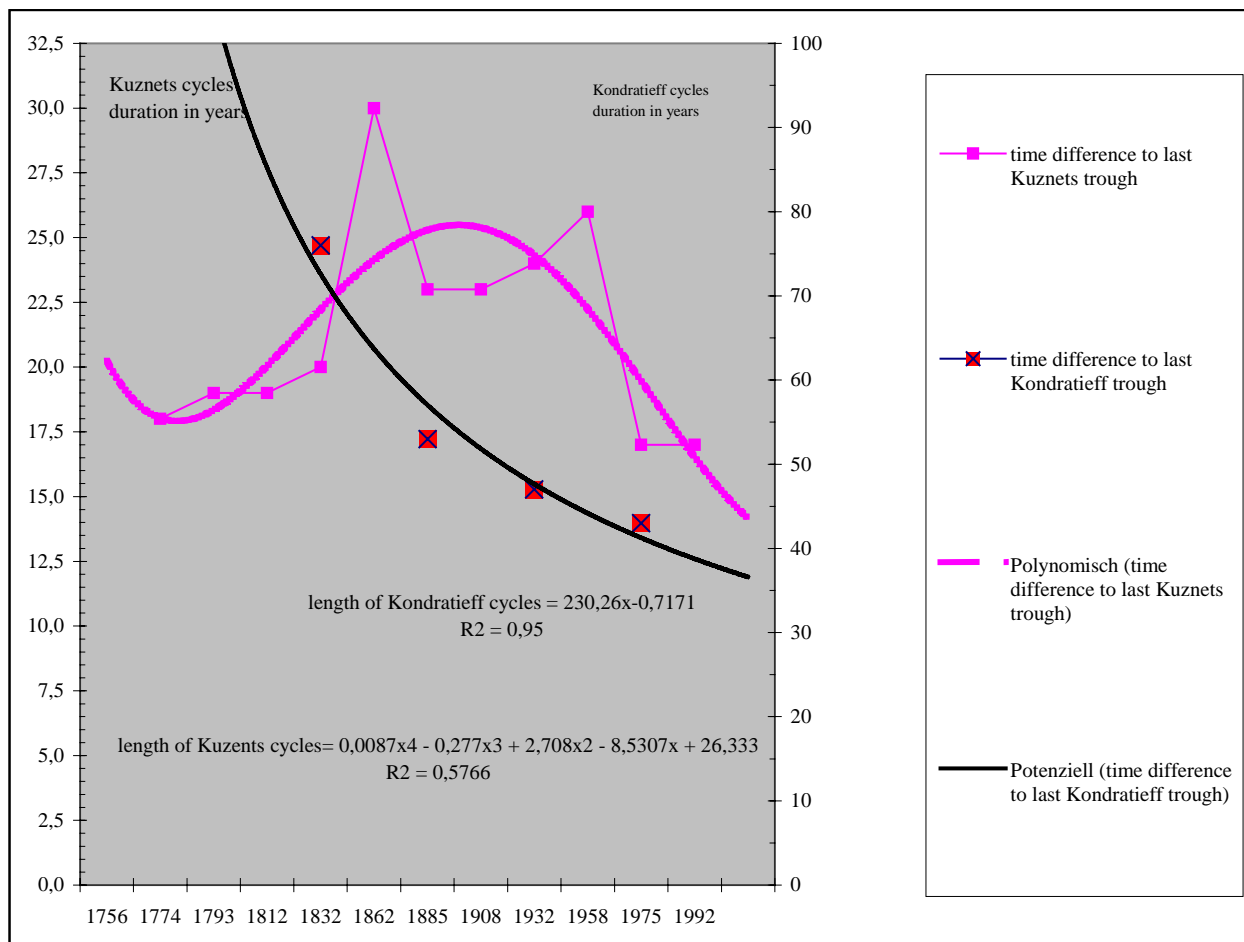


Legend: all calculations based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004)

In more analytical terms, we now might expect – as shown by the rough extrapolation of Graph 4.6 – the next Kuznets cycle trough in 15 years from 1992, i.e. by around 2007, while the next Kondratiev trough already might appear by around 2011. These are just the numerical values of the admittedly very rough extrapolation of Graph 4.6 – most probably, the **Kuznets depression** and the **Kondratiev depression** will **coincide**, as they coincided in **1756, 1832, 1885, 1932 and 1975**:



**Graph 4.6: the logic behind the shortening sequence of booms and crises in the world system**



Legend: potenziell: potential function; polynomisch: polynomial function. All calculations based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004). Polynomisch = polynomial expression

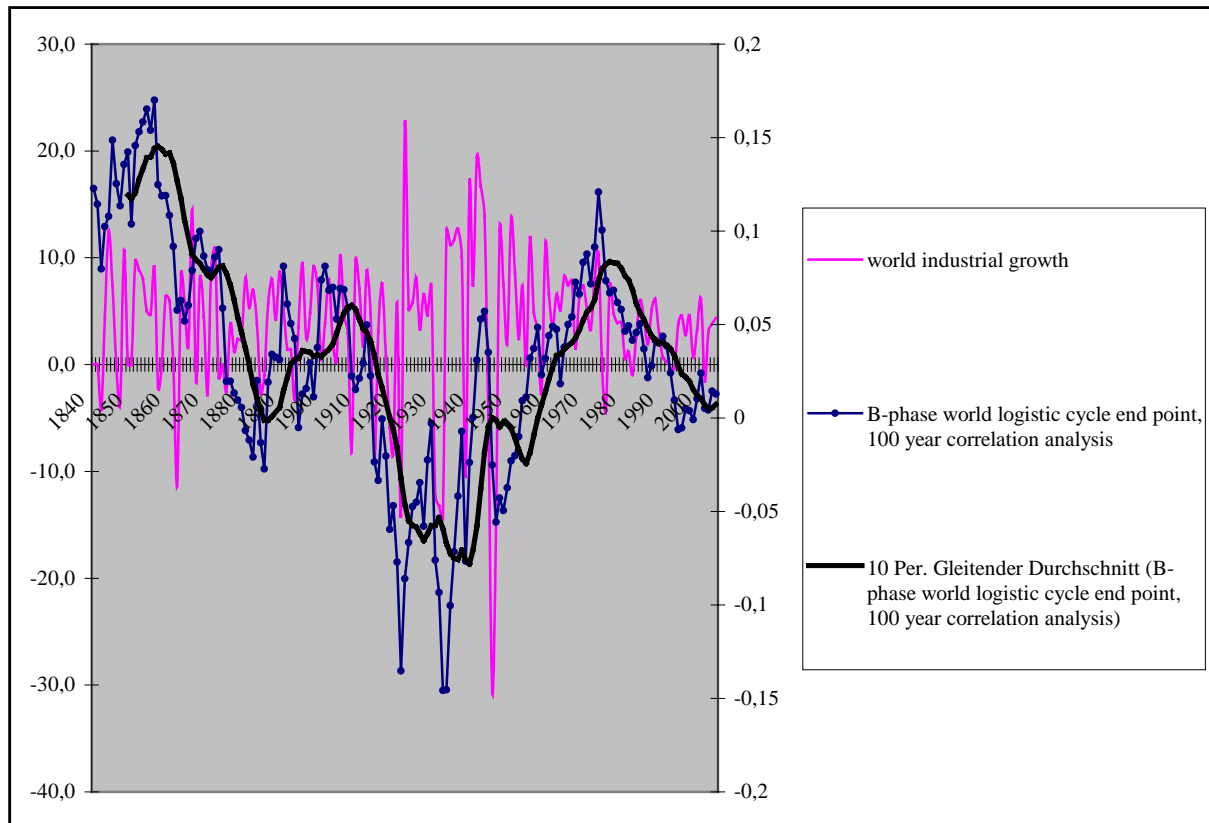
**4.6. Understanding the “Tsunami” waves of world politics and economics 1740 – 2002: the relevance of Professor Fulvio Attinà’s “defense pact index”**

Now, one of the most intriguing features of contemporary capitalism is the fact that vigorous upswings need to be supported by a **tightly organized new world political hegemonic order**, while the **strength of the downswings and the severity of the depressions always are a function of the waning world political order**. Like a little ship that is out there in rough seas, with very

strong tidal waves pushing the ship away from the coast. All real major depressions in the world system were **hegemonic transition phases**, and all these major crises thus had the character of what the present author calls a **“Tsunami wave” of world politics** that each time was also connected with terrible social upheavals, depressions and the onsets of major power wars, like the great crash of the early 1340s, which marked the beginning of the Genoese age (Arrighi) or Portuguese and Genoese age (Modelski), the crash of the 1560s, which marked the beginning of the Dutch era, the depression of the 1750s and 1760s, which marked the beginning of the British era, and the Great Depression in the 1930s, which was the terminal crisis of British world capitalist dominance (Arrighi, 1995) (see Chapter 3).

In Graph 4.7, 4.8, and 4.9, we show for the first time in the literature the fatal interconnection between these world political and world economic “tsunami waves” in a more systematic fashion. Graph 4.7 shows the size of the correlation coefficient for the end point of a 75 year swing of world industrial production growth with the time axis for the preceding years; low points indicate stronger 75 year negative correlations of world industrial production growth with the time axis, and thus are to be considered as the trough of a logistic cycle, while higher positive correlations indicate that the last 75 years in the world capitalist system was a riding on the peak of the roller coaster.

**Graph 4.7: the interrelationship between the strength of the 75 year downswing correlations of the logistic cycles and the hegemonic cycle (Attina's defense pact index)**



Legend: all calculations based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004). Potenziell: potential function; polynomisch: polynomial function. Gleitender Durchschnitt: sliding average. The “sliding 100 year correlation analysis” shows that the hypothesis that there was an end-point in a negative, 100 year downswing period received strongest confirmation during the world depression of the 1930s. The analysis also confirms that by the late 1860s and the 1980s there were turning points in world long-run capitalist development. The golden periods of the first half of the 19<sup>th</sup> Century and from 1945 onwards seem to have reached their end.

Graph 4.8 and 4.9 now shows the relationship between the density of the military pact system in the world system and the long economic wave. We introduced a sliding 10-year trend for both variables, the economic wave, as measured by the “sliding correlations” method, and the political wave, as measured by Attinà's defense pact index. As we further highlight in the chapter on WAR CYCLES, work by Attinà and Modelski suggests that we most probably will not escape the fatal cycle of global leaderships and global contenders. Since the mid 1960s, the defense pact aggregation index that measures the percentage share of defense pact members in the total number of states in the inter-national system i.e. the control that existing, established mechanisms of world political leadership exercise over global politics, has declined, suggesting

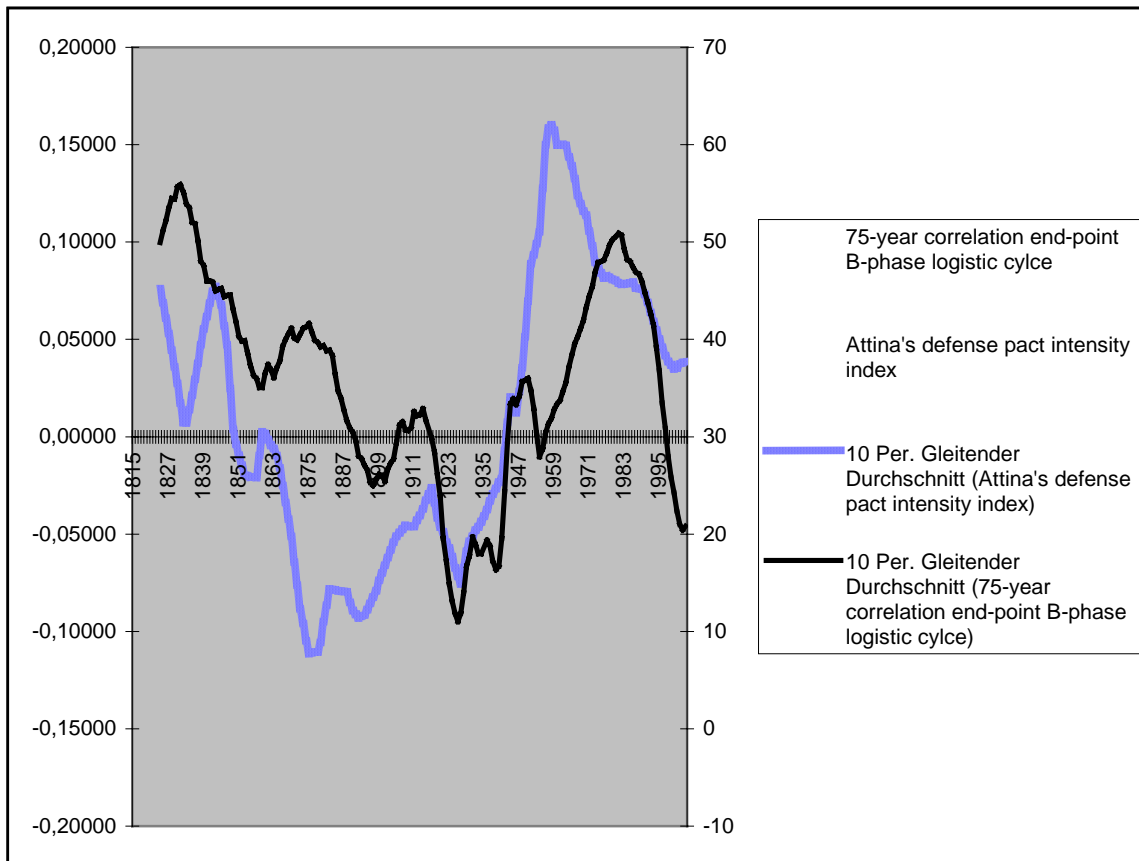
that the era of global power by the United States, which was established in 1945 definitely comes to an end and that our era is pretty similar to the era 1850 – 1878, which was characterized by the de-legitimation of the then British leadership, followed by the de-concentration of the international system and the era of coalition-building between 1878 – 1914, which ended, as we all too well know, in the catastrophe of 1914.

Attinà interprets the global political cycles of the world system in accordance with Modelski as:

global war macrodecision -> global power execution - >de-legitimization and agenda setting -> de-concentration and coalition building - >global war macrodecision et cetera

The defense pact aggregation index neatly measures, Attinà argues, these cycles. In our Graph 4.8, we compare these cycles with the long swing of world economic development and come to the conclusion that these two cyclical movements are **roughly in parallel**. The tsunami crisis of world politics always pre-cedes the tsunami economic crisis. But the world military order is absolutely necessary for the maintenance of the world economic order:

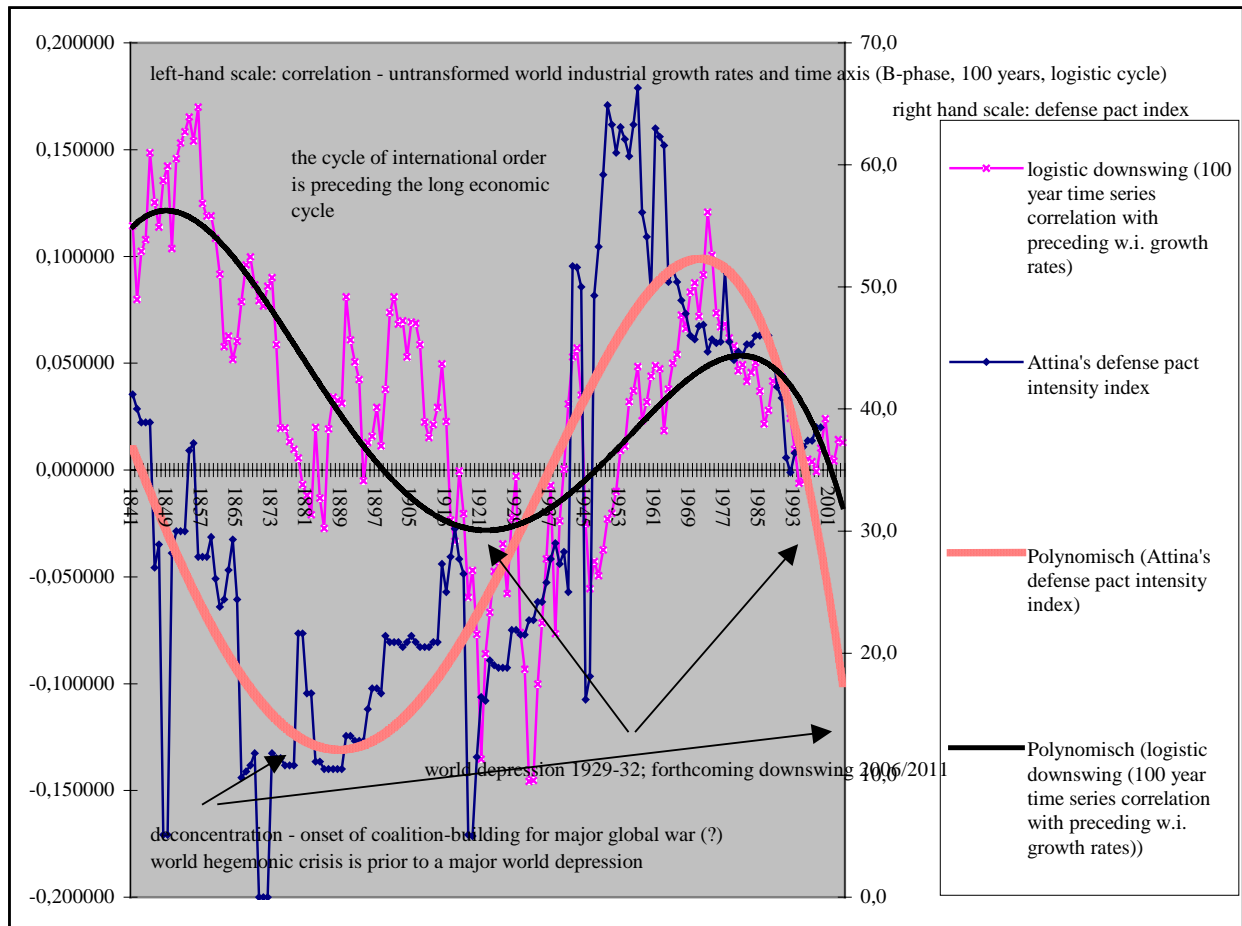
**Graph 4.8: the stylized interrelationship between the strength of the 75 year downswing correlations of the logistic cycles and the hegemonic cycle (Attina's defense pact index)**



Legend: Potenziell: potential function; polynomisch: polynomial function. Gleitender Durchschnitt: sliding average (10 year sliding averages). The "sliding 75 year correlation analysis" shows that the hypothesis that there was an end-point in a negative, 75 year downswing period received strongest confirmation during the world depression of the 1930s. The analysis also confirms that by the late 1860s and the 1980s there were turning points in world long-run capitalist development. The golden periods of the first half of the 19<sup>th</sup> Century and from 1945 onwards seem to have reached their end. The analysis also shows that the movements in the world political order, measured by Professor Attina's defense pact index, actually **precede** the world economic swings. The breakdown of the world political order precedes the breakdown of the world economic order; a vigorous world political order is a precondition of a vigorous world economic order. All war-related calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo: [http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.htm](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.htm), re-calculated for the aims of a comparison of "great power battle fatalities from all wars". Great Powers: the members of the UN Security Council plus Germany. Legend: Calculations based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004).

Graph 4.9 now summarizes these tendencies in a more stylized fashion:

**Graph 4.9: the stylized interrelationship between the strength of the 75 year downswing correlations of the logistic cycles and the hegemonic cycle (Attina's defense pact index)**



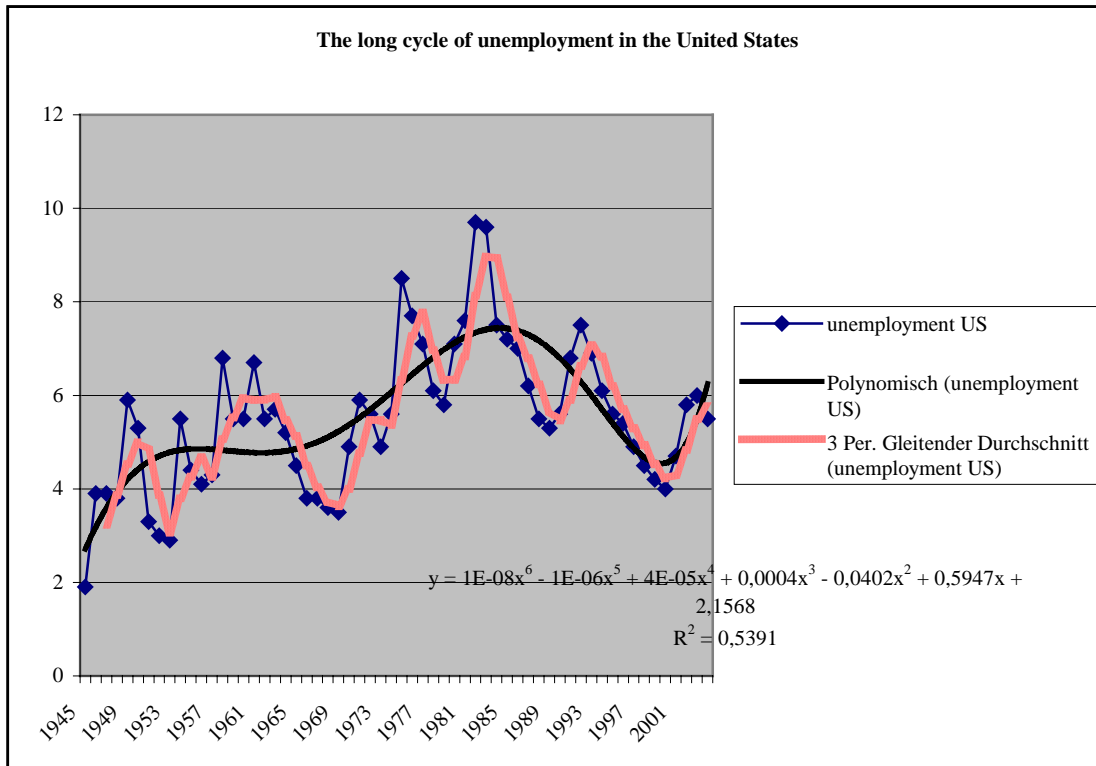
Legend: all calculations based on the data provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004). This graph further specifies the movements of world politics and economics, shown in the preceding Graph. Potenziell: potential function; polynomisch: polynomial function. Gleitender Durchschnitt: sliding average (10 year sliding averages). The “sliding 100 year correlation analysis” shows that the hypothesis that there was an end-point in a negative, 100 year downswing period received strongest confirmation during the world depression of the 1930s. The analysis of the “wave swings” again confirms what we could show above by the sliding averages: that by the late 1860s and the 1980s there were turning points in world long-run capitalist development. Again it emerges that the golden periods of the first half of the 19<sup>th</sup> Century and from 1945 onwards seem to have reached their end. The analysis also shows that the movements in the world political order, measured by Professor Attina's defense pact index, actually **precede** the world economic swings. The breakdown of the world political order precedes the breakdown of the world economic order; a vigorous world political order is a precondition of a vigorous world economic order. Polynomisch = polynomial expression. All war-related calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo: [http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.htm](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.htm), re-calculated for the aims of a comparison of “great power battle fatalities from all wars”. Great Powers: the members of the UN Security Council plus Germany.

It always has to be remembered that the hegemonic cycle movements in fact precede the economic swing. Thus we are inclined to share Goldstein's and Attinà's cycle theory, which is well-founded in the interrelationship between conflict research, peace research and economics.

**4.7. Some further thought on the shortening rhythm of booms and crises – the relevance of the US Department of Labor's time series of US unemployment 1945 - 2004**

Just as a footnote to this analysis and as an additional argument in favor of the Kondratiev waves and against their detractors we present here further time series evidence on economic cycles, this time based on United States employment statistics. Strong support for the Kondratiev hypothesis can be derived from the United States Department of Labor, Bureau of Labor Statistics (BLS) data series about unemployment in the United States since 1945, reproduced in Graph 4.10, which shows the original data, the polynomial function, and the 3-year sliding averages. The height of unemployment in the dominant country of the capitalist world economy is clearly reached during the early Reagan years:

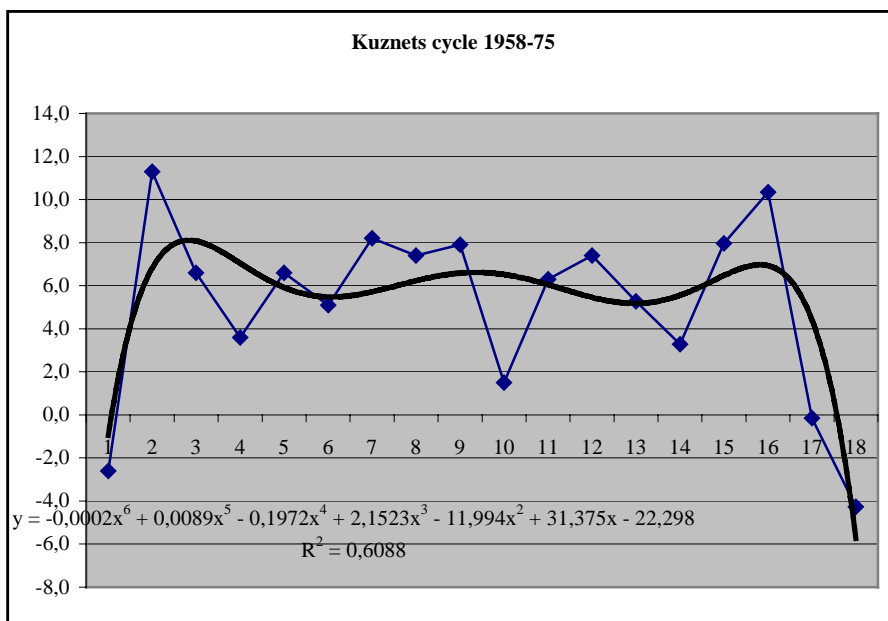
**Graph 4.10: the long cycle of unemployment in the US economy since 1945, based on US DL BLS figures**



Legend: our own calculations from US Dep. of Labor, Bureau of Labor Statistics (BLS), from their homepage at: <ftp://ftp.bls.gov/pub/special.requests/lf/aat1.txt>. Polynomisch = polynomial expression

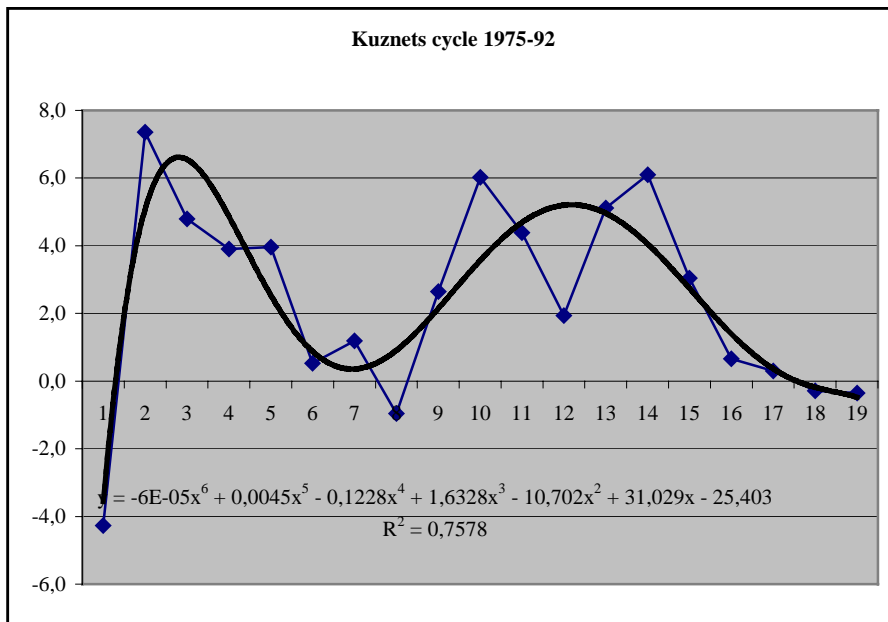
Unfettered globalization above all meant a return of the strong Kuznets swings that so characterize world industrial growth since 1740. Our Graph 4.11 summarizes our research findings for the periods since 1958. It is even feasible that the Kuznets cycles of world industrial production growth tend to become shorter, with a duration of 15 years or less, and Kondratiev waves with a duration of 30 years or less. This will mean the growth of instability in the world capitalist system, with an ever-shorter sequence of ups and downs, ins and outs, past and future 'models' and growth and decay regions and sectors that will change like fashions. The savings and labor of entire generations will be thrown overboard in a few days of speculative storms. The contemporary length of cycles is the following:

**Graph 4.11: the length of Kuznets and Kondratiev waves in the history of world capitalism, 1958 - 2004**

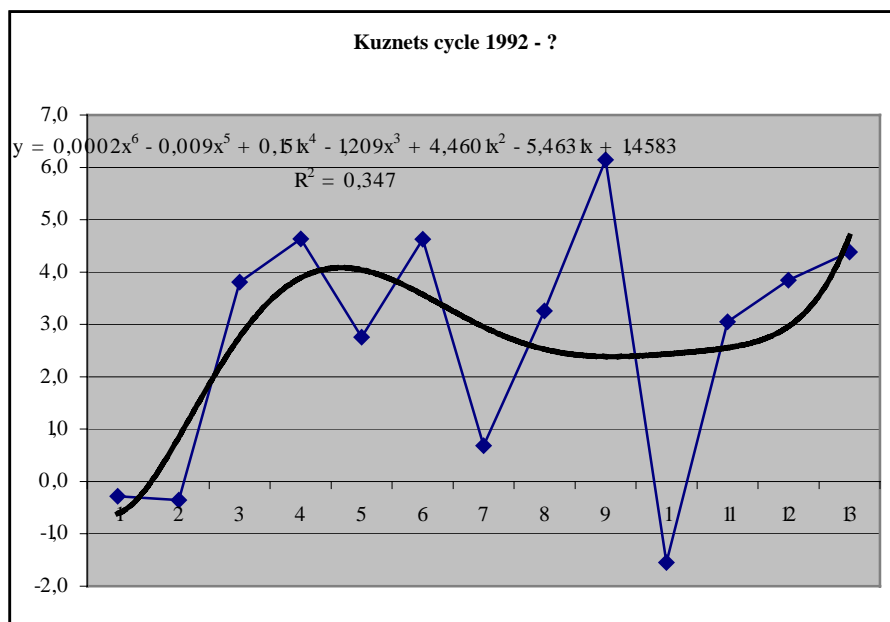


Polynomisch = polynomial expression





Polynomisch = polynomial expression

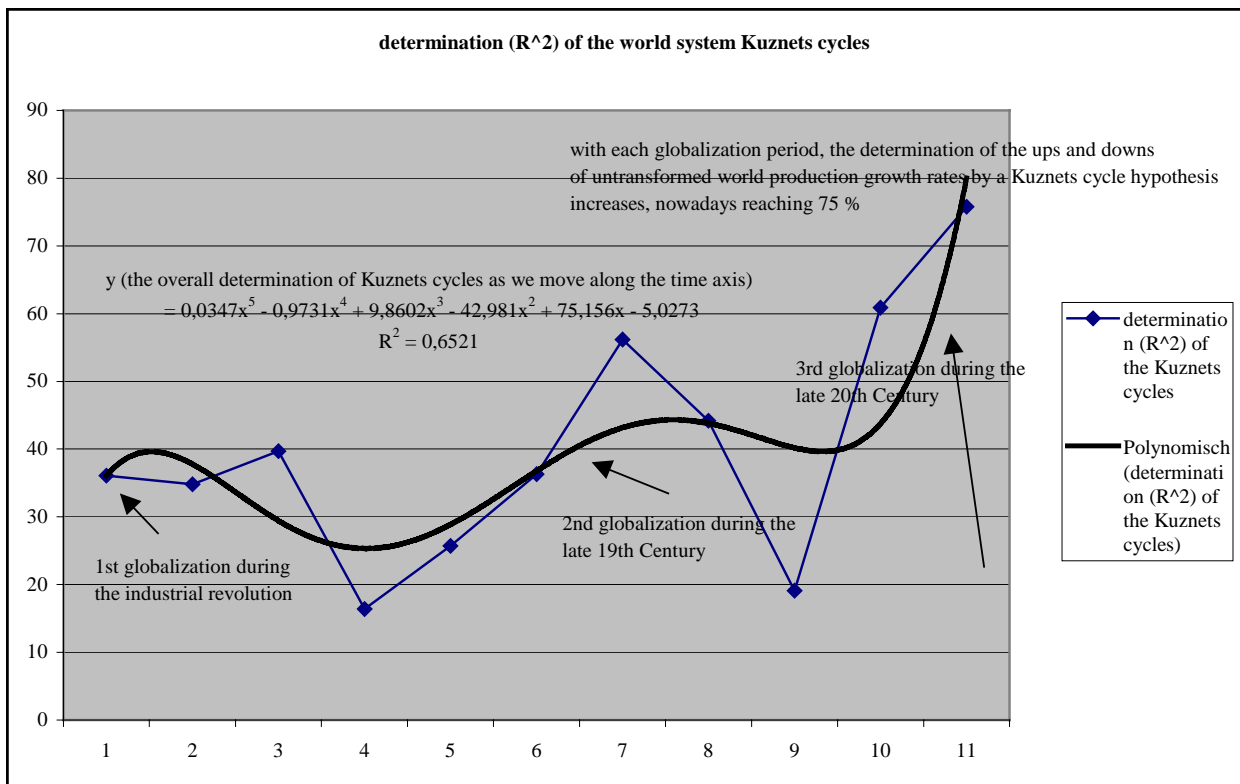


Legend: based on untransformed world industrial production growth rates, as reported in this contribution. Polynomisch = polynomial expression

It also should be noted that the  $R^2$  for our equations about untransformed world industrial production growth nowadays are extremely high and that the fluctuations of the cycle are very strong, indicating that the capitalist world economy in the era of globalization has returned to the **bust-boom cycles of the 19<sup>th</sup> Century**.

Graph 4.12 summarizes these tendencies and compares the determination of world cycles by the 20 year Kuznets hypothesis with the three periods of globalization that we had (post 1756, end of the 19<sup>th</sup> Century and end of the 20<sup>th</sup> Century). The Kuznets cycles become really a very strong wave and the instability of the system increases over time:

**Graph 4.12: globalization and the instability of the world capitalist system – the increasing determination of world industrial production growth rates by Kuznets cycle hypotheses**



Legend: Kuznets starting points 1756, 1774, 1793, 1812, 1832, 1862, 1885, 1908, 1932, 1958, 1975. Polynomisch = polynomial expression

#### **4.8. Conclusion**

In the most recent phase of capitalism, its “Casino” character becomes ever more apparent, with a sharp distinction between the winners and losers of the system.

In methodological terms, our re-formulation of Bornschier’s dating scheme (1996, 1988) which is also based on sociological long-term data, receives a relative confirmation in our essay. Although we date the trough in the 1830s earlier than Bornschier, we coincide with his analysis of the 19<sup>th</sup> Century and large sections of the 20<sup>th</sup> Century. Having been written originally in the late 1980s, Bornschier’s work is somewhat unclear about the crisis in the last part of the 20<sup>th</sup> Century; we always believed that the culmination point of the stagnation from 1973 onwards was overcome by the Reagan boom of the 1980s and the Clinton period boom. We somewhat differ with other world system scholars on the dating game, for sure:

**Table 4.7: The Kondratiev cycle dating game****a) untransformed original data**

	O'Hara	Tausch	Dates suggested by sliding correlation method
1st Kondratiev	1779-1847	1756-1832	1756-1819
2nd Kondratiev	1847-1893	1832-1885	1819-1862
3rd Kondratiev	1893-1931	1885-1932	1862-1918
4th Kondratiev	1931-1992	1932-1975	1918-1954
5th Kondratiev	1992-	1975-	1954-1993
R <sup>2</sup> 1st K	2, 59	3, 25	<b>4, 43</b>
R <sup>2</sup> 2nd K	4, 68	1, 5	<b>15, 77</b>
R <sup>2</sup> 3rd K	24, 66	<b>28, 71</b>	7, 39
R <sup>2</sup> 4th K	8, 01	<b>9, 34</b>	5, 59
R <sup>2</sup> 5th K	<b>33, 7</b>	6, 32	23, 14

**b) 9-year sliding averages**

	O'Hara	Tausch	Dates suggested by sliding correlation method
1st Kondratiev	1779-1847	1756-1832	1756-1819
2nd Kondratiev	1847-1893	1832-1885	1819-1862
3rd Kondratiev	1893-1931	1885-1932	1862-1918
4th Kondratiev	1931-1992	1932-1975	1918-1954
5th Kondratiev	1992-	1975-	1954-1993
R <sup>2</sup> 1st K	32,6	41,3	<b>45,6</b>
R <sup>2</sup> 2nd K	25,2	15,3	<b>27,2</b>
R <sup>2</sup> 3rd K	50,0	43,8	<b>65,6</b>
R <sup>2</sup> 4th K	27,7	<b>39,6</b>	32,7
R <sup>2</sup> 5th K	91,9	70,2	<b>92,0</b>

Further research, which would be beyond the scope of the present essay, could evaluate the merits of the alternative dating scheme derived empirically by the sliding correlation method, presented in this Chapter.

Working with 9 year sliding averages, the predictive empirical power of the sliding correlation scheme is considerable. However, this alternative approach

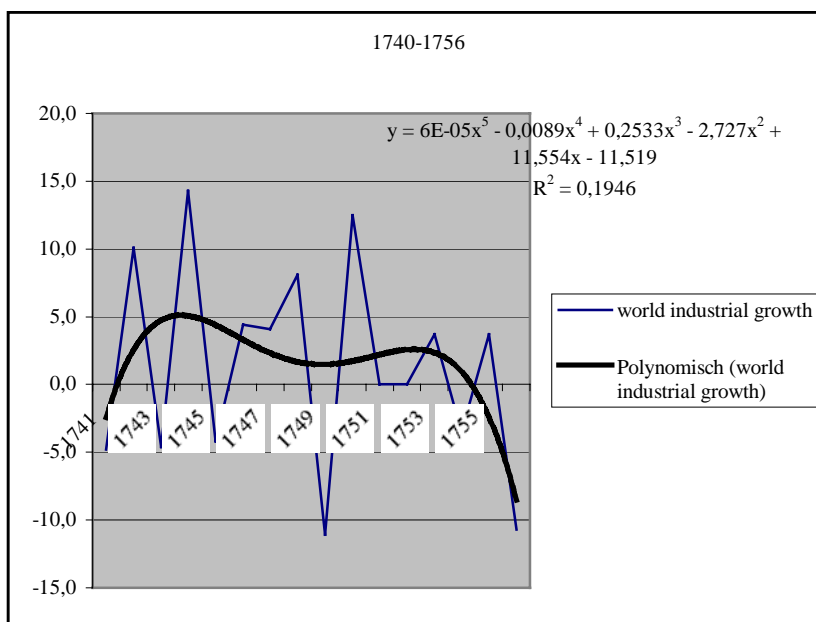
would have to show that the swings of world industrial production find their counterpart in the swings of world technologies and world societal models. While the O'Hara and Borschier dating scheme has a solid historical evidence as its base in this respect, the alternative, in a way empiricist dating scheme, derived from sliding correlations, would have to start here practically from scratch.

At any rate, this Chapter has shown the important heritage of the findings of the Great Russian statistician Professor Nicolai Kondratiev, whose discoveries should serve as a kind of warning to humanity about the terrible socio-political and economic tsunami waves to come.

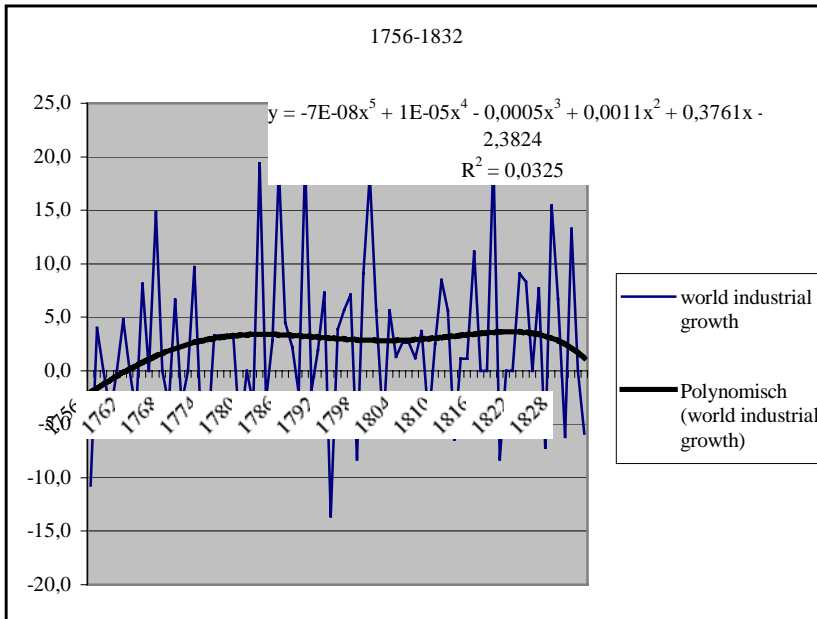
**Appendix to Chapter 4 - The indented "M"-structure of Kondratiev waves in the world system**

Working with the **original data**, we arrive at the following graphs:

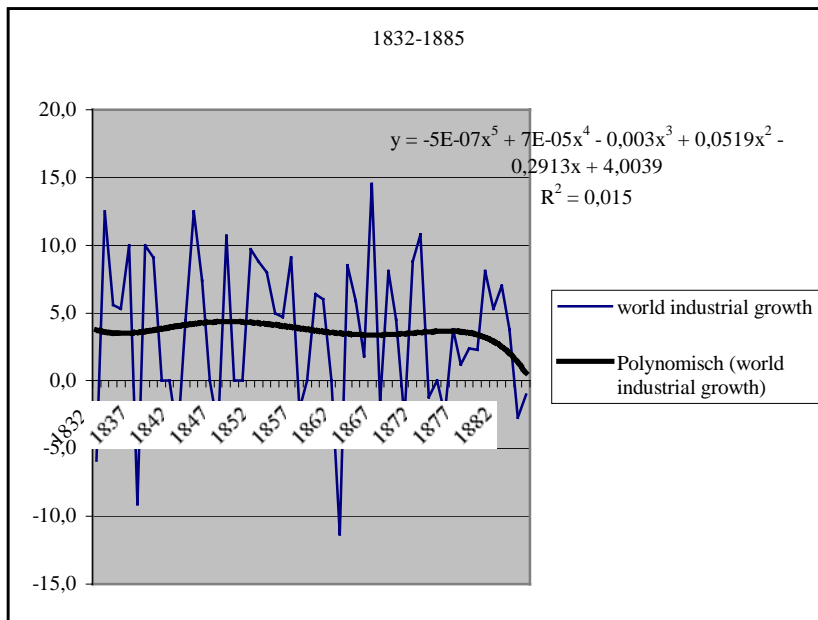
**Appendix Graph 4.1: The indented "M"-structure: Kondratiev waves in the world system, 1740 – 2004, replicating Kondratiev's original research design with real production data (polynomial expressions of the 5<sup>th</sup> order, untransformed yearly world industrial production growth data and an updated version of Borschier's dating scheme)**



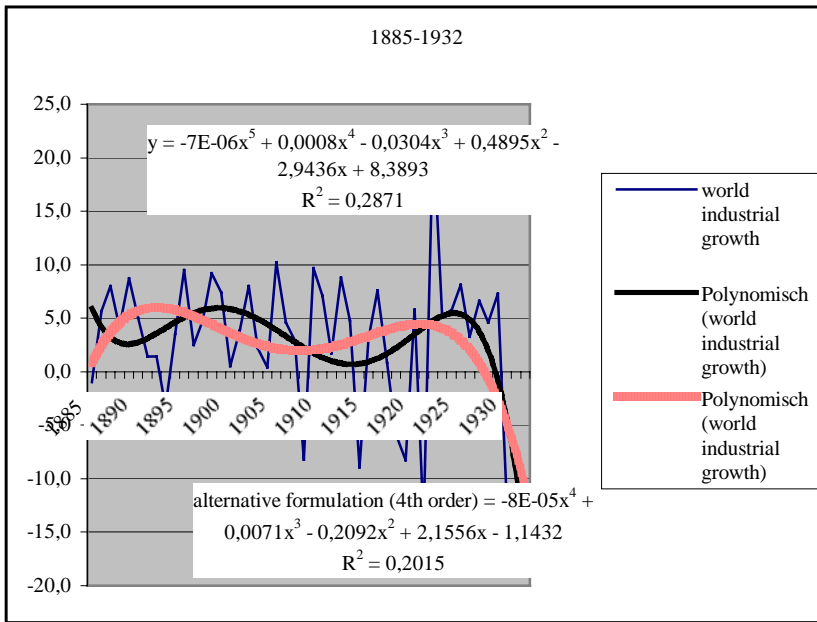
Polynomisch = polynomial expression



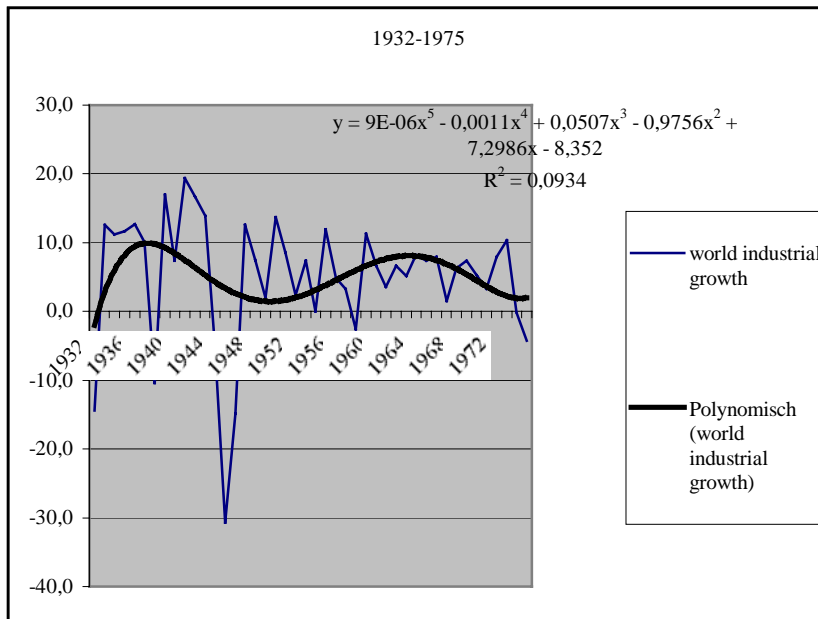
Polynomisch = polynomial expression



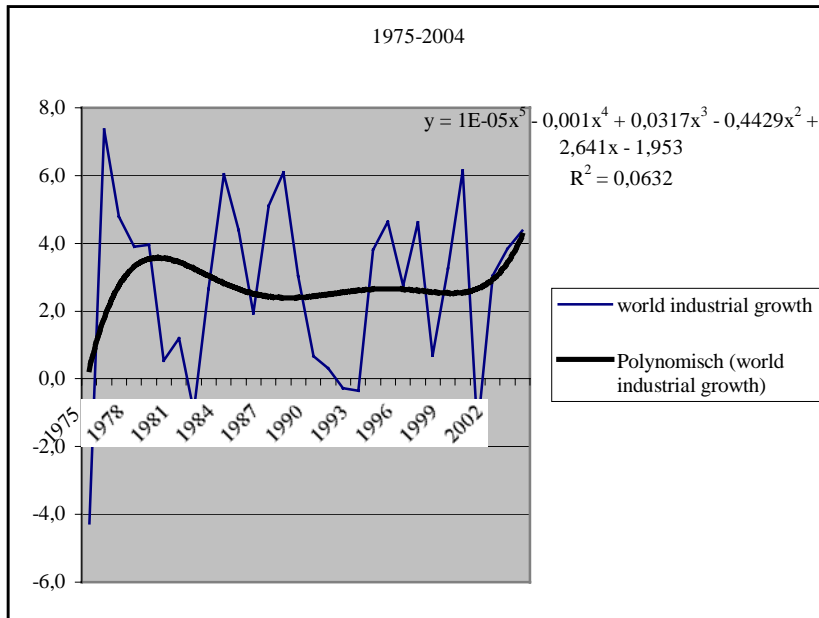
Polynomisch = polynomial expression



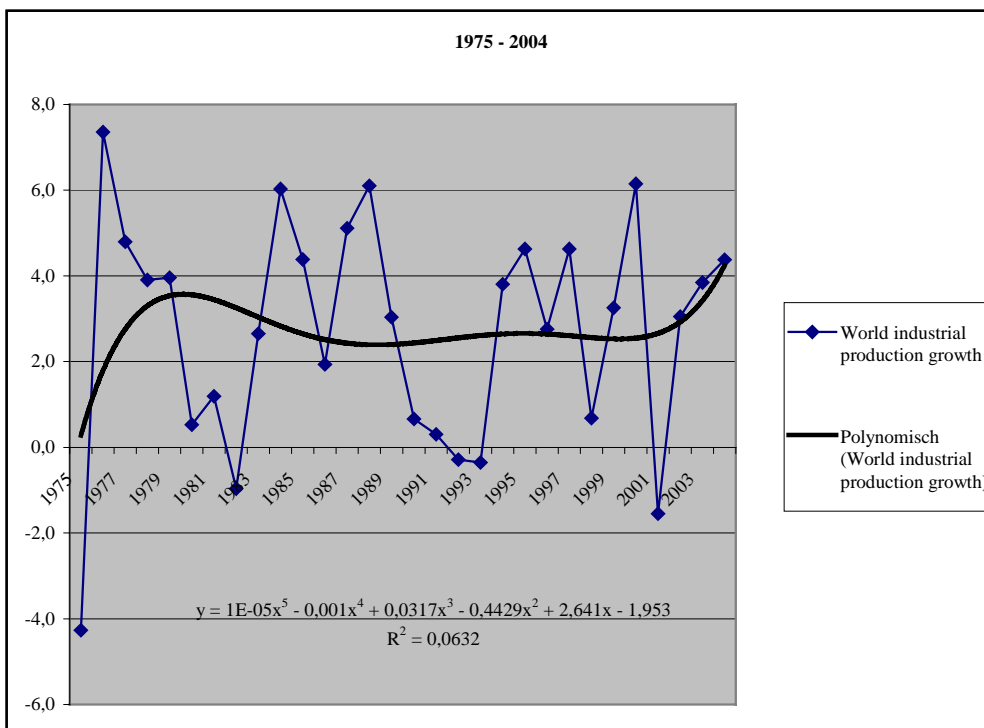
Polynomisch = polynomial expression



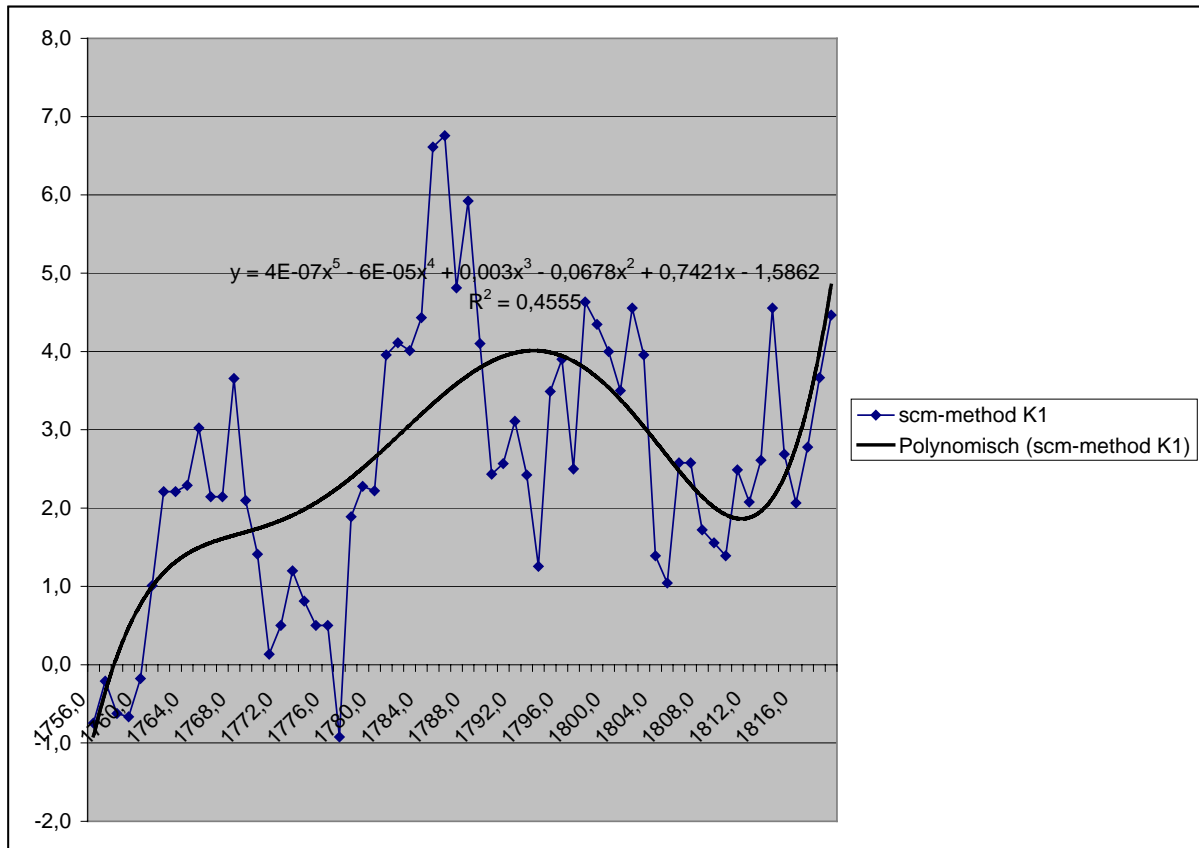
Polynomisch = polynomial expression



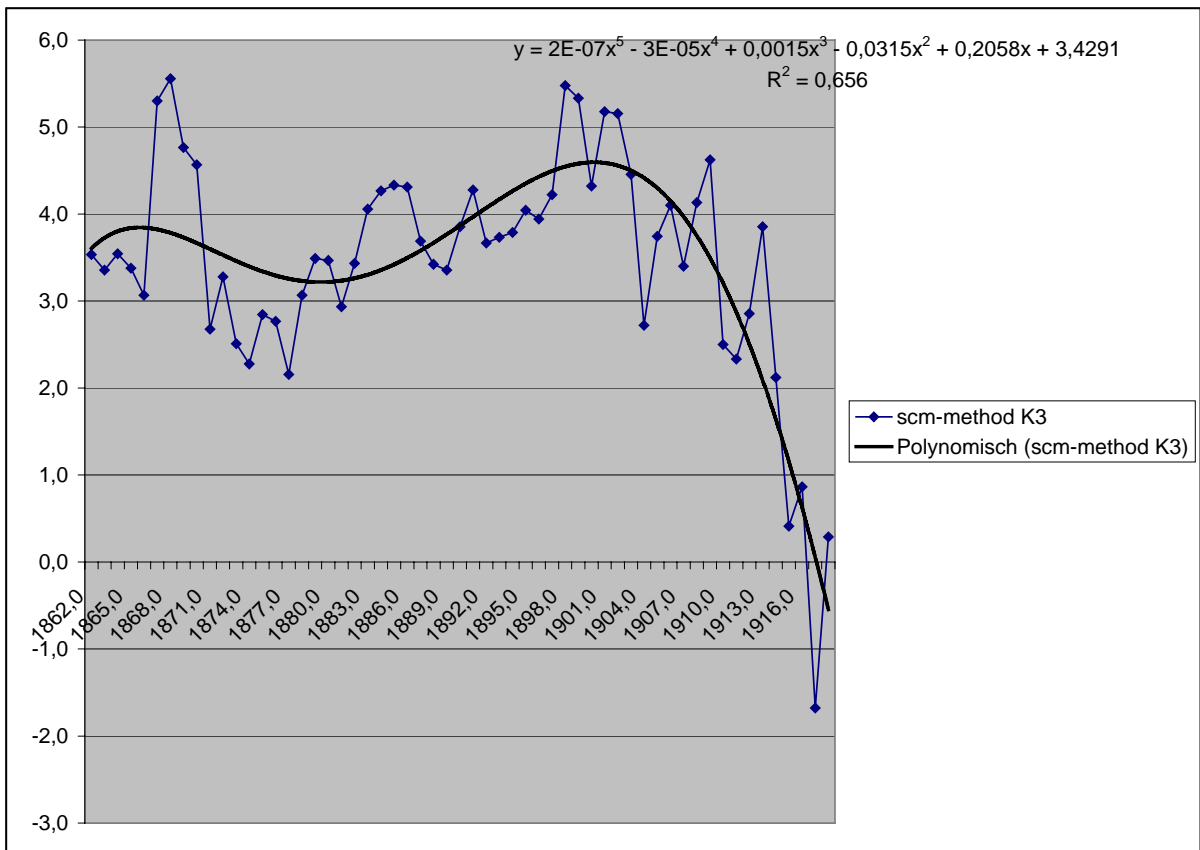
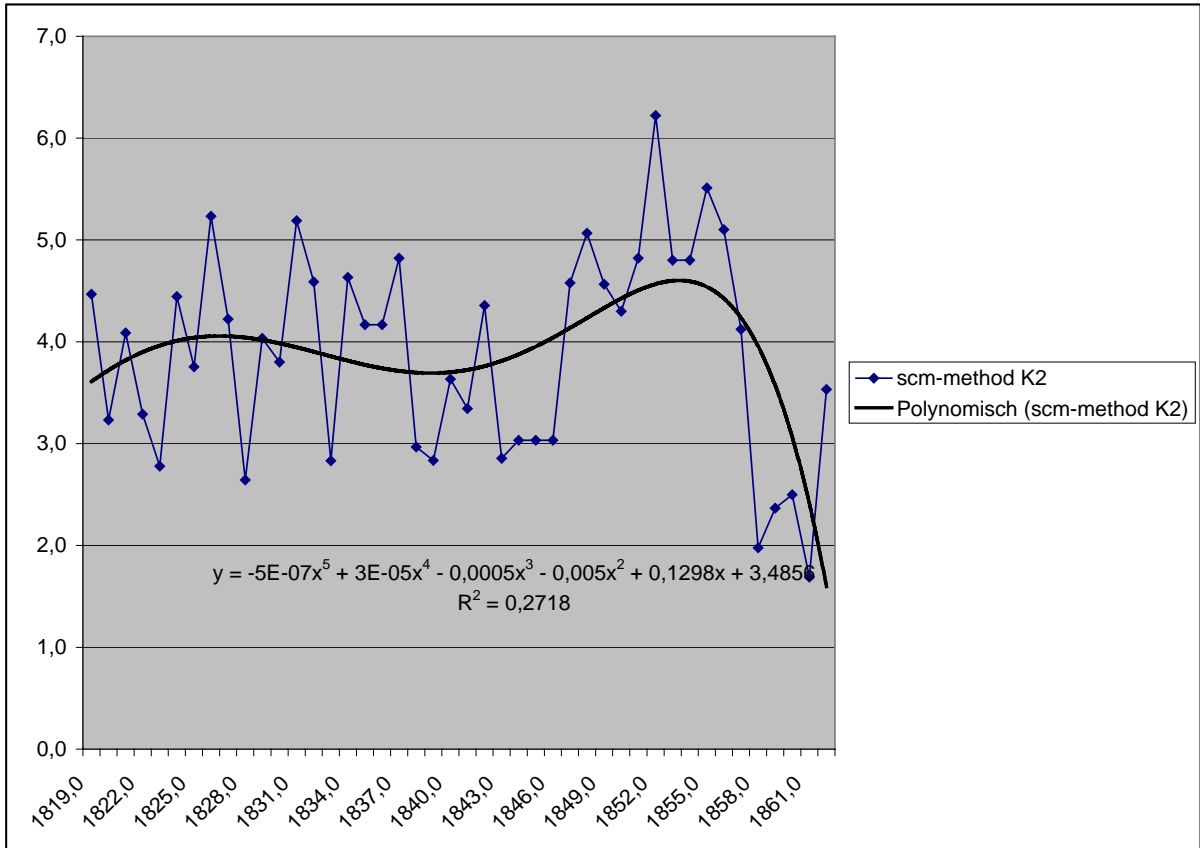
Polynomisch = polynomial expression

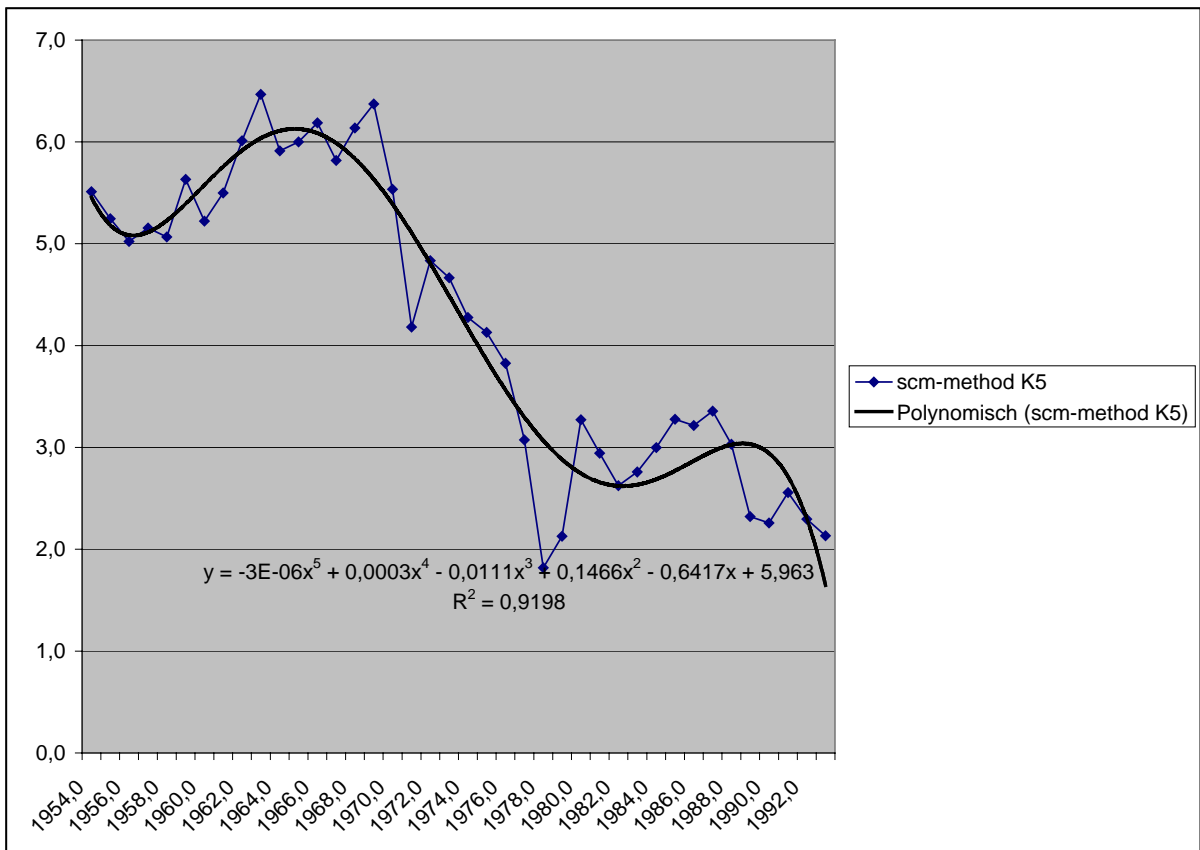
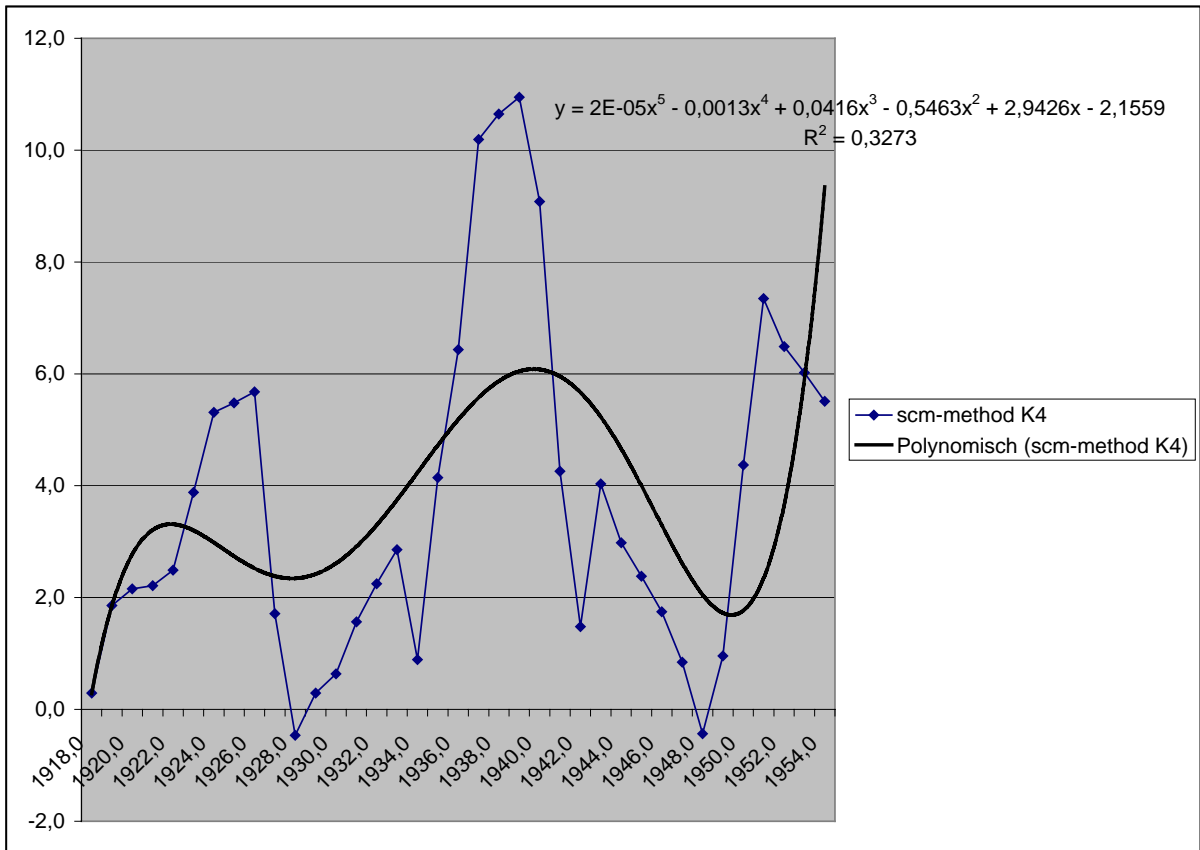


**Graph 4.2 Appendix: The indented “M”-structure: Kondratiev waves in the world system, 1740 – 2004, replicating Kondratiev’s original research design with real production data (polynomial expressions of the 5<sup>th</sup> order based on yearly world industrial production growth data [9-year moving averages]) and the scheme, based on “sliding correlations” of the original, untransformed data)**









## 5. Why unilateralism does not work: War cycles in the international system, 1495 - 2002

One of the most intriguing features of world systems theory is its prediction of the recurrence of global wars in the world capitalist system.

By re-analyzing latest conflict data (great power battle fatalities from all wars, Goldstein, 1988 and COW/PRIO, 2005) from 1495 to 2002 (see: MAJOR POWER WARS) and as yet unpublished UNIDO data about the growth of world industrial production 1740 – 2004 (see: ECONOMIC CYCLES) it is shown that the **long Kuznets and Kondratiev swings and cycles of capitalist world development** that play such an important role in the analysis of global war since 1495 **have indeed not ended** after the end of Communism, and that instability, and not stability, characterize the world economy, and that there is an indented “W” shaped pattern of global conflict since 1495 that did not end with the end of the Cold War.

To this effect, we present new conflict data for the involvement of the Great Powers (UN Permanent Security Council members + Germany) in wars (annual battle fatalities) for the entire period 1945 – 2002, based on standard peace research data (PRIO Oslo, Correlates of War data, see MAJOR POWER WARS).

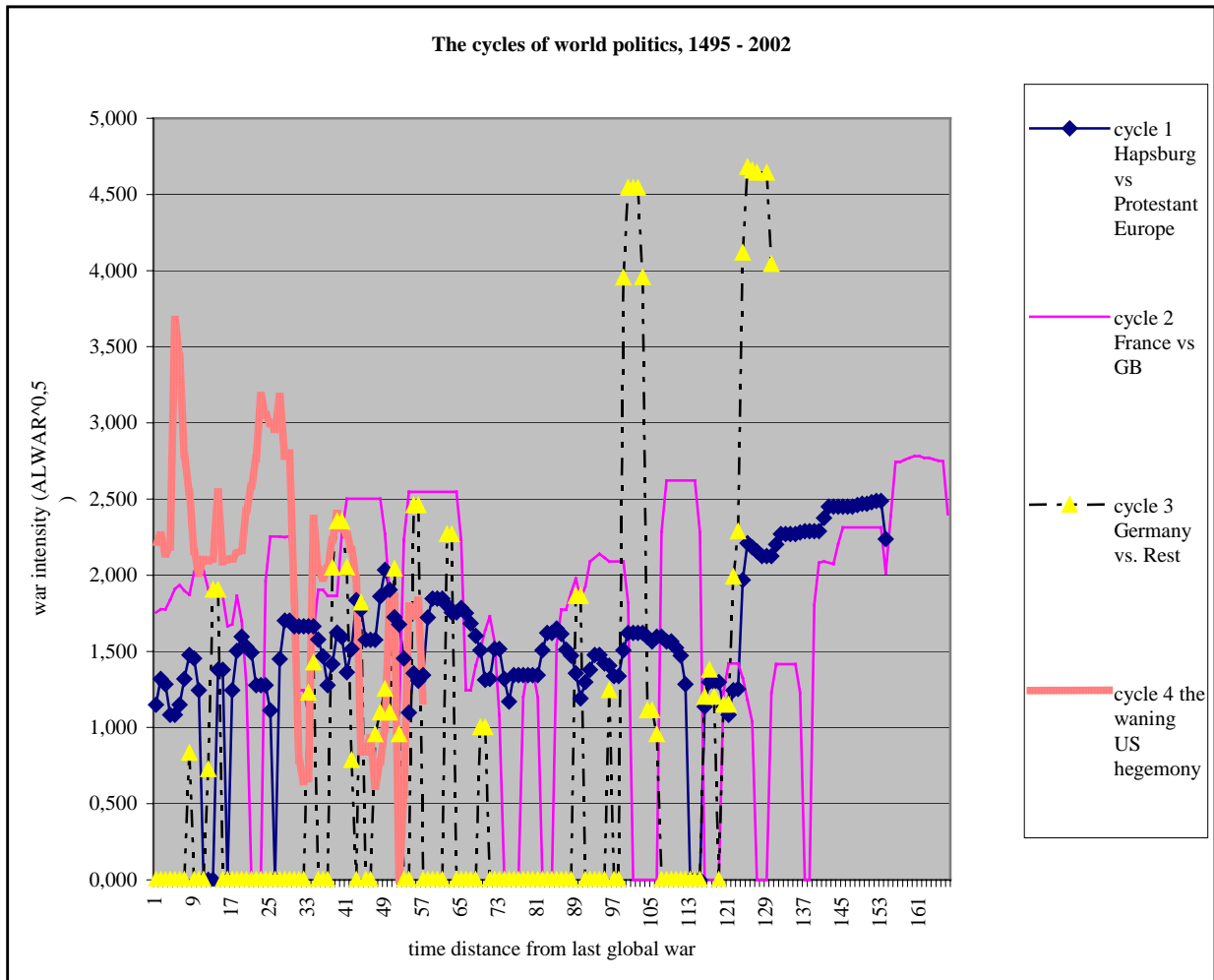
### 5.1. The cycle of global wars 1495 - 2002

By now, we all know very well today that there were voices that predicted the “end of history” in the 1990s. The world systems approach always took a more cautious line and would never preclude – at least in principle – a repetition of the insane economic cycles and major power rivalries that characterized the course of history since 1450 and which produced three devastating global wars, 1618 – 48; 1793 – 1815; and 1914 – 45 (see the by now classic contribution by Goldstein, 1988). In view of the methodological critique by several authors, including Beck (1991) and Silverberg (2005), against the “long wave school” it would seem appropriate rather to talk about “tendencies” or “waves” and not about “cycles”. Silverberg’s recent research paper applies spectral density analysis to two famous world system time series, Modelski’s and Thompson’s sea power index and the Levy-Goldstein great power fatalities data series. However, we try to show by using Kondratiev’s classic techniques of polynomial regressions that there are indeed several cycles, and not one cycle, of global economics and politics.

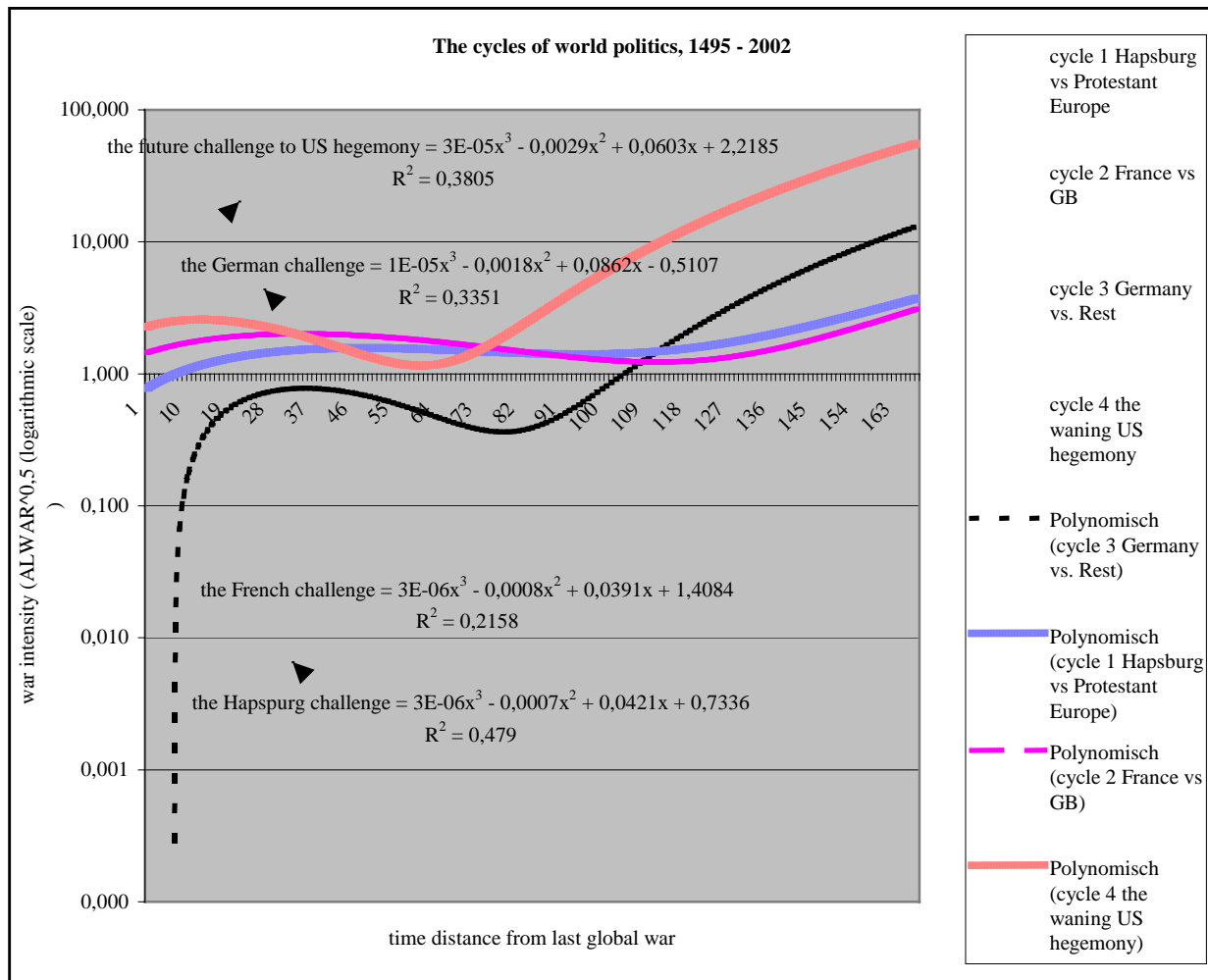
The massive international literature dealing with “war cycles” at any rate warrants a new analysis about the totality of the cycles from 1495 to 2002, years for which we have data about “annual battle fatalities from major power wars in thousands”. Undoubtedly, Goldstein’s thorough empirical analysis (1988) had an enormous impact on the subsequent research literature, and in turn contributed to the maturing of theoretical insights that existed until that publication. Predictions about the future were difficult to make because Goldstein’s data series about world economic development and global warfare both ended in 1975, the time when the Vietnam War ended. Since then, we saw the end of Communism, the *détente* of the 1990s, 9/11 and the “global war on terror”. A thorough empirical re-analysis of the relationship between world economic and world political development is necessary to re-evaluate the existing research literature [Adams K. R. (2005), Akerman J. (1936), Arrighi G. (1995), Arrighi G. and Silver B. J. (1999), Arrighi G. et al. (1996a), Attinà F. (2003a), Attinà F. (2005), Bergesen A. (1983), Bergesen A. (1983), Bornschier V. (Ed.) (1994), Bornschier V. and Chase-Dunn Ch. K. (1999), Boswell T. (1989), Boswell T. (1997), Boswell T. (1999), Boswell T. and Bergesen A. (1987), Boswell T. and Sweat M. (1991), Brecke P. (1999), Bremer S. and Cusack T. (1996), Chase-Dunn Ch. K. (1983), Chase-Dunn Ch. K. (1996), Chase-Dunn Ch. K. and Podobnik B. (1995), Chojnacki S. (2004), Ciprut J. V. (2000), Corbetta R. and Dixon W. J. (2004), Galganek A. (1992), Geller D. S. and Singer J. D. (1998), Goldfrank W. L. (1999), Goldstein J. S. (1985b), Goldstein J. S. (1988), Goldstein J. S. (1994), Goldstein J. S. (1996), Goldstein J. S. (2001), Goldstein J. S. (2005), Gray C. S. (2005), Hettne B. (1995b), Jourdon Ph. (2005), Kennedy P. (1989), Kennedy P. (1993), Köhler G. (1981a), Köhler G. (1981b), Köhler G. (1981c), Midlarsky M. I. (2000), Modelski G. (1983), Modelski G. (1987), Modelski G. (1988a), Modelski G. (1988b), Modelski G. (1989), Modelski G. (1990), Modelski G. (1995), Modelski G. (1996a), Modelski G. (1996b), Modelski G. (1999), Modelski G. (2000a), Modelski G. (2000b), Modelski G. (2001), Modelski G. (2005), Modelski G. and Perry, G (1991), Modelski G. and Poznanski, K (1996), Modelski G. and Thompson W. R. (1996), Modelski G. and Thompson W. R. (1999), Pollins B. M. (1996), Rennstich K. J. (2002), Rennstich K. J. (2003), Rennstich K. J. (2005), Reuveny R. and Thompson W. R. (2003), Russett B. (1994), Schulz B. (1999), Senghaas D. (1989), Senghaas D. (1994), Senghaas D. (2002), Tausch A. (2004d), Thompson W. R. (1983a), Thompson W. R. (1983b), Thompson W. R. (1999), Thompson W. R. (2001), Thompson W. R. and Modelski G. (1994), Weede E. (1994), Weede E. (1999b), Wolf, R.; Weede, and E.; Snyder, J. (1996)].

The recurrence of major power wars in the capitalist world economy from 1495 to the present is one of the most intriguing features of the existing international system. The x-axis in Graph 5.1 presents the number of years after the end of the major power wars, i.e. 1648, 1816, and 1945, the y-axis war intensity (great power battle fatalities from all wars <sup>0.50</sup>). Each world political cycle up to now corresponded to an indented ‘W’- or even indented, inverted “S”-pattern of untransformed annual battle fatalities from major power wars in thousands.

**Graph 5.1: War intensity in the world system since 1495 and the global war cycles 1495 ff; 1649 ff; 1817 ff. and 1945 ff.**



Legend: based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo: [http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.html](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.html), recalculated for the aims of a comparison of “*great power battle fatalities from all wars*”. Great Powers: the members of the UN Security Council plus Germany. The time axis (x-axis) is the time distance from the end of the last global war (1648, 1816, 1945), while y is war intensity (battle fatalities from all major power wars, fifth root).



Legend: based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo:

[http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.html](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.html)

re-calculated for the aims of a comparison of “great power battle fatalities from all wars”. Great Powers: the members of the UN Security Council plus Germany. Polynomisch = polynomial expression

As we show the appendix to the Chapter “MAJOR POWER WARS”, the untransformed data for the war cycles from 1495 to 2002 are statistically well explained by a polynomial expression of the 3<sup>rd</sup> order over time.

The international system is indeed characterized according to Goldstein by the following sequence of cycles:

**global war → world hegemony of the dominant power → de-legitimization of the international order → de-concentration of the global system → global war *et cetera***

The duration of these sub-phases of the international order is approximately one Kondratiev cycle each (an economic cycle of 50 to 60 years duration, see below), so the unit of time of the international system can be symbolized by the expression – one Kondratiev - 1κ. An entire hegemonic cycle lasts 3 Kondratiev waves.

Different sub-schools, like Goldstein, Russett, Weede or the present author (Tausch, 1997-2000) notwithstanding, Christopher K. Chase Dunn and Bruce Podobnik wrote the most consistent, provocative scenario about global conflict involving the European Union. They think in earnest that – what they term – a European Union under the leadership of Germany - will be involved – with a chance of 50/50 – in a major global military confrontation with the United States by 2020! Immanuel Maurice Wallerstein, on the other hand, thinks it entirely likely that in the end we will be confronted with a major warfare between Europe and Asia in the 21<sup>st</sup> Century (Wallerstein, 2000).

Although this might be termed an absolute exaggeration of projective social scientific writing, a more careful re-reading of the world systems approach – especially the writings of Giovanni Arrighi, George Modelski, Andre Gunder Frank and Immanuel Wallerstein – does suggest that the 21<sup>st</sup> Century will be characterized by a further shift of the world economic centers of gravity towards Asia, and that the maintenance of peace of the enlarged Europe to the outside world will depend on European Union democracy, technical innovation, and the avoidance of what Arrighi has called – in allusion to the concept of power of historical Venice – a '*terra ferma*' constellation, i.e. the territorial concept of power and the exploitation of the hinterland – *the terra ferma*. In the history of the world economy, such major geographical shifts of economic activities and of military power – like in 1340, 1560, 1750 and 1930 -, were always associated with major wars and with a very deep economic depression.

We agree with Modelski (1999) that global challengers in the world system were always characterized by the interaction of

- a large army
- a large economy
- a closed, controlled society
- and weak, ethnocentric media.

Russett's hypothesis about the great probability of peace between democracies is an all-important, further element in this debate.

At any rate, the future of the open society in Europe, the exact fulfillment of the Copenhagen criteria of a functioning democracy and market economy in the EU enlargement process, and the future democratization of the Union - also in face of the darker sides of the European heritage and the very idea of an economically united Europe under authoritarian premises under Nazi rule before 1945 (Laughland, 1998) - become decisive whether or not Europe will become a global challenger in Modelski's sense, and will determine whether Europe is a new challenger of the new evolving global leadership along the Pacific axis that could fit into the pattern, described by Modelski:

- an oceanic navy
- lead industries, fiscal strength
- democratic potential, party system
- strong active media.

A relatively closed society, combined with high customs, a reliance on military land power, exploitative relations with the internal and immediate external peripheries (the hinterland of Northern Italy before the great Italian wars of the

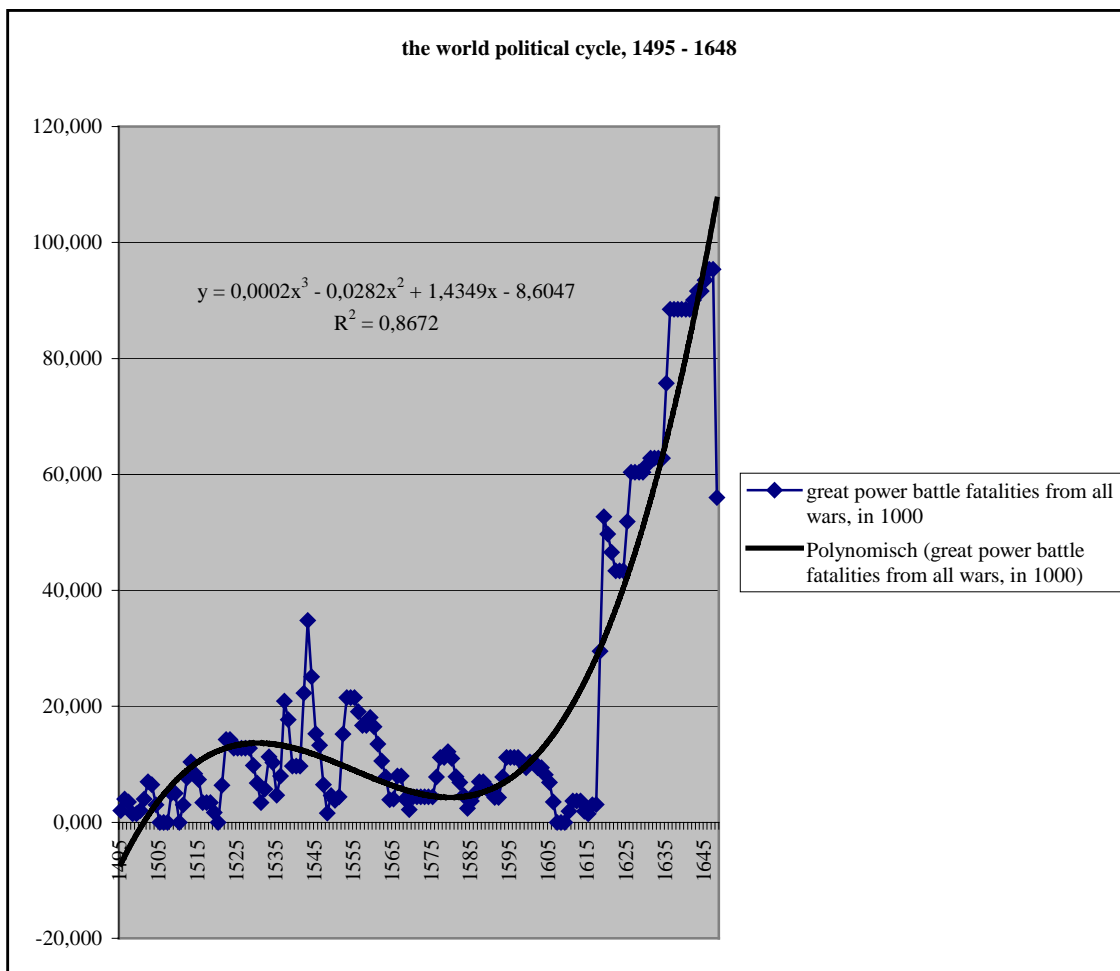
13<sup>th</sup> and 14<sup>th</sup> Century, the Spanish colonies and internal peripheries in Hapsburg Europe before the global war 1618, the French internal peripheries and colonies before the Napoleonic Wars, and Germany's '*Drang nach Osten*' before 1914) and a relatively weak technological home-base characterized the attempts at world power, while the successful world hegemonies (the United Provinces of the Netherlands, the United Kingdom, and the United States) were each time the practical opposites on all or most of these dimensions: a naval, knowledge-driven and world-market concept of power, a society open to migration, low customs, a large sea power and a smaller, but mobile and disciplined and readily deployable land-army, and a strong technological home-base.

Significant for hegemonic success is also the strong social role of the urban merchant class that is in stark contrast to the ties between the land and capitalism, characteristic of the '*rentier*' political economy of Hapsburg Europe, France, and Germany, the historic challengers that lost the world leadership contest.



**Graph 5.2: The war cycles from 1495 to 1975**

**a) 1495-1648 - the evolution of the Hapsburg versus rest constellation, the genesis of the Thirty Years War**



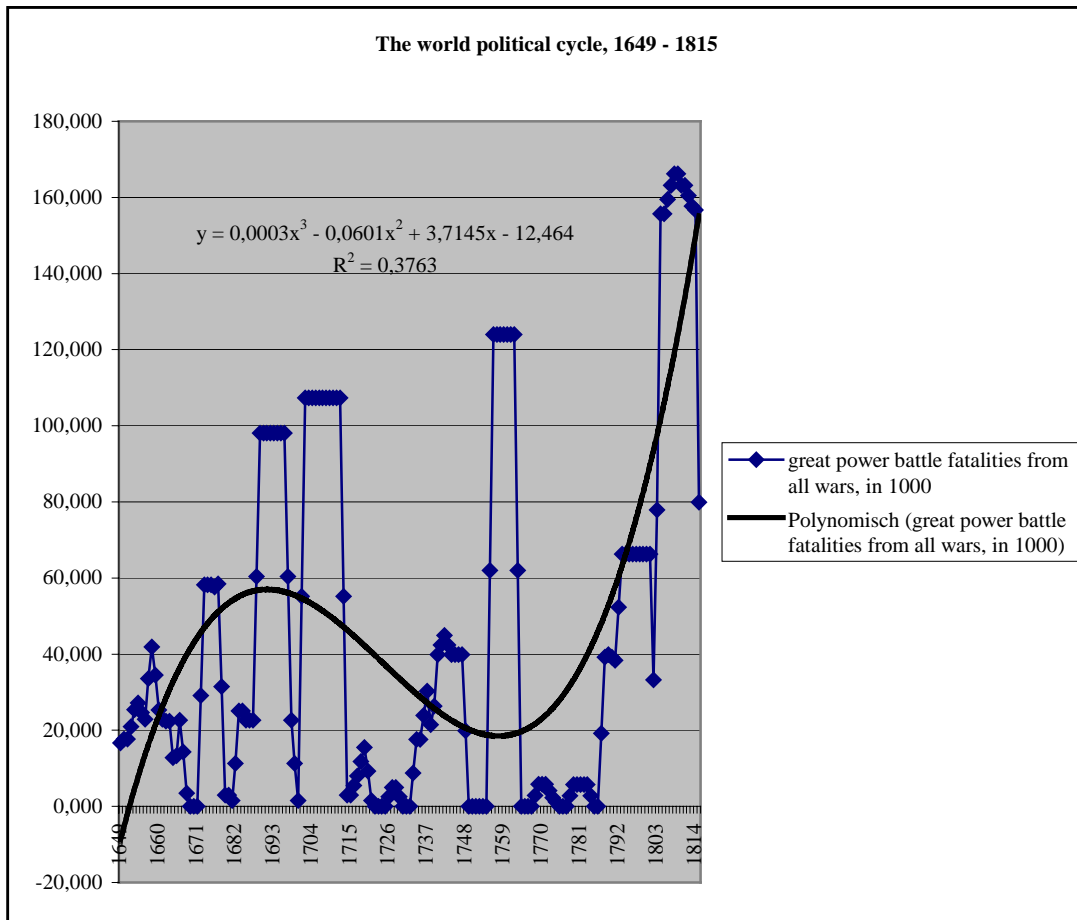
Legend: According to statistical practice, there are regressions using first order polynomial expressions (i.e.  $y = a + b_1 \cdot x$ ), second order polynomial expressions (i.e.  $y = a + b_1 \cdot x + b_2 \cdot x^2$ ) and so forth.

The dependent variable is

y = war intensity (untransformed). All calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo:

[http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.html](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.html), re-calculated for the aims of a comparison of “great power battle fatalities from all wars”. Great Powers: the members of the UN Security Council plus Germany. Polynomisch = polynomial expression of the 3<sup>rd</sup> order

**b) 1649-1815 - the evolution of the France versus rest constellation, the genesis of the Napoleonic Wars**

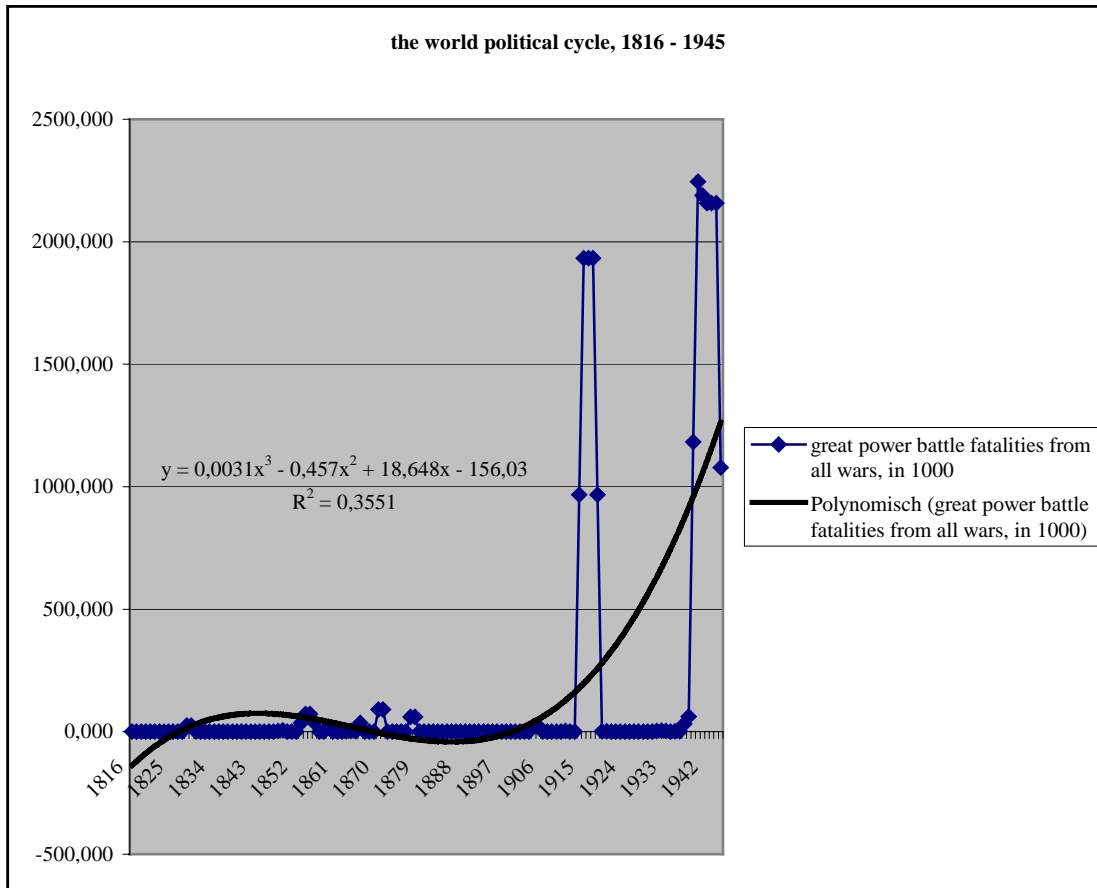


Legend: The dependent variable is  
 y = war intensity (untransformed).

All calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo:

[http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.html](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.html), re-calculated for the aims of a comparison of “great power battle fatalities from all wars”. Great Powers: the members of the UN Security Council plus Germany. Polynomisch = polynomial expression of the 3<sup>rd</sup> order

**c) 1816-1945 - the evolution of the Germany versus rest constellation, the genesis of the German world power challenge**

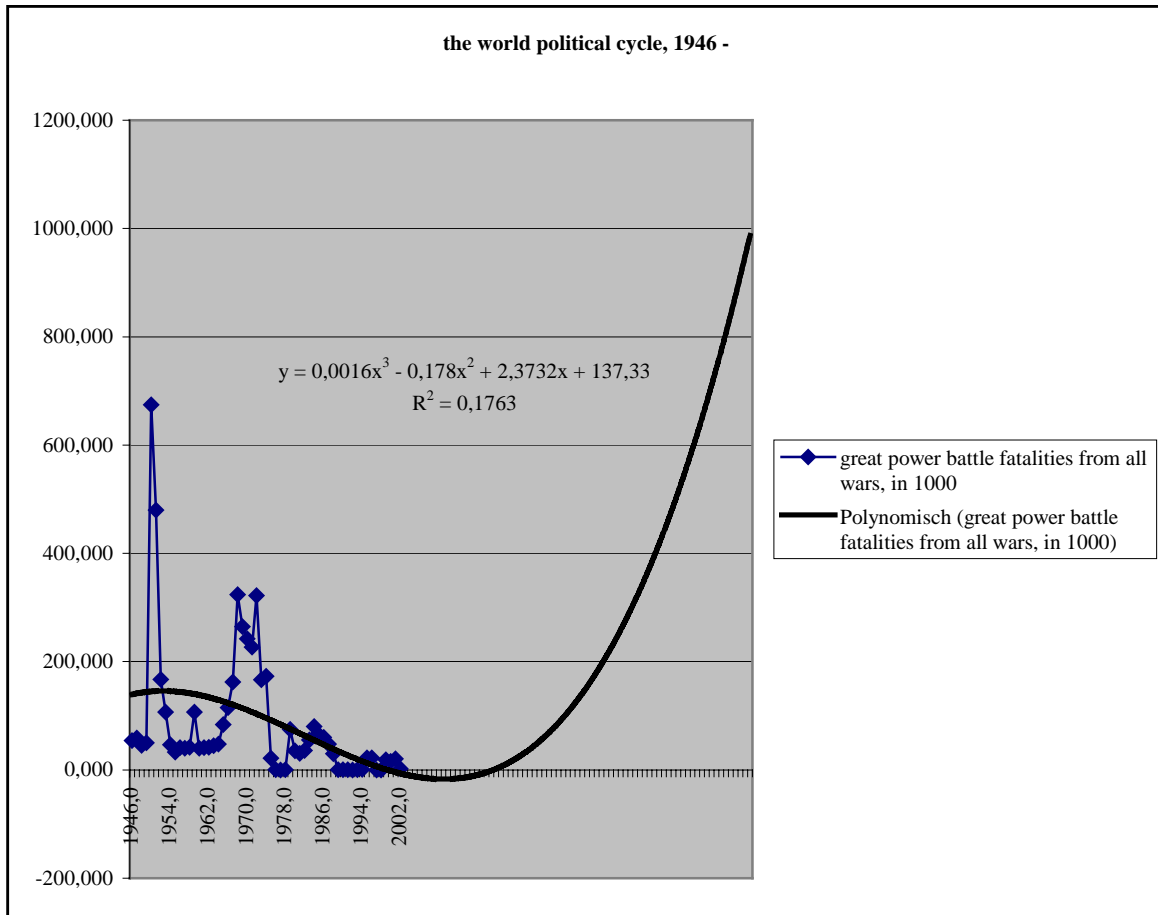


Legend: The dependent variable is  
y = war intensity (untransformed).

All calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo:

[http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.html](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.html), re-calculated for the aims of a comparison of “great power battle fatalities from all wars”. Great Powers: the members of the UN Security Council plus Germany. Polynomisch = polynomial expression of the 3<sup>rd</sup> order

**d) 1946 – 2002 – towards the de-legitimation of the global leadership by the United States of America?**



Legend: The dependent variable is  
 $y = \text{war intensity (untransformed)}$ .

All calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo:

[http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.html](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.html), re-calculated for the aims of a comparison of “great power battle fatalities from all wars”. Great Powers: the members of the UN Security Council plus Germany. Polynomisch = polynomial expression of the 3<sup>rd</sup> order

World hegemonies that characterize the workings of world capitalism arise and they also end. As it is well-known in world system research, especially from the works of Arrighi and Silver, there are signal crises of world capitalism (the usual Kondratiev depressions), and there are terminal crises of the world system, when hegemonies end.

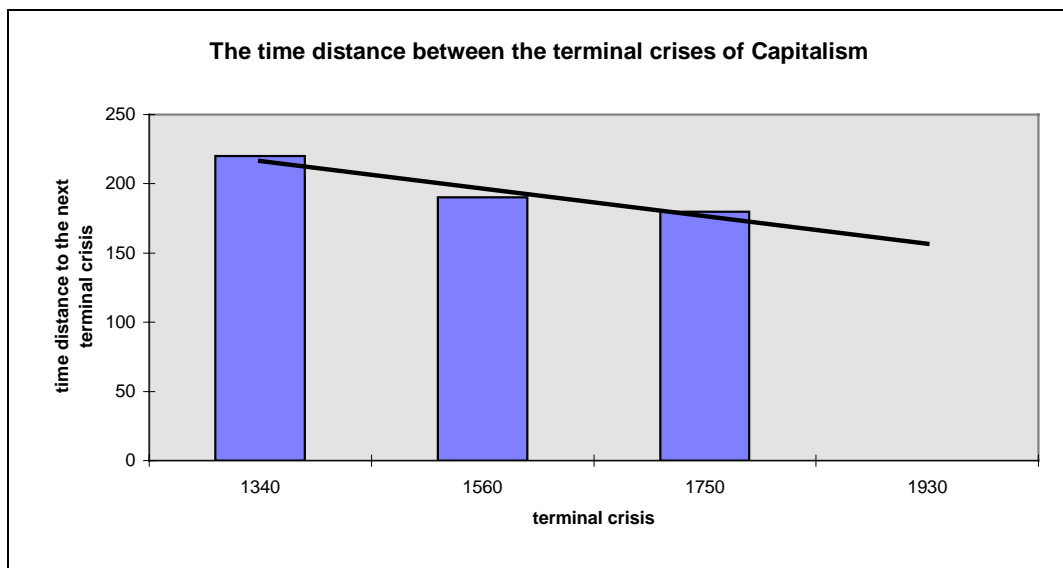
Peaceful transitions from one hegemony to the other are among the most intricate questions of peace research and peace policy of our time.

These moments of world hegemony transformation, as Arrighi and Silver and as Boswell (1999) have shown, are especially dangerous culminations of world depressions and are characterized by a subsequent fight for world hegemony, like during the great crash of the 1340s, which marked the beginning of the Genoese age<sup>34</sup> (Arrighi) or Portuguese and Genoese age (Modelski), the crash of the 1560s, which marked the beginning of the Dutch era, the depression of the 1750s and 1760s, which marked the beginning of the British era, and the Great Depression in the 1930s, which was the terminal crisis of British world capitalist dominance (Arrighi, 1995). Regulation can be successful, like after 1560, and 1930, and deregulation can be successful, like after 1340, 1760, and - most probably - the 1980s (compiled from Arrighi, 1995).

A world-hegemony evolves and declines during at least two Kondratiev waves. We think it fairly safe to assume that there is no such early immediate terminal crisis of the capitalist system, but that the risk for such a crisis rapidly increases after 2020 or 2030. Even at the risk of gross oversimplification, the following scheme could be drawn:

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<sup>34</sup> A serious debate about the aspects of Genoa's hegemony is beyond the limits of this essay, and would presuppose an enormous amount of details about Italian Medieval and early modern history. It seems important to remind readers here – as the mathematician and anthropologist Douglas White from the University of California at Irvine has shown in an interesting reaction to Arrighi's theory (<http://eclectic.ss.uci.edu/~drwhite/Anthro179a/inflate1text.htm>) - that Genoa's ascent began in 1298, when Genoa's fleet defeats the Venetian fleet. 1648: Treaty of Westphalia, consolidation of Dutch hegemony; 1797: The British fleet defeats Dutch fleet at Battle of Camperdown. Britain establishes hegemony. 1919: The British 'century' came to an end only when the World War exhausted its energies and drained its reserves. 1945: the cycle of US hegemony begins. White goes on to say that there has been a pendulum swing back and forth in the type and form of hegemony from extensive (Genovese diaspora in the city state period) to intensive (the Dutch in the nation-state period developing international corporate organization like the Dutch East Indies Trading company) back to extensive (British overseas colonization, another diaspora) and back again to intensive (the American international corporate model, which has its origins in the 1890s). The first crash in the Genoese trading system occurs in 1339 when Edward III defaults on massive loans from two Florentine merchant houses. The Florentine banks collapse in 1348, a date often taken as marking decline of the trading system. The Florentine Medici emerge as the major European financial power, and although Venice defeats Genoa in 1380 at Chioggia but the Genoese merchant diaspora remain as a stabilizing factor in the trading system. 1478-80 marks the war between Florence, Venice, Milan and the Papacy, Siena and Naples. 1527-30 marks the foundation of the Florentine Republic. White says: „*Whether these events indicate a clear-cut weakening of Genoese diasporic hegemony that correlates with the start of a significant inflationary period in the 1520s remains open to interpretation, at least in my reading at this juncture*“. White also links these debates with world inflation history.

**Graph 5.3: terminal crises of capitalism**

Source: our own compilation from Arrighi, 1995, and Tausch, 1998. The above graph can be interpreted only as a very rough simplification. The left hand scale is measured in numbers of years that passed between one hegemonic crisis and the next one. The simple linear trend would suggest that the next terminal crisis would happen somewhere in the 21<sup>st</sup> Century

There seems to be ample evidence, reproduced, among others, in Tausch (2003) that the terminal crises of capitalism, like Tsunami waves of world politics, have devastating consequences for the well-being of the great majority of humanity. Evidence, based on the works of Andre Gunder Frank and Rudolph Rummel suggests that as a consequence of the terrible world depressions of the 1350s (coinciding with the Black Death) and 1750s, Europe lost significantly its share in total world population, while the earthquake of world politics 1900 – 1950 had an estimated 187.7 million victims in terms of political repression, genocide and democide, i.e. a good part of all the estimated total victims (482 million human beings) of democide, wars and repression in total human history. Among the major world systems researchers of our time, the late Andre Gunder Frank was most active in championing the idea that there are major economic cycles dating back 5000 years in human history. This idea was put forward by him for example in 1994, in an important paper which he presented to the New England Historical Association. A more final word by Frank on these large cycles is to be found, among others, in his "ReOrient", 1998: 248 ff.

For Modelski<sup>35</sup>, the following larger cycles hold:

<sup>35</sup> The contradiction to Arrighi's analysis concerning the role of Venice and Genua should be mentioned here

**Table 5.1: K-waves: the sequence of global leading sectors according to Modelski**

K-wave	From about	K-waves (global leading sectors)	Major innovation	Long cycles
K1	930	K1 Printing and paper	Learning society, book printing	<b>LC1 Northern Sung</b>
K2	990	K2 National market	North-south market unification	
K3	1060	K3 Fiscal framework	Monetization, paper money	<b>LC2 Southern Sung</b>
K4	1120	K4 Maritime trade	Compass, large junks	
K5	1190	K5 Champagne Fair	European market organized	<b>LC3 Genoa</b>
K6	1250	K6 Black Sea trade	Innovations from East Asia	
K7	1310	K7 Galley fleets	New markets in North Europe	<b>LC4 Venice</b>
K8	1350	K8 Pepper	Alexandria-connection institutionalized	
K9	1430	K9 Guinea gold	"Discovery" of African trade	<b>LC5 Portugal</b>
K10	1494	K10 Indian spices	Operating oceanic route	
K11	1540	K11 Atlantic, Baltic	American silver	<b>LC6 Dutch Republic</b>
K12	1580	K12 Asian trade (VOC)	Dutch East Indies Co. VOC	
K13	1640	K13 Amerasian trade	Plantations	<b>LC8 Britain I</b>
K14	1688	K14 Amerasian trade	Tobacco	
K15	1740	K15 Cotton, iron	Factory production	<b>LC9 Britain II</b>
K16	1792	K16 Steam, rail	New forms of transport	
K17	1850	K17 Electrics, chemicals, steel	Invention of invention	<b>LC10 United States</b>
K18	1914	K18 Autos, air, electronics	New products	
K19	1972	K19 Information industries	Computers	

K-20	2026			
------	------	--	--	--

Legend: compiled from George Modelski, 2002, world-wide freely and publicly available from: <http://faculty.washington.edu/modelski/Evoweconomy.html>.

## **5.2. A re-analysis of Joshua Goldstein's conflict clock – where are we now? 1870? 1913? 1938?**

So, where are we now? 1870? 1913? 1938? World systems theory is full of speculation about the future, and much of world systems research writing projects a major global war by around 2020 or 2030. Just let us quote from famous world systems researchers:

a) **Goldstein** (2005) returned to his “**conflict clock**” (Goldstein, 1988: 259). Looking back on his predictions and his work, he now defines 2000 as the war trough year, to be followed by a 2005 price trough and real wage peak, 2010 an expansion phase, 2015 a production peak, 2020 an investment peak, 2025 an innovation trough and 2025 a war peak, and 2030 a price peak. Goldstein is clear about his prediction about the 2020s as the next real danger zone of world politics:

*“In my 1988 book I pointed to the period around the 2020s as a potential danger zone, and it still worries me” (Goldstein, 2005: 8)*

b) **Chase-Dunn and Podobnik** (1999) see a **50/50 chance of global war** by around 2020, with the most likely contenders of the US being either a United Europe under German leadership or Japan

c) **Boswell** (1999) presents a list of **10 system evolution steps**, starting by the relative decline of the United States, followed by imperial rivalry and global war between 2010 and 2020, to be followed by another world system sequence, ending by 2080 or 2090 in yet another cycle of relative decline of the hegemon who won the last world war by 2010/2020 ...

d) Work by **Attinà and Modelski** also suggests that we most probably will not escape the fatal cycle of global leaderships and global contenders. Since the mid 1960s, the **defense pact aggregation index** that measures the percentage share of defense pact members in the total number of states in the international system i.e. the control that existing, established mechanisms of world political leadership exercise over global politics, has **declined**, suggesting that the era of global power by the United States, which was established in 1945, definitely comes to an end and that our era is pretty similar to the era 1850 – 1878, which was characterized by the **de-legitimation** of the then British leadership, followed by the **de-concentration** of the international system and the era of coalition-building between 1878 – 1914, which ended, as we all too well know, in the **catastrophe** of 1914. Goldstein interprets the past global political cycles (→ see also WORLD SYSTEMS GOVERNANCE) as:

**global war → world hegemony of the dominant power → de-legitimization of the international order → de-concentration of the global system → global war et cetera**

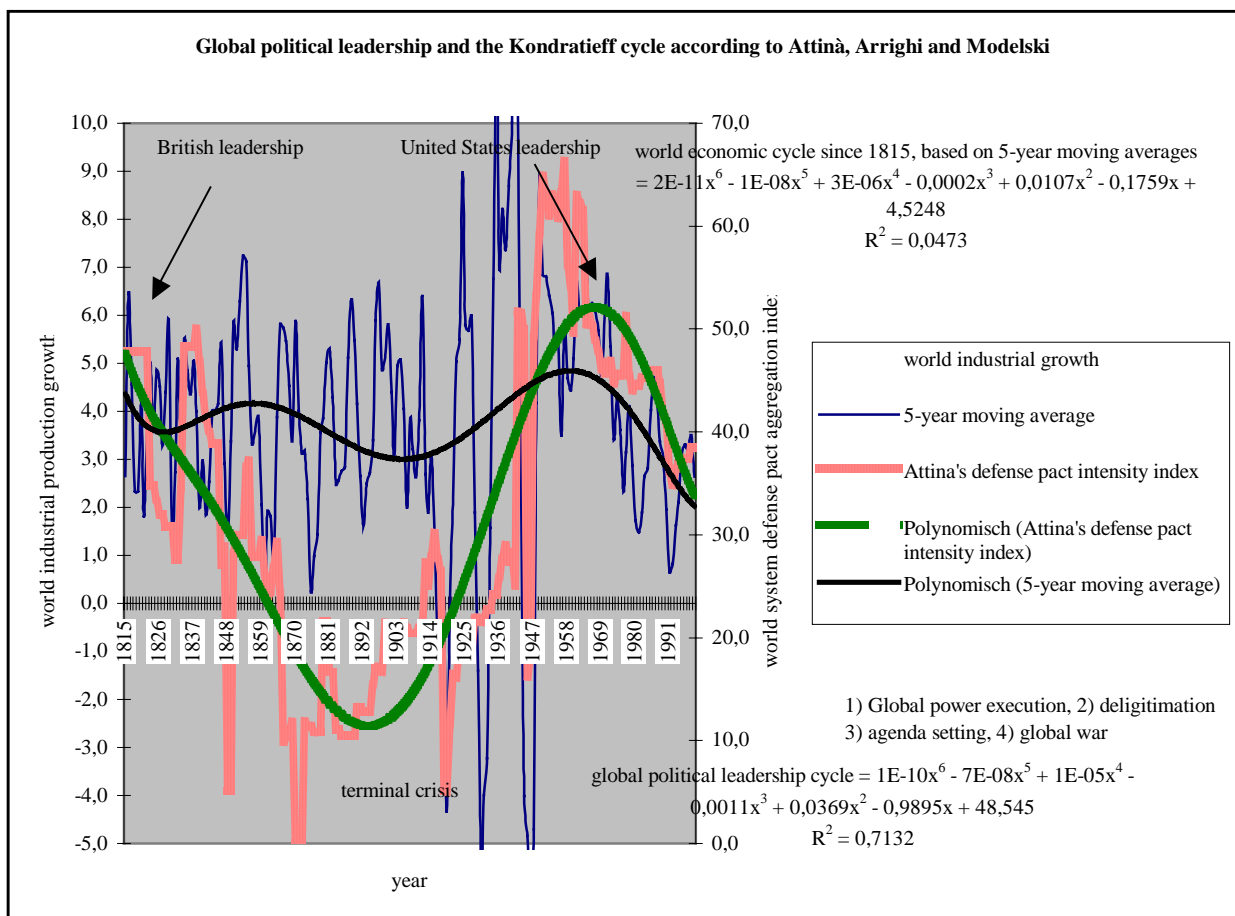


Attinà interprets the global political cycles of the world system in accordance with Modelski as:

**global war macrodecision → global power execution → de-legitimization and agenda setting → de-concentration and coalition building → global war macrodecision *et cetera***

The defense pact aggregation index neatly measures, Attinà argues, these cycles. In the preceding chapter on KONDRATIEV WAVES we already established that the tsunamis of the break-up of the world military order precede the tsunamis of world depressions. In our Graph 5.4, we further compare these cycles with the long swing of world economic development and come to the conclusion that these two cyclical movements are **roughly in parallel**. But the tsunami crisis of world politics indeed, as we already stated, **precedes** the tsunami economic crisis:

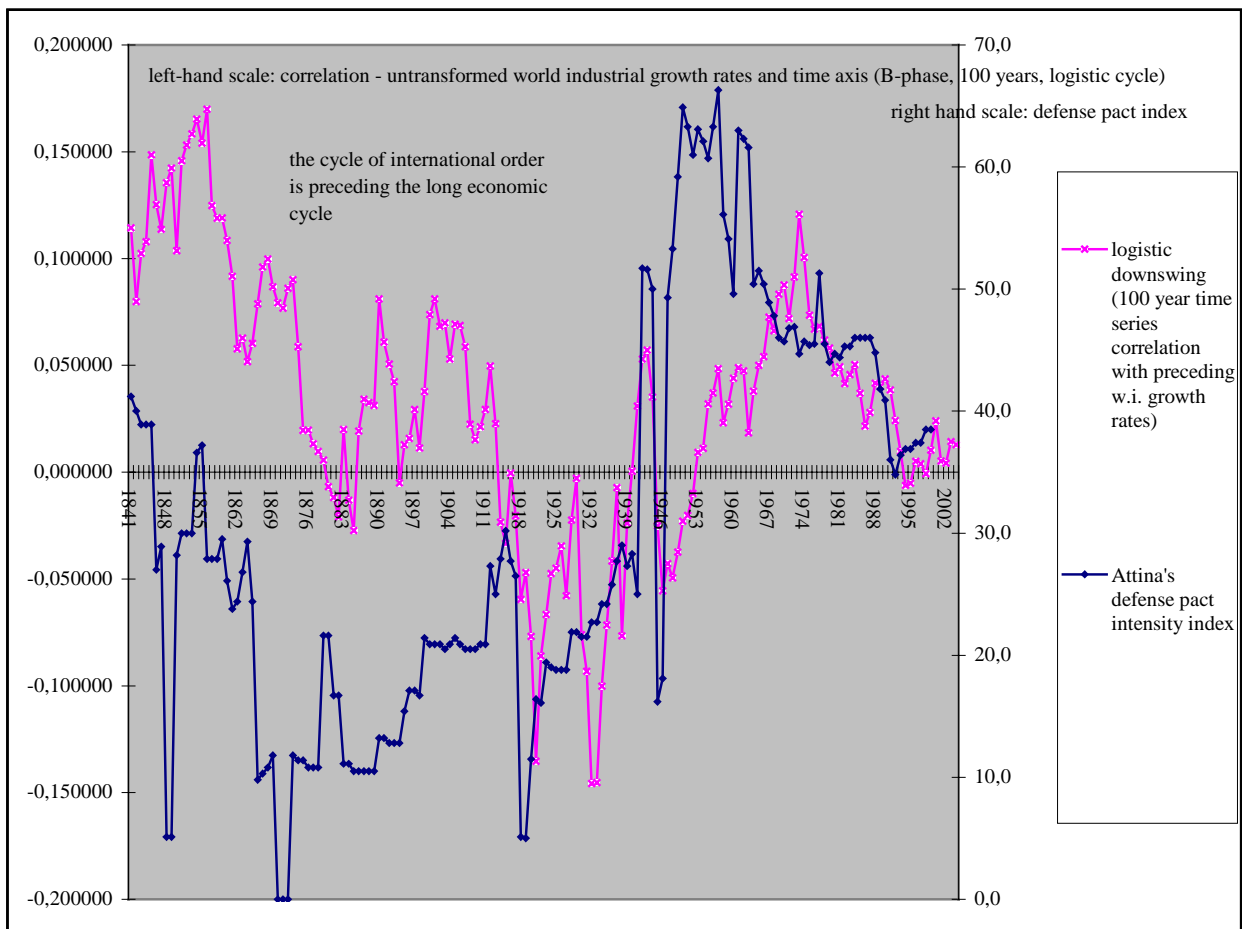
**Graph 5.4: Global political leadership and the long waves of world development: declining growth rates and world political de-concentration – the evidence for the period after the Congress of Vienna 1814 - 1815**



Legend: Calculations about world industrial production growth are based on the data, provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004). All war-related calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo:

[http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.htm](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.htm), re-calculated for the aims of a comparison of "great power battle fatalities from all wars". Great Powers: the members of the UN Security Council plus Germany. This graph further specifies the movements of world politics and economics, shown in the preceding Chapter. Potenziell: potential function; polynomisch: polynomial function. Gleitender Durchschnitt: sliding average (5 year sliding averages). This time, the analysis of world politics and economics specifies what is to be understood by a "terminal crisis" of capitalism. Terminal crises can only happen, when the world political order decays fundamentally. The calculations are based this time on polynomial trend projections, based on 5-year moving averages of the original data on world industrial production growth and Professor Attina's defense pact index. The analysis again shows that the movements in the world political order, measured by Professor Attina's defense pact index, actually **precede** the world economic swings. Polynomisch = polynomial expression

**Graph 5.5: Global political leadership and the long waves of world development: world political de-concentration and economic stagnation (B-phases of 100 year logistic cycles in the tradition of Wallerstein) - the evidence for the period after the Congress of Vienna 1814 - 1815**



Legend: Sources: as before. This graph again specifies the movements of world politics and economics, shown in the preceding Graph. Potenziell: potential function; polynomisch: polynomial function. The results from the "sliding 100 year correlation analysis" of world industrial production

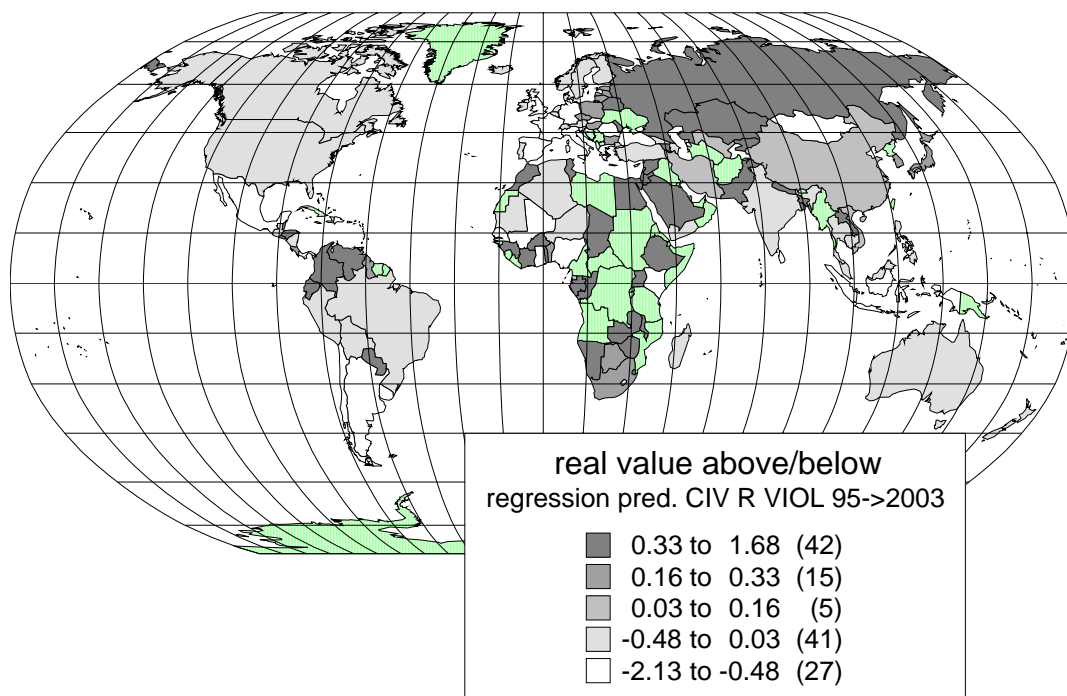
growth this time are compared with the movements along Professor Attina's defense pact index (untransformed).

At any rate, the contemporary geographic and systemic **selective retreat** of the respects **for civil rights** around the globe – an average positive trend development 1995 – 2003 notwithstanding -, suggests that **freedom is on the retreat precisely in those regions, where there were gains in freedom and human rights owing to the transformations of 1989 and the second and third wave of democratization of the 1980s and 1990s**, thus partially contradicting the liberal globalist optimism inherent in the analysis by Soysa and Gleditsch (2002). The **retreat of democracy and human rights will most probably go hand in hand with a more conflict-oriented foreign policy in years to come**. Under the weight of globalization and the openings of markets, the weak economies and societies of the former communist world and several democracies of the South witness a real retreat of civil liberties, exacerbated by the recent wave of increasing human rights abuses in the context of the *"global war on terror"*:

**Map 5.1: the regions of the retreat of the respect for civil rights, 1995 - 2003**

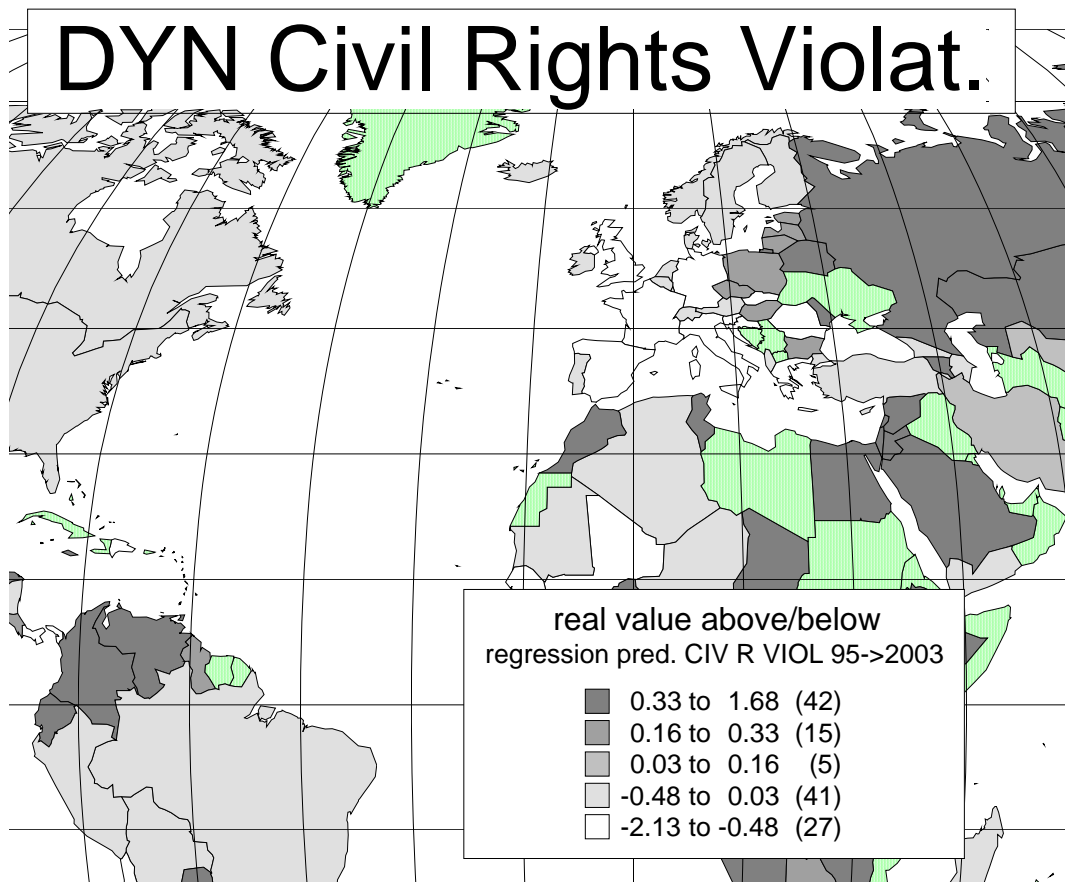
a) the evidence on a world level

# DYN Civil Rights Violat.



Legend: civil rights violations 2003, predicted by the level of civil rights violations, 1995. The dark zones are the countries, where the respect for civil rights diminished above the world trend during that period. Source: our own calculations from the Freedom House EXCEL table, available at <http://www.freedomhouse.org/ratings/allscore04.xls>. Missing values for large parts of Africa, and some countries of Eastern Europe and Asia.

## b) the evidence for the “North Atlantic arena”



Legend: civil rights violations 2003, predicted by the level of civil rights violations, 1995. The dark zones are the countries, where the respect for civil rights diminished above the world trend during that period. Source: our own calculations from the Freedom House EXCEL table, available at <http://www.freedomhouse.org/ratings/allscore04.xls>. Missing values for large parts of Africa, and some countries of Eastern Europe and Asia.

At this stage, it is again important to look into the cycles of reform and regime tightening in Eastern Europe, as we already did in the Chapter on WORLD SYSTEM GOVERNANCE. Just as during the world depression of the 1930s democracy could not survive in the region (Polanyi, 1944), today the danger arises that instability and not democratization will triumph in the end, especially in countries like those of the former USSR. The turning points in the long waves between the ascents and decline phases (B-phases) were always the beginnings of political decay in the region, while the ascent phases were associated with authoritarian modernization; time-lags between the Western cycle and the Eastern semi-periphery and periphery have to be taken into account. The decisive-*kairos*-years are (dates before 1756 from Goldstein, 1988):

1509  
1539  
1575  
1621

1689  
 1756  
 1832  
 1885  
 1932  
 1975

The former hegemonic contenders from earlier global wars slowly slide into a non-acceptance of their status in the international system. The real power struggle erupts already soon after the great hegemonic war, and through the ups and downs of the history of the system evolves slowly into the hegemonic challenge. Seen in such a way, not 1989, but Korea and Vietnam could become rather the benchmarks of the future W-structure of conflict in the international arena:

**Table 5.2: the projected logic of world power competition 1495 - 2002**

role in war	Thirty Years War	Napoleonic Wars	WW I + II
losing economic contender	Hapsburgs	France	Germany
new hegemon	Netherlands	Britain	United States
newly emerging challenger which was an economically decimated member of the winning coalition	France	Germany	China and Russia
past contender for systemic hegemony, joining the war effort of the winning coalition	Sweden	Hapsburgs, Portugal	France

Source: our own compilations and projections, based on Tausch, 1991 and 1997

The triumphalism of America being the unrivalled military hegemonic power of our world notwithstanding, we believe that a serious strategic and political science analysis quickly reveals the direct manpower and other military constraints against continued U.S. military and political dominance in world affairs (Adams, 2005). It is often said that like Old Rome, America is without parallels in terms of military strength.

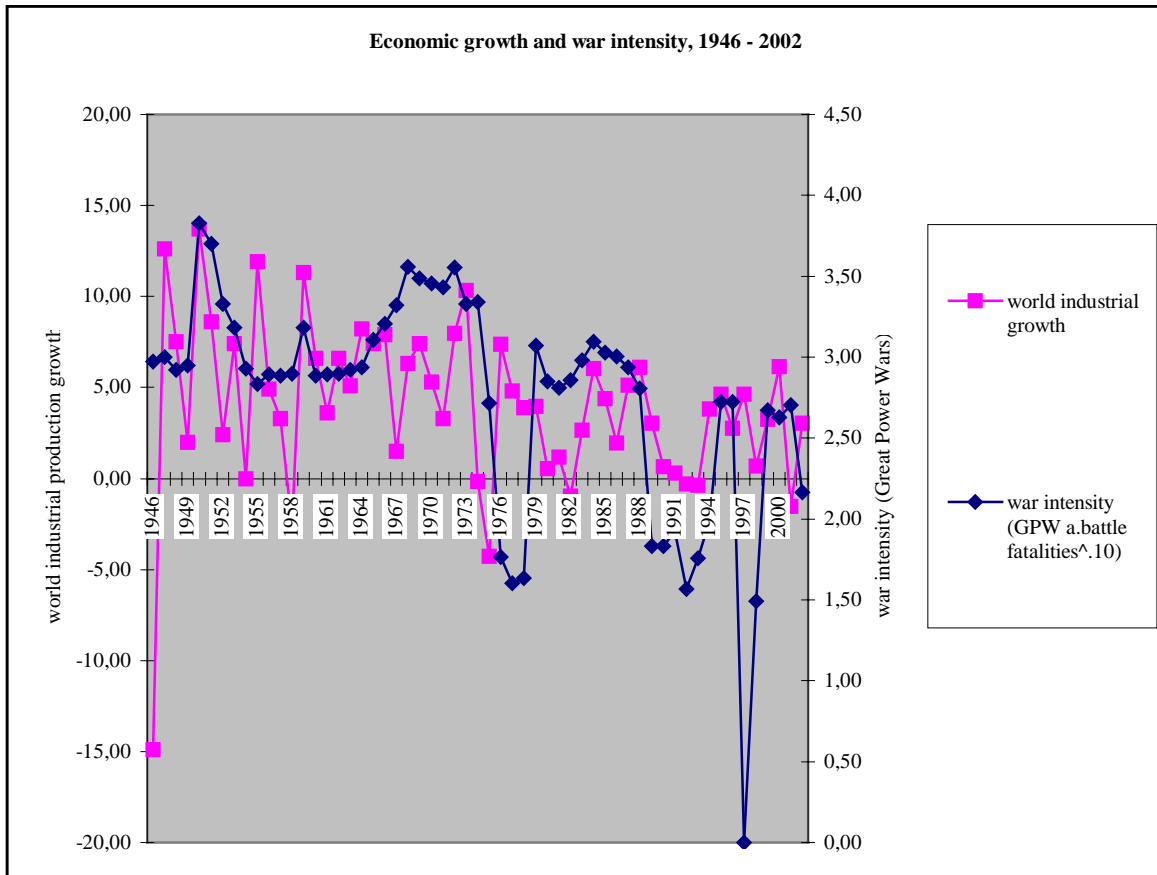
But such claims are, as we already stated earlier in this work, a simple myth, resting upon military spending figures that just demonstrate that the Pentagon spends a real lot of money converted into international exchange rates that are still favorable to the US Dollar but which are exchange rates untenable in the long run in view of the huge double deficits of the US economy. What is unparalleled in human history is not the "bang" that the US Conventional Forces can deliver on the ground, especially in a guerrilla warfare situation, but the "buck" that went to the Pentagon defense contractors, indeed an amount really unparalleled around the globe. The US budget deficit is now at 3.46 % of GDP, the current account balance deficit per GDP 4.90 % (2003), as stated by "Economist" Country Briefings, July 2005. The cumulated public debt of the United States is now 62.43 % of the US GDP. Compare this to the +2.44 % Maastricht budget data when President George W. Bush took office in 2000, as

well as the current account deficit that was still only at 4.19 % of GDP the same year. When William Jefferson Clinton handed over the office of the President, the cumulated public debt of the United States was only 57.98 % of the US GDP. What military manpower is concerned, even the "smaller" wars in Iraq and in Afghanistan show the extreme limits of the current capital intensive U.S. military doctrine, and for manpower reasons alone the US would be in no position to fight several conventional wars at the same time, let alone fighting another major confrontation at the same time as fighting the insurgencies in Iraq and Afghanistan.

Our final synopsis about world system tendencies towards peace or towards conflict do not support the generalized hypothesis that with global capitalism peace is "around the corner". Apart from the well-known data on conflicts per decade in the world system over the last 500 years (Brecke, 1999) that show no secular trend towards peace under globalization, we are especially preoccupied about the economic growth and war intensity connection that seems to have evolved in the world system, if not earlier, than at least since 1946. It is entirely possible that a military Keynesian consensus will emerge in the world system, but that will be a consensus towards warfare:

**Graph 5.6: war intensity and world industrial production growth since 1946**

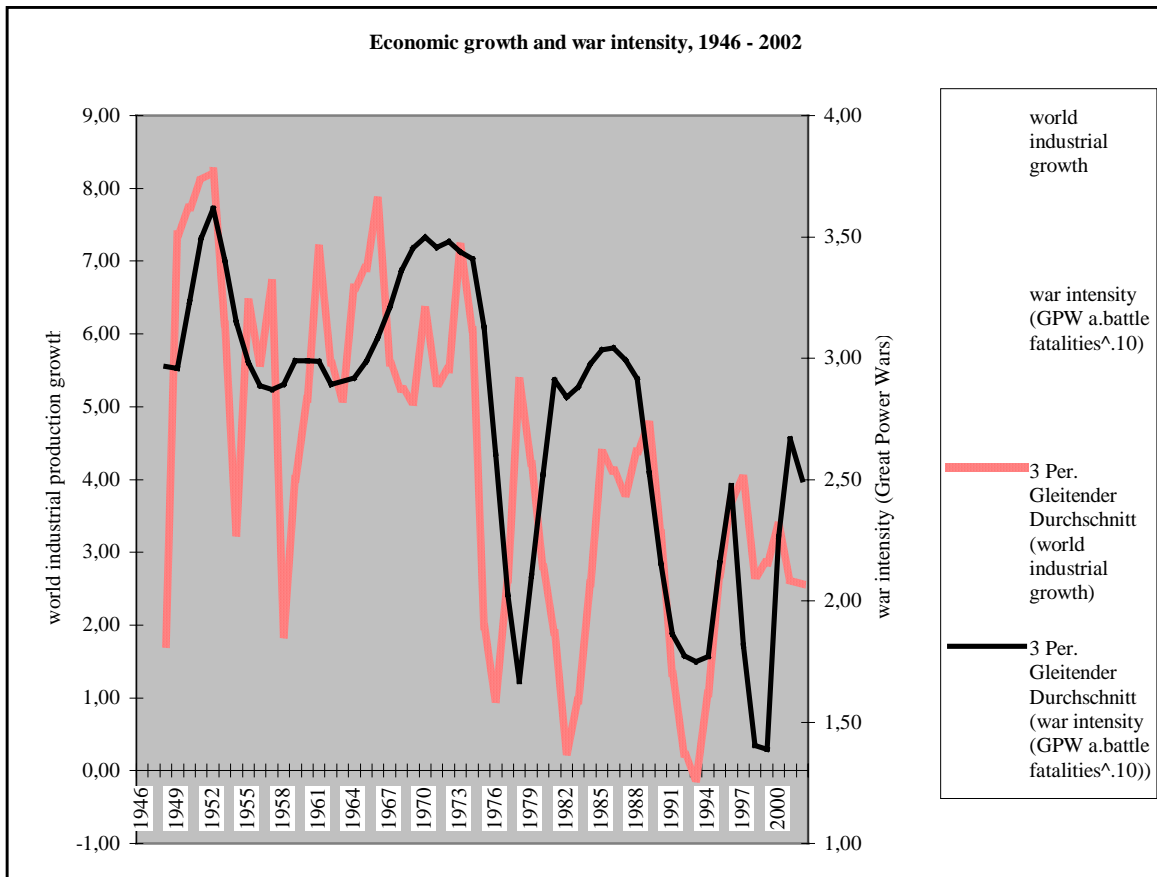
**a) the original data**



Legend: Calculations about world industrial production growth are based on the data, provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004). All war-related calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1946 – 2002 are based on the war data base as reported by PRIO Oslo: [http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.htm](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.htm), re-calculated for the aims of a comparison of “great power battle fatalities from all wars”. Great Powers: the members of the UN Security Council plus Germany.



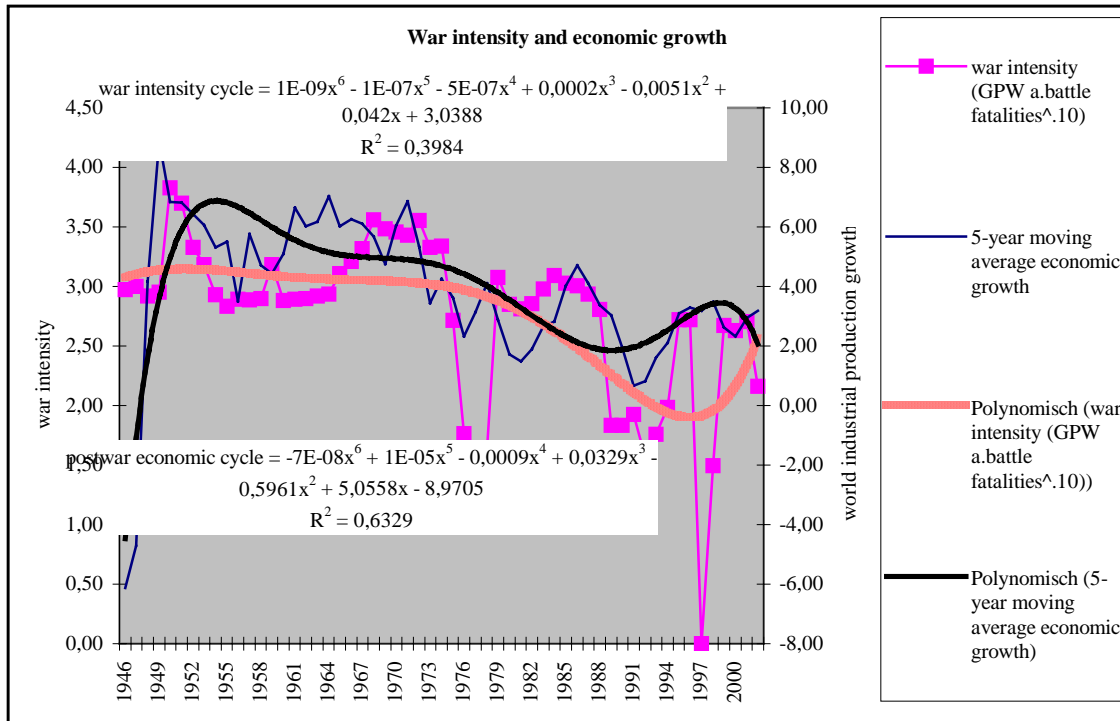
**b) three-year sliding averages**



Legend: Calculations about world industrial production growth are based on the data, provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004). All war-related calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo:

[http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.htm](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.htm), re-calculated for the aims of a comparison of “great power battle fatalities from all wars”. Great Powers: the members of the UN Security Council plus Germany. Gleitender Durchschnitt: sliding average (3 year sliding averages). Battle fatality rates: 10<sup>th</sup> root of the original values.

c) the stylized relationships over time

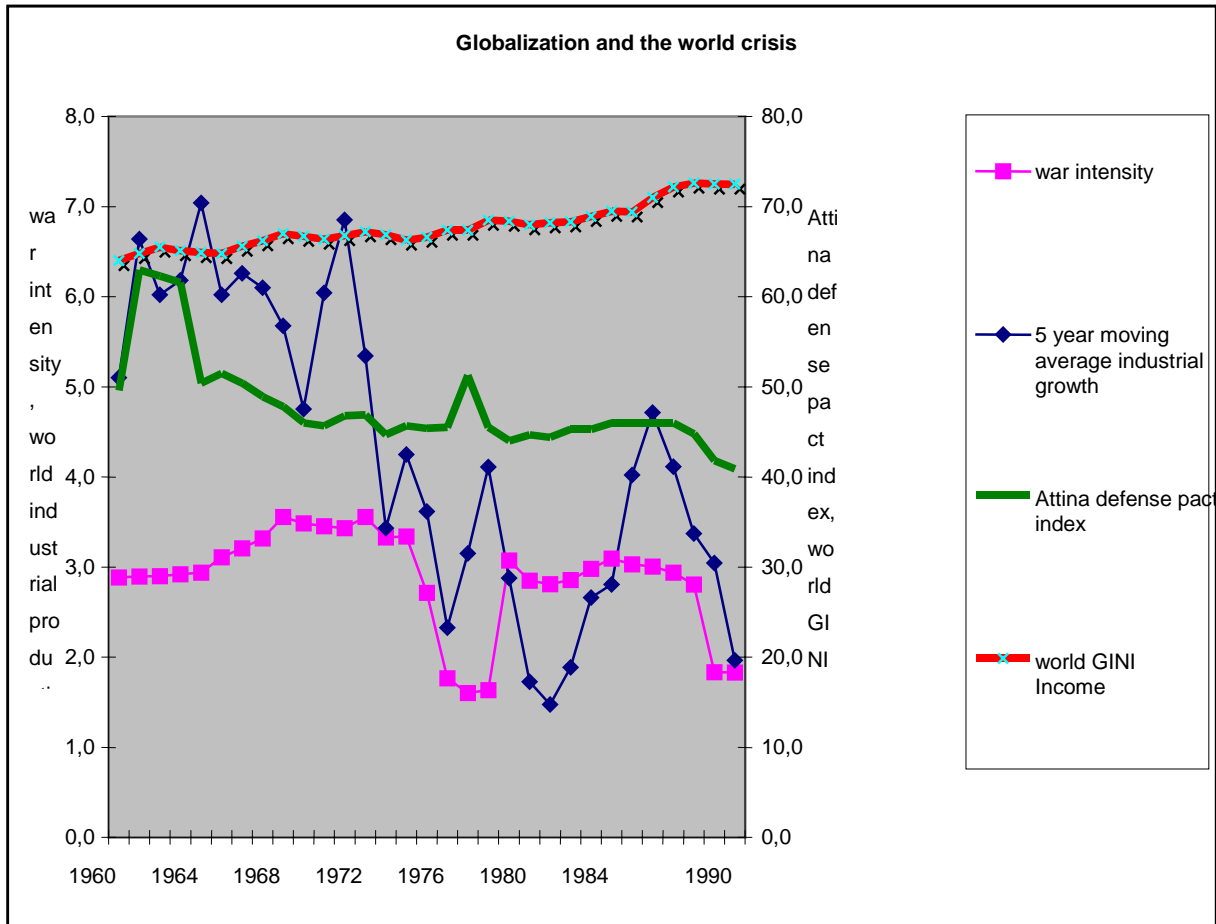


Legend: Calculations about world industrial production growth are based on the data, provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004). All war-related calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo:

[http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.htm](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.htm) , re-calculated for the aims of a comparison of “great power battle fatalities from all wars”. Great Powers: the members of the UN Security Council plus Germany. Gleitender Durchschnitt: sliding average (5 year sliding averages). Polynomisch: polynomial expression. Battle fatality rates: 10th root of the original values. The graph shows the dangerous Kairos of world politics that we are confronted with: stumbling economic growth, rising world political tensions

The combination of factors that favor war and not peace in the world system could not be more adverse: the relationship between declining world political order (as measured by the Attinà defense pact index), declining world economic growth (as measured by the rates of world industrial production growth), rising war intensity (that only leveled off in the 1990s in order to increase anew, see above) and rising world inequality (as measured by the rising world GINI inequality index, calculated by Schultz) have to be reconsidered. Our hypothesis is - also in view of developments beyond the 1990s - that the *belle époque* of globalization from 1960 – 1990 **did not bring about a more stable, egalitarian and peaceful world:**

**Graph 5.7: war intensity, growth, alliance stability and world income inequality 1960 - 1990**



Legend: Calculations about world industrial production growth are based on the data, provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004). All war-related calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1495 – 1945 (1975) were reported in Goldstein, 1988, the data 1946 – 2002 are based on the war data base as reported by PRIO Oslo:

[http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.htm](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.htm) re-calculated for the aims of a comparison of “great power battle fatalities from all wars”. Great Powers: the members of the UN Security Council plus Germany. Gleitender Durchschnitt: sliding average (5 year sliding averages). Polynomisch: polynomial expression. Battle fatality rates: 10th root of the original values. In addition to the previous graph, this analysis now compares the movements of international production and war with Professor Attina’s defense pact index and the movements of world income inequality, as reported by Nobel laureate Ted Schultz. The graph shows the dangerous Kairos of world politics that we are confronted with: stumbling economic growth, rising world political tensions, rising world income inequality (world GDP at exchange rates), a withering world political order.

What does all this mean in terms of the concept of the **“balance of power”**? To quote again from Colin S. Gray, the perhaps most influential strategist in the United States military apparatus:

*“(...) high-tech transformation will have only modest value, because war is a duel and all of America’s foes out to 2020 will be significantly asymmetrical. The more intelligent among them, as well as the geographically more fortunate and the luckier, will pursue ways of war that do not test US strengths. Second, the military potential of this transformation, as with all past transformations, is being undercut by the unstoppable processes of diffusion which spread technology and ideas. Third, the transformation that is being sought appears to be oblivious to the fact claimed here already, that there is more to war than warfare. War is about the peace it will shape.” (Gray, 2005: 20 – 21)*

### **5.3. Conclusion**

This Chapter has shown that serious quantitative analysis cannot overlook the tragic W-pattern of global war that was already established by Joshua Goldstein in his doctoral thesis in 1988. New evidence seems to suggest that this cycle has not ended with the end of the Cold War, and that preventive social action against “the globalization of warfare” is needed to assure for us, for our children, our grand-children and our habitat a peaceful co-existence in the 21<sup>st</sup> Century.

## 6. How unilateralism did not work in the past: major power wars

One of the most intriguing features of world systems theory is its prediction of the recurrence of global wars in the world capitalist system. In the 1990s, many people would have thought that after the end of the Cold War, such theories are rather obsolete. With growing military confrontations in Afghanistan, Iraq etc. in the framework of the “global war on terror” and with the growing military might of China, this theory tradition deserves at least a thorough empirical re-thinking and re-analysis.

The world systems approach takes a more cautious line than “end of history” predictions and would not preclude – at least in principle – a repetition of the insane economic cycles and major power rivalries that characterized the course of history since 1450 and which produced three devastating global wars, 1618 – 48; 1793 – 1815; and 1914 – 45 (see the by now classic contribution by Goldstein, 1988).

Updating conflict data (great power battle fatalities from all wars, Goldstein, 1988 and COW/PRIO, 2005) is thus an important task of contemporary peace research and global governance studies. Goldstein’s famous data series on great power battle fatalities from all wars ends in 1975, and his update presented in 2005 on war tendencies is based on other indicators, including US military spending, but not on an update of his original data series.

We present here these new conflict data for the involvement of the Great Powers (UN Permanent Security Council members + Germany) in wars (annual battle fatalities) for the entire period 1945 – 2002, based on standard peace research data (PRIO Oslo, Correlates of War data).

**Table 6.1: List of Major Power Wars, 1946 – 2002 according to the Correlates of War (COW) Project as reported by PRIO, Oslo (Goldstein’s major power definition: the 5 permanent members of the UN Security Council + Germany)**

Location	Side_A	Side_B	Year
Afghanistan	Afghanistan, Soviet Union	Various organizations	1979
Afghanistan	Afghanistan, Soviet Union	Various organizations	1980
Afghanistan	Afghanistan, Soviet Union	Various organizations	1981
Afghanistan	Afghanistan, Soviet Union	Various organizations	1982
Afghanistan	Afghanistan, Soviet Union	Various organizations	1983

Afghanistan	Afghanistan, Soviet Union	Various organizations	1984
Afghanistan	Afghanistan, Soviet Union	Various organizations	1985
Afghanistan	Afghanistan, Soviet Union	Various organizations	1986
Afghanistan	Afghanistan, Soviet Union	Various organizations	1987
Afghanistan	Afghanistan, Soviet Union	Various organizations	1988
Argentina - United Kingdom	Argentina	United Kingdom	1982
Cambodia	Cambodia, USA, South Vietnam	FUNK, North Vietnam	1970
Cambodia	Cambodia, USA, South Vietnam	FUNK, North Vietnam	1971
Cambodia	Cambodia, USA, South Vietnam	FUNK, North Vietnam	1972
Cambodia	Cambodia, USA, South Vietnam	FUNK, North Vietnam	1973
China	China	Taiwanese insurgents	1947
China - Taiwan	China	Taiwan	1949
China - Taiwan	China	Taiwan	1950
China	China	Tibet	1950
China - Taiwan	China	Taiwan	1952
China - Taiwan	China	Taiwan	1953
China - Taiwan	China	Taiwan, USA	1954
China - Taiwan	China	Taiwan, USA	1955
China	China	Tibet	1956
China - Taiwan	China	Taiwan, USA	1958
China	China	Tibet	1959
China - India	China	India	1962
China - India	China	India	1967
China - Burma	China	Burma	1969
China - Soviet Union	China	Soviet Union	1969
China - Vietnam	China	Vietnam	1978
China - Vietnam	China	Vietnam	1979
China - Vietnam	China	Vietnam	1980
China - Vietnam	China	Vietnam	1981
China - Vietnam	China	Vietnam	1983
China - Vietnam	China	Vietnam	1984
China - Vietnam	China	Vietnam	1986
China - Vietnam	China	Vietnam	1987
China - Vietnam	China	Vietnam	1988
Egypt - United Kingdom	Egypt	United Kingdom	1951
Egypt - United Kingdom	Egypt	United Kingdom	1952
Laos	France	Lao Issara	1946
Cambodia	France	Khmer Issarak	1946
Vietnam	France	Viet Nam Doc Dong Min Hoi	1946

Laos	France	Lao Issara	1947
Cambodia	France	Khmer Issarak	1947
Vietnam	France	Viet Nam Doc Dong Min Hoi	1947
Madagascar	France	MDRM	1947
Laos	France	Lao Issara	1948
Cambodia	France	Khmer Issarak	1948
Vietnam	France	Viet Nam Doc Dong Min Hoi	1948
Laos	France	Lao Issara	1949
Cambodia	France	Khmer Issarak	1949
Vietnam	France	Viet Nam Doc Dong Min Hoi	1949
Laos	France	Lao Issara	1950
Cambodia	France	Khmer Issarak	1950
Vietnam	France	Viet Nam Doc Dong Min Hoi	1950
Laos	France	Lao Issara	1951
Cambodia	France	Khmer Issarak	1951
Vietnam	France	Viet Nam Doc Dong Min Hoi	1951
Laos	France	Lao Issara	1952
Cambodia	France	Khmer Issarak	1952
Vietnam	France	Viet Nam Doc Dong Min Hoi	1952
Laos	France	Lao Issara	1953
Cambodia	France	Khmer Issarak	1953
Vietnam	France	Viet Nam Doc Dong Min Hoi	1953
Tunisia	France	National Liberation Army	1953
Morocco	France	Istiqlal	1953
Vietnam	France	Viet Nam Doc Dong Min Hoi	1954
Tunisia	France	National Liberation Army	1954
Morocco	France	Istiqlal	1954
Algeria	France	FLN, MNA	1954
Tunisia	France	National Liberation Army	1955
Morocco	France	Istiqlal	1955
Algeria	France	FLN, MNA	1955
Tunisia	France	National Liberation Army	1956
Morocco	France	Istiqlal	1956
Algeria	France	FLN, MNA	1956
Algeria	France	FLN, MNA	1957
Cameroon	France	UPC	1957
Algeria	France	FLN, MNA	1958
Cameroon	France	UPC	1958
Algeria	France	FLN, MNA	1959
Cameroon	France	UPC	1959
Algeria	France	FLN, MNA	1960
Cameroon	France	UPC	1960
Algeria	France	FLN, MNA	1961
France	France	OAS	1961

Algeria	France	FLN, MNA	1962
France	France	OAS	1962
Mauritania	France, Spain	National Liberation Army	1957
Mauritania	France, Spain	National Liberation Army	1958
Gabon	Gabon, France	Military faction	1964
Hungary - Soviet Union	Hungary	Soviet Union	1956
Israel, United Kingdom, France - Egypt	Israel, United Kingdom, France	Egypt	1956
Laos	Laos, USA, South Vietnam	Pathet Lao, North Vietnam	1963
Laos	Laos, USA, South Vietnam	Pathet Lao, North Vietnam	1964
Laos	Laos, USA, South Vietnam	Pathet Lao, North Vietnam	1965
Laos	Laos, USA, South Vietnam	Pathet Lao, North Vietnam	1966
Laos	Laos, USA, South Vietnam	Pathet Lao, North Vietnam	1967
Laos	Laos, USA, South Vietnam	Pathet Lao, North Vietnam	1968
Laos	Laos, USA, South Vietnam	Pathet Lao, North Vietnam	1970
Laos	Laos, USA, South Vietnam	Pathet Lao, North Vietnam	1971
Laos	Laos, USA, South Vietnam	Pathet Lao, North Vietnam	1972
Laos	Laos, USA, South Vietnam	Pathet Lao, North Vietnam	1973
Laos	Laos, USA, South Vietnam, Thailand	Pathet Lao, North Vietnam	1969
Malaysia	Malaysia, UK	Communist Party of Malaya	1958
Malaysia	Malaysia, UK	Communist Party of Malaya	1959
Malaysia	Malaysia, UK	Communist Party of Malaya	1960
Malaysia - Indonesia	Malaysia, United Kingdom	Indonesia	1963
Malaysia - Indonesia	Malaysia, United Kingdom	Indonesia	1964
Malaysia - Indonesia	Malaysia, United Kingdom	Indonesia	1965
Malaysia - Indonesia	Malaysia, United Kingdom	Indonesia	1966
North Korea - South Korea	North Korea, Soviet Union, China	South Korea, Australia, Canada, France, Greece, New Zealand, Philippines, South Africa, Thailand, Turkey, United Kingdom, United States	1950
North Korea - South Korea	North Korea, Soviet Union, China	South Korea, Australia, Belgium, Canada, Colombia, Ethiopia, France, Greece, Luxembourg, Netherlands, New Zealand, Philippines, South Africa, Thailand, Turkey, United Kingdom, United States	1951
North Korea - South Korea	North Korea, Soviet Union, China	South Korea, Australia, Belgium, Canada, Colombia, Ethiopia, France, Greece, Luxembourg, Netherlands, New Zealand, Philippines, South Africa, Thailand, Turkey, United Kingdom, United States	1952



North Korea - South Korea	North Korea, Soviet Union, China	South Korea, Australia, Belgium, Canada, Colombia, Ethiopia, France, Greece, Luxembourg, Netherlands, New Zealand, Philippines, South Africa, Thailand, Turkey, United Kingdom, United States	1953
Panama - USA	Panama	USA	1989
Russia	Russia	Parliamentary forces	1993
Russia	Russia	Republic of Chechnya	1994
Russia	Russia	Republic of Chechnya	1995
Russia	Russia	Republic of Chechnya	1996
Russia	Russia	Republic of Chechnya	1999
Russia	Russia	Republic of Dagestan	1999
Russia	Russia	Republic of Chechnya	2000
Russia	Russia	Republic of Chechnya	2001
Russia	Russia	Republic of Chechnya	2002
Sierra Leone	Sierra Leone, United Kingdom	RUF, AFRC, ECOMOG, Kamajors	2000
South Vietnam	South Vietnam, USA	FNL	1962
South Vietnam	South Vietnam, USA	FNL	1963
South Vietnam	South Vietnam, USA	FNL	1964
South Vietnam - North Vietnam	South Vietnam, USA, Australia, New Zealand, Philippines, South Korea, Thailand	North Vietnam	1965
South Vietnam - North Vietnam	South Vietnam, USA, Australia, New Zealand, Philippines, South Korea, Thailand	North Vietnam	1966
South Vietnam - North Vietnam	South Vietnam, USA, Australia, New Zealand, Philippines, South Korea, Thailand	North Vietnam	1967
South Vietnam - North Vietnam	South Vietnam, USA, Australia, New Zealand, Philippines, South Korea, Thailand	North Vietnam	1968
South Vietnam - North Vietnam	South Vietnam, USA, Australia, New Zealand, Philippines, South Korea, Thailand	North Vietnam	1969
South Vietnam - North Vietnam	South Vietnam, USA, Australia, New Zealand, Philippines, South Korea, Thailand	North Vietnam	1970
South Vietnam - North Vietnam	South Vietnam, USA, Australia, New Zealand, Philippines, South Korea, Thailand	North Vietnam	1971
South Vietnam - North Vietnam	South Vietnam, USA, Australia, New Zealand, Philippines, South Korea, Thailand	North Vietnam	1972
South Vietnam - North Vietnam	South Vietnam, USA, Australia, New Zealand, Philippines, South Korea, Thailand	North Vietnam	1973
South Vietnam - North Vietnam	South Vietnam, USA,	North Vietnam	1974

North Vietnam	Australia, New Zealand, Philippines, South Korea, Thailand		
South Vietnam - North Vietnam	South Vietnam, USA, Australia, New Zealand, Philippines, South Korea, Thailand	North Vietnam	1975
Soviet Union	Soviet Union	UPA	1946
Soviet Union	Soviet Union	Forest Brothers	1946
Soviet Union	Soviet Union	LTS(p)A, LNJS, and LNPA	1946
Soviet Union	Soviet Union	BDPS	1946
Soviet Union	Soviet Union	UPA	1947
Soviet Union	Soviet Union	Forest Brothers	1947
Soviet Union	Soviet Union	LTS(p)A, LNJS, and LNPA	1947
Soviet Union	Soviet Union	BDPS	1947
Soviet Union	Soviet Union	UPA	1948
Soviet Union	Soviet Union	Forest Brothers	1948
Soviet Union	Soviet Union	BDPS	1948
Soviet Union	Soviet Union	UPA	1949
Soviet Union	Soviet Union	UPA	1950
Soviet Union	Soviet Union	Government of Armenia and ANM	1990
Soviet Union	Soviet Union	Azerbaijani Popular Front	1990
Soviet Union	Soviet Union	Government of Armenia and ANM	1991
Morocco/Spanish territories	Spain, France	National Liberation Army	1957
Thailand - France	Thailand	France	1946
Tunisia - France	Tunisia	France	1961
United Kingdom - Albania	United Kingdom	Albania	1946
Kenya	United Kingdom	Mau Mau	1952
Kenya	United Kingdom	Mau Mau	1953
Kenya	United Kingdom	Mau Mau	1954
Kenya	United Kingdom	Mau Mau	1955
Cyprus	United Kingdom	EOKA	1955
Kenya	United Kingdom	Mau Mau	1956
Cyprus	United Kingdom	EOKA	1956
Cyprus	United Kingdom	EOKA	1957
Cyprus	United Kingdom	EOKA	1958
Cyprus	United Kingdom	EOKA	1959
Brunei	United Kingdom	North Kalimantan Liberation Army	1962
Yemen (South)	United Kingdom	NLF, FLOSY	1964
Yemen (South)	United Kingdom	NLF, FLOSY	1965
Yemen (South)	United Kingdom	NLF, FLOSY	1966
Yemen (South)	United Kingdom	NLF, FLOSY	1967
United Kingdom	United Kingdom	Provisional IRA, PIRA	1971
United Kingdom	United Kingdom	Provisional IRA, PIRA	1972
United Kingdom	United Kingdom	Provisional IRA, PIRA	1973

United Kingdom	United Kingdom	Provisional IRA, PIRA	1974
United Kingdom	United Kingdom	Provisional IRA, PIRA	1975
United Kingdom	United Kingdom	Provisional IRA, PIRA	1976
United Kingdom	United Kingdom	Provisional IRA, PIRA	1977
United Kingdom	United Kingdom	Provisional IRA, PIRA	1978
United Kingdom	United Kingdom	Provisional IRA, PIRA	1979
United Kingdom	United Kingdom	Provisional IRA, PIRA	1980
United Kingdom	United Kingdom	Provisional IRA, PIRA	1981
United Kingdom	United Kingdom	Provisional IRA, PIRA	1982
United Kingdom	United Kingdom	Provisional IRA, PIRA	1983
United Kingdom	United Kingdom	Provisional IRA, PIRA	1984
United Kingdom	United Kingdom	Provisional IRA, PIRA	1985
United Kingdom	United Kingdom	Provisional IRA, PIRA	1986
United Kingdom	United Kingdom	Provisional IRA, PIRA	1987
United Kingdom	United Kingdom	Provisional IRA, PIRA	1988
United Kingdom	United Kingdom	Provisional IRA, PIRA	1989
United Kingdom	United Kingdom	Provisional IRA, PIRA	1990
United Kingdom	United Kingdom	Provisional IRA, PIRA	1991
United Kingdom	United Kingdom	Provisional IRA, PIRA	1992
United Kingdom	United Kingdom	Provisional IRA, PIRA	1993
United Kingdom	United Kingdom	"Real IRA"	1998
Puerto Rico	USA	Puerto Rican Nationalist Party	1950
Afghanistan	USA, Australia, Canada, France, Germany (participation of Germany in the post 9/11 Afghanistan war and in the Kosovo war 1999), Italy, Japan, Jordan, Netherlands, Poland, Russia, Turkey, United Kingdom	al-Qaida (The Base)	2001
USA	USA, Australia, Canada, France, Germany, Italy, Japan, Jordan, Netherlands, Poland, Russia, Turkey, United Kingdom	al-Qaida (The Base)	2001
Afghanistan	USA, Australia, Canada, France, Germany, Italy, Japan, Jordan, Netherlands, Poland, Russia, Turkey, United Kingdom, Afghanistan	al-Qaida (The Base)	2002
Yugoslavia	Yugoslavia	UCK, Belgium, Canada, Czech Rep, Denmark, France, Germany (participation of Germany in the post 9/11 Afghanistan war and in the Kosovo war 1999), Greece, Hungary, Iceland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Turkey, United Kingdom, United States	1999

These data can be aggregated to the following time series about the involvement of the major powers in the contemporary international system in wars:

**Table 6.2: Great power battle fatalities from all wars, 1946 – 2002 (Goldstein's definition: the 5 permanent members of the UN Security Council + Germany)**

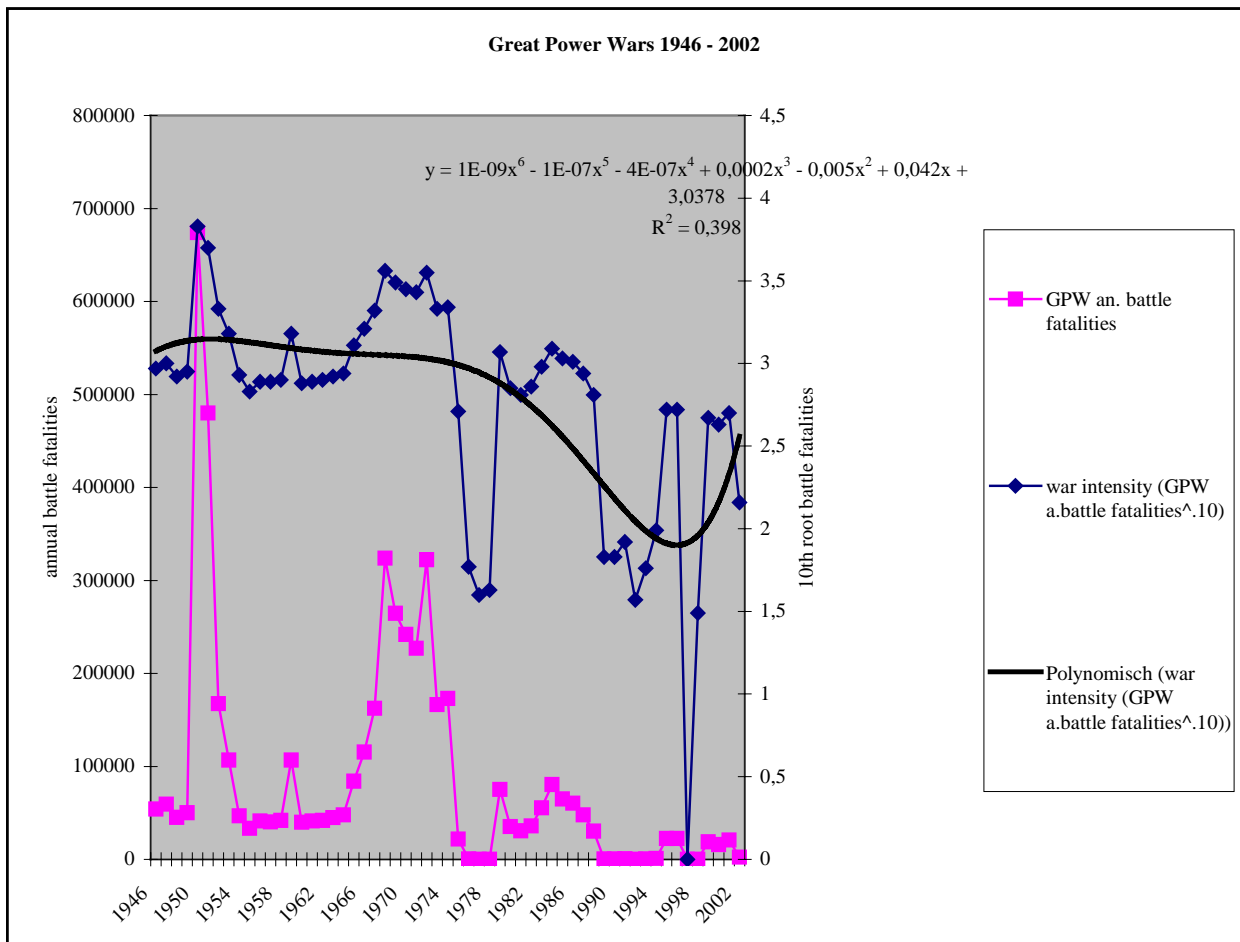
	GPW an. battle fatalities	war intensity (GPW a.battle fatalities <sup>.10</sup> )
1946	53962	2, 97
1947	59169	3, 00
1948	45204	2, 92
1949	49955	2, 95
1950	674296	3, 83
1951	480034	3, 70
1952	167350	3, 33
1953	106810	3, 18
1954	46745	2, 93
1955	33169	2, 83
1956	41099	2, 89
1957	40064	2, 89
1958	41822	2, 90
1959	106891	3, 18
1960	39776	2, 88
1961	41270	2, 89
1962	41730	2, 90
1963	44944	2, 92
1964	47733	2, 94
1965	84051	3, 11
1966	115173	3, 21
1967	162481	3, 32
1968	323914	3, 56
1969	264657	3, 49
1970	241981	3, 45
1971	226965	3, 43
1972	322284	3, 55
1973	166536	3, 33
1974	172958	3, 34
1975	21639	2, 71
1976	295	1, 77

1977	111	1, 60
1978	136	1, 63
1979	75121	3, 07
1980	35280	2, 85
1981	30613	2, 81
1982	36074	2, 86
1983	55285	2, 98
1984	80269	3, 09
1985	65057	3, 03
1986	60161	3, 01
1987	47898	2, 94
1988	30204	2, 81
1989	426	1, 83
1990	423	1, 83
1991	696	1, 92
1992	89	1, 57
1993	281	1, 76
1994	950	1, 99
1995	22275	2, 72
1996	22275	2, 72
1997	0	0, 00
1998	55	1, 49
1999	18633	2, 67
2000	15683	2, 63
2001	20779	2, 70
2002	2250	2, 16

The absolute low of international conflict was reached in 1997, the most belligerent periods were the Korean, Algerian (1959) and Vietnam wars with more than 100 000 battle deaths per year: 1950; 1951; 1952; 1953; 1959; 1966; 1967; 1968; 1969; 1970; 1971; 1972; 1973; 1974. The most peaceful years with below 1000 battle deaths were the years 1976; 1977; 1978; 1989; 1990; 1991; 1992; 1993; 1994; 1997; and 1998.

Graph 6.1 projects these figures and presents a trend line which shows an upward momentum at the end of the 1990s:

**Graph 6.1: Great Power Wars, 1946 – 2002**

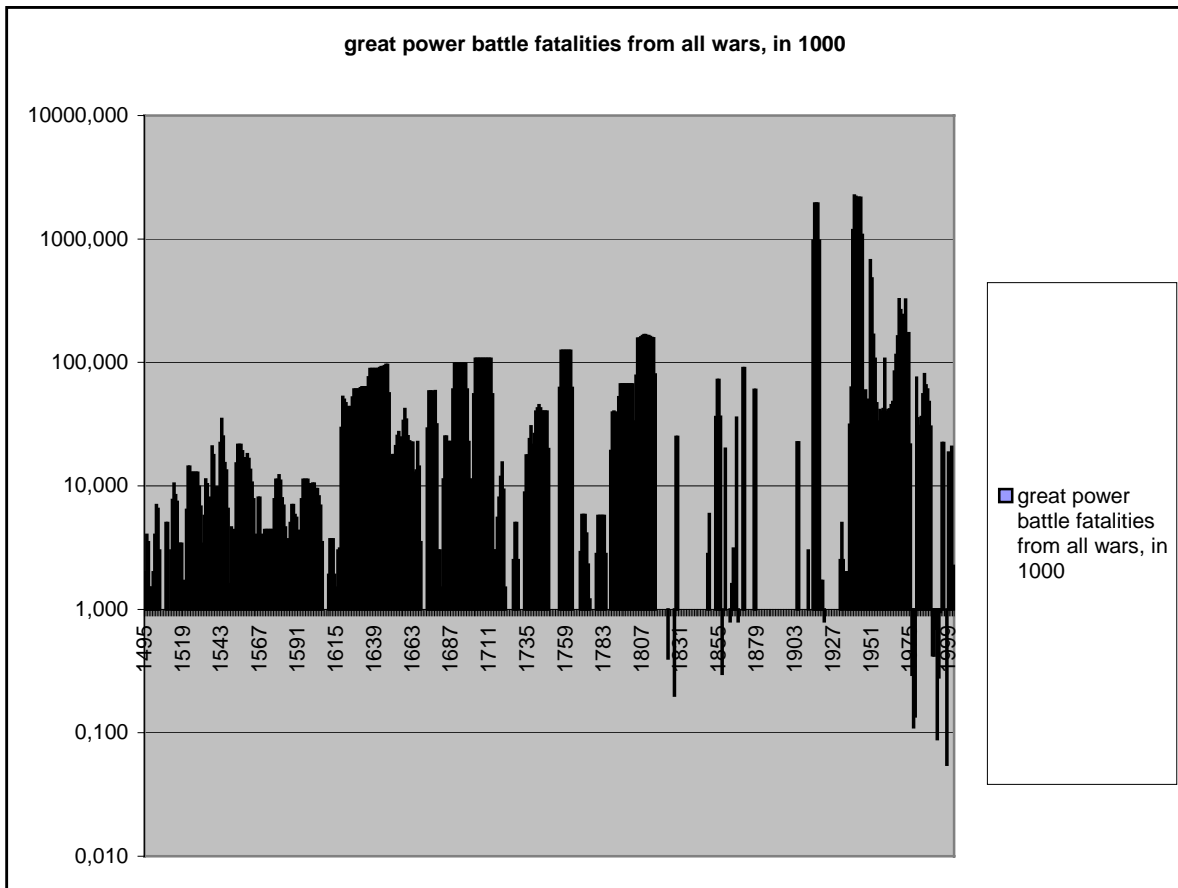


Legend: Calculations about world industrial production growth are based on the data, provided by Goldstein (1740 – 1974; based on Goldstein, 1988) and UNIDO data, provided by Dr. Tetsuo Yamada, UNIDO statistical department (1975 – 2004). All war-related calculations are based on the data on great power battle fatalities from all wars in 000 victims, 1495 – 2002. The data 1946 – 2002 are based on the war data base as reported by PRIO Oslo: [http://www.prio.no/page/CSCW\\_research\\_detail/Programme\\_detail\\_CSCW/9649/45656.htm](http://www.prio.no/page/CSCW_research_detail/Programme_detail_CSCW/9649/45656.htm), re-calculated for the aims of a comparison of “great power battle fatalities from all wars”. Great Powers: the members of the UN Security Council plus Germany. “Polynomisch” polynomial regression, 6<sup>th</sup> order

These tables and the sources also form the basis of the survey chapter on WAR CYCLES in this volume.

**Technical appendix to this Chapter**

**Appendix Graph 6.1: great power wars in the world system, 1495 – 2002**



Legend: great power battle fatalities from all wars, in 1000s. 1495 – 1945 based on Goldstein (1988), 1946 – 2002, based on the data reported in this work. Logarithmic scale

**Appendix Table 6.1: The most intensive war years since 1495 (more than 60.000 great power battle fatalities from all wars)**

	GPBFfAW great power battle fatalities from all wars	Main war theatre
1940	2245, 50	WW II
1941	2189, 20	WW II
1942	2158, 00	WW II
1943	2158, 00	WW II
1944	2158, 00	WW II
1915	1933, 50	WW I
1916	1933, 50	WW I
1917	1933, 50	WW I
1939	1182, 50	WW II
1945	1079, 00	WW II
1918	967, 60	WW I
1914	966, 70	WW I
1950	674, 30	Korea
1951	480, 03	Korea
1968	323, 91	Vietnam
1972	322, 28	Vietnam
1969	264, 66	Vietnam
1970	241, 98	Vietnam
1971	226, 97	Vietnam
1974	172, 96	Vietnam
1952	167, 35	Korea
1973	166, 54	Vietnam
1808	166, 20	French Revolutionary/Napoleonic
1809	166, 20	French Revolutionary/Napoleonic
1807	163, 20	French Revolutionary/Napoleonic
1810	163, 20	French Revolutionary/Napoleonic
1811	163, 20	French Revolutionary/Napoleonic
1967	162, 48	Vietnam
1812	160, 50	French Revolutionary/Napoleonic
1806	159, 50	French Revolutionary/Napoleonic
1813	157, 70	French Revolutionary/Napoleonic
1814	156, 70	French Revolutionary/Napoleonic
1804	155, 70	French Revolutionary/Napoleonic
1805	155, 70	French Revolutionary/Napoleonic
1756	124, 00	Seven Year's
1757	124, 00	Seven Year's
1758	124, 00	Seven Year's
1759	124, 00	Seven Year's



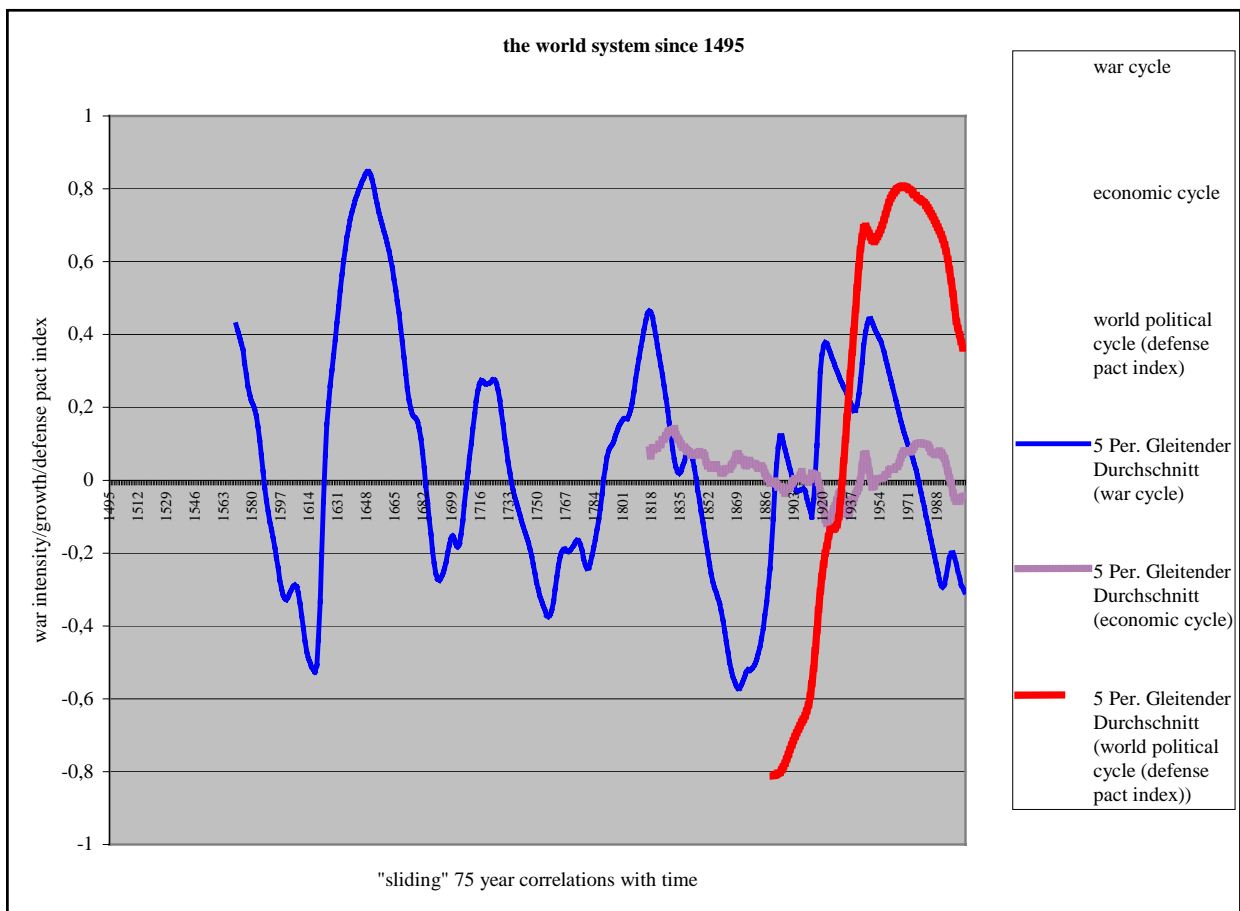
1760	124, 00	Seven Year's
1761	124, 00	Seven Year's
1762	124, 00	Seven Year's
1966	115, 17	Vietnam
1702	107, 30	Spanish Succession
1703	107, 30	Spanish Succession
1704	107, 30	Spanish Succession
1705	107, 30	Spanish Succession
1706	107, 30	Spanish Succession
1707	107, 30	Spanish Succession
1708	107, 30	Spanish Succession
1709	107, 30	Spanish Succession
1710	107, 30	Spanish Succession
1711	107, 30	Spanish Succession
1712	107, 30	Spanish Succession
1959	106, 89	Algeria
1953	106, 81	Korea
1689	98, 10	League of Augsburg
1690	98, 10	League of Augsburg
1691	98, 10	League of Augsburg
1692	98, 10	League of Augsburg
1693	98, 10	League of Augsburg
1694	98, 10	League of Augsburg
1695	98, 10	League of Augsburg
1696	98, 10	League of Augsburg
1646	95, 40	Thirty Years
1647	95, 40	Thirty Years
1645	93, 50	Thirty Years
1643	91, 60	Thirty Years
1644	91, 60	Thirty Years
1642	90, 10	Thirty Years
1870	90, 00	Franco-Prussian
1871	90, 00	Franco-Prussian
1636	88, 50	Thirty Years
1637	88, 50	Thirty Years
1638	88, 50	Thirty Years
1639	88, 50	Thirty Years
1640	88, 50	Thirty Years
1641	88, 50	Thirty Years
1965	84, 05	Vietnam
1984	80, 27	Afghanistan
1815	79, 90	French Revolutionary/Napoleonic
1803	77, 90	French Revolutionary/Napoleonic
1635	75, 70	Thirty Years
1979	75, 12	Afghanistan
1854	72, 30	Crimean

1855	72, 30	Crimean
1793	66, 30	French Revolutionary/Napoleonic
1794	66, 30	French Revolutionary/Napoleonic
1795	66, 30	French Revolutionary/Napoleonic
1796	66, 30	French Revolutionary/Napoleonic
1797	66, 30	French Revolutionary/Napoleonic
1798	66, 30	French Revolutionary/Napoleonic
1799	66, 30	French Revolutionary/Napoleonic
1800	66, 30	French Revolutionary/Napoleonic
1801	66, 30	French Revolutionary/Napoleonic
1985	65, 06	Afghanistan
1631	62, 80	Thirty Years
1632	62, 80	Thirty Years
1633	62, 80	Thirty Years
1634	62, 80	Thirty Years
1938	62, 50	Sino-Japanese
1755	62, 00	Seven Year's
1763	62, 00	Seven Year's
1630	61, 60	Thirty Years
1626	60, 40	Thirty Years
1627	60, 40	Thirty Years
1628	60, 40	Thirty Years
1629	60, 40	Thirty Years
1688	60, 40	League of Augsburg
1697	60, 40	League of Augsburg
1986	60, 16	Afghanistan
1877	60, 00	Russo-Turkish
1878	60, 00	Russo-Turkish

Legend: great power battle fatalities from all wars, in 1000s. 1495 – 1945 based on Goldstein (1988), 1946 – 2002, based on the data reported in this work. Logarithmic scale

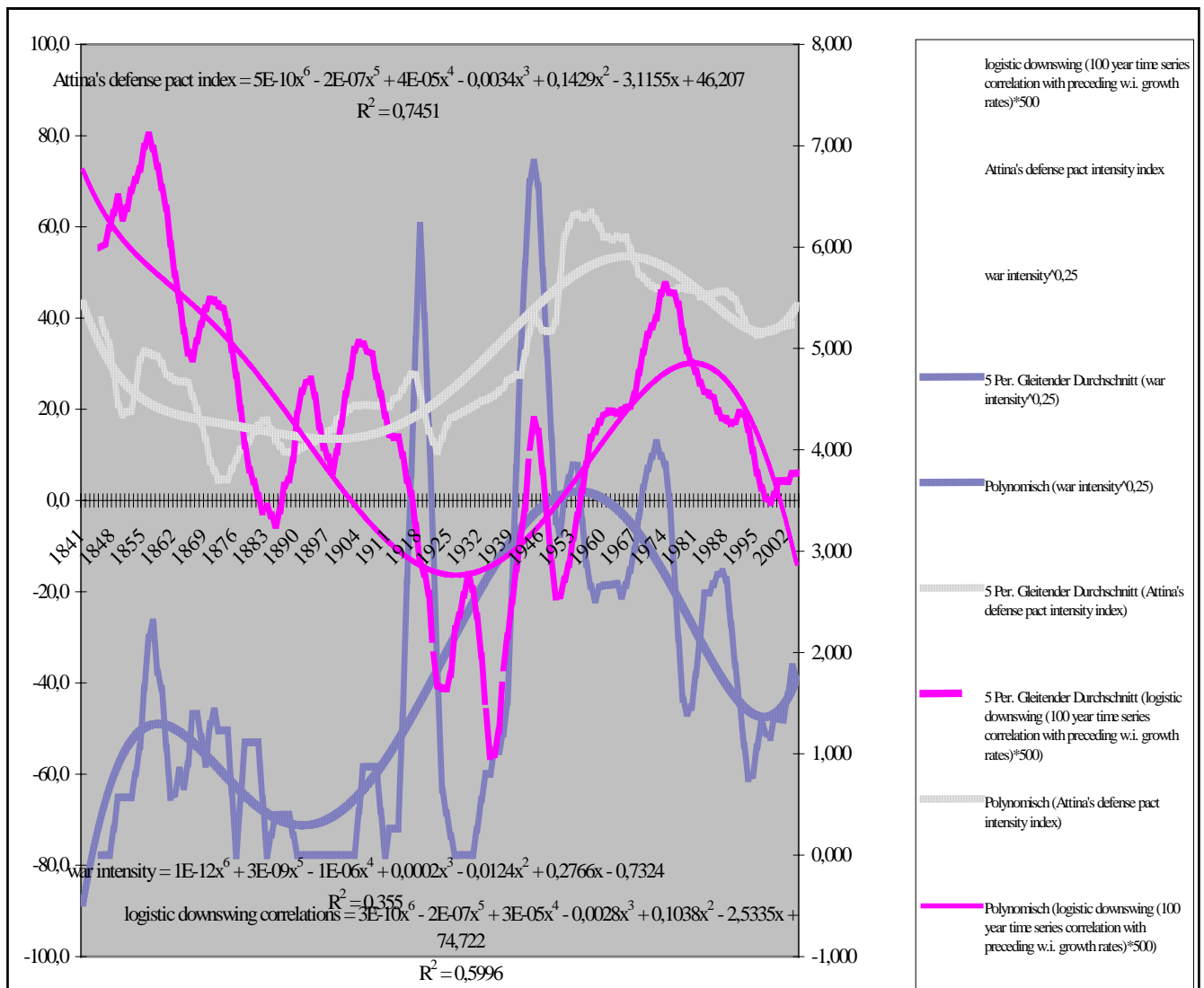
### Appendix Graph 6.2: The logistic 150 year cycle of world politics, world economics, and global war

The following graphs try to summarize the deeper underlying logic of war, economics and conflict in the international system, each interpreted as a long logistic cycle of 150 years duration:



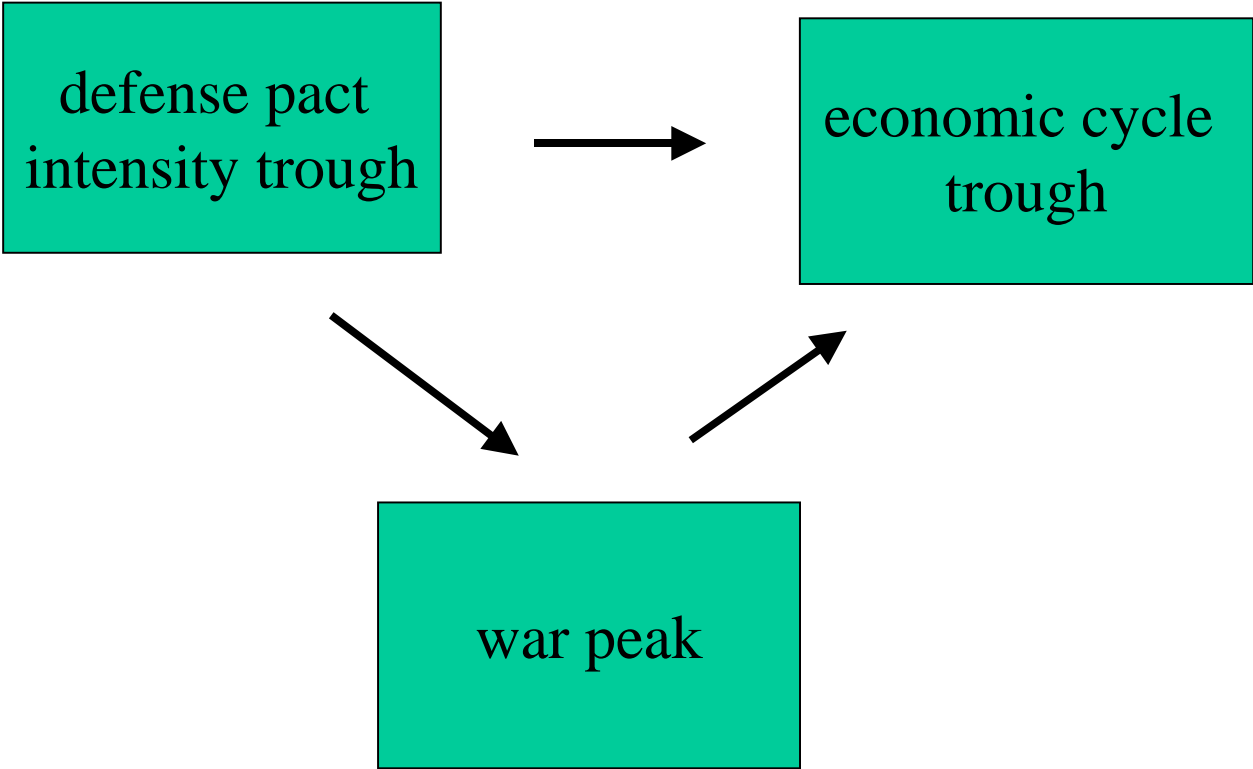
The graph clearly shows the “war peaks” of the 30 Years War, the long French battle for world supremacy of the 18<sup>th</sup> Century and the Napoleonic Wars, and the German thrust towards world hegemony 1914 – 1945. The “logistic power cycle” shows the waning type of order in the international system in the post-Cold-War-Period, and the end of the long post-World-War II boom years.

### Appendix Graph 6.3: The long cycle of world politics, world economics, and global war



Polynomisch: polynomial function. Gleitender Durchschnitt: sliding average (10 year sliding averages). The above formulation is methodologically different from Appendix Graph 6.2 above. The logistic swings correspond to a 100 year time period for the "sliding correlation" method

**Appendix Analytical scheme 6.1:**



**Appendix Table 6.2: The data about the long swings, the defense pact index and war intensity**

	logistic downswing (100 year time series correlation with preceding w.i. growth rates) *500	Attina's defense pact intensity index	war intensity <sup>0, 25</sup>
1841	57, 2	41, 2	0, 000
1842	39, 9	40, 0	0, 000
1843	51, 2	38, 9	0, 000
1844	53, 9	38, 9	0, 000
1845	74, 3	38, 9	0, 000
1846	62, 6	27, 0	0, 000
1847	56, 8	28, 9	0, 000
1848	67, 8	5, 1	1, 294
1849	71, 1	5, 1	1, 559
1850	51, 9	28, 2	0, 000
1851	72, 9	30, 0	0, 000
1852	76, 6	30, 0	0, 000
1853	79, 2	30, 0	2, 453
1854	82, 6	36, 6	2, 916
1855	77, 0	37, 2	2, 916
1856	85, 0	27, 9	2, 456
1857	62, 4	27, 9	0, 740
1858	59, 4	27, 9	0, 000
1859	59, 5	29, 5	2, 115
1860	54, 2	26, 1	0, 000
1861	45, 9	23, 8	0, 000
1862	28, 8	24, 4	0, 946
1863	31, 4	26, 8	1, 125
1864	25, 9	29, 3	1, 327
1865	30, 1	24, 4	1, 125
1866	39, 4	9, 8	2, 443
1867	48, 0	10, 3	0, 946
1868	49, 9	10, 8	0, 000
1869	43, 4	11, 8	0, 000
1870	39, 6	0, 0	3, 080
1871	38, 4	0, 0	3, 080
1872	43, 0	0, 0	0, 000
1873	45, 1	11, 8	0, 000
1874	29, 4	11, 4	0, 000
1875	9, 8	11, 4	0, 000

1876	9, 9	10, 8	0, 000
1877	6, 7	10, 8	2, 783
1878	4, 8	10, 8	2, 783
1879	2, 8	21, 6	0, 000
1880	-3, 4	21, 6	0, 000
1881	-5, 9	16, 7	0, 000
1882	-10, 5	16, 7	0, 000
1883	10, 0	11, 1	0, 000
1884	-6, 6	11, 1	1, 000
1885	-13, 6	10, 5	1, 000
1886	9, 6	10, 5	0, 000
1887	17, 1	10, 5	0, 000
1888	16, 3	10, 5	0, 000
1889	15, 6	10, 5	0, 000
1890	40, 6	13, 2	0, 000
1891	30, 4	13, 2	0, 000
1892	25, 3	12, 8	0, 000
1893	21, 2	12, 8	0, 000
1894	-2, 5	12, 8	0, 000
1895	6, 4	15, 4	0, 000
1896	7, 9	17, 1	0, 000
1897	14, 7	17, 1	0, 000
1898	5, 6	16, 7	0, 000
1899	18, 9	21, 4	0, 000
1900	36, 9	20, 9	0, 000
1901	40, 6	20, 9	0, 000
1902	34, 1	20, 9	0, 000
1903	34, 9	20, 5	0, 000
1904	26, 5	20, 9	2, 178
1905	34, 6	21, 4	2, 178
1906	34, 3	20, 9	0, 000
1907	29, 3	20, 5	0, 000
1908	11, 2	20, 5	0, 000
1909	7, 6	20, 5	0, 000
1910	10, 6	20, 9	0, 000
1911	14, 7	20, 9	1, 316
1912	24, 9	27, 3	0, 000
1913	11, 3	25, 0	0, 000
1914	-11, 7	27, 9	5, 576
1915	-16, 7	30, 2	6, 631
1916	-0, 2	27, 7	6, 631
1917	-10, 2	26, 5	6, 631
1918	-29, 8	5, 1	5, 577
1919	-23, 5	5, 0	1, 142
1920	-38, 5	11, 5	1, 142
1921	-67, 7	16, 4	0, 946

1922	-43, 0	16, 1	0, 000
1923	-33, 3	19, 4	0, 000
1924	-23, 7	19, 0	0, 000
1925	-22, 5	18, 8	0, 000
1926	-17, 3	18, 8	0, 000
1927	-28, 9	18, 8	0, 000
1928	-11, 2	21, 9	0, 000
1929	-1, 5	21, 9	0, 000
1930	-38, 0	21, 5	0, 000
1931	-46, 6	21, 5	1, 257
1932	-72, 9	22, 7	1, 495
1933	-72, 7	22, 7	1, 257
1934	-50, 1	24, 2	0, 000
1935	-35, 8	24, 2	1, 189
1936	-20, 9	25, 8	1, 189
1937	-3, 6	27, 7	2, 363
1938	-38, 3	29, 0	2, 812
1939	-11, 9	27, 3	5, 864
1940	0, 2	28, 3	6, 884
1941	15, 5	25, 0	6, 840
1942	26, 5	51, 7	6, 816
1943	28, 5	51, 6	6, 816
1944	17, 6	50, 0	6, 816
1945	-12, 6	16, 2	5, 731
1946	-27, 8	18, 1	2, 710
1947	-21, 4	49, 3	2, 773
1948	-24, 7	53, 3	2, 593
1949	-18, 7	59, 2	2, 659
1950	-11, 5	64, 9	5, 096
1951	-10, 1	63, 3	4, 681
1952	-5, 0	61, 0	3, 597
1953	4, 6	63, 1	3, 215
1954	5, 6	62, 1	2, 615
1955	16, 0	60, 7	2, 400
1956	18, 5	63, 3	2, 532
1957	24, 2	66, 3	2, 516
1958	11, 6	56, 1	2, 543
1959	15, 9	54, 1	3, 215
1960	22, 0	49, 6	2, 511
1961	24, 5	63, 0	2, 535
1962	23, 7	62, 3	2, 542
1963	9, 2	61, 6	2, 589
1964	18, 9	50, 4	2, 628
1965	25, 0	51, 5	3, 028
1966	27, 0	50, 4	3, 276
1967	36, 3	48, 9	3, 570



1968	33, 1	47, 8	4, 242
1969	41, 6	46, 0	4, 033
1970	43, 8	45, 7	3, 944
1971	35, 9	46, 8	3, 881
1972	45, 7	46, 9	4, 237
1973	60, 4	44, 7	3, 592
1974	50, 3	45, 7	3, 626
1975	36, 7	45, 4	2, 157
1976	33, 5	45, 5	0, 737
1977	34, 1	51, 3	0, 577
1978	30, 9	45, 5	0, 607
1979	29, 0	44, 0	2, 944
1980	23, 2	44, 7	2, 437
1981	24, 7	44, 4	2, 352
1982	20, 8	45, 3	2, 451
1983	22, 9	45, 3	2, 727
1984	25, 2	46, 0	2, 993
1985	18, 5	46, 0	2, 840
1986	10, 8	46, 0	2, 785
1987	13, 9	46, 0	2, 631
1988	20, 8	44, 8	2, 344
1989	20, 1	41, 8	0, 808
1990	21, 8	40, 9	0, 806
1991	19, 3	36, 0	0, 913
1992	12, 1	34, 8	0, 546
1993	4, 8	36, 4	0, 728
1994	-3, 1	36, 9	0, 987
1995	-2, 6	36, 9	2, 172
1996	2, 5	37, 4	2, 172
1997	2, 0	37, 4	0, 000
1998	-0, 4	38, 5	0, 484
1999	5, 2	38, 5	2, 078
2000	12, 0		1, 990
2001	2, 6		2, 135
2002	2, 1		1, 225
2003	7, 2		
2004	6, 4		

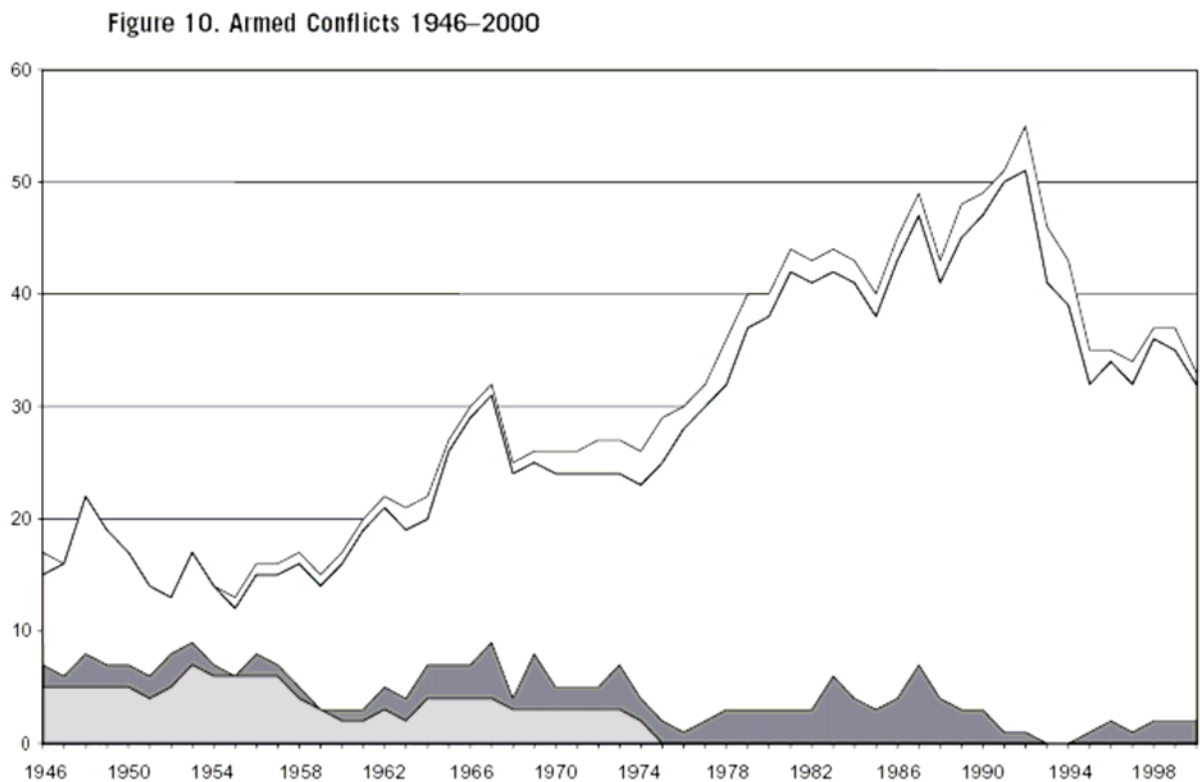
**Appendix Graph (system) 6.4: further debating the “Liberal Globalist Case” by de Soysa and Gleditsch - the long cycles of conflicts according to Professor Peter Brecke from the Sam Nunn School of International Affairs, Georgia Institute of Technology**

In their study, de Soysa and Gleditsch (2004) present the following case in favor of their hypothesis that the passing of the Cold War is an opportunity for ending ideological rivalry, settling military conflict, building peace on a firm basis of democracy and prosperity, strengthening the role of the United Nations in the world order and reducing military expenditures:

*“Increasing globalization has gone hand in hand with greater democracy, improvements in development and increasing peace” (de Soysa and Gleditsch, 2004: 51)*

The empirical foundation of their claim are, apart from the other studies referred to by them, the following two figures that claim to show that conflicts have declined since the end of the Cold War in the period of globalization, and that still existing conflicts happen largely in poor countries, whose poverty could be remedied by increasing their world economic openness.

So, their graph about the number of conflicts in world society from 1946 onwards is the following:

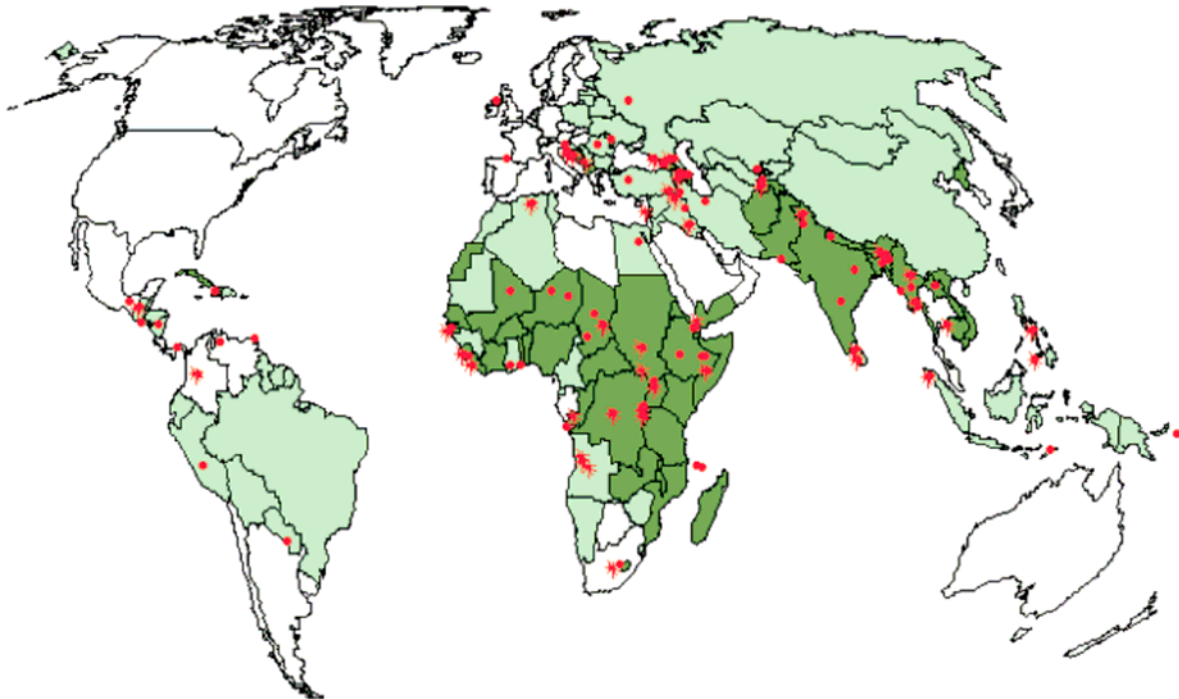


Source: Gleditsch, *et al.*, 2001. Following the guidelines of the Uppsala University Conflict Data project, a conflict is an incompatibility between two actors, where at least one is the government of a country, which leads to at least 25 battle-deaths in a given year. For a more detailed definition, see Wallensteen and Sollenberg, 2001. The lowest area represents extra-systemic conflict (mostly colonial conflict), the next interstate conflict, then internal conflict, and finally internationalised internal conflict.

Quoted from de Soysa and Gleditsch from their publicly available internet-version of their article at [http://www.egdi.gov.se/pdf/study/study2002\\_2.pdf](http://www.egdi.gov.se/pdf/study/study2002_2.pdf)

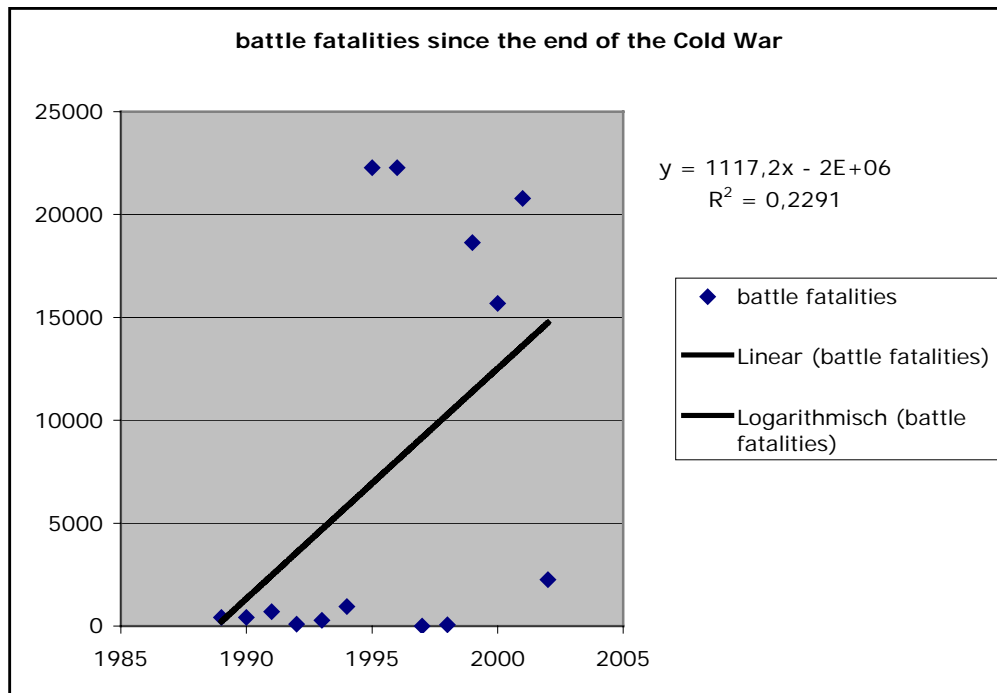
This beautiful, perhaps a little “brave new worldish” picture of globalization as the driving force of peace in our era is further claimed to be supported by their other graph:

Figure 11. Internal Armed Conflict and Poverty, 1989–2000



The conflict data were taken from the same source as Figure 10. Dots represent small armed conflicts (more than 25 battle-deaths in at least one of these years), stars are large conflicts (more than 1,000 battle-deaths in a year). The symbol for conflict is placed in the geographical center of the conflict. For internal conflicts that affect the whole country, the symbol is placed in the geographical center of the country. The countries are divided into three groups of equal size according to GDP per capita around 1995; darker shading indicates greater poverty.

Throughout this work, we challenge these assertions, by principally showing that battle fatalities from wars, in which the major powers (the 5 members of the UN Security Council plus Germany) are involved, swing rhythmically in the world economy since around 1495, and that **there is no support for the hypothesis that conflict levels will not increase again after the end of the Cold War in the long run**. Thus the liberal globalist case cannot be maintained on a 1:1 basis, because globalization increased after the 1970s as did **battle fatalities from wars, in which the major powers are involved, which point in an upward direction**, at least since 1989:



Source: our own calculations from the data of Chapter 6 of this work

**Professor Brecke** uses a different methodology as the one used in this study and also different from the study by de Soysa and Gleditsch, but comes pretty much to the same conclusions as we do, namely that **there is no era of peace and stability “around the corner”** (Brecke, 1999, at: [http://www.inta.gatech.edu/peter/PSS99\\_paper.html](http://www.inta.gatech.edu/peter/PSS99_paper.html)). Brecke bases his research on conflicts since the 15<sup>th</sup> Century, which he put into “conflict catalog”, a listing of all recorded violent conflicts that meet Richardson’s magnitude 1.5 or higher criterion (32 or more deaths).

To quote Brecke’s methodology more in full:

*“Cioffi-Revilla’s definition of war for his LORANOW project serves as the definition of violent conflict for this project: “A war (a “war event”) is an occurrence of purposive and lethal violence among two or more social groups pursuing conflicting political goals that results in fatalities, with at least one belligerent group organized under the command of authoritative leadership. (Cioffi-Revilla, 1996:8)” This definition combines sufficient generality such that it encompasses a wide variety of types of violent conflict yet at the same time distinguishes violent conflict from other forms of lethal violence such as mob lynchings, gang turf battles, and organized crime vendettas. The line between violent conflict and other forms of lethal violence may be fuzzy at times, but in practice they will probably seldom be confused. While using the term ‘war’ instead of violent conflict has some appeal because while a gang turf battle, for instance, can be considered to be a violent conflict, ‘war’ for many researchers has come to mean a violent conflict with specific properties such as that there have been more than 1000 battle-related deaths. A satisfactory term is difficult; violent political conflict is too wordy and war has certain connotations for some researchers. Despite its faults, violent conflict is used. Conditions applied to define wars (Singer and Small, 1972) or armed conflicts (Wallensteen and Sollenberg, 1996) such as that at least one group be a government of a state or that all opposing*

*sides be armed or that only battlefield deaths matter for the determination do not apply to the definition of violent conflicts. Consequently, situations such as massacres of unarmed civilians or territorial conflicts between warlords when there is no state involvement qualify as violent conflicts. (...) **The potential population of violent conflicts for the construction of a taxonomy is all violent conflicts at any location in the world since 1400 AD in which 32 or more persons have died because of the conflict within the span of a year.** Multi-year conflicts are defined by consecutive years in which that threshold of deaths is surpassed. The 32-person threshold makes the population of conflicts correspond to conflicts of magnitude 1.5 or higher according to the Richardson (1960) scale. The magnitude value is the base ten logarithm of the number of people who died; the base ten logarithm of 31.62 is 1.5. The 1400 AD temporal threshold corresponds to the one set by Luard (1987), lies between major dates for Chinese (1366) and European and American (1492) populations, and demarcates a point before which the quality and extent of data about many parts of the world drops off precipitously.*

*Obviously, the sample of cases for which data can be collected is significantly smaller than the population, particularly for conflicts in which the number of fatalities is towards the lower end of the range, for conflicts further back in time, and for parts of the world where written records are not readily available, especially for earlier times. Nevertheless, this population has been set as a goal because:*

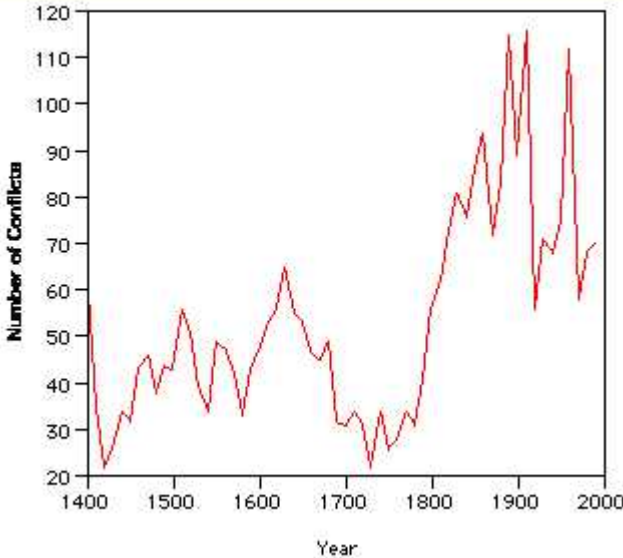
*1) A surprisingly large amount of data for this population of conflicts already exists, albeit in widely scattered sources with only a modest degree of overlap.*

*2) With the large sample size that can be gathered from this population, we obtain wide variation in the types of conflict and their characteristics while at the same time have the possibility of having a significant number of examples for each type, especially in more general, higher-level groupings. The greatly expanded number of cases made available for statistical analysis will almost certainly reveal new relationships that can contribute to our understanding of the causes of different types of violent conflict.*

*3) At a more practical level, when extracting conflicts from existing compilations that do not supply fatality figures, it is in many instances difficult to separate those conflicts that have, say, 45 fatalities from those that have 110 fatalities or 350 fatalities until additional sources have been accessed. The marginal additional effort to use the lower threshold is thus minimal, and may even be negative, because the additional sources do not have to be sought in the making of the list of conflicts." (Brecke, 1999)*

There is one very long and large cycle of conflicts from the mid 1400s to the mid 1700s, and a strongly fluctuating but certainly not linear downward trend from the mid 1700s onwards. In the last period before 2000, there is even an increase in the number of conflicts, and not a decrease. The main results of Brecke's research paper (1999) on the level of the world system are then:

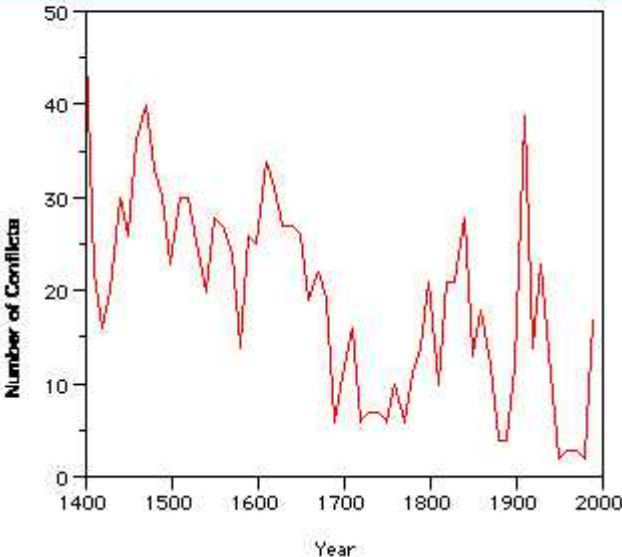
**Number of Conflicts per Decade**

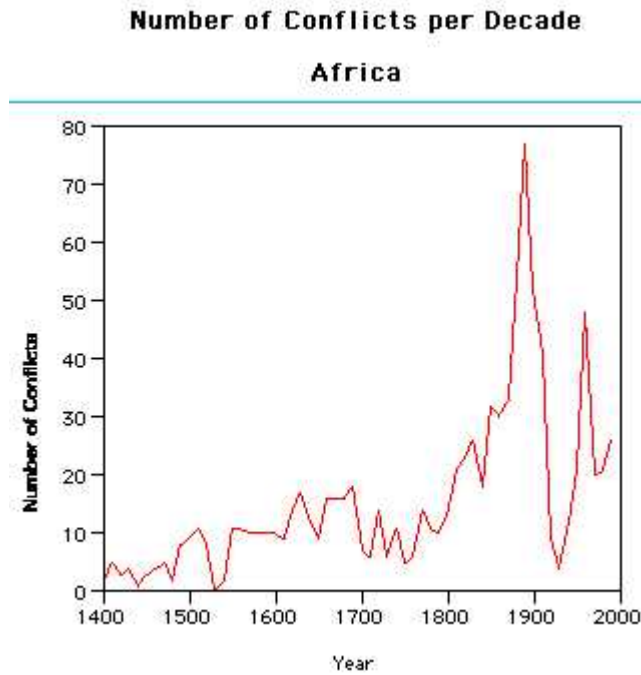


Note: this and the following graphs are reprinted from the internet version of the essay by Professor Peter Brecke (2001).

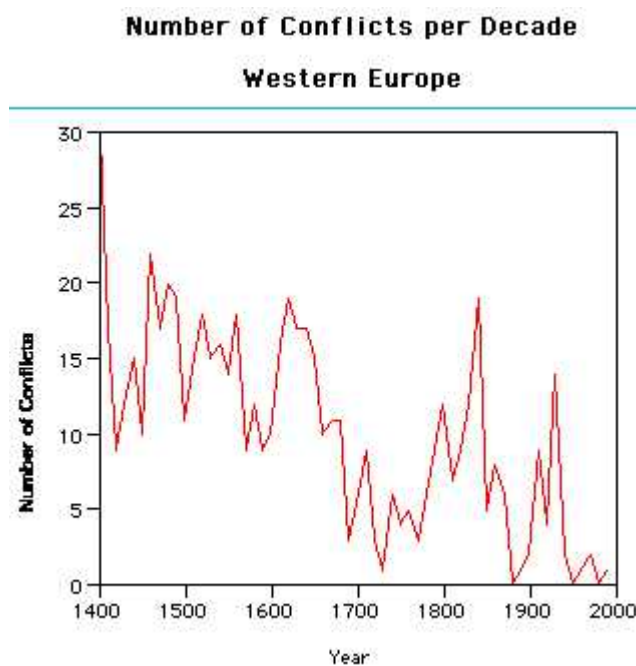
The two world regions with the highest conflict intensity, Europe and Africa, present the following picture:

**Number of Conflicts per Decade**  
**Europe**





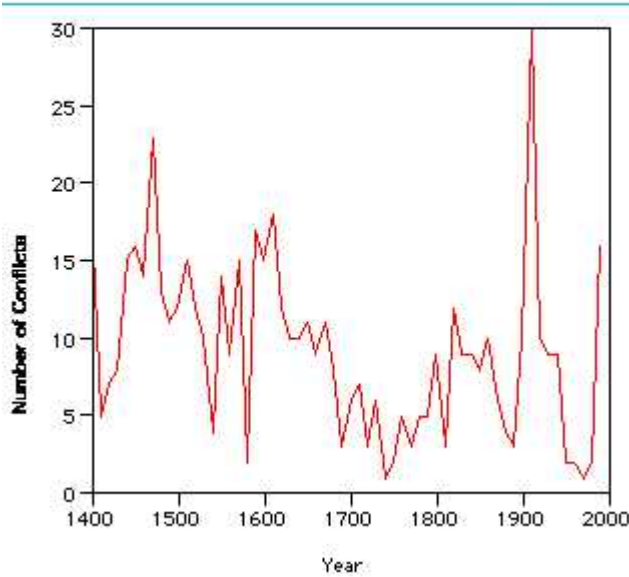
The regional breakdown for Western Europe and Eastern Europe is the following:



While there is indeed an era of peace and stability in Western Europe after the end of the Second World War, trends in Eastern Europe are more alarming and do not support the hypothesis that “the end of history” is in sight:

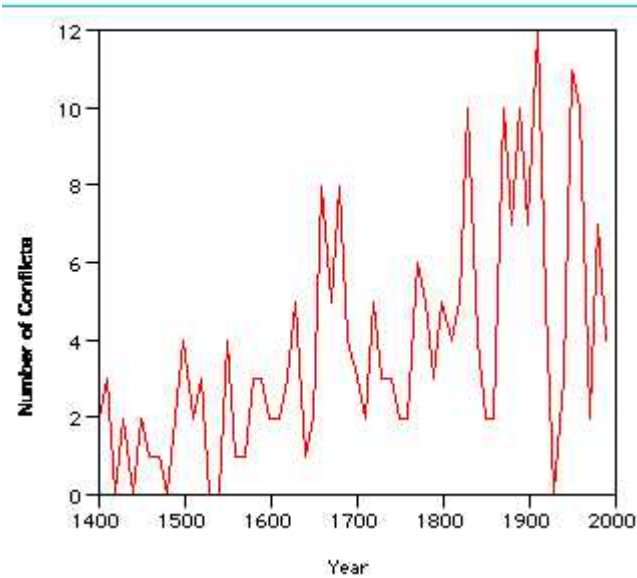


**Number of Conflicts per Decade**  
**Eastern Europe**

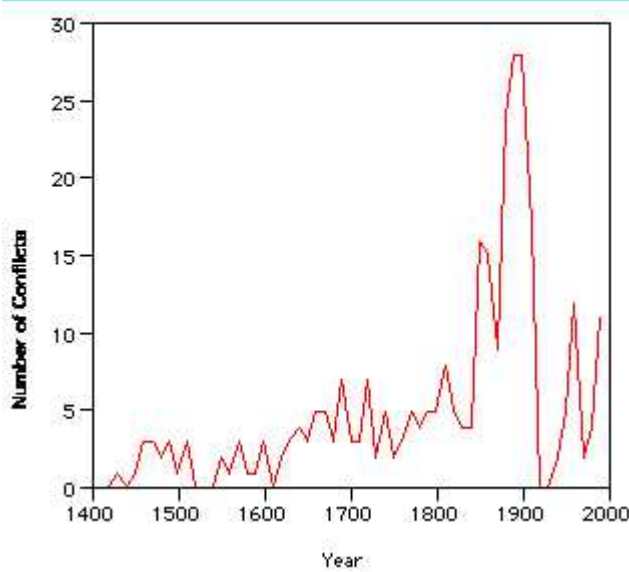


While Western Europe largely stabilized, the conflict potential especially in Africa increased over the last decades, thus de-stabilizing Europe's Southern neighborhood:

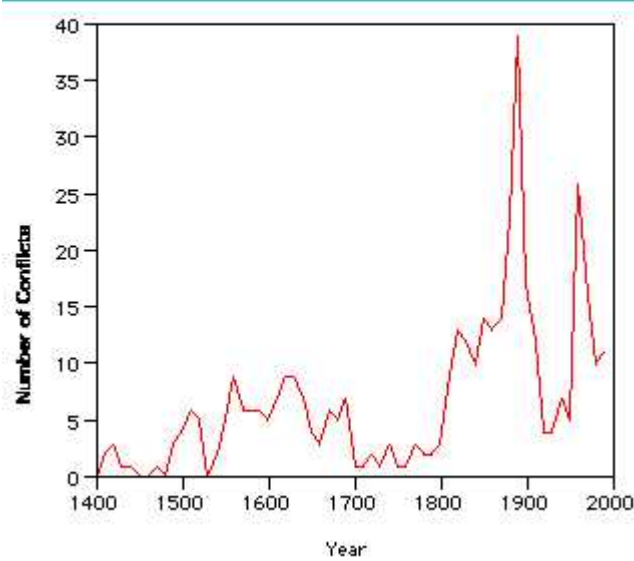
**Number of Conflicts per Decade**  
**North Africa**



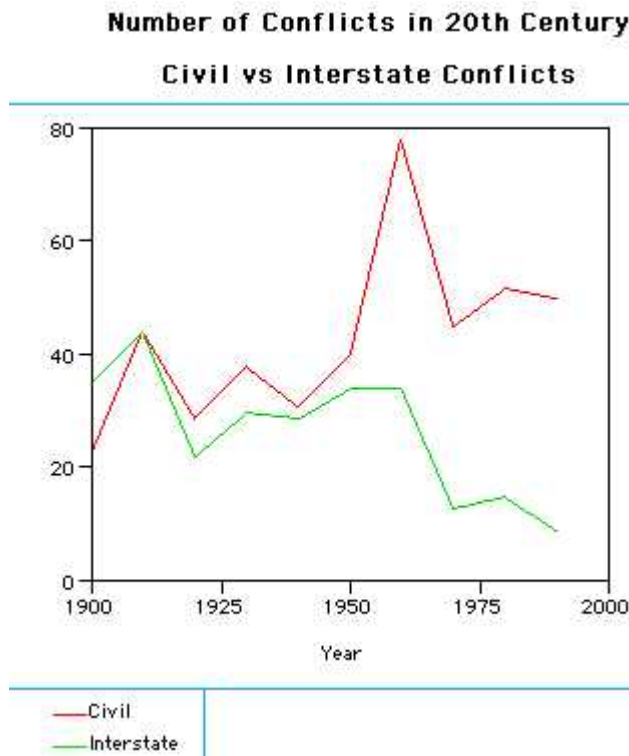
**Number of Conflicts per Decade**  
**West & Central Africa**



**Number of Conflicts per Decade**  
**East & South Africa**



The well-known hypothesis about the growth of internal conflicts versus inter-state conflicts is again confirmed in the Brecke-study:



The general conclusion drawn by the author can be well interpreted in the framework of our own parallel analysis, presented in Chapter 5, Map 5.5. ff. of this work:

*"Of note is the stark contrast in the long-term trends. The number of conflicts declines in a clear and rather consistent manner in Western Europe while the decline for Eastern Europe is much less pronounced and even uncertain." (Brecke, 1999)*

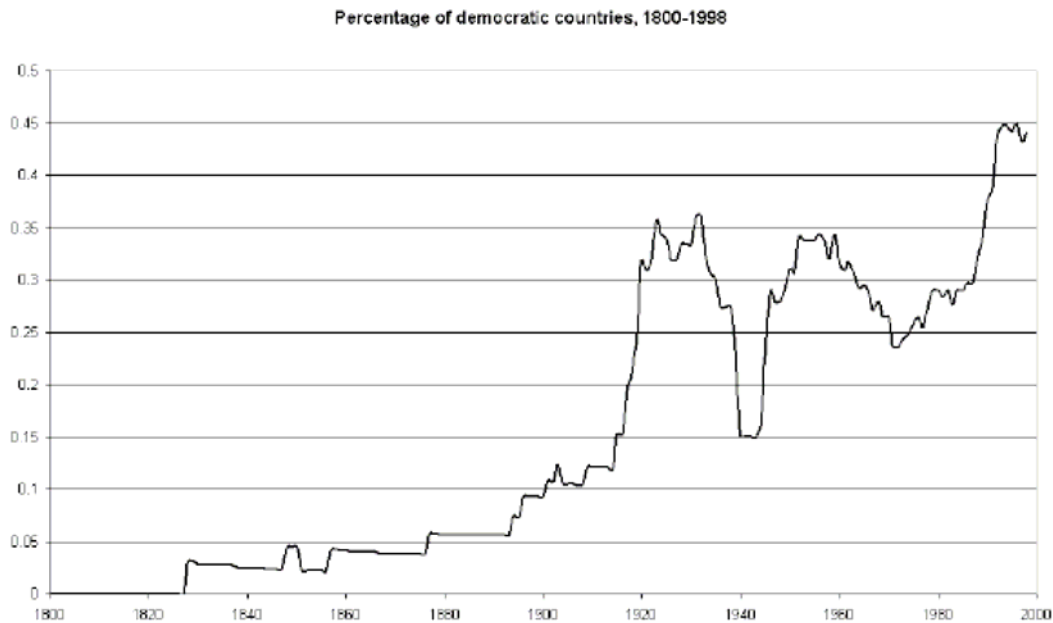
Above, in Chapter 5, we said:

*At any rate, the contemporary geographic and systemic selective retreat of the respects for civil rights around the globe – an average positive trend development 1995 – 2003 notwithstanding –, suggests that freedom is on the retreat precisely in those regions, where there were gains in freedom and human rights owing to the transformations of 1989 and the second and third wave of democratization of the 1980s and 1990s, thus partially contradicting the liberal globalist optimism inherent in the analysis by Soysa and Gleditsch (2002). The retreat of democracy and human rights will most probably go hand in hand with a more conflict-oriented foreign policy in years to come. Under the weight of globalization and the openings of markets, the weak economies and societies of the former communist world and several democracies of the South witness a real retreat of civil liberties, exacerbated by the recent wave of increasing human rights abuses in the context of the "global war on terror" (Tausch in this work, Chapter 5)*

While de Soysa and Gleditsch believe that democracy triumphs in tandem with globalization, we think that their hypothesis cannot be maintained on a 1:1 basis.

De Soysa and Gleditsch (2004: 38) come to the conclusion that globalization brings about the extension of democratic regimes around the globe:

**Figure 6. The Growth of Democracy 1800–1998**



The figure shows the share of countries that are democratic over time. The measure of democracy used combines elements of the Polity measure (Jagers and Gurr, 1995) and the Polyarchy measure (Vanhanen, 2000). The figure is taken from Gates, Hegre, Jones and Strand (2002: 1).

Apart from the fact that there are ups and downs in the above curve in the past (most notably the totalitarian anti-globalization backlash of the Great Depression, the wave of pro-globalist military dictatorships around the world since the mid 1960s such as in Brazil, Chile, Greece, Indonesia etc. and a smaller backlash against democracy at the beginning of the 1980s), de Soysa and Gleditsch's own graph seems to suggest that "the third wave" of democratization as well seems to have reached its turning point. As we have been showing ourselves in Map 5.1, the dynamics of civil rights are under severe strain in the countries of the periphery and semi-periphery.

Analyzing the above data in the framework of the dynamic approach, presented in Chapter 7 of this study (see below), one is led to assume with some caution to believe that globalization (I-S; MNC PEN, unequal exchange, DYN MNC PEN) is not significantly linked to a better human rights performance over time; by contrast, MNC PEN is even significantly linked to a deterioration of the human rights situation over time. However, one should emphasize that the relationships between the independent and the dependent variables are not as strong as expected by either of the two theory strings, the pro-globalists and the anti-globalists:

**Appendix Table 6.3: The dynamics of human rights violations in the countries of the world system**

	(I-S)/GNP	State interventions	EU-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	DYN MNC PEN (residuals)	constant
	0, 0019	-0, 0144	0, 3800	0, 0135	0, 0776	-0, 0007	0, 1560	-0, 3703	0, 2674	0, 0008	-3, 3612
	0, 0029	0, 0616	0, 9939	0, 0880	0, 0361	0, 0032	0, 1681	0, 2503	0, 1574	0, 0058	3, 9149
	0, 1178	0, 7016									
	1, 4948	112, 000									
	7, 3578	55, 1285									
t-test and direction of influence	0, 6677	-0, 2335	0, 3823	0, 1538	2, 1530	-0, 2062	0, 9277	-1, 4795	1, 6988	0, 1326	-0, 8586
t-test and direction of influence^2	0, 4458	0, 0545	0, 1462	0, 0237	4, 6354	0, 0425	0, 8606	2, 1889	2, 8860	0, 0176	0, 7371
t-test and direction of influence^0,5	0, 6677	0, 2335	0, 3823	0, 1538	<b>2, 1530</b>	0, 2062	0, 9277	1, 4795	<b>1, 6988</b>	0, 1326	0, 8586
degrees of freedom	112, 0	112, 0	112, 0	112, 0	112, 0	112, 0	112, 0	112, 0	112, 0	112, 0	112, 0
error probability	0, 5057	0, 8158	0, 7030	0, 8780	<b>0, 0335</b>	0, 8370	0, 3556	0, 1418	<b>0, 0921</b>	0, 8947	0, 3924
F equation	1, 4948	1, 4948	1, 4948	1, 4948	1, 4948	1, 4948	1, 4948	1, 4948	1, 4948	1, 4948	1, 4948
error probability, entire equation	0, 1364	0, 1364	0, 1364	0, 1364	0, 1364	0, 1364	0, 1364	0, 1364	0, 1364	0, 1364	0, 1364

Legend: In this and in all following tables, very small decimal numbers are abridged according to established mathematical conventions, contained in the EXCEL routine. For example, a number **0, 000141972** will be abridged to **1E-04**, i.e. a decimal number rounded to 0, 0001 and starting at the fourth number after the decimal point with three zeros after the comma. A number 9E-10 equals thus a decimal number with 9 zeros after the comma, i.e. 0, 0000000009. All our EXCEL 7.0 calculations are from UNDP and other data sources, quoted above. As in all EXCEL 7.0 outputs, first row: un-standardized regression coefficients, second row: standard errors, second last row: t-Test and direction of the influence; last row: error probability. The values immediately below the standard errors are R<sup>2</sup> (third row, left side entry), F, and degrees of freedom (fourth row). Below that:  $ss_{reg}$ ;  $ss_{resid}$ , i.e. the sum of squares of the regression and the sum of squares of the residuals. The right-hand entry in the third row is the standard error of the estimate y. There were complete data for the residuals of the trend 1995 – 2003 in Freedom House human rights violations data and the dependent variables: (I-S)/GNP, DYN MNC PEN (residuals), EU-membership, Islamic conference, ln (GDP PPP pc)^2, ln(GDP PPP pc), MNC PEN 1995, public education expenditure per GNP, State interventions, and unequal exchange, for the following countries: Albania, Algeria, Argentina, Armenia, Australia, Austria, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bolivia, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Canada, Chad, Chile, China, Colombia, Costa Rica, Côte d'Ivoire, Croatia, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Estonia, Ethiopia, Fiji, Finland, France, Gambia, Germany, Ghana, Greece, Guatemala, Guyana, Honduras, Hungary, Iceland, India, Indonesia, Iran, Islamic Rep. of, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Korea, Rep. of, Lao People's Dem. Rep., Latvia, Lebanon, Lesotho, Lithuania, Luxembourg, Madagascar, Malawi, Malaysia, Mali, Malta, Mauritania, Mauritius, Mexico, Moldova, Rep. of, Mongolia, Morocco, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Russian Federation, Saudi Arabia, Senegal, Singapore, Slovenia, South Africa, Spain, Sri Lanka, Swaziland, Sweden, Switzerland, Syrian Arab Republic, Tajikistan, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, United Kingdom, United States, Uruguay, Uzbekistan, Venezuela, Viet Nam, Yemen, Zambia, Zimbabwe

## 7. Why a new “Vienna Consensus” is necessary. Europe after the French riots and the Latin Americanization of the “old continent”.

In this Chapter, we show that Europe’s crisis is not caused by what the neo-liberals term a “lack of world economic openness” but rather, on the contrary, by the enormous amount of passive globalization that Europe – together with Latin America – experienced over recent years.

### 7.1. Introduction – the lost Lisbon race

On all accounts, the EU-25 is the most important formalized regional bloc in the world economy:

**Table 7.1: The comparative shares of Europe, the US and Japan in world economic activities**

	EU-25	USA	Japan
% of world population	7, 2	4, 6	2
% of world GDP	22	21	7
% of world trade	19, 5	17, 4	6, 7
% of world inward investments	25, 7	31, 3	1, 3
% of world outward investments	46, 1	24, 8	5, 3
economic openness (foreign trade with third countries as % of GDP)	14, 6	8, 8	9

Source: Eurostat Press Releases, Publications Office European Commission, Economist Country Briefings

For years, Europe is engaged in the so-called Lisbon process (named after the European Summit in 2000 at which these policy measures were discussed) to catch up with the US and to become by 2010 the most advanced, technology and science-based economy in the world. The failure to meet these Lisbon goals has now been generally recognized [see, among others, Aiginger K. and Guger A. (2005a), Aiginger K. and Guger A. (2005b), Die Presse (2005), Kirby P. (1998), Kirby P. (2002), Palme J. (2005), Petrella R. (1995), Sapir A. (2005a), Sapir A. (2005b), Soete L. (2005), Tsoukalis L. (2005), and Weil P. (2005)].

But the time-perspective tells us another and very different story.

**Table 7.2: changes in shares of world GDP, measured in real purchasing power parities, 1980 – 2003 according to ECOFIN 14954/05 of November 25<sup>th</sup>, 2005**

Country grouping	Share in world GDP, 1980 in %	Share in world GDP, 2003 in %	% DYN in 23 years	% DYN p.a.
Other states	34	25	-9	-0, 692
EU-25	26	22	-4	-0, 308
Russia	4	3	-1	-0, 077
Japan	7	7	0	0, 000
Brazil	3	3	0	0, 000
USA	20	21	1	0, 077
India	3	6	3	0, 231
China	3	13	10	0, 769

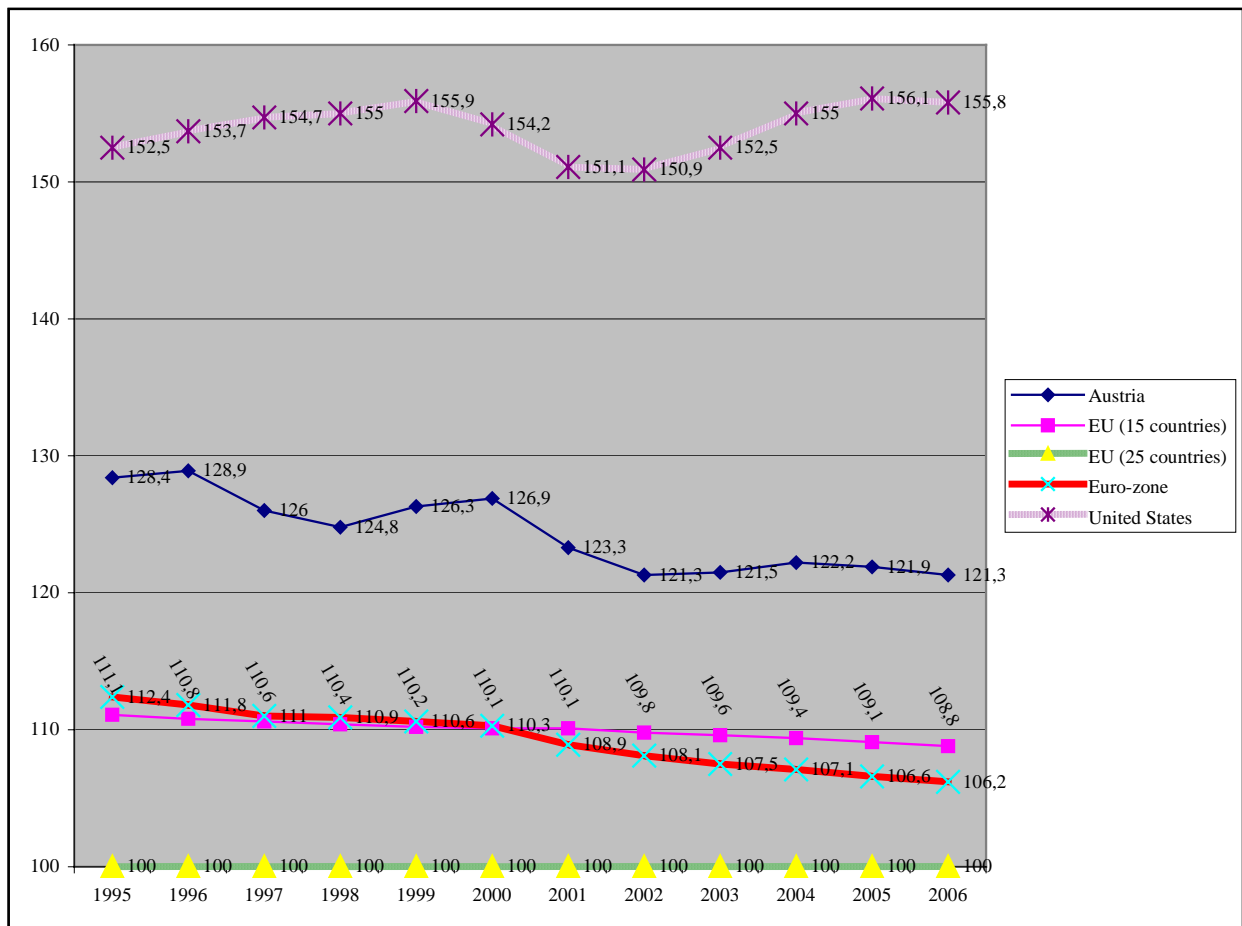
Over the last quarter of a Century, the EU-25, together with Russia and a great number of smaller and medium powers in Latin America, Africa, and West Asia lost shares of world GDP in the global race, while China, India, and the United States were on the winning side, and Japan and Brazil kept their shares. Europe has grown bigger only by extension, adding more and more members to the original community of 6 countries, while at the same time the share of today's 25 nations faced a rather sharp decline in their share of world GDP since 1980. Undoubtedly, there was some convergence within the EU-25 group, but the group as a whole is in dramatic decline.

Eurostat, the statistical apparatus of the European Commission, closely monitors these developments in the framework of the so-called "Lisbon process" to "catch up with the United States" by 2010, but – as European decision makers increasingly concede today – the results of this race up to now were rather dismal for the Europeans, especially the countries of the Euro-zone, comprising the 12 European Union nations that introduced a joint, single Currency.

Our following empirical calculations are all based on Eurostat and its website at [http://epp.eurostat.cec.eu.int/portal/page?\\_pageid=1090,30070682,1090\\_33076576&dad=portal&schema=PORTAL](http://epp.eurostat.cec.eu.int/portal/page?_pageid=1090,30070682,1090_33076576&dad=portal&schema=PORTAL).

Graph 7.1 shows the results of this lost race as measured by real purchasing power:

**Graph 7.1: The “Lisbon race” for Europe to catch up by 2010 with the United States – real purchasing power**



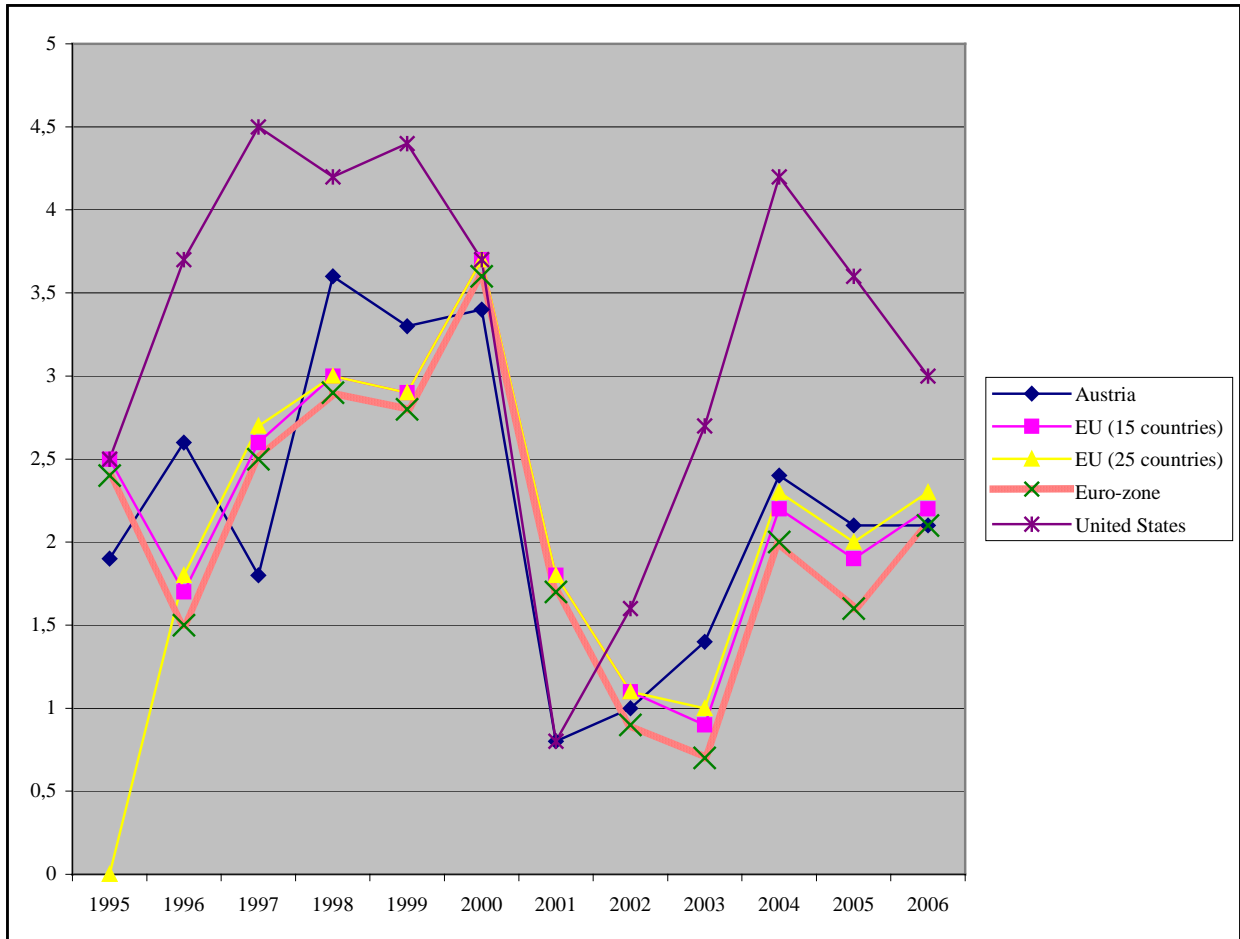
GDP per capita in PPS

GDP per capita in Purchasing Power Standards (PPS), (EU-25 = 100)

Graph 2 looks at the equally dismal evolution of the real economic growth rates in Europe and in the United States over the last decade:



**Graph 7.2: real economic growth rates, 1995 – 2005, and projections for 2006**

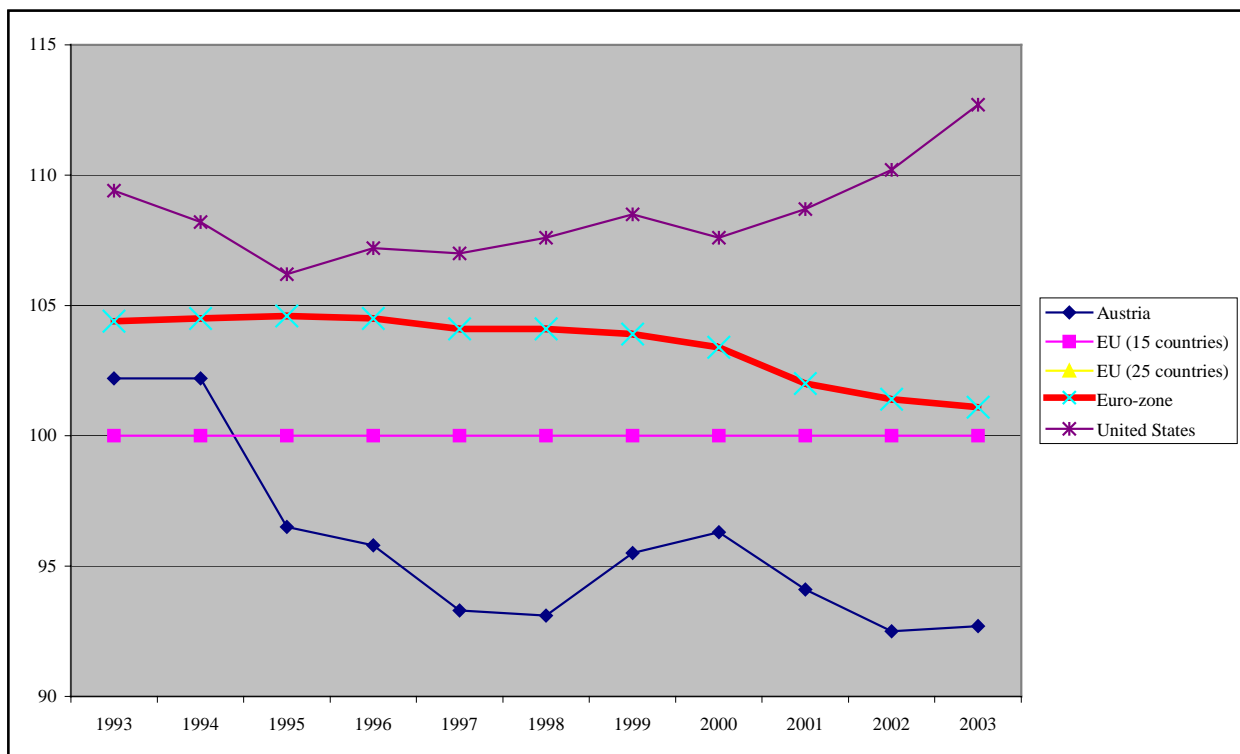


**Real GDP growth rate**

Growth rate of GDP at constant prices (1995) - percentage change on previous year

Also, the European malaise clearly emerges, when we compare labor productivity per hour worked. It is often said in Europe that America’s advantages are not real, and that they are a product of the “McDonaldization” of the labor markets (a lot of jobs, but irregular, not stable and not very well paid). But the measurement of labor productivity in labor productivity per hour worked corrects for differences in the number of hours worked across the Atlantic:

**Graph 7.3: Labor productivity**



Labor productivity per hour worked  
 GDP in Purchasing Power Standards (PPS) per hour worked relative to EU-15  
 (EU-15 = 100)

Graph 3 thus dispels the myth that America’s lead is only due to the “McDonaldization” of the economy. Even taking into consideration the number of hours worked, productivity has increased much faster in America than in Europe, especially the Euro-zone. Thus the very opposite of what the Euro was to bring about, i.e. a spectacular increase in growth and productivity, has happened.

By now, practically all European decision makers are well aware of these facts. In their diagnosis as to how to cure these ills, most of them would assume that Europe, in order to catch up, must further globalize and flexibilize its labor and product markets. However, a thorough analysis of the existing data shows that America, paradoxically enough, did not globalize as rapidly as the EU-25 over the last 10, 15 years. It was Europe that radically globalized over the last decade and a half, with rather mixed results in terms of growth, jobs, and “social cohesion” at best, and an increasing stagnation and social polarization at worst.

The following graphs and tables analyze the trajectory of rapid globalization in Europe over the last decades by international comparison. We also explain the rigorous quantitative methodology used in this comparison.

Our combined measure of the velocity of the globalization process, presented here for the first time in the literature, will be of a UNDP-Indicator type,

combining three different dimensions on a uniform scale, ranging from 0 (lowest value) to 1 (highest value). It is based on the increases of capital penetration over time, on the increases of economic openness over time, and on the decreases of the comparative price level over time i.e. multiplying the three dimension/component indices by 1/3 in the calculation of the final index and adding them together, and calculating each dimension index by the formula:

$$(1) \text{ dimension index} = \frac{\text{Actual value} - \text{minimum value}}{\text{Maximum value} - \text{minimum value}}$$

$$(2) \text{ globalization index} = 1/3 * (\text{DYN capital penetration index}) + 1/3 * (\text{DYN openness index}) + 1/3 (\text{DYN Price Level index})$$

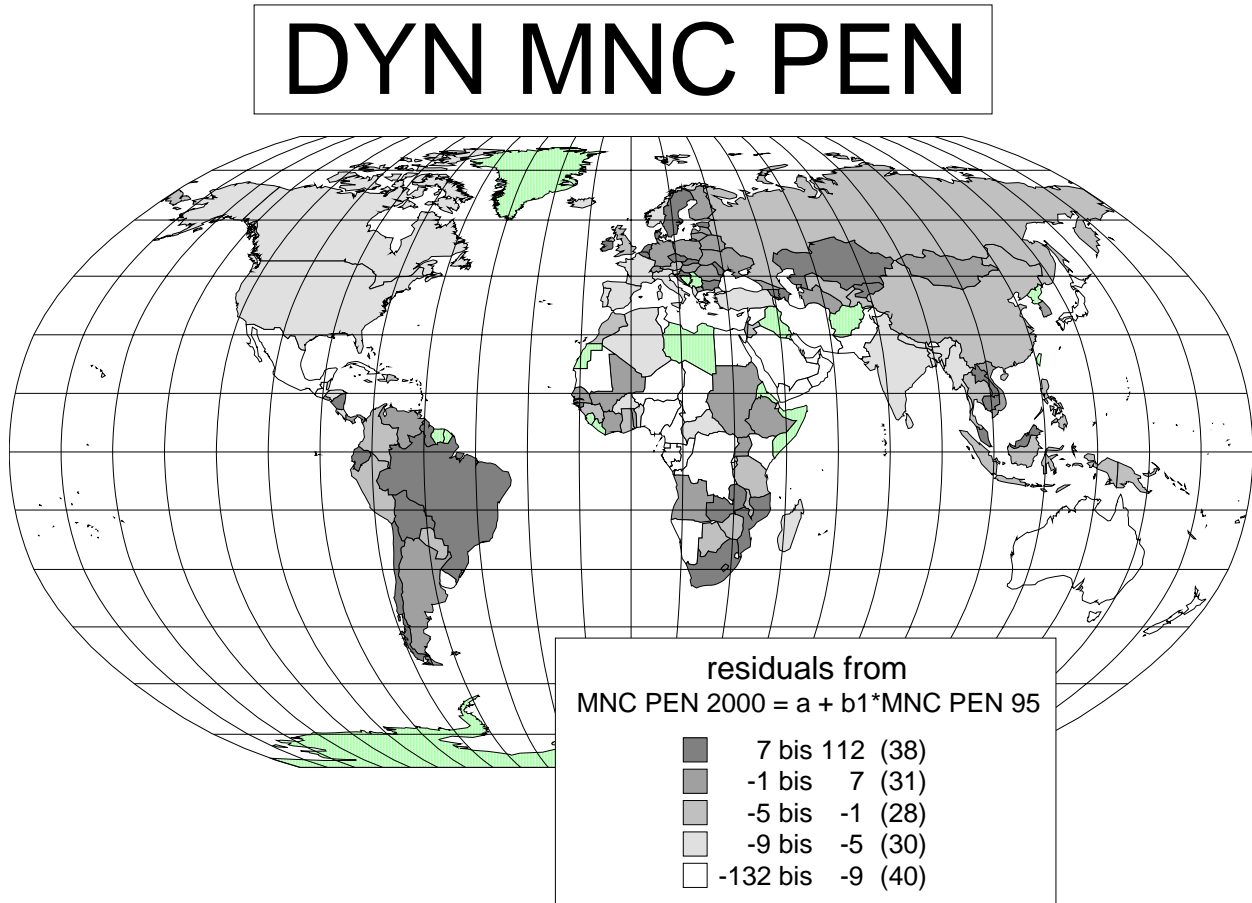
The **Dyn Capital Penetration Index** is based on the **residuals** of the standard OLS linear regression of the UNCTAD shares of cumulated foreign direct investment per GDP in 2000 on those in 1995; the **Dyn Openness Index** is based on the **residuals** of the standard OLS linear regression of the UNDP foreign trade shares in 2003 on those in 1993, and the **DYN Price Level Index 1998 – 2002** is based on the changes in the Eurostat Price level indicator. Eurostat defines:

*“Comparative price levels are the ratio between Purchasing power parities (PPPs) and market exchange rate for each country. PPPs are currency conversion rates that convert economic indicators expressed in national currencies to a common currency, called Purchasing Power Standard (PPS), which equalises the purchasing power of different national currencies and thus allows meaningful comparison. The ratio is shown in relation to the EU average (EU25 = 100). If the index of the comparative price levels shown for a country is higher/ lower than 100, the country concerned is relatively expensive/cheap as compared with the EU average.”* ([http://epp.eurostat.cec.eu.int/portal/page?\\_pageid=1996,39140985&\\_dad=portal&\\_schema=PORTAL&screen=detailref&language=en&product=EU\\_strind&root=EU\\_strind/strind/ecoref/er011](http://epp.eurostat.cec.eu.int/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=EU_strind&root=EU_strind/strind/ecoref/er011))

For the aims of this analysis, we compared market exchange rate GDPs and purchasing power parities GDPs across the globe using UNDP HDR data for 1998 (US = 100) and 2002 (US = 100).

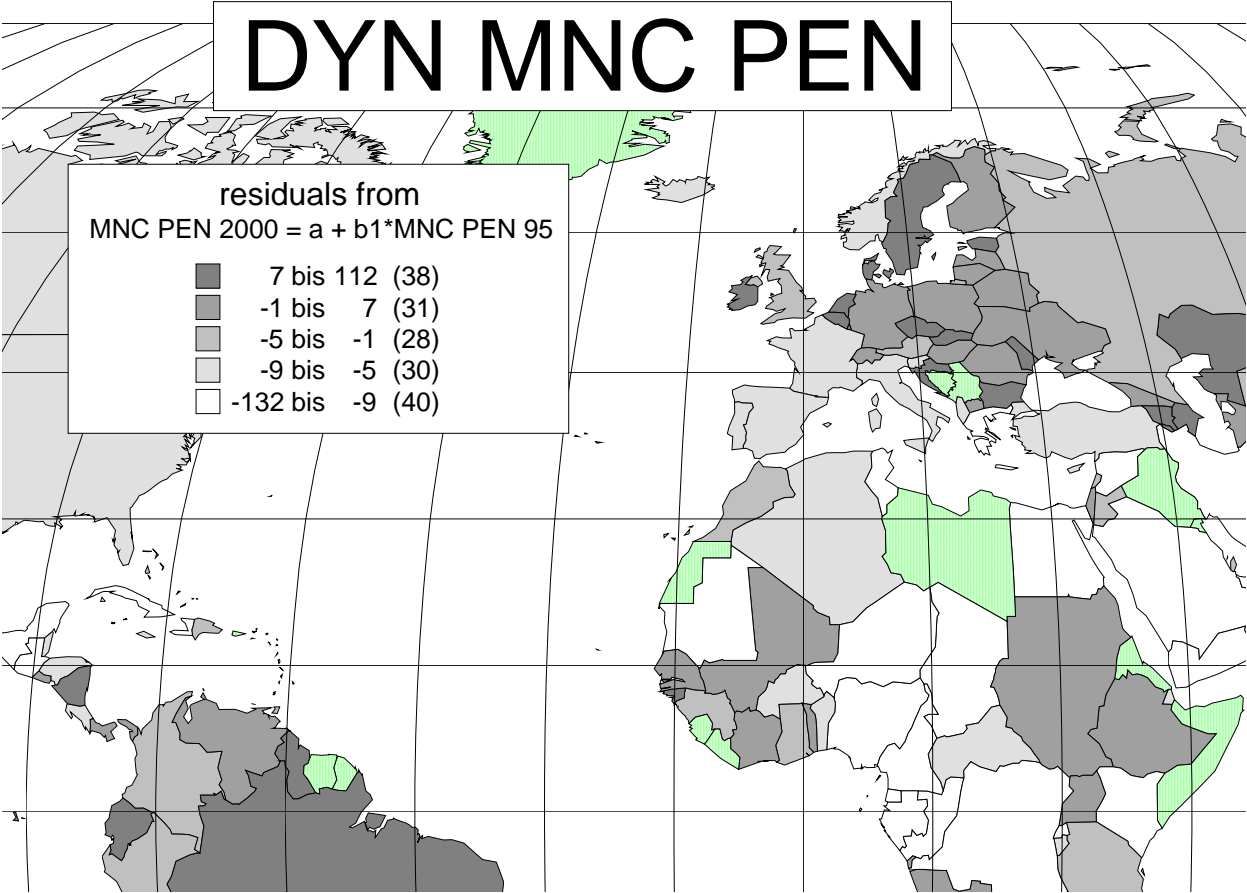
Our maps for core capital penetration and openness duly take into account that there was anyway a world trend towards core capital penetration and towards world economic openness. Countries with an extraordinary pace of globalization are painted in **Map 7.1.** and **Map 7.2** in **dark colors**, while countries with an extraordinary rapid pace of globalization are painted for technical reasons in **light** colors in **Map 7.3.**

**Map 7.1: The velocity of core capital penetration, 1995 – 2000. Residuals from a standard OLS regression of MNC PEN in the year 2000 on MEN PEN in the year 1995.**



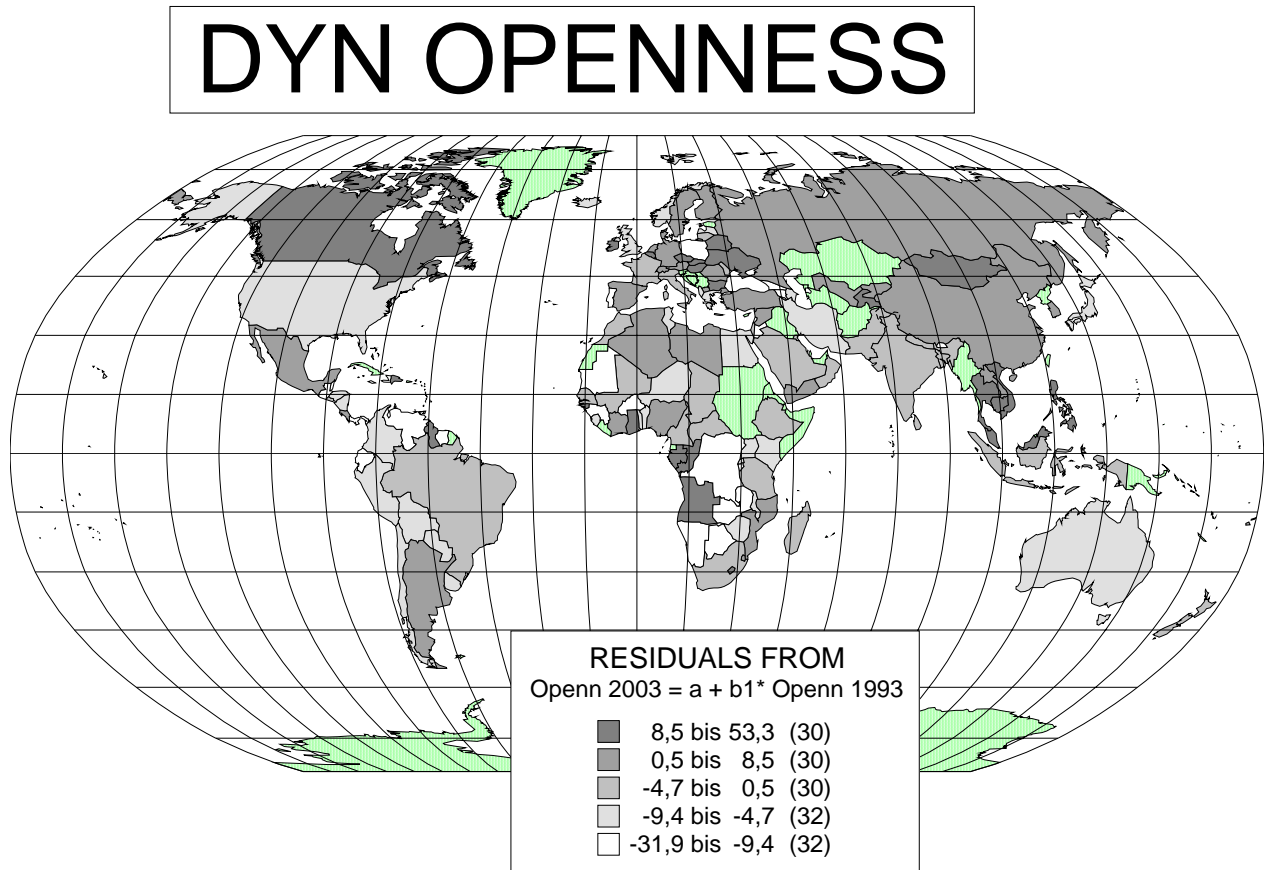
Legend: 165 degrees of freedom,  $R^2 = 67.61\%$ ,  $F = 344.44$ . Countries with missing values are marked in green colors

**Map 7.1 (cont.): The velocity of core capital penetration, 1995 – 2000. Residuals from a standard OLS regression of MNC PEN in the year 2000 on MEN PEN in the year 1995.**



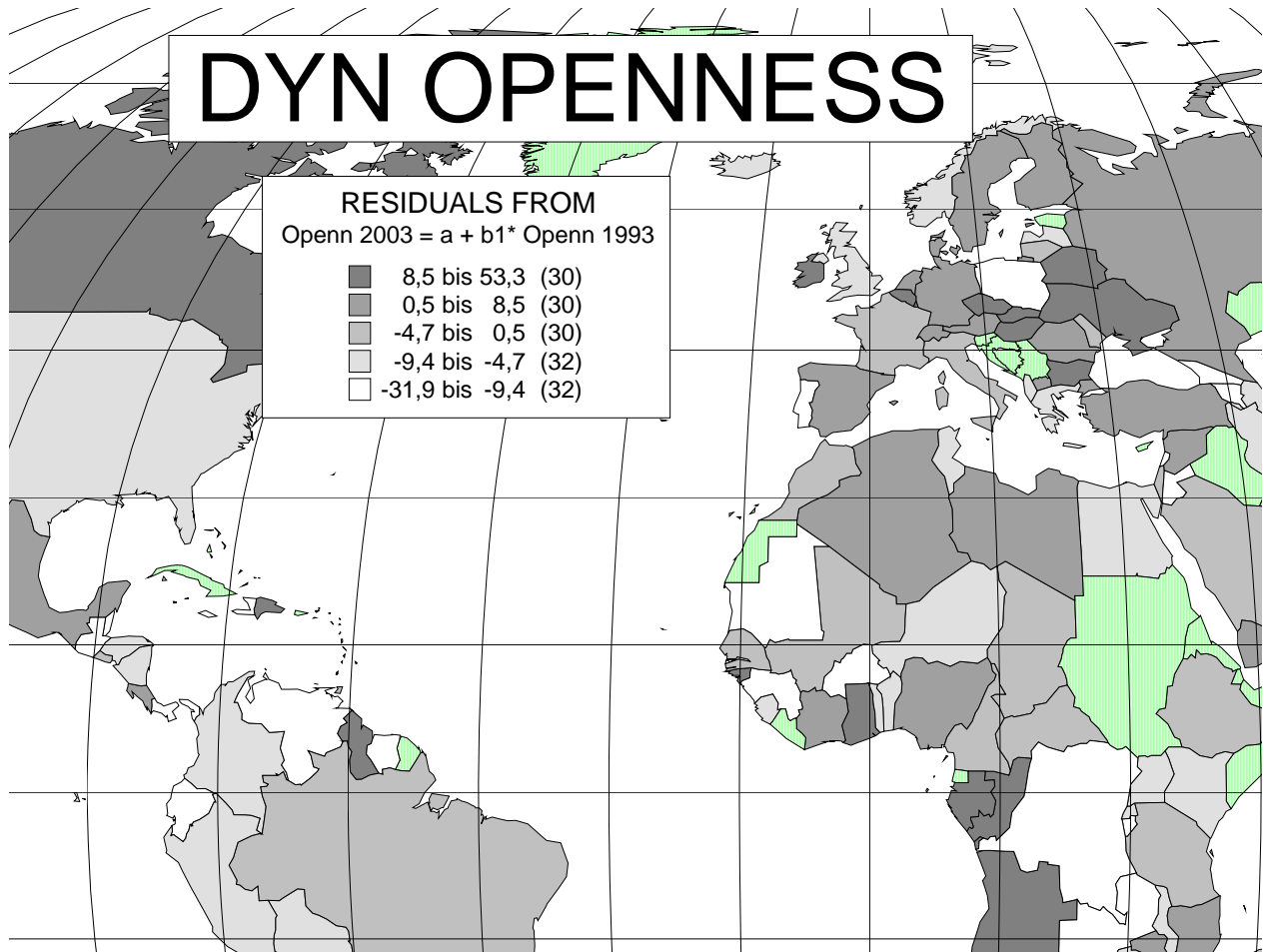
See Legend above

**Map 7.2: The velocity of world economic openness, 1993 – 2003. Residuals from a standard OLS regression of the foreign trade share per GDP in the year 2003 on the foreign trade share per GDP in the year 1993.**



Legend: 152 degrees of freedom,  $R^2 = 62.18\%$ ,  $F = 249.85$ . Countries with missing values are marked in green colors.

**Map 7.2 (continued): The velocity of world economic openness, 1993 – 2003. Residuals from a standard OLS regression of the foreign trade share per GDP in the year 2003 on the foreign trade share per GDP in the year 1993.**



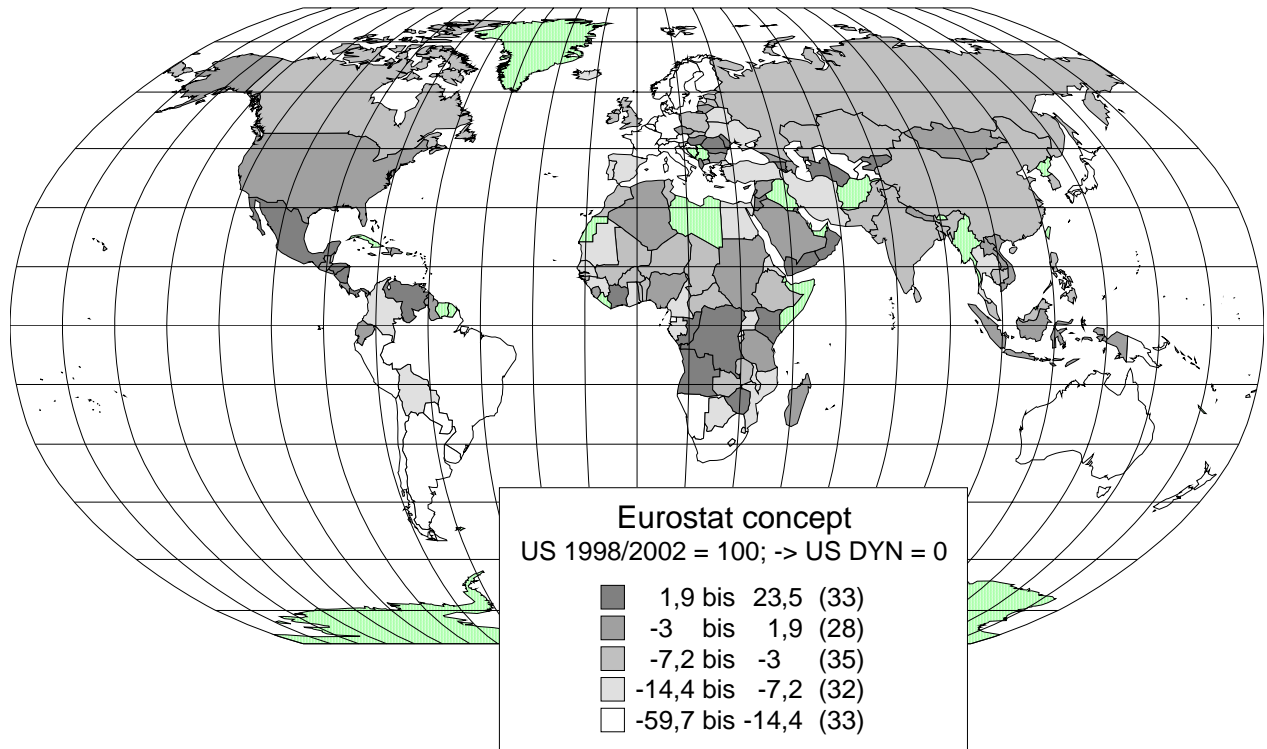
Legend: see above

Our following map, the map on world price levels (US = 100), shows dramatically how the US remained to be a high price level country, while the Europeans took the message of globalization very seriously and radically reduced comparative price levels in comparison to the United States of America.

The ratio for the US in 1998 and in 2002 was fixed at 100 each. Countries **moving towards the status of high price countries**, like Mexico or Eastern Europe, are plotted in **dark colors**, while countries **becoming rapidly low price countries** (like most of the European nations or Latin America) are plotted in **light colors**.

**Map 7.3: movements in comparative price levels, 1998 – 2002. The Europeans, Latin Americans, Australians, Japanese and South Africans were the “best pupils” in the “globalization classroom”**

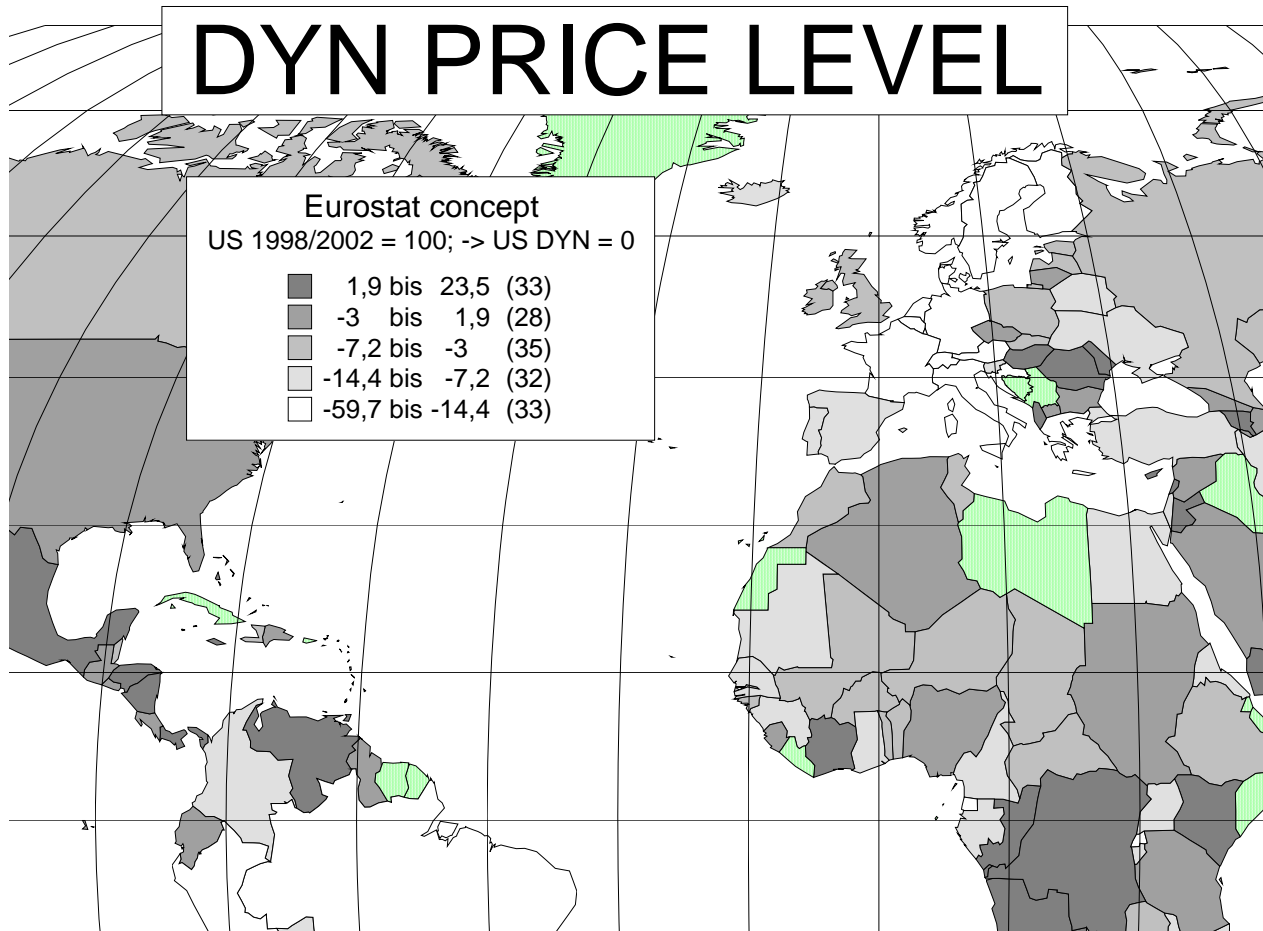
# DYN PRICE LEVEL



Legend: countries with missing values are marked in green colors



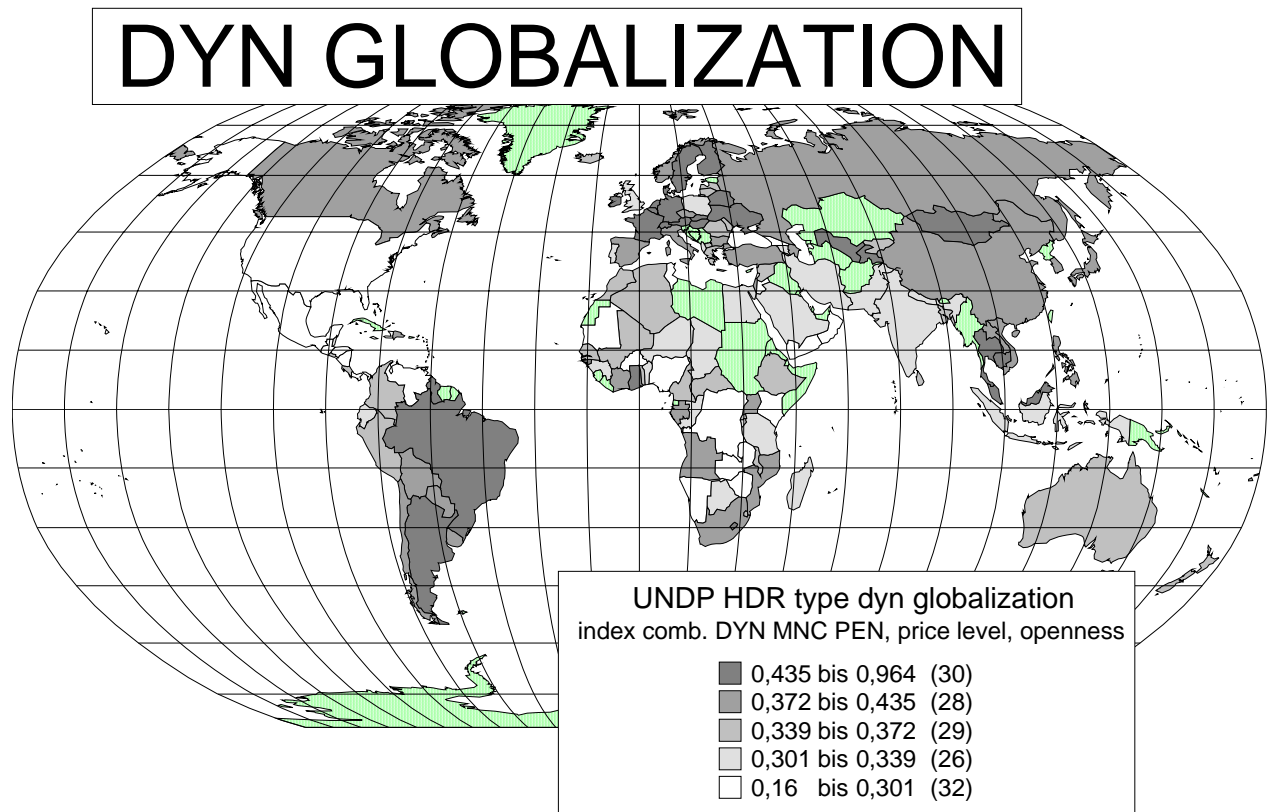
**Map 7.3 (continued): movements in comparative price levels, 1998 – 2002. The Europeans, Latin Americans, Australians, Japanese and South Africans were the “best pupils” in the “globalization classroom”**



Legend: see maps above

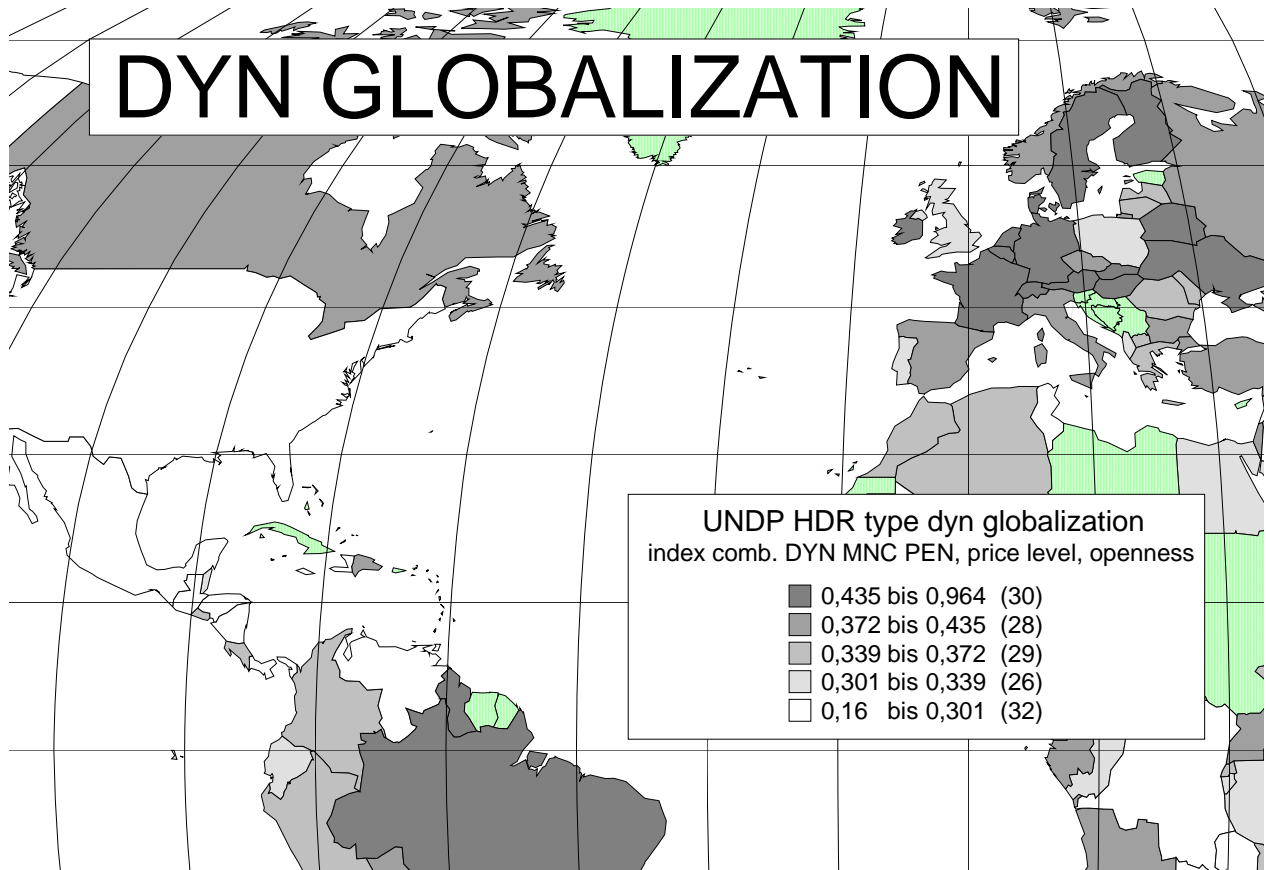
Properly taking into account that rises in the price level are a movement away from globalization, and falling price levels are a movement towards globalization, we finally interpret our results in the following way: the United States, Mexico, Venezuela, larger parts of Africa and large sections of West and South Asia escaped from the combined pressures of globalization, while Eastern and Southern Latin America, very large parts of Europe, Uzbekistan, Mongolia, Thailand and Malaysia, Russia and China were characterized by a specially high tempo of globalization.

**Map 7.4: The velocity of globalization: the combined effects of core capital penetration increase, 1995 – 2000, openness increase, 1993 – 2003 and the lowering of international price levels as compared to the United States, 1998 - 2002**



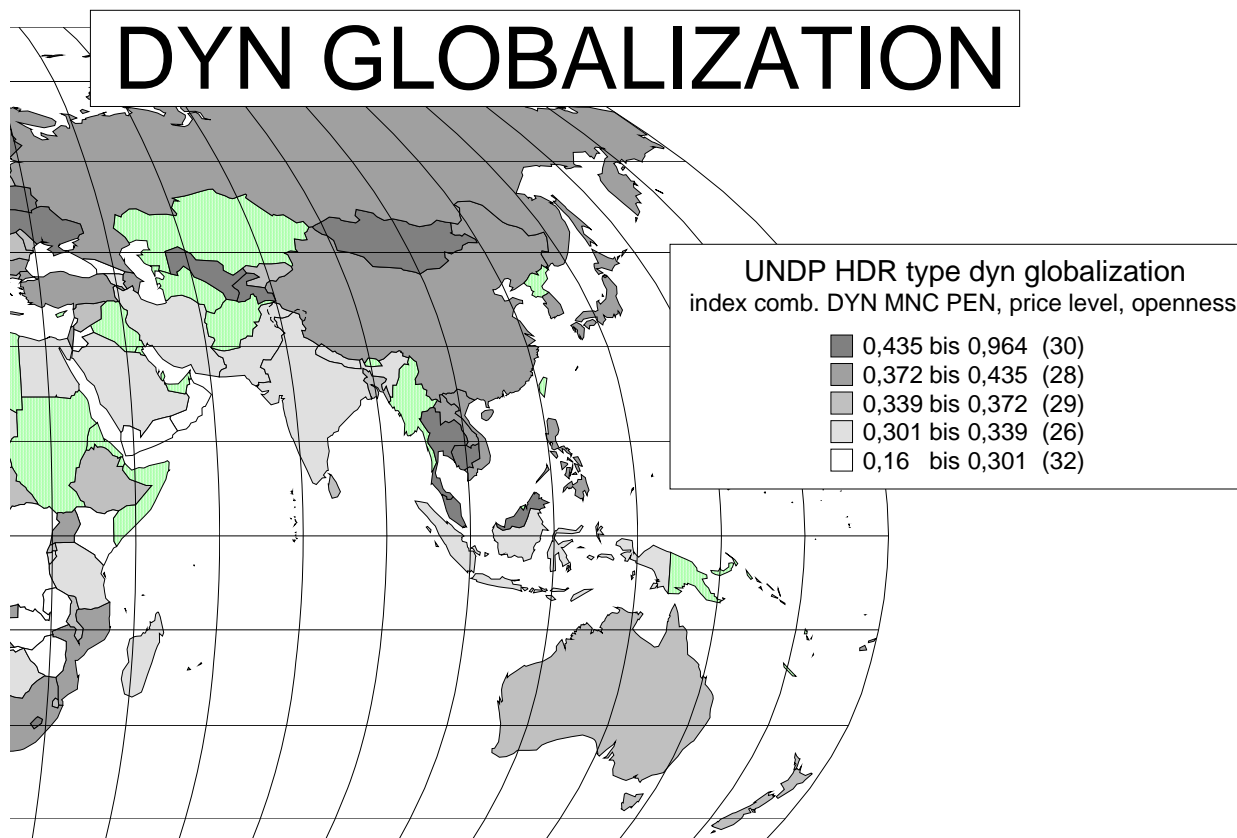
Countries with missing values are marked in green colors

**Map 7.4 (continued): The velocity of globalization: the combined effects of core capital penetration increase, 1995 – 2000, openness increase, 1993 – 2003 and the lowering of international price levels as compared to the United States, 1998 - 2002**



Countries with missing values are marked in green colors

**Map 7.4 (continued): The velocity of globalization: the combined effects of core capital penetration increase, 1995 – 2000, openness increase, 1993 – 2003 and the lowering of international price levels as compared to the United States, 1998 - 2002**



Countries with missing values are marked in green colors

Table 7.3 now lists all the countries of the world with available data, as they figure on this new index of the velocity of globalization:

**Table 7.3: The velocity of globalization: increases of core capital penetration, downward movement of comparative price levels, and increases of world economic openness combined. Data for the 1990s and the early 2000s.**

Country code	DYN MNC PEN (residuals)	DYN Price reform 1998-2002	Dyn Openness (residuals)	DYN MNC INDEX	DYN PRICE REFORM INDEX	DYN OPENNESS INDEX	UNDP-TYPE INDEX DYN GLOBALIZATION
Luxembourg	111, 645	59, 639	37, 7033	1	1	0, 89165	0, 96388
Hong Kong, China (SAR)	92, 4639	27, 5693	43, 0017	0, 88635	0, 61392	0, 95955	0, 81994
Belgium	111, 645	25, 1388	8, 81589	1	0, 58466	0, 5215	0, 70206
Lesotho	75, 9308	19, 3247	15, 4547	0, 7884	0, 51467	0, 60657	0, 63654
Cambodia	23, 4917	5, 4911	46, 1588	0, 47769	0, 34813	1	0, 60861
Ireland	40, 0148	3, 6057	33, 1667	0, 57559	0, 32543	0, 83352	0, 57818
Slovakia	8, 95788	4, 5269	43, 6327	0, 39158	0, 33652	0, 96763	0, 56525
Argentina	2, 07428	43, 1413	5, 63005	0, 3508	0, 80139	0, 48068	0, 54429
Malaysia	7, 44658	3, 1673	37, 2871	0, 38263	0, 32016	0, 88632	0, 5297
Brazil	15, 787	37, 6171	-0, 6055	0, 43204	0, 73489	0, 40078	0, 52257
Denmark	12, 9679	34, 9158	0, 69287	0, 41534	0, 70237	0, 41742	0, 51171
Tajikistan	-4, 1073	16, 4591	24, 7505	0, 31417	0, 48017	0, 72568	0, 50667
Netherlands	20, 1121	24, 8452	4, 81328	0, 45767	0, 58113	0, 47021	0, 503
Switzerland	0, 57865	37, 3371	1, 69287	0, 34194	0, 73151	0, 43023	0, 50123
Mongolia	3, 71674	-1, 0319	36, 2793	0, 36053	0, 2696	0, 87341	0, 50118
Germany	4, 45722	33, 2479	3, 39706	0, 36492	0, 68229	0, 45207	0, 49976
Thailand	-3, 008	10, 918	25, 4573	0, 32068	0, 41346	0, 73474	0, 48963
Austria	-3, 1545	31, 1132	6, 16407	0, 31982	0, 65659	0, 48752	0, 48798
Guyana	9, 45936	2, 1488	26, 8735	0, 39455	0, 30789	0, 75288	0, 48511
Sweden	9, 85623	22, 7561	6, 98606	0, 39691	0, 55598	0, 49805	0, 48365
Ukraine	-0, 6829	13, 7023	17, 7505	0, 33446	0, 44698	0, 63599	0, 47248
Finland	2, 03982	21, 9988	6, 16146	0, 35059	0, 54686	0, 48749	0, 46165
Malta	38, 3944	6, 8648	2, 46509	0, 56599	0, 36467	0, 44012	0, 45693
Uzbekistan	-1, 7415	28, 2247	0, 86826	0, 32819	0, 62181	0, 41966	0, 45656
Cape Verde	9, 38665	11, 6873	9, 98345	0, 39412	0, 42273	0, 53646	0, 4511
Belarus	1, 70569	9, 0225	14, 8709	0, 34861	0, 39064	0, 59909	0, 44612
Hungary	-0, 7053	-3, 3706	27, 1039	0, 33433	0, 24145	0, 75584	0, 44387
France	-5, 5672	30, 3282	-3, 0741	0, 30552	0, 64714	0, 36915	0, 4406
Guinea-Bissau	11, 9572	6, 4554	10, 6301	0, 40935	0, 35974	0, 54475	0, 43795
Ghana	-1, 7849	8, 482	14, 4547	0, 32793	0, 38414	0, 59375	0, 43527
Viet Nam	0, 26497	2, 1905	17, 6929	0, 34008	0, 3084	0, 63525	0, 42791
Czech Republic	14, 8031	-0, 6489	12, 7531	0, 42621	0, 27421	0, 57195	0, 42413
Chile	20, 5482	15, 8678	-5, 4249	0, 46025	0, 47305	0, 33902	0, 42411
Bulgaria	12, 4522	-1, 4049	13, 3395	0, 41229	0, 26511	0, 57946	0, 41895
South Africa	12, 1392	16, 838	-3, 7207	0, 41043	0, 48473	0, 36086	0, 41868
Azerbaijan	53, 4575	-0, 766	-6, 3647	0, 65524	0, 2728	0, 32698	0, 41834
Philippines	-3, 5605	6, 6828	12, 7505	0, 31741	0, 36248	0, 57192	0, 41727
Mozambique	8, 29234	8, 6546	5, 39445	0, 38764	0, 38622	0, 47766	0, 41717
Italy	-6, 5542	21, 7011	-3, 1919	0, 29967	0, 54328	0, 36764	0, 40353
Uruguay	-9, 3016	25, 5971	-5, 7207	0, 2834	0, 59018	0, 33523	0, 40294
Spain	-7, 9508	14, 21	3, 33685	0, 2914	0, 4531	0, 4513	0, 3986

Fiji	-12, 473	10, 9661	7, 75568	0, 26461	0, 41404	0, 50792	0, 39552
Dominican Republic	-1, 5558	1, 3171	11, 4573	0, 32929	0, 29788	0, 55535	0, 39417
Japan	-9, 2237	25, 0829	-7, 3699	0, 28386	0, 58399	0, 3141	0, 39398
Bolivia	21, 166	9, 2145	-6, 8385	0, 46391	0, 39296	0, 32091	0, 39259
Angola	5, 78278	-18, 587	26, 0463	0, 37277	0, 05827	0, 74228	0, 39111
Turkey	-8, 7301	8, 8207	5, 98345	0, 28678	0, 38822	0, 48521	0, 38673
Paraguay	-2, 3368	20, 064	-7, 6605	0, 32466	0, 52357	0, 31038	0, 3862
Canada	-8, 0571	5, 6176	8, 51486	0, 29077	0, 34965	0, 51764	0, 38602
Russian Federation	-3, 9181	6, 4071	5, 57246	0, 31529	0, 35916	0, 47994	0, 3848
Israel	0, 66323	14, 3819	-4, 4249	0, 34244	0, 45517	0, 35184	0, 38315
Côte d'Ivoire	6, 085	-1, 9325	8, 22166	0, 37456	0, 25876	0, 51389	0, 3824
China	-2, 6157	3, 0074	7, 57246	0, 32301	0, 31823	0, 50557	0, 38227
Lao People's Dem. Rep.	7, 63883	0, 9195	4, 74785	0, 38377	0, 2931	0, 46938	0, 38208
Korea, Rep. of	1, 56422	5, 9844	2, 75046	0, 34778	0, 35407	0, 44378	0, 38188
Uganda	4, 66958	12, 3356	-4, 7234	0, 36617	0, 43053	0, 34801	0, 38157
Norway	-7, 3143	18, 0145	-4, 8359	0, 29517	0, 4989	0, 34657	0, 38021
Gabon	-25, 321	9, 4038	10, 8709	0, 18848	0, 39524	0, 54783	0, 37718
New Zealand	-15, 932	17, 5449	-2, 3673	0, 24411	0, 49324	0, 3782	0, 37185
Algeria	-7, 5772	1, 9862	8, 16146	0, 29361	0, 30594	0, 51312	0, 37089
Mali	2, 71039	5, 0076	0, 45466	0, 35457	0, 34231	0, 41436	0, 37041
Peru	-4, 3786	15, 8719	-6, 6631	0, 31256	0, 4731	0, 32316	0, 36961
Ethiopia	1, 39934	6, 1343	-0, 6055	0, 3468	0, 35587	0, 40078	0, 36782
Australia	-16, 458	19, 9385	-5, 5453	0, 24099	0, 52206	0, 33748	0, 36684
Greece	-12, 943	18, 999	-6, 4275	0, 26182	0, 51075	0, 32618	0, 36625
Cameroon	-12, 561	13, 2148	-2, 1919	0, 26408	0, 44111	0, 38045	0, 36188
Iceland	-6, 1769	12, 9379	-5, 5427	0, 30191	0, 43778	0, 33752	0, 35907
Macedonia, TFYR	0, 44683	2, 1247	1, 51486	0, 34115	0, 3076	0, 42795	0, 3589
Kyrgyzstan	10, 098	-3, 0027	1, 86826	0, 39834	0, 24588	0, 43248	0, 3589
Senegal	-0, 7899	8, 8806	-4, 6029	0, 33383	0, 38894	0, 34956	0, 35744
Malawi	-3, 2976	10, 2067	-4, 7207	0, 31897	0, 4049	0, 34805	0, 35731
Romania	4, 01105	-6, 6516	7, 45466	0, 36227	0, 20195	0, 50406	0, 35609
Rwanda	-17, 45	19, 0557	-6, 8412	0, 23511	0, 51143	0, 32088	0, 35581
Moldova, Rep. of	17, 7398	-5, 8546	0, 22427	0, 44362	0, 21154	0, 41141	0, 35552
Mauritius	-2, 2013	11, 3322	-7, 0087	0, 32546	0, 41845	0, 31873	0, 35422
Morocco	-4, 2197	6, 2442	-1, 4851	0, 31351	0, 3572	0, 38951	0, 3534
Colombia	-3, 3779	12, 814	-8, 0741	0, 31849	0, 43629	0, 30508	0, 35329
Syrian Arab Republic	-9, 9016	2, 1386	4, 75046	0, 27984	0, 30777	0, 46941	0, 35234
Swaziland	-33, 543	12, 8356	5, 52269	0, 13976	0, 43655	0, 4793	0, 35187
Central African Republic	-6, 9485	5, 112	0, 21905	0, 29734	0, 34357	0, 41134	0, 35075
Costa Rica	-6, 9046	-0, 942	5, 57507	0, 2976	0, 27069	0, 47997	0, 34942
El Salvador	1, 34048	1, 1979	-0, 3097	0, 34645	0, 29645	0, 40457	0, 34916
Lithuania	3, 54584	1, 69	-2, 4223	0, 35952	0, 30237	0, 3775	0, 34646
Togo	3, 26596	4, 4936	-5, 6605	0, 35786	0, 33612	0, 33601	0, 34333
Bangladesh	-8, 0943	5, 4859	-1, 8412	0, 29055	0, 34807	0, 38495	0, 34119
Latvia	3, 37395	3, 9866	-5, 8935	0, 3585	0, 33002	0, 33302	0, 34051
Sri Lanka	-7, 4903	3, 1877	-0, 1317	0, 29413	0, 3204	0, 40685	0, 34046
Congo	-17, 505	-13, 522	19, 8133	0, 23479	0, 11924	0, 66242	0, 33882
United Kingdom	-1, 827	6, 215	-6, 7207	0, 32768	0, 35685	0, 32242	0, 33565
Iran, Islamic Rep. of	-10, 512	8, 1153	-4, 9563	0, 27622	0, 37972	0, 34503	0, 33366
Chad	-10, 628	3, 8324	-1, 0165	0, 27553	0, 32816	0, 39551	0, 33307
Pakistan	-10, 125	6, 893	-4, 6631	0, 27851	0, 36501	0, 34879	0, 33077

Grenada	-4, 1824	-0, 3681	-0, 6003	0, 31373	0, 27759	0, 40085	0, 33072
Armenia	18, 8997	-2, 3449	-9, 4249	0, 45049	0, 2538	0, 28777	0, 33068
India	-7, 5181	3, 3582	-2, 7234	0, 29396	0, 32245	0, 37364	0, 33002
Indonesia	-2, 3049	-0, 6955	-1, 6029	0, 32485	0, 27365	0, 388	0, 32883
Dominica	-22, 917	12, 8732	-5, 0689	0, 20272	0, 437	0, 34359	0, 32777
Botswana	-3, 0163	13, 3475	-15, 069	0, 32064	0, 44271	0, 21545	0, 32627
Portugal	-5, 1799	8, 6164	-9, 6605	0, 30782	0, 38576	0, 28475	0, 32611
Burundi	-7, 0478	9, 4403	-10, 606	0, 29675	0, 39567	0, 27264	0, 32169
Tanzania, U. Rep. of	-4, 4719	0, 6478	-4, 0165	0, 31201	0, 28982	0, 35707	0, 31964
Benin	-5, 2096	6, 0713	-8, 8987	0, 30764	0, 35512	0, 29451	0, 31909
Nepal	-8, 912	1, 8788	-3, 2521	0, 2857	0, 30464	0, 36687	0, 31907
Saudi Arabia	-17, 198	1, 2917	0, 28187	0, 23661	0, 29758	0, 41215	0, 31545
Egypt	-18, 734	7, 6243	-6, 1919	0, 22751	0, 37381	0, 3292	0, 31017
Poland	3, 72812	5, 9351	-15, 132	0, 3606	0, 35348	0, 21465	0, 30957
Guinea	-4, 5772	10, 4983	-15, 896	0, 31139	0, 40841	0, 20485	0, 30822
Madagascar	-7, 8364	-0, 9755	-4, 5453	0, 29208	0, 27028	0, 3503	0, 30422
Albania	-5, 4077	-2, 1068	-4, 7809	0, 30647	0, 25666	0, 34728	0, 30347
Ecuador	16, 3432	-1, 318	-15, 661	0, 43534	0, 26616	0, 20787	0, 30312
Saint Vincent and the Grenadines	49, 0691	-10, 943	-21, 773	0, 62924	0, 15029	0, 12955	0, 30303
Belize	-8, 3404	6, 0418	-11, 244	0, 28909	0, 35476	0, 26446	0, 30277
Niger	-10, 598	3, 396	-7, 7809	0, 27571	0, 32291	0, 30884	0, 30249
Nicaragua	22, 9021	-12, 598	-8, 6029	0, 4742	0, 13037	0, 2983	0, 30096
Nigeria	-25, 163	0, 2003	1, 51747	0, 18942	0, 28444	0, 42798	0, 30061
Burkina Faso	-7, 1478	4, 2637	-11, 252	0, 29616	0, 33336	0, 26436	0, 29796
Zimbabwe	-1, 0598	-3, 4989	-6, 8385	0, 33223	0, 2399	0, 32091	0, 29768
Zambia	13, 7914	3, 7296	-21, 307	0, 42022	0, 32693	0, 13552	0, 29422
Mauritania	-9, 1782	10, 5465	-17, 129	0, 28413	0, 40899	0, 18905	0, 29406
Georgia	2, 25252	0, 4441	-13, 836	0, 35185	0, 28737	0, 23125	0, 29016
United States	-6, 5956	0	-9, 3699	0, 29943	0, 28203	0, 28847	0, 28998
Barbados	-13, 408	-4, 7682	-1, 7757	0, 25906	0, 22462	0, 38578	0, 28982
Tunisia	-29, 7	7, 1034	-6, 3647	0, 16253	0, 36754	0, 32698	0, 28569
Haiti	-11, 754	4, 6314	-13, 428	0, 26886	0, 33778	0, 23648	0, 28104
Honduras	-5, 8033	-6, 2205	-6, 3071	0, 30412	0, 20714	0, 32772	0, 27966
Kenya	-10, 431	-2, 106	-8, 4851	0, 2767	0, 25667	0, 29981	0, 27773
Trinidad and Tobago	-1, 3132	-16, 342	-0, 2469	0, 33073	0, 08529	0, 40537	0, 2738
Comoros	-8, 3194	-2, 9852	-9, 8987	0, 28922	0, 24609	0, 2817	0, 27233
Solomon Islands	-13, 678	11, 2996	-21, 011	0, 25746	0, 41806	0, 13931	0, 27161
Guatemala	-10, 962	0, 0684	-13, 074	0, 27356	0, 28285	0, 24101	0, 26581
Oman	-20, 733	-9, 4072	-0, 3045	0, 21566	0, 16878	0, 40464	0, 26303
Lebanon	-4, 2415	-5, 2178	-13, 428	0, 31338	0, 21921	0, 23648	0, 25636
Venezuela	1, 20404	-7, 7614	-13, 954	0, 34564	0, 18859	0, 22974	0, 25466
Saint Kitts and Nevis	7, 84412	-7, 4601	-19, 422	0, 38498	0, 19222	0, 15967	0, 24562
Mexico	-11, 285	-19, 463	0, 69026	0, 27164	0, 04771	0, 41738	0, 24558
Gambia	-20, 992	7, 1537	-22, 48	0, 21413	0, 36815	0, 12049	0, 23426
Congo, Dem. Rep. of the	-11, 473	-3, 2483	-18, 014	0, 27053	0, 24292	0, 17771	0, 23039
Namibia	-53, 426	14, 5402	-17, 422	0, 02196	0, 45707	0, 18529	0, 22144
Jordan	-3, 3548	-7, 5675	-20, 244	0, 31863	0, 19092	0, 14913	0, 21956
Bahrain	9, 65664	-4, 7021	-31, 883	0, 39572	0, 22542	2, 7E-08	0, 20705
Panama	5, 58607	-9, 7914	-28, 299	0, 3716	0, 16415	0, 04592	0, 19389
Jamaica	-6, 5534	-23, 427	-11, 894	0, 29968	0	0, 25614	0, 18527
Yemen	-57, 132	-21, 869	8, 10125	-6E-09	0, 01876	0, 51234	0, 17703

Saint Lucia	-15, 853	-15, 37	-18, 949	0, 24458	0, 09699	0, 16574	0, 1691
Antigua and Barbuda	-40, 423	5, 359	-29, 064	0, 099	0, 34654	0, 03613	0, 16056

## **7.2. Europe's social performance by global and Latin American standards**

In the face of such challenges, it is small wonder that European politicians call for a radical, far-reaching debate. To quote the Social Affairs Minister of the Council Presidency nation during the first part of the second half of 2005, United Kingdom, David Blunkett<sup>36</sup>:

*The European social model does not have to be abandoned but it must be adapted to meet the challenges of the 21st century, David Blunkett said today. The work and pensions secretary said it was vital that the EU "learn the lessons of change" if it was to meet the economic challenge posed by India and China and the problems posed by a shrinking working age population and the subsequent pension problems. Speaking in the wake of last week's meeting of employment and social affairs ministers in Belfast, Mr. Blunkett said this meant getting people into work and raising the skills and productivity of the working population. At the start of Britain's six-month presidency of the EU, foreign secretary Jack Straw said the government was committed to finding a way to reconcile economic progress and social justice, denying there needed to be a choice between the two. Today Mr. Blunkett restated this idea, urging European ministers to enter a wide-ranging debate on how the social model could be modernised in the run-up to a special European council meeting in the autumn. "We do not want to abandon the European social model, but if it is to be sustained it must meet the challenges of the 21st century, particularly those of **demography** and **globalisation**, " he said. "We need to learn the lessons of change and manage the process to deal with people's fears and **recognise the challenges** we face such as those of **India** and **China**." ([http://www.politics.co.uk/foreign-policy/blunkett-eu-social-model-must-reform-\\$16137621.htm](http://www.politics.co.uk/foreign-policy/blunkett-eu-social-model-must-reform-$16137621.htm))*

Although many different attempts to quantify social developments have been published in the past, no single, globally available measure is as common today as the United Nations "Human Development Index" (HDI). The last data series with far reaching implications for the European social policy debate was released in the global "*Human Development Report*", 2005<sup>37</sup>. Comparing the performances of the nations of the world, as measured by the UN Human Development Index, we arrive at a picture which fairly supports the logic referred to above in the political statement by the former British Work and Pensions Secretary, the Rt. H. David Blunkett, M.P.

The human development index (HDI), as it is well-known, measures the average achievement of a country in basic human capabilities. The HDI indicates whether people lead a long and healthy life, are educated and knowledgeable and enjoy a

<sup>36</sup> Secretary David Blunkett has meanwhile resigned. At the time of writing this analysis (November 2005), the new Secretary is the Rt. Honourable John Hutton M. P.

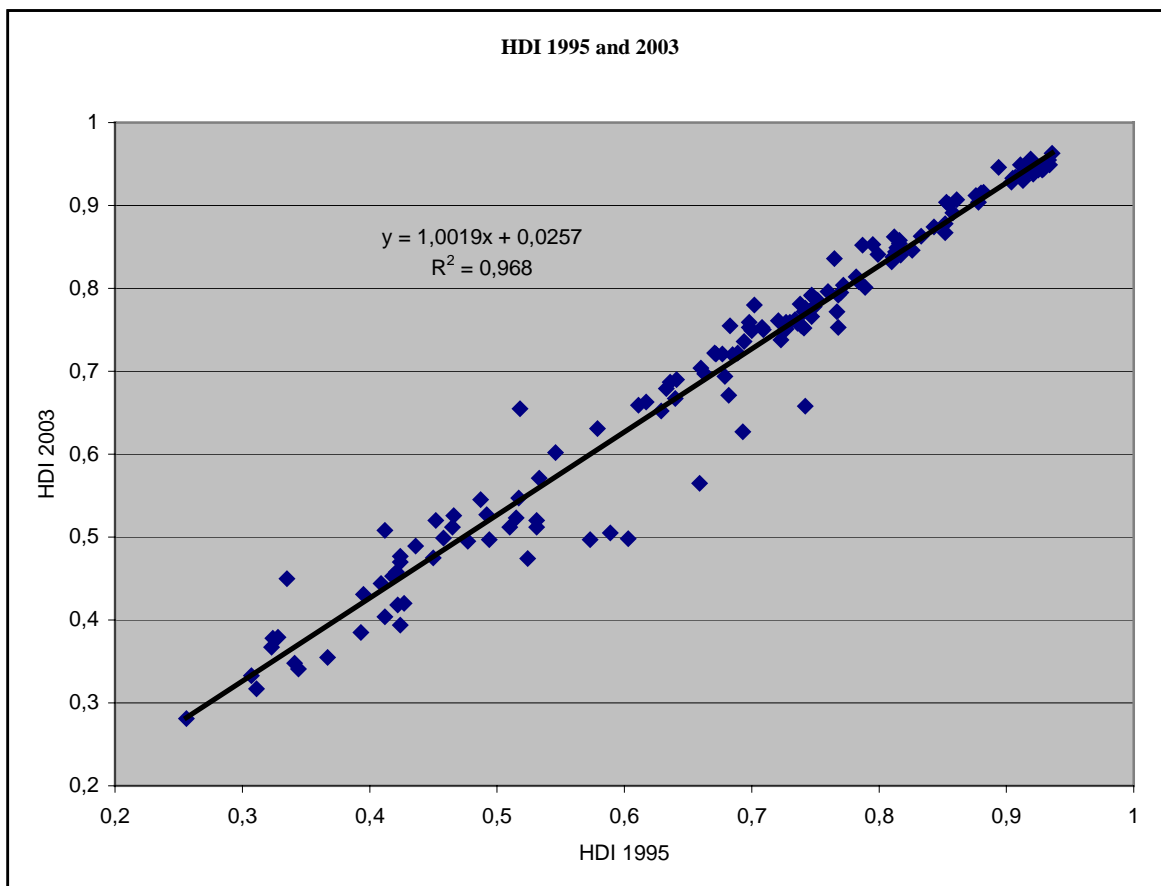
<sup>37</sup> see also the short UNDP documentation at the end of this research paper



decent standard of living. The HDI examines the average condition of all people in a country: distributional inequalities for various groups of society have to be calculated separately. The HDI is a composite of three basic components of human development: longevity, knowledge and standard of living. Longevity is measured by life expectancy. Knowledge is measured by a combination of adult literacy (two-thirds weight) and mean years of schooling (one-third weight). Standard of living is measured by purchasing power, based on real GDP per capita adjusted for the local cost of living (purchasing power parity, or PPP) (<http://www.adb.org/Statistics/Poverty/H.asp#hdi>).

To rigorously assess the European social performance, we compare in the following maps the performances of the nations of the world from 1995 to 2003. Let us first develop the methodological tool required for these comparisons on the basis of the latest UNDP figures, released in September 2005, i.e. the strong linear correlation between the human development index in 1995 and the index in 2003. Strong residual values up the line symbolize the good performers, while states very much below the lines (negative residuals) are the bad performers. The methodology is further explained in Graph 7.4:

**Graph 7.4: Human development indices for 1995 and 2003**



Legend: compiled from UNDP HDR data for 1995 and 2003

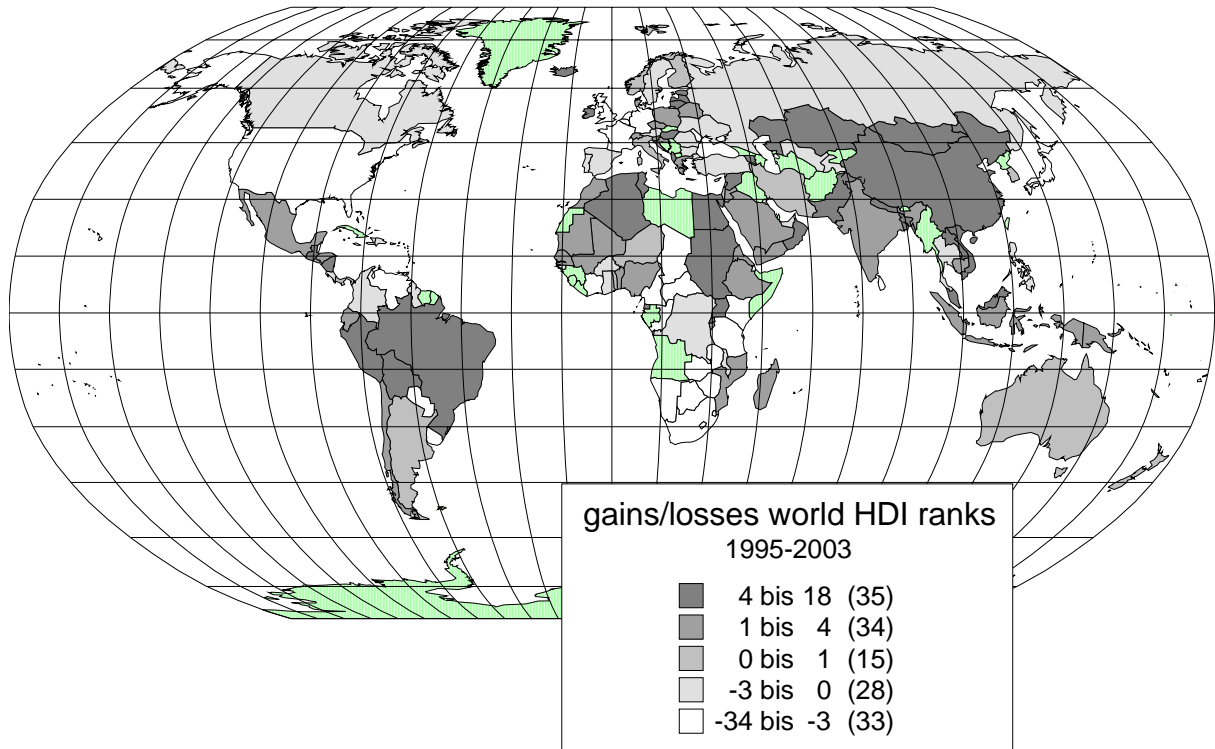
It is noteworthy that especially the nations of “old Europe”, i.e. the EU-15 nations, generally lost in the human development race since 1995, thus reflecting the more general aspects of stagnation, also captured by the Eurostat statistics, Graph 7.1 – 7.3, above.

To assess the importance of these processes, let us calibrate our final results achieved by the method explained in Graph 7.4 (above) (listed in Map 7.6, further below) first with a simple procedure, based on the simple time changes of world Human Development Index ranks from 1995 to 2003. The results are practically the same: rapid human development in Equatorial Latin America, in some European and Mediterranean semi-periphery countries, in several Muslim nations and in north-western Africa, and in South and Southeast Asia, and very poor results for both the European center countries and the USA, as well as Southern Africa.

Map 7.5 compares the changes in the world HDI ranks, 1995 – 2003. This map gives an insight into the dynamics of world social development during the period of intensive globalization. There were thus impressive gains for the world semi-periphery and equally impressive losses for some countries of the world center:

Map 7.5: gains in world human development ranks, 1995 - 2003

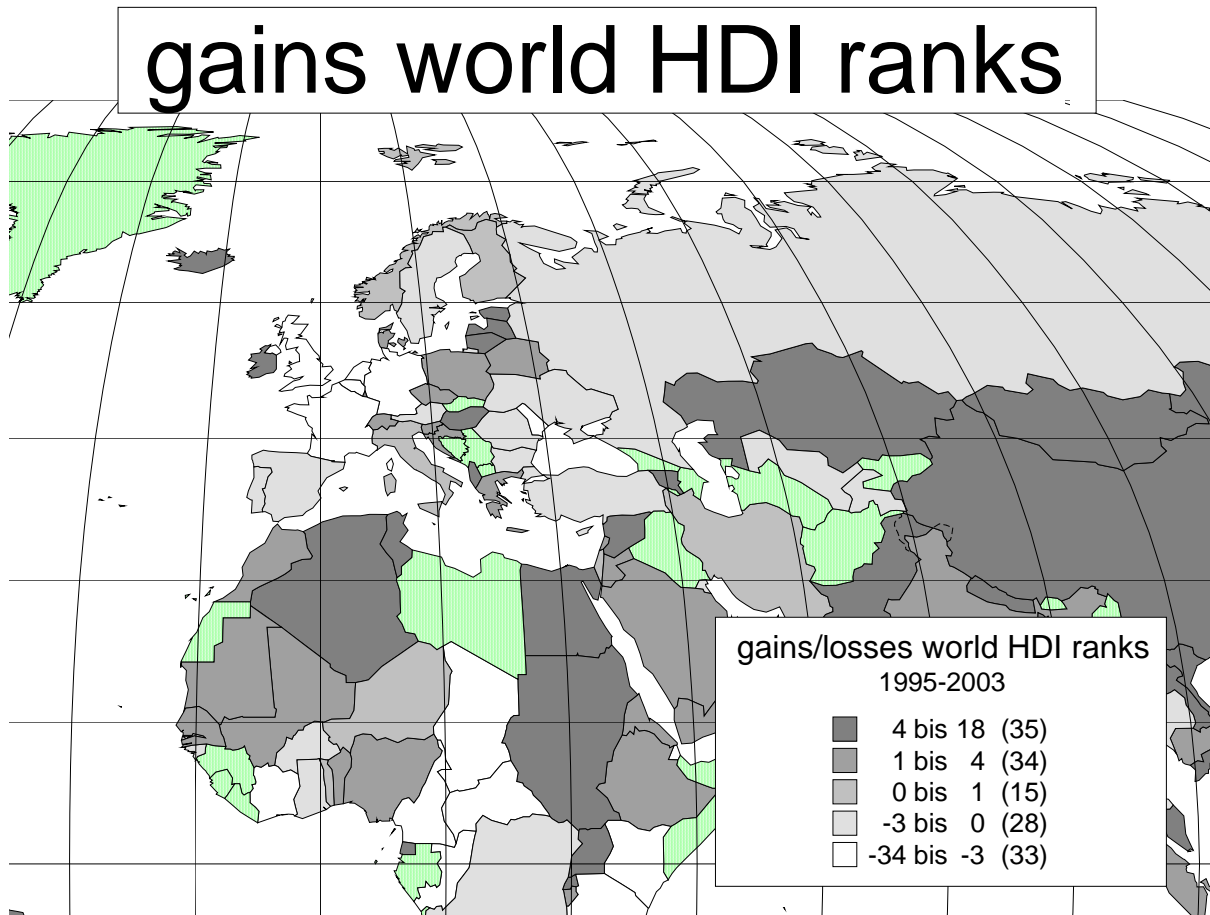
# gains world HDI ranks



Legend: "bis" shorthand for "ranging from ... to". Nations marked in green color, like Greenland, Libya, Angola, Somalia and Iraq, have missing data. Dark shades indicate a good performance.

Both the United States as well as several "old European" nations lost (as well as many nations in Africa), while China, South-East Asia, several Middle Eastern and North African countries, as well as several Latin American countries considerably improved their performance during the period 1995 – 2003.

**Map 7.5 (continued): gains in world human development ranks, 1995 – 2003 (gains in world human development ranks in the “wider Europe”, 1995 – 2003)**



Legend: see map above. Dark shades indicate a good performance. “bis” shorthand for “ranging from ... to”.

Nations on the **geographical periphery of Europe**, like Iceland, Ireland, and several new East European member countries of the European Union improved their position over the last 8 years, while the **“old center”** of the **European Union** and the United Kingdom had a very unsatisfactory performance.

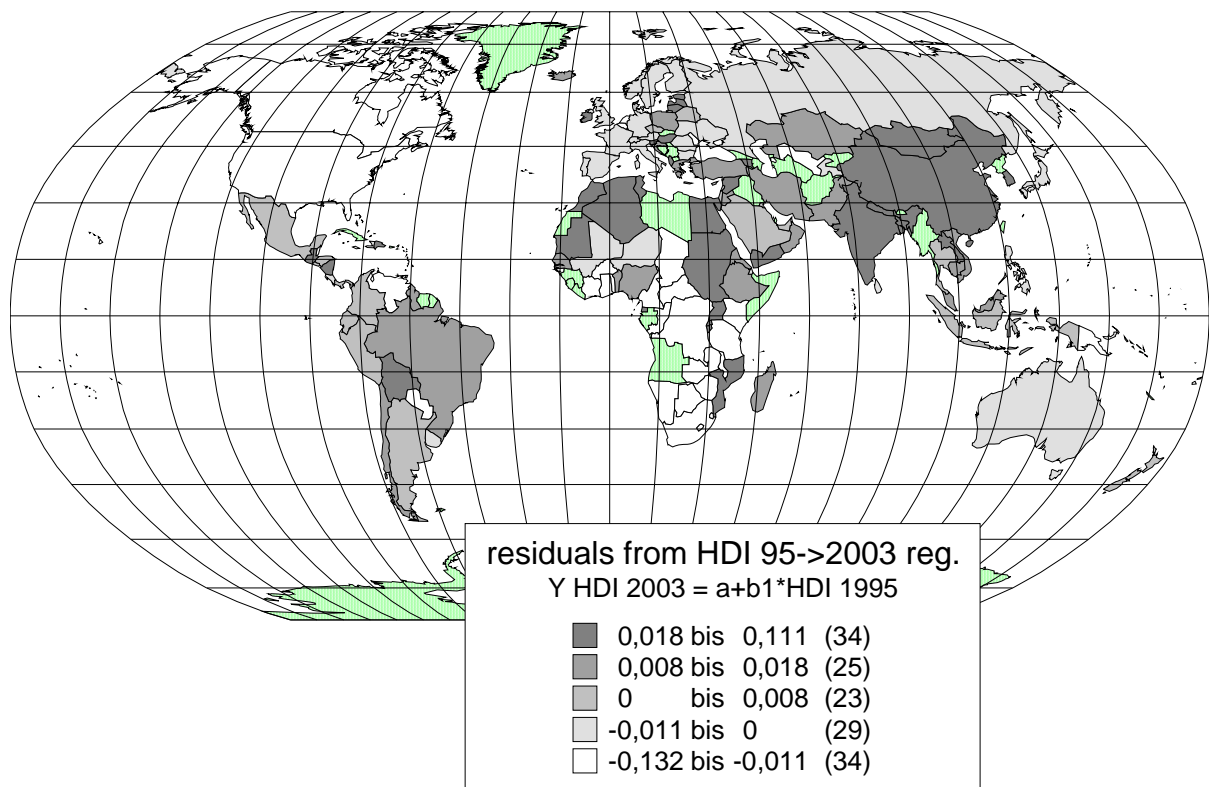
One arrives pretty much at the same results, when one compares the residuals from a simple OLS regression function that links the Human Development Index (HDI) in 2003 to the HDI in 1995 [the HDI 2003 being statistically explained by the HDI in 1995:  $y = 1,0019x + 0,0257$ ;  $R^2 = 0,968$ ]. Again Europe and the United States are on the losing side, while many nations of the periphery gained during 1995 – 2003 and dramatically improved their human development.

But while the Eurostat comparative methodology implies that the United States are the *“city on the hill”* for the European Union nations, the United Nations human development methodology clearly arrives at the conclusion that there are severe strains in the **“United States social model”** as well. America, according

to the calculations from the latest UNDP statistics, is not a *"city on the hill"* in terms of human development:

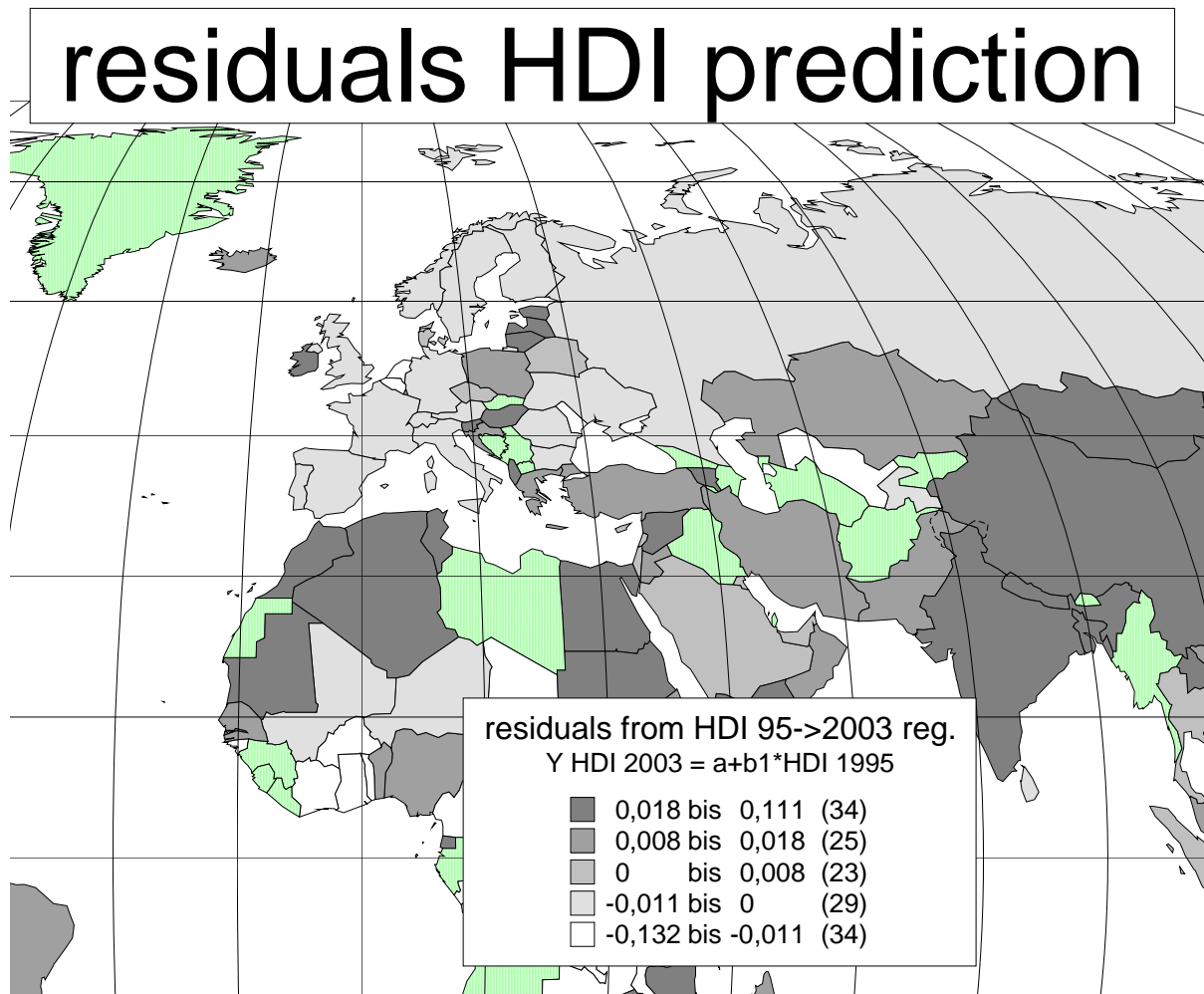
**Map 7.6: gains in human development, as calculated from the residuals of the function  $HDI\ 2003 = 1,0019 * HDI\ 1995 + 0,0257$ ;  $R^2 = 0,968$**

## residuals HDI prediction



Legend: see maps above. Dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

**Map 7.6 (continued): gains in human development, as calculated from the residuals of the function  $HDI_{2003} = 1,0019 * HDI_{1995} + 0,0257$ ;  $R^2 = 0,968$ , for Europe and its neighbors**



Legend: see maps above. Dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

The statistical table of the residuals from Graph 7.4 is as follows (Table 7.4). It clearly shows that many "old European countries" had an absolutely unsatisfactory performance:

**Table 7.4: the other Lisbon race – the global one. Residuals from the function  $HDI\ 2003 = 1,0019 * HDI\ 1995 + 0,0257$ ;  $R^2 = 0,968$  and rank gains or losses in human development index world performance, 1995 - 2003**

Country	DYN HDI (residual measure)	better or worse HDI rank, 1995-2003
South Africa	-0,1110817	-34
Belize	-0,0421298	-21
Namibia	-0,092991	-19
Swaziland	-0,1318244	-17
Kenya	-0,0766781	-16
Lesotho	-0,1027688	-15
Zimbabwe	-0,1107985	-14
Fiji	-0,0160798	-11
Botswana	-0,120928	-11
Venezuela	-0,022128	-9
Uruguay	-0,0042205	-8
Côte d'Ivoire	-0,0334986	-8
Zambia	-0,056493	-8
Jamaica	-0,0120465	-7
Moldova, Rep, of	-0,0379706	-7
Bahrain	-0,0072372	-6
Cameroon	-0,0236226	-6
<b>United Kingdom</b>	<b>-0,009413</b>	<b>-5</b>
<b>France</b>	<b>-0,010413</b>	<b>-5</b>
Trinidad and Tobago	-0,0151687	-5
Paraguay	-0,0110761	-5
Sri Lanka	-0,0030539	-5
Tanzania, U, Rep, of	-0,0304893	-5
Chad	-0,0293449	-5
<b>Belgium</b>	<b>-0,0114279</b>	<b>-4</b>
<b>United States</b>	<b>-0,0124279</b>	<b>-4</b>
<b>Netherlands</b>	<b>-0,012426</b>	<b>-4</b>
Japan	-0,0094205	-4
<b>Germany</b>	<b>-0,0103982</b>	<b>-4</b>
Bahamas	-0,0052076	-4
Congo	-0,0456911	-4
Djibouti	-0,0085911	-4
Central African Republic	-0,0383875	-4
<b>Austria</b>	<b>-0,0054001</b>	<b>-3</b>
Costa Rica	-0,0002094	-3
Ukraine	-0,0080909	-3
<b>Turkey</b>	<b>0,0139794</b>	<b>-3</b>

Ghana	-0, 0376911	-3
Guinea-Bissau	-0, 0193394	-3
Canada	-0, 0124371	-2
<b>Portugal</b>	<b>-0, 0013334</b>	<b>-2</b>
<b>Cyprus</b>	<b>0, 00570358</b>	<b>-2</b>
Kuwait	0, 00378688	-2
Russian Federation	-0, 0021335	-2
<b>Romania</b>	<b>-0, 0031298</b>	<b>-2</b>
Thailand	0, 00190535	-2
Philippines	-0, 0050706	-2
Guyana	0, 00802382	-2
Uzbekistan	-0, 0119651	-2
Haiti	-0, 0015412	-2
Malawi	-0, 0344708	-2
<b>Sweden</b>	<b>-0, 0074279</b>	<b>-1</b>
<b>Spain</b>	<b>-0, 0033816</b>	<b>-1</b>
<b>Malta</b>	<b>-0, 0122853</b>	<b>-1</b>
United Arab Emirates	0, 00778503	-1
<b>Bulgaria</b>	<b>-0, 0031594</b>	<b>-1</b>
Colombia	0, 0058998	-1
Dominican Republic	0, 02199606	-1
Tajikistan	-0, 0038725	-1
Congo, Dem, Rep, of the	-0, 0344356	-1
Burkina Faso	-0, 0202839	-1
Norway	-0, 0004408	0
Australia	-0, 0054353	0
<b>Finland</b>	<b>-0, 0004001</b>	<b>0</b>
<b>Italy</b>	<b>-0, 0003871</b>	<b>0</b>
New Zealand	0, 00061657	0
Hong Kong, China (SAR)	0, 00665915	0
Israel	0, 00766285	0
Korea, Rep, of	0, 01870913	0
Barbados	-0, 0012853	0
Argentina	0, 00274985	0
Panama	0, 00486277	0
Iran, Islamic Rep, of	0, 01500716	0
Togo	-0, 0246522	0
Gambia	0, 01950697	0
Niger	-0, 001182	0
<b>Denmark</b>	<b>0, 00060176</b>	<b>1</b>
<b>Greece</b>	<b>0, 00867026</b>	<b>1</b>
Singapore	0, 01869802	1
<b>Czech Republic</b>	<b>0, 00373134</b>	<b>1</b>
<b>Poland</b>	<b>0, 01478132</b>	<b>1</b>
Chile	0, 01078132	1



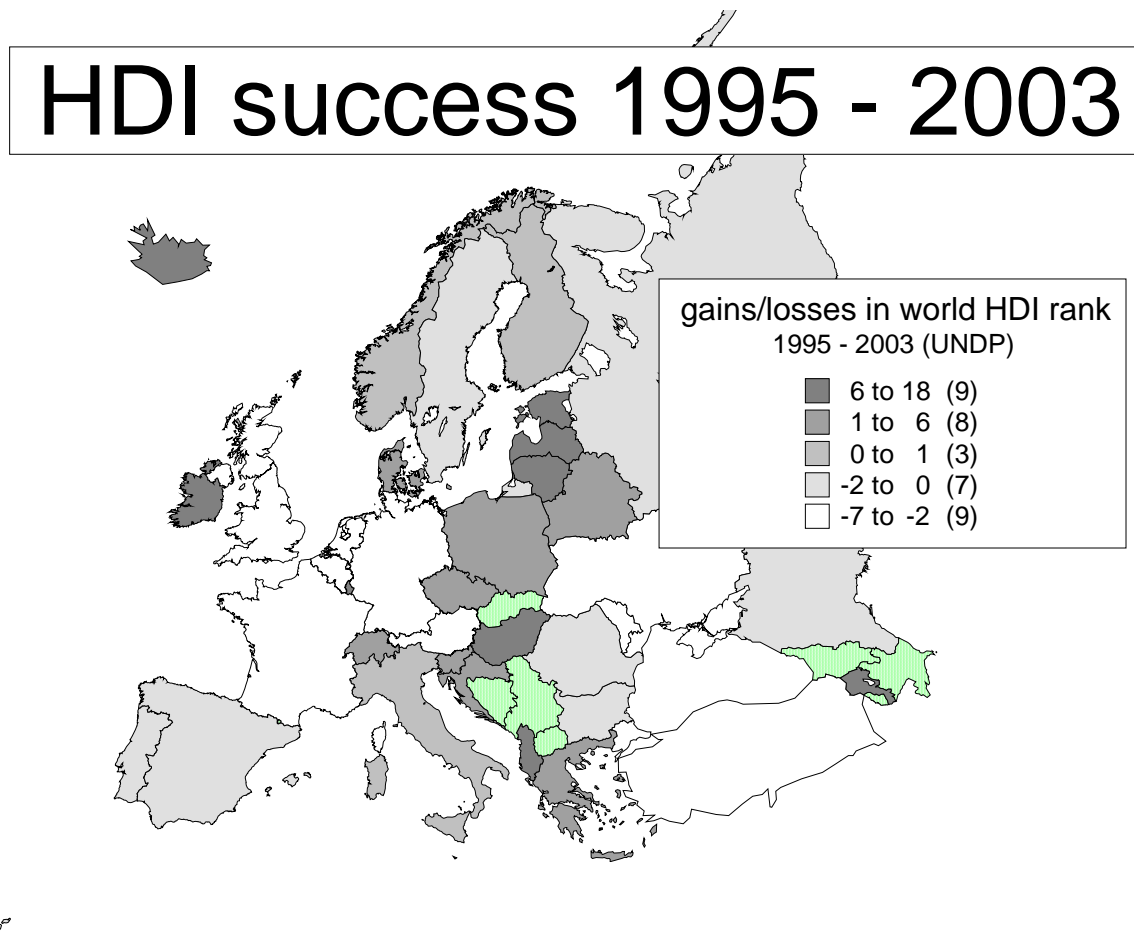
<b>Croatia</b>	<b>0, 01481279</b>	<b>1</b>
Mexico	0, 00484426	1
Belarus	0, 00790165	1
Samoa (Western)	0, 00691831	1
Saudi Arabia	0, 00392016	1
El Salvador	0, 00601642	1
Honduras	0, 00010712	1
Yemen	0, 02648476	1
Mali	-0, 0002764	1
Switzerland	-0, 001413	2
<b>Slovenia</b>	<b>0, 02371283</b>	<b>2</b>
Jordan	0, 01798125	2
Mauritania	0, 02650697	2
Senegal	0, 01051252	2
Nigeria	0, 00851808	2
Ecuador	0, 00194052	3
Lebanon	0, 00494607	3
Indonesia	0, 00706455	3
Morocco	0, 02522004	3
India	0, 02928113	3
Cambodia	0, 0113052	3
Papua New Guinea	-0, 0186615	3
Madagascar	0, 01444403	3
Eritrea	0, 00853474	3
Benin	0, 00956065	3
Mozambique	0, 02468468	3
Burundi	0, 02769208	3
Ethiopia	0, 01769394	3
Malaysia	0, 00888499	4
Peru	0, 00093312	4
Cape Verde	0, 01703863	4
Syrian Arab Republic	0, 02204789	4
Nicaragua	0, 02210527	4
Guatemala	0, 0191497	4
Egypt	0, 02116081	4
Brazil	0, 01790905	5
Mauritius	0, 01690905	5
Tunisia	0, 02799976	5
Viet Nam	0, 0170701	5
Bolivia	0, 02411453	5
Mongolia	0, 01912008	5
Sudan	0, 02043107	5
<b>Hungary</b>	<b>0, 02278873</b>	<b>6</b>
Comoros	0, 00333481	6
<b>Estonia</b>	<b>0, 0308202</b>	<b>7</b>

Algeria	0, 02404974	7
Lithuania	0, 03783501	8
Kazakhstan	0, 01295718	8
Pakistan	0, 00838109	8
<b>Latvia</b>	<b>0, 04387573</b>	<b>9</b>
Oman	0, 01592571	9
Iceland	0, 00959066	10
Armenia	0, 03399976	10
Lao People's Dem, Rep,	0, 03139035	10
Nepal	0, 03342922	10
Bangladesh	0, 04145514	10
Rwanda	0, 08867172	10
<b>Luxembourg</b>	<b>0, 01060547</b>	<b>11</b>
Equatorial Guinea	0, 11033296	12
<b>Ireland</b>	<b>0, 02463693</b>	<b>13</b>
China	0, 04502753	13
Uganda	0, 06952918	16
Albania	0, 05099235	18

Legend: our own calculations from UNDP HDR statistics website, available at: <http://hdr.undp.org/statistics/data/>

For the special purposes of European Union, Council of Europe and Organization of Security and Cooperation in Europe policy making, we re-arranged the evidence of Table 7.4 in a new map that was drawn only at the level of European states:

**Map 7.7: gains in world human development ranks in Europe, 1995 - 2003**



Legend: see maps above. Dark shades indicate a good performance.

**Equally pronounced** in its negative tendencies especially for **EU policy makers** are the maps about the **rank differences** in the **Gender related development index**, as reported by the UNDP over the last decade, 1995 – 2003. The GDI – gender-related development index – is a composite indicator that measures the average achievement of a population in the same dimensions as the HDI while adjusting for gender inequalities in the level of achievement in the three basic aspects of human development. It uses the same variables as the HDI, disaggregated by gender.<sup>38</sup> Map 7.8 shows the world movement of GDI Index ranks between 1995 and 2005, and Map 7.9 shows the results for the “wider Europe”. In comparison to the United States of America, results for the countries of the European Union plus Bulgaria and Romania, which join the Union soon, are:

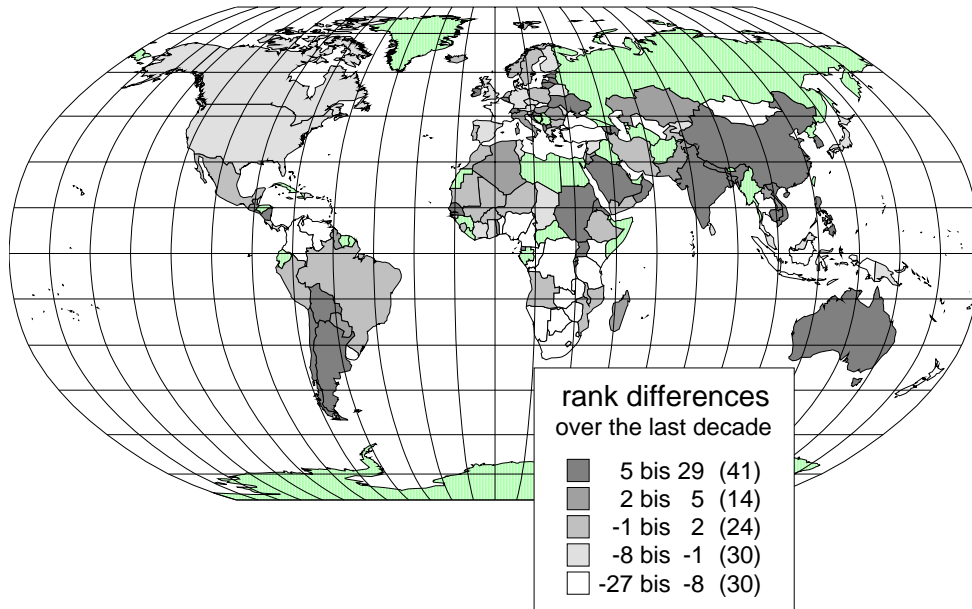
<sup>38</sup> see UNDP, 2005, available at: <http://hdr.undp.org/statistics/faq/#31>

**Table 7.5: Gender development index – the balance over the last 10 years**

Country	change in world ranks, 1995 - 2005
Luxembourg	24
Lithuania	21
Estonia	19
Latvia	19
Ireland	14
Malta	9
Belgium	5
Italy	4
Hungary	2
Romania	2
Netherlands	1
Portugal	1
Cyprus	0
Bulgaria	-1
Poland	-1
Sweden	-1
Slovenia	-2
Spain	-2
USA	-2
Denmark	-3
Germany	-3
United Kingdom	-3
Austria	-4
Finland	-5
Czech Republic	-6
France	-9
Slovakia	-12

**Map 7.8: Movements in the world ranks of countries on the gender related development index, 1995 - 2003**

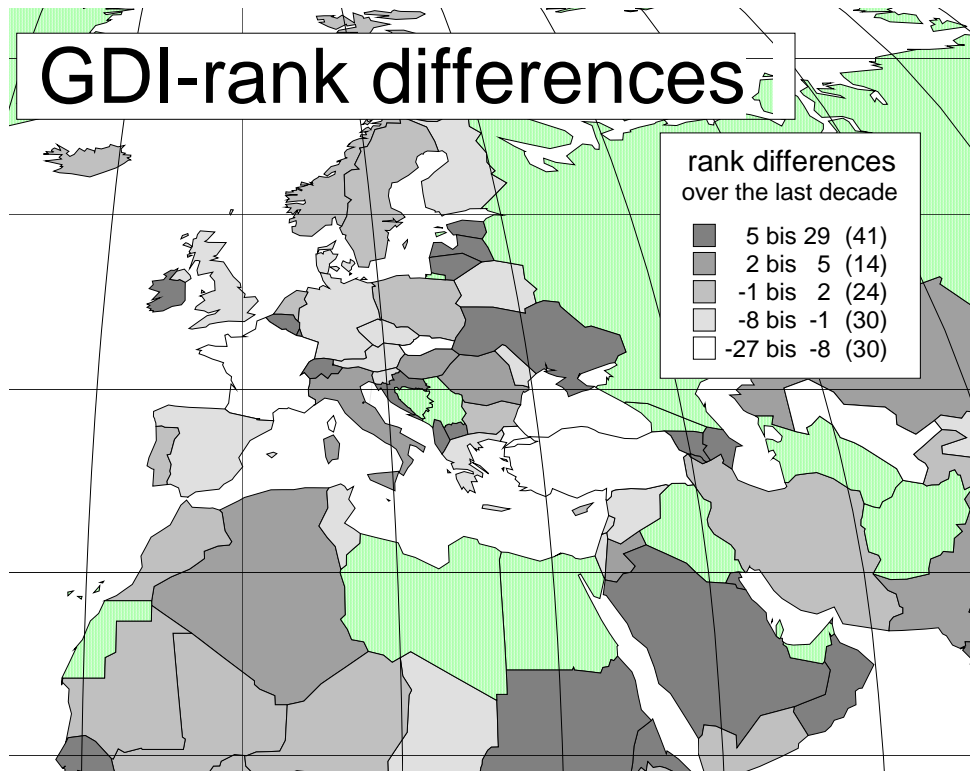
## GDI-rank differences



Legend: see maps above. Dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

The dismal performance of many "old" Europeans is in stark contrast to the dynamics of most of the countries of South-East Asia:

**Map 7.9: Movements in the world ranks of countries on the gender related development index, 1995 – 2003 in the “wider Europe”**



Legend: see maps above. Dark shades indicate a good performance. “bis” shorthand for “ranging from ... to”.

**So, Europe is in crisis. The symptoms are clear. But what is the cure for these problems?**

### **7.3. Coming to terms with a debacle: a diagnosis of what went really wrong**

An honest balance sheet of Europe’s position on the world social ladder would have to start out with the admission that on the **simple score board** (i.e. a typical EU-member state “**state chancellery scoreboard**<sup>39</sup>”) of the three combined UNDP development indicators - the human development index, the gender development index, and the gender empowerment measure, only some

<sup>39</sup> It has become very common in state chancelleries of EU-member states to add together Eurostat structural indicator results on a 1:1 basis and then to arrive at a hypothetical mean for all the rank ordered indicators used. However, the UNDP method of combined indicator construction or other advanced statistical methods, such as principal components/factor analytical techniques, are far superior to this rather crude “state chancellery” technique.

European Union EU-25 member countries performed well (like Sweden, Belgium, Finland, and Denmark), while other EU-25 countries, including Spain, Portugal, Italy and Greece) performed rather poorly. Even worse for the Europeans' pride, but good for the Latin Americans and the Caribbean nations, Barbados, Argentina, Costa Rica and Trinidad outperform Malta, the EU-25 country with the worst combined performance on our scoreboard. These mentioned Latin American and Caribbean countries and Mexico, Panama, Uruguay, Chile and Colombia are also ahead of Romania, the poorest country of the future EU-27.

**Table 7.6: the overall development balance – UNDP HDI, GDI, GEM from the UNDP Human Development Report 2005**

Country	Human development index (HDI) value 2003	World Rank HDI	HDI world rank among countries with complete values	Gender-related development index (GDI) value 2003	World Rank GDI	GDI world rank among countries with complete values	Gender empowerment measure (GEM) value	GEM World rank	GEM world rank among countries with complete values	combined flagship UNDP development indicators – scoreboard rank
Norway	0,963	1	1	0,96	1	1	0,928	1	1	1,00
Iceland	0,956	2	2	0,953	3	3	0,834	4	4	3,00
Sweden	0,949	6	5	0,947	4	4	0,852	3	3	4,00
Australia	0,955	3	3	0,954	2	2	0,826	7	7	4,00
Canada	0,949	4	4	0,946	5	5	0,807	10	10	6,33
Belgium	0,945	9	8	0,941	9	8	0,828	6	6	7,33
Switzerland	0,947	7	6	0,946	6	6	0,795	11	11	7,67
Finland	0,941	14	12	0,94	10	9	0,833	5	5	8,67
Denmark	0,941	13	13	0,938	13	12	0,86	2	2	9,00
United States	0,944	10	9	0,942	8	7	0,793	12	12	9,33
Netherlands	0,943	12	11	0,939	12	11	0,814	8	8	10,00
Ireland	0,946	8	7	0,939	11	10	0,724	16	16	11,00
Germany	0,93	20	18	0,926	20	18	0,813	9	9	15,00
Austria	0,936	17	15	0,926	19	17	0,779	13	13	15,00
United Kingdom	0,939	15	14	0,937	15	14	0,716	18	17	15,00
New Zealand	0,933	19	17	0,929	17	15	0,769	14	14	15,33
Spain	0,928	21	19	0,922	21	19	0,745	15	15	17,67
Israel	0,915	23	20	0,911	23	20	0,622	24	22	20,67
Japan	0,943	11	10	0,937	14	13	0,534	43	41	21,33
Portugal	0,904	26	23	0,9	26	23	0,656	21	20	22,00
Italy	0,934	18	16	0,928	18	16	0,589	37	35	22,33
Slovenia	0,904	27	22	0,901	25	22	0,603	30	28	24,00
Barbados	0,878	30	26	0,876	29	26	0,615	25	23	25,00
Greece	0,912	24	21	0,907	24	21	0,594	36	34	25,33
Argentina	0,863	34	29	0,854	34	31	0,665	20	19	26,33
Poland	0,858	36	31	0,856	33	30	0,612	27	25	28,67
Czech Republic	0,874	31	27	0,872	30	27	0,595	34	32	28,67
Cyprus	0,891	29	25	0,884	28	25	0,571	39	37	29,00
Lithuania	0,852	39	34	0,851	36	33	0,614	26	24	30,33
Costa Rica	0,838	47	39	0,829	44	40	0,668	19	18	32,33
Estonia	0,853	38	33	0,852	35	32	0,595	35	33	32,67
Slovakia	0,849	41	35	0,847	37	34	0,597	33	31	33,33
Hungary	0,862	35	30	0,86	31	28	0,528	44	42	33,33
Croatia	0,841	45	37	0,837	41	37	0,599	32	30	34,67
Korea, Rep. of	0,901	28	24	0,896	27	24	0,479	59	56	34,67

Latvia	0, 836	48	40	0, 834	43	39	0, 606	28	26	35, 00
Trinidad and Tobago	0, 801	57	44	0, 796	48	44	0, 65	23	21	36, 33
Bulgaria	0, 808	55	42	0, 807	45	41	0, 604	29	27	36, 67
Malta	0, 867	32	28	0, 858	32	29	0, 486	57	54	37, 00
Mexico	0, 814	53	41	0, 804	46	42	0, 583	38	36	39, 67
Panama	0, 804	56	43	0, 8	47	43	0, 563	40	38	41, 33
Uruguay	0, 84	46	38	0, 836	42	38	0, 504	50	48	41, 33
Chile	0, 854	37	32	0, 846	38	35	0, 475	61	57	41, 33
Macedonia, TFYR	0, 797	60	45	0, 794	49	45	0, 555	41	39	43, 00
Bahrain	0, 846	43	36	0, 837	40	36	0, 393	68	63	45, 00
Malaysia	0, 796	61	46	0, 791	50	46	0, 502	51	49	47, 00
Colombia	0, 785	69	48	0, 78	55	48	0, 5	52	50	48, 67
Romania	0, 792	64	47	0, 789	51	47	0, 488	56	53	49, 00
Philippines	0, 758	84	54	0, 755	63	52	0, 526	46	44	50, 00
Peru	0, 762	79	53	0, 745	67	55	0, 511	48	46	51, 33
Thailand	0, 778	73	49	0, 774	57	49	0, 452	63	59	52, 33
Namibia	0, 627	125	66	0, 621	96	66	0, 603	31	29	53, 67
Venezuela	0, 772	77	51	0, 765	58	50	0, 441	64	60	53, 67
Dominican Republic	0, 749	95	60	0, 739	74	59	0, 527	45	43	54, 00
Ukraine	0, 766	78	52	0, 763	59	51	0, 417	66	62	55, 00
Bolivia	0, 687	113	63	0, 679	89	63	0, 525	47	45	57, 00
Belize	0, 753	89	56	0, 734	76	60	0, 486	58	55	57, 00
Paraguay	0, 755	86	55	0, 742	70	56	0, 427	65	61	57, 33
Saudi Arabia	0, 772	76	50	0, 749	65	53	0, 253	78	71	58, 00
Fiji	0, 752	92	57	0, 742	71	57	0, 381	70	65	59, 67
Sri Lanka	0, 751	93	58	0, 747	66	54	0, 37	72	67	59, 67
Moldova, Rep, of	0, 671	115	65	0, 668	91	65	0, 494	53	51	60, 33
El Salvador	0, 722	104	62	0, 715	80	62	0, 467	62	58	60, 67
Botswana	0, 565	131	68	0, 559	100	68	0, 505	49	47	61, 00
Tanzania, U, Rep, of	0, 418	164	73	0, 414	127	73	0, 538	42	40	62, 00
Turkey	0, 75	94	59	0, 742	72	58	0, 285	76	70	62, 33
Iran, Islamic Rep, of	0, 736	99	61	0, 719	78	61	0, 316	75	69	63, 67
Mongolia	0, 679	114	64	0, 677	90	64	0, 388	69	64	64, 00
Swaziland	0, 498	147	71	0, 485	115	71	0, 492	54	52	64, 67
Cambodia	0, 571	130	67	0, 567	99	67	0, 364	73	68	67, 33
Pakistan	0, 527	135	69	0, 508	107	70	0, 379	71	66	68, 33
Bangladesh	0, 52	138	70	0, 514	105	69	0, 218	79	72	70, 33
Yemen	0, 489	151	72	0, 448	121	72	0, 123	80	73	72, 33

#### **7.4. The end of social cohesion in Europe and Latin America as we know it**

Provocative, as such comparisons might be it can also be shown that especially the “wider Europe” of the EU-25 is not too distantly away from the social realities of the more advanced Latin American countries. Table 7.7 shows the results of such a UNDP-indicator-oriented comparison EU-25, Latin America and the Caribbean and the MEDA partner countries of the European Union:



**Table 7.7: Social cohesion in the EU-25, in Latin America and the Caribbean, and in the MEDA partner countries of the European Union**

critterion	Which Latin American and Caribbean countries outperform worst performing EU nation?	Which Arab MEDA EU-partner countries outperform worst performing EU nation?	worst EU-25 nation	value for worst EU-25 nation	value for the US
human development index	Barbados, Argentina, Chile, Uruguay, Costa Rica		<b>Latvia</b>	0, 836	0, 944
inequality between richest 20 % and poorest 20 %	Jamaica	Egypt, Jordan, Algeria, Morocco, Tunisia	<b>Portugal</b>	8	8, 4
life expectancy at birth	Costa Rica, Chile, Cuba, Dominica, Uruguay, Mexico, Barbados, Panama, Argentina, Ecuador, Antigua and Barbuda, Venezuela, Colombia, Saint Lucia, Belize	Libya, Tunisia, Syria, Lebanon	<b>Latvia</b>	71, 6	77, 4
probability at birth of surviving to age 65, female	Chile, Costa Rica, Cuba, Uruguay, Panama, Argentina, Mexico, Venezuela, Ecuador	Tunisia, Syria, Libya	<b>Latvia</b>	81, 9	86, 7
probability at birth of surviving to age 65, male	Costa Rica, Cuba, Chile, Panama, Mexico, Barbados, Uruguay, Ecuador, Argentina, Venezuela, Belize, Saint Lucia, Paraguay, Colombia, Saint Vincent, Peru, Jamaica, El Salvador, Nicaragua, Trinidad & Tobago, Honduras, Suriname, Brazil, Bahamas, Dominican Republic, Bolivia, Guatemala	Syria, Tunisia, Algeria, Lebanon, Jordan, Morocco, Egypt	<b>Estonia</b>	57, 2	79, 1
ratio of estimated female to male earned income	Jamaica, Bahamas, Barbados, Uruguay, Panama, Colombia, Trinidad and Tobago, Nicaragua, Bolivia, El Salvador, Brazil, Venezuela, Guyana, Chile, Mexico, Honduras, Costa Rica, Argentina, Dominican Republic	Morocco, Tunisia	<b>Austria</b>	0, 35	0, 62
real income of the poorest 20 % in purchasing power parities	none		<b>Latvia</b>	3749	10142
gender development index	Barbados, Argentina, Chile, Uruguay		<b>Latvia</b>	0, 834	0, 942
gender empowerment measure	Bahamas, Costa Rica, Argentina, Trinidad and Tobago, Barbados, Mexico, Panama, Dominican		<b>Malta</b>	0, 486	0, 793

	Republic, Bolivia, Peru, Uruguay, Colombia, Ecuador				
--	--	--	--	--	--

Pretty much the sample results emerge from a systematic comparison of the data contained in the **University of Texas Inequality Project (UTIP)**<sup>40</sup>. The time series correlations for the years 1980 – 99 from the data base about the Theil Index of Inequality, 1963 – 99 show that in the majority of the countries of the European Union there was a sharp increase in inequality rates from the 1980s onwards. The UTIP data collections contain, among others, two very important data series for the study of international economic inequalities. **UTIP-UNIDO** is a global data set that calculates the industrial pay-inequality measures for 156 countries from 1963-1999. It has a total of 3194 observations based on the UNIDO Industrial Statistics. The **EHII data base** from the UTIP project (Estimated Household Income Inequality Data Set (EHII)) - is a global dataset, derived from the econometric relationship between UTIP-UNIDO, other conditioning variables, and the World Bank's Deininger & Squire data set. The data set EHII2 has 3, 179 observations, while the data set EHII4 has 3, 126 observations. 18 of the 25 member countries of the European Union have a time series correlation of 0.75 or higher between the Theil coefficient of inequality (multiplied by 100) and the time axis, i.e. inequality rises very sharply with time.

Professor Galbraith, in his publicly available materials at the UTIP website, presented the following color world maps of rising inequality and rising globalization since the 1960s onwards (countries marked in blue colors are countries with rising inequality rates, countries marked in red colors are countries with falling inequality rates)<sup>41</sup>.

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<sup>40</sup> <http://utip.gov.utexas.edu/>

<sup>41</sup> [http://utip.gov.utexas.edu/data/UTIP\\_UNIDO.ppt](http://utip.gov.utexas.edu/data/UTIP_UNIDO.ppt). Reprinted with the kind permission of Professor Galbraith. Copyrights remain with Professor Galbraith and the UTIP Project.

## Map 7.10 Professor James K. Galbraith's world maps of rising inequality under globalization

### The Scale

**Brown:** Very large decreases in inequality; more than 8 percent per year.

**Red:** Moderate decreases in inequality.

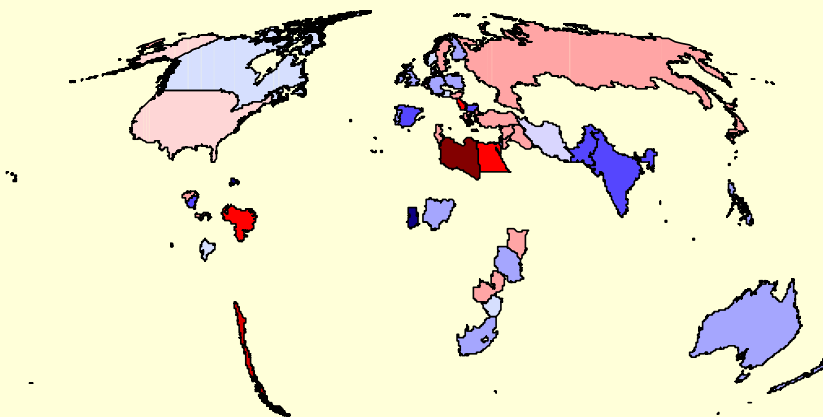
**Pink:** Slight Decreases.

**Light Blue:** No Change or Slight increases

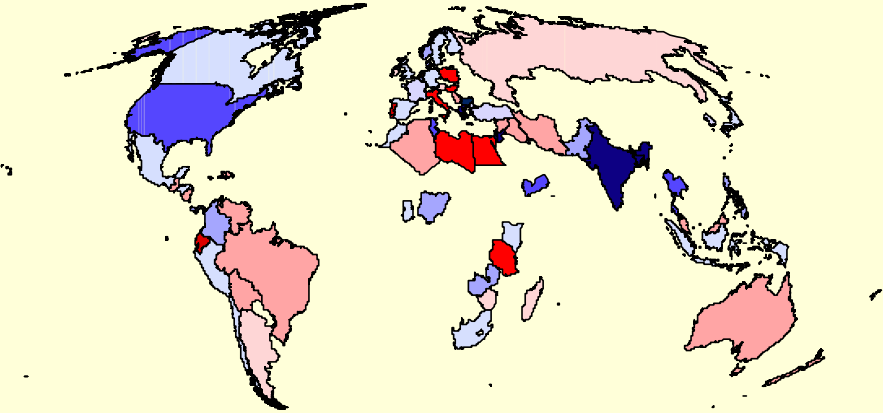
**Medium Blue:** Large Increases -- Greater than 3 percent per year.

**Dark Blue:** Very Large Increases -- Greater than 20 percent per year. **h**

1963 to 1969

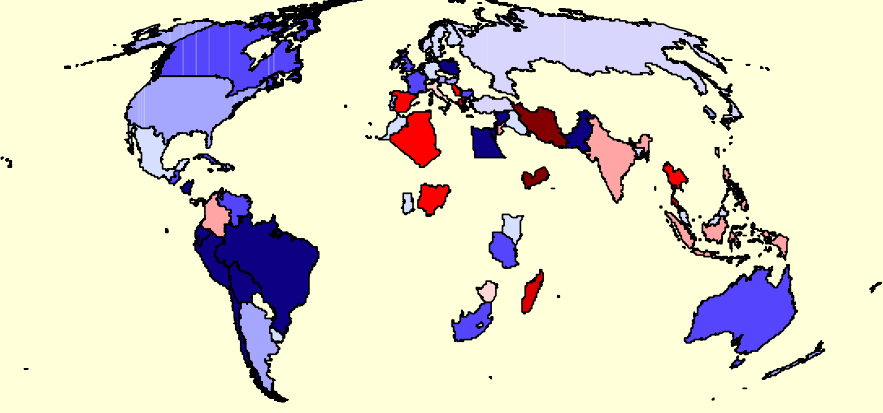


1970 to 1976

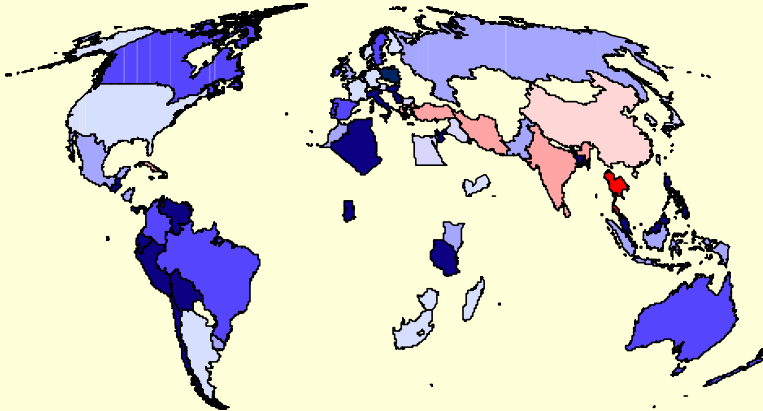


The oil boom: inequality declines in the producing states, but rises in the industrial oil-consuming countries, led by the United States.

1977 to 1983



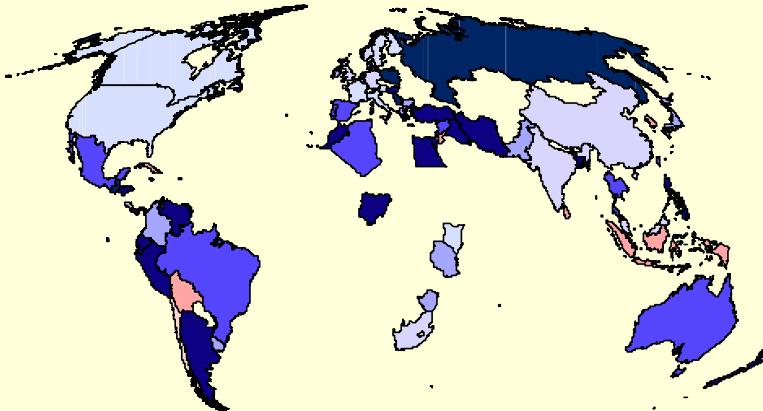
1981 to 1987

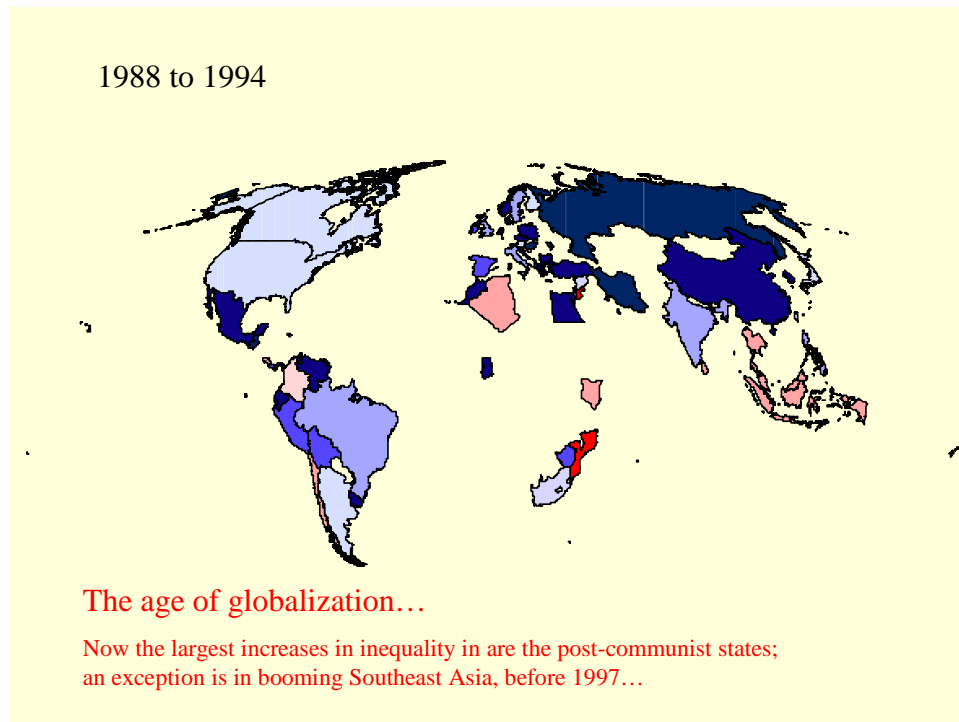


... the Age of Debt

Note the exceptions to rising inequality are mainly India and China, neither affected by the debt crisis...

1984 to 1990





Source: Galbraith J. K. at UTIP project website at <http://utip.gov.utexas.edu/>

Our own research results for the period after 1980, based on Galbraith's data, largely correspond to this diagnosis:

### **sharply rising inequality 1980 – 99 (>.50)**

**EU-29:** Latvia, Finland, Hungary, Portugal, Romania, Slovenia, Poland, Slovakia, United Kingdom, France, Netherlands, Luxembourg, Ireland, Bulgaria, Greece, Sweden, Spain, Belgium, Malta, Austria, Turkey, Italy, Croatia

**LAC:** Bahamas, Ecuador, Venezuela, Panama, Mexico, Suriname, Brazil, Uruguay, Puerto Rico, Colombia, Argentina, El Salvador, Guatemala, Barbados, Honduras, Bolivia, Trinidad & Tob., Peru, Jamaica

**EEA:** Norway

**MEDA:** Egypt, Tunisia, Algeria

**WIDER:** Ukraine, U.S.S.R./ Russia, Moldova, Azerbaijan

**Western democracies:** Australia, New Zealand, Canada, Japan, United States, Israel

### **moderately rising inequality 1980 – 99 (between 0.49 and 0.0)**

**EU-29:** Czech R, Cyprus, Germany, West (series discontinued after the unification of Germany)

**LAC:** Dominican Rep.

**EEA:** none

**MEDA:** Syrian Arab Republic

**WIDER:** Kyrgyz Rep, Armenia

**Western democracies:** none

**moderately sinking inequality 1980 – 99 (between –0.1 and -.49)**

**EU-29:** Lithuania, Denmark

**LAC:** Nicaragua, Chile, Haiti

**EEA:** none

**MEDA:** Morocco, Jordan

**WIDER:** none

**Western democracies:** none

**rapidly sinking inequality 1980 – 99 (time series correlation –0.5 or below)**

**EU-29:** Germany, East (series discontinued after the unification of Germany)

**LAC:** Costa Rica, Cuba

**EEA:** Iceland

**MEDA:** None

**WIDER:** None

**Western democracies:** None

On its website, the European Commission states:

*“Following the introduction by the Amsterdam Treaty (Article 136 and 137) of the fight against social exclusion among the Union Objectives, the Lisbon European Council of March 2000 asked Member States and the European Commission to take steps to make a decisive impact on the eradication of poverty by 2010. Building a more inclusive European Union was thus considered as an essential element in achieving the Union's ten year strategic goal of sustained economic growth, more and better jobs and greater social cohesion” (quotation from the GD Employment, Social Affairs and Equal Opportunities, available at [http://europa.eu.int/comm/employment\\_social/social\\_inclusion/index\\_en.htm](http://europa.eu.int/comm/employment_social/social_inclusion/index_en.htm))*

The quantitative evidence however points into quite another direction, i.e. Europe is characterized by often extremely rising income inequality rates and the **disappearance of social inclusion** in all European Union member countries, candidate and accession countries except **Lithuania** and **Denmark**:

**Table 7.8: rising and falling inequality in the world system**

### Europe (EU-29)

	rising inequality	falling inequality
Gini > 50	none	none
Gini 40 - 49.9	Turkey, Greece	none
Gini 30 - 39.9	Finland, Hungary, Portugal, Poland, Slovakia, United Kingdom, France, Netherlands, Luxembourg, Ireland, Bulgaria, Sweden, Spain, Belgium, Malta, Austria, Italy, Croatia, Cyprus	Lithuania, Denmark
Gini < 29.9	Latvia, Romania, Slovenia, Czech R.	none <sup>42</sup>

### Latin America and the Caribbean

	rising inequality	falling inequality
Gini > 50	Jamaica, Trinidad & Tob., Guatemala	none
Gini 40 - 49.9	Bahamas, Ecuador, Venezuela, Panama, Mexico, Suriname, Brazil, Uruguay, Puerto Rico, Colombia, Argentina, El Salvador, Barbados, Honduras, Bolivia, Peru, Dominican Rep.	Nicaragua, Chile, Haiti, Costa Rica
Gini 30 - 39.9	none	Cuba
Gini < 29.9	none	none

### MEDA countries, Balkan countries, and "Wider Europe" in the former USSR

	rising inequality	falling inequality

<sup>42</sup> the discontinued data series for the two parts of Germany were not interpreted here



Gini > 50	Armenia	
Gini 40 - 49.9	Yugoslavia, Egypt, U.S.S.R./ Russia, Azerbaijan, Tunisia, Albania, Kyrgyz Rep, Syrian Arab Republic	Morocco, Jordan
Gini 30 - 39.9	Algeria, Macedonia, Ukraine, Moldova	none
Gini < 29.9	none	none

### entire world system

	rising inequality	falling inequality
Gini > 50	Gabon, Cameroon, Congo, Papua New Guinea, Mozambique, Malawi, Burundi, Guatemala, Kuwait, Lesotho, Trinidad & Tob., Jamaica, Qatar, Ghana, Mongolia, Oman, Armenia	Liberia, Uganda, Togo
Gini 40 - 49.9	Yugoslavia, Bahamas, Bangladesh, Ecuador, Burkina Faso, Gambia, Nigeria, South Africa, Venezuela, Panama, Egypt, U.S.S.R./ Russia, Mexico, Azerbaijan, Suriname, Iraq, Philippines, Zambia, Tunisia, Central African Rep, Brazil, Uruguay, Greece, Puerto Rico, Pakistan, Cote d'Ivoire, Turkey, Colombia, Albania, Argentina, Israel, Ethiopia, Tanzania, El Salvador, Zimbabwe, Barbados, Honduras, Botswana, Bolivia, Peru, Madagascar, Senegal, Kyrgyz Rep, Rwanda, Syrian Arab Republic, Myanmar (Burma), Yemen, Rep., Dominican Rep.	Eritrea, Nicaragua, Swaziland, India, Morocco, Chile, Tonga, Haiti, Fiji, Jordan, Thailand, Malaysia, Afghanistan, Costa Rica, Nepal, Kenya, Sri Lanka, Mauritius, Indonesia
Gini 30 - 39.9	Australia, Finland, Hungary, Portugal, China, Hong Kong, Poland, Slovakia, United Kingdom, France, Ukraine, Netherlands, New Zealand, Moldova, Luxembourg, Ireland, Bulgaria, Canada, Macedonia, Sweden, Spain, Belgium, Malta, Austria, Japan, Norway, United States, Seychelles, Italy, Algeria, Croatia, Iran, Taiwan, Cyprus	Lithuania, Denmark, Singapore, Korea, Iceland, Cuba
Gini < 29.9	Latvia, Romania, Slovenia, Macao, Czech R.	none

**Closely connected** to the tendencies of **rising inequality** is the trend towards **rising unemployment**. Only Cyprus, Denmark, Honduras, Iceland, Ireland, Korea Republic, Malaysia, Mexico, Netherlands, Portugal, Thailand, United Kingdom, and the United States had a low unemployment rate (< 5 %) that still fell over time, while Albania, Algeria, Argentina, Colombia, Croatia, Ecuador, Estonia, Greece, Nicaragua, Panama, Poland, Slovakia, South Africa, Spain, Trinidad&Tob., Tunisia, Ukraine, Uruguay, and Venezuela all had an unemployment rate of 10 % or above that rose over time.

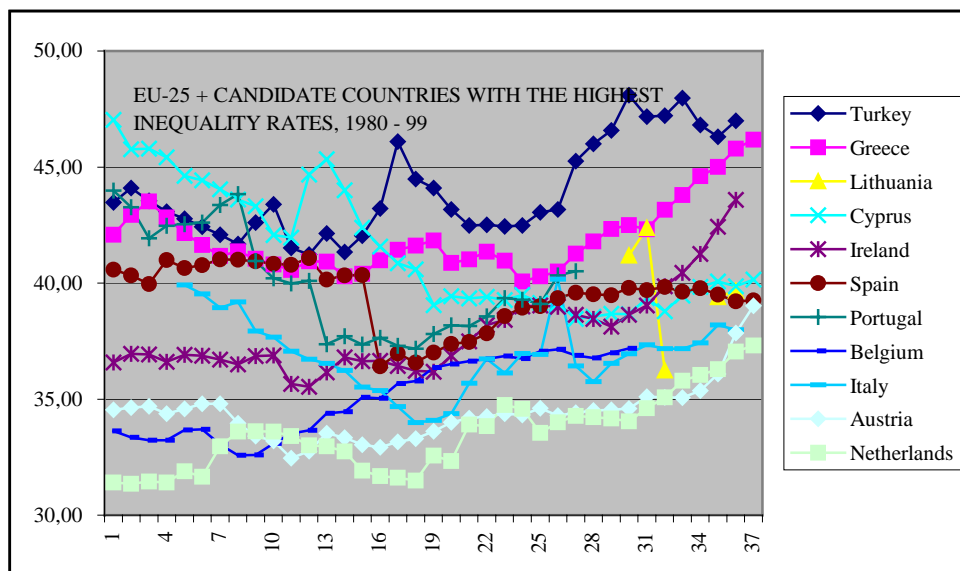
**Table 7.9: unemployment - tendencies in the world system**

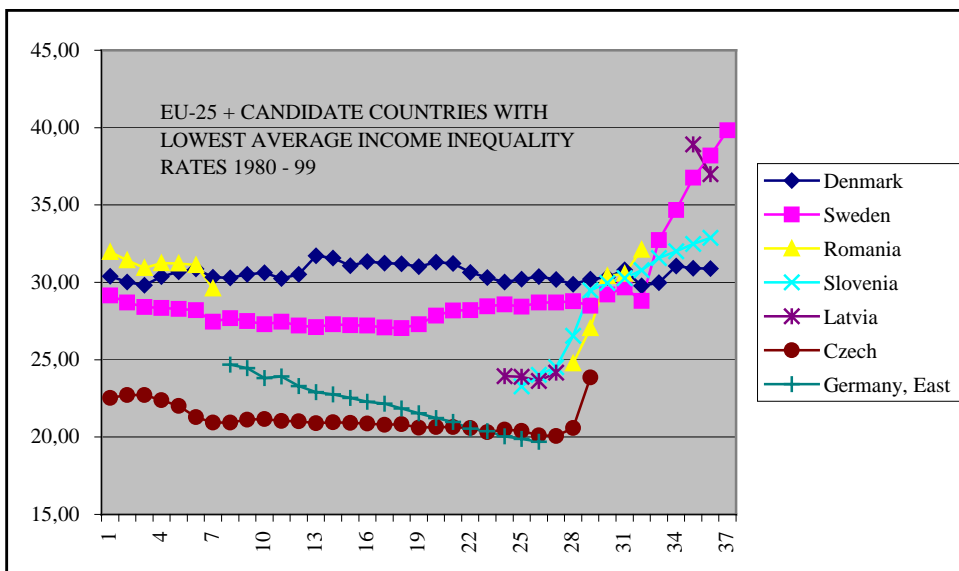
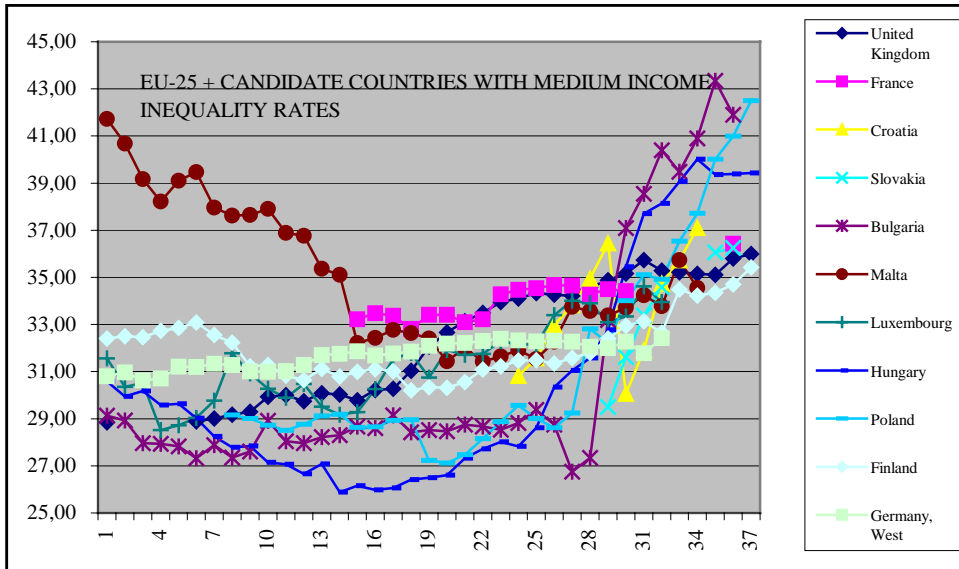
<b>EU-29</b> unemployment	<b>unemployment rising</b> <b>over time, 1980-2001</b>	<b>unemployment falling</b> <b>over time, 1980 - 2001</b>
below 5 %	Austria, Sweden, Luxembourg	Cyprus, Denmark, Netherlands, Ireland, United Kingdom, Portugal
5 % to 10 %	France, Germany, Italy, Finland, Czech Republic	Hungary, Turkey, Slovenia, Belgium, Romania
10 % to 15 %	Spain, Greece, Estonia	Latvia
15 % to 20 %	Poland, Slovakia, Croatia	Bulgaria, Lithuania
> 20 %	none	none
<b>LAC</b> unemployment		
below 5 %	none	Mexico, Honduras
5 % to 10 %	Belize, Peru, Brazil	El Salvador, Chile, Costa Rica, Barbados
10 % to 15 %	Trinidad&Tob., Colombia, Panama, Venezuela, Nicaragua, Ecuador	none
15 % to 20 %	Uruguay, Argentina	none
> 20 %	none	none
<b>European</b> <b>Neighbors</b> unemployment		
below 5 %	Azerbaijan, Belarus	none
5 % to 10 %	Russian Fed., Egypt	Moldova
10 % to 15 %	Ukraine	Morocco, Georgia, Serbia
15 % to 20 %	Tunisia, Albania	none
> 20 %	Algeria	none
<b>other countries</b> unemployment		
below 5 %	Singapore, China, Switzerland, Norway	Malaysia, United States, Iceland, Thailand, Korea Republic
5 % to 10 %	New Zealand, Australia, Israel, Japan, Indonesia	Canada
10 % to 15 %	none	none
15 % to 20 %	none	none

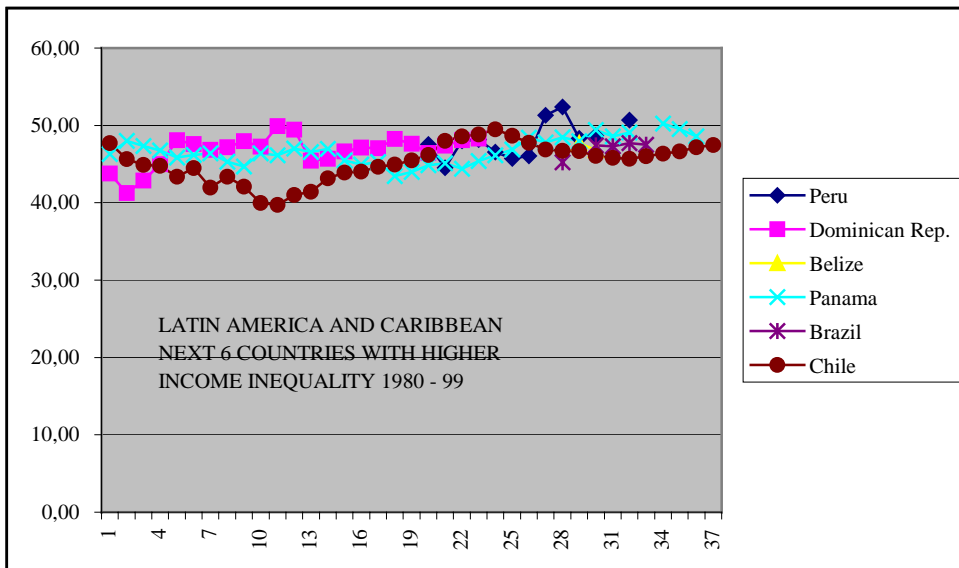
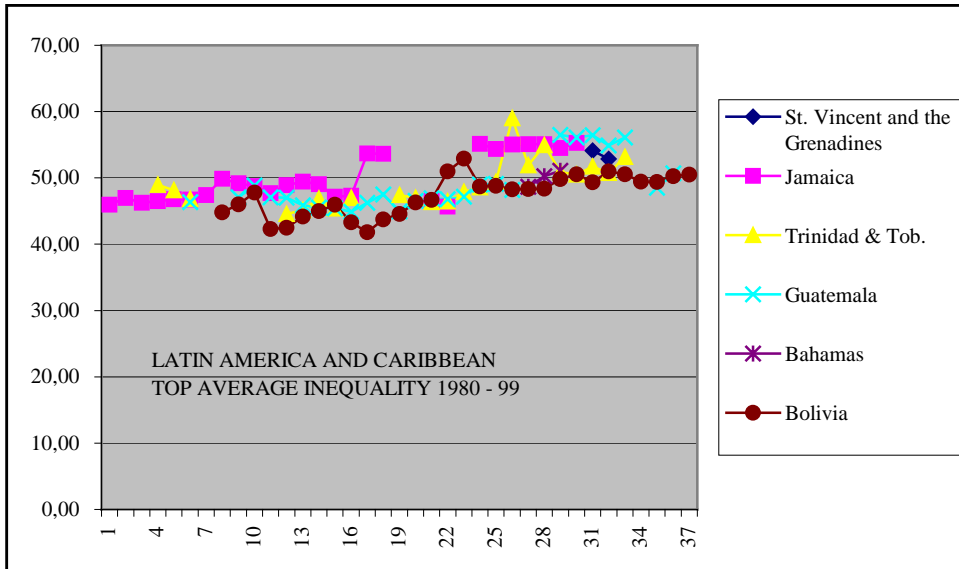
> 20 %	South Africa	none
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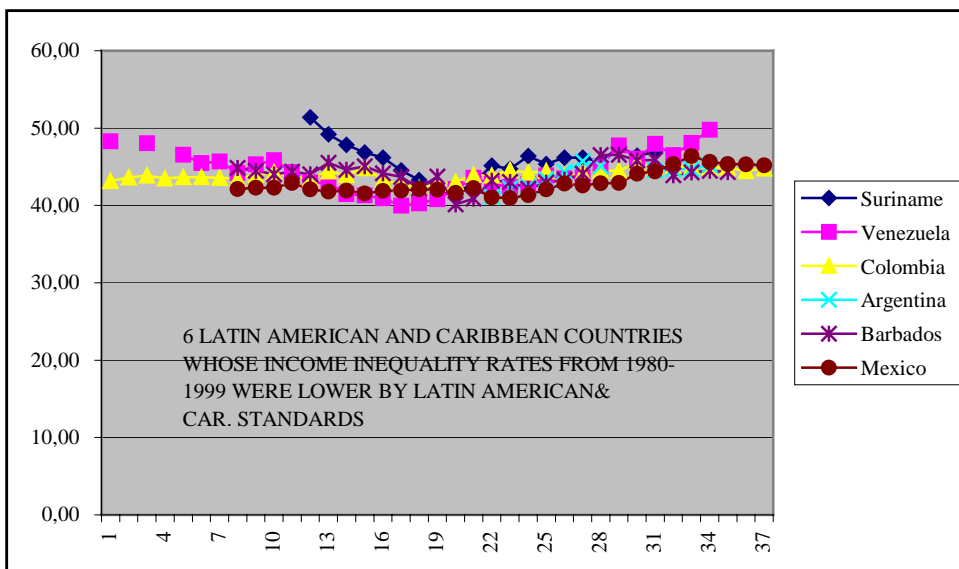
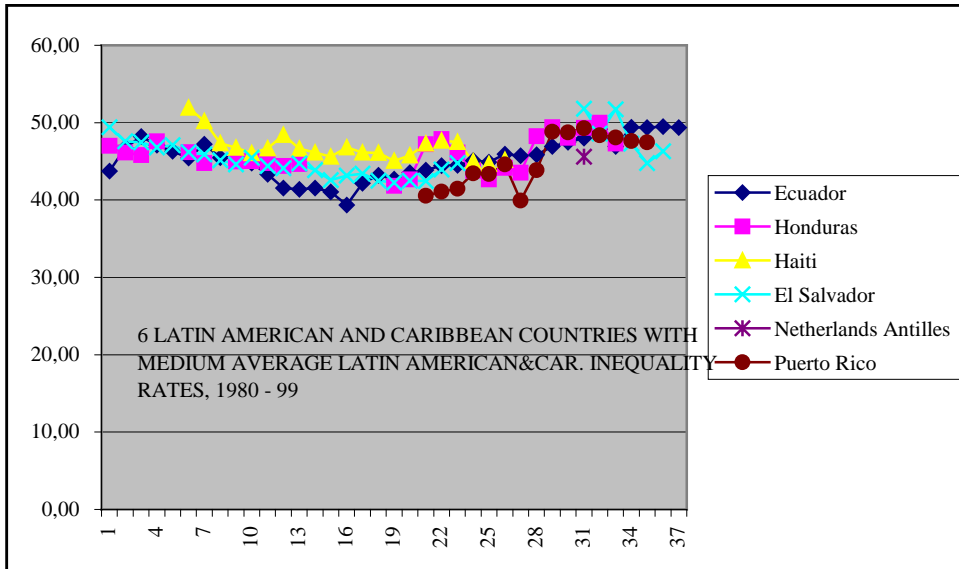
A rigorous re-analysis of the data set presented by James K. Galbraith at his UTIP website compares the trajectory of the GINI coefficients of inequality in Europe, Latin America and in selected other countries that have a high relevance for European foreign and neighborhood policies. Each time, the countries of the different regions (EU-25, Euromed countries, Balkan countries, Latin America) are broken down in sub-categories, i.e. countries with initially low levels, medium levels and high levels of income inequality. Since 1963 is the year 1 in each data series, the year 22 corresponds to 1985, and the year 25 corresponds to 1988 etc. The end 1980's must be in a way regarded as the turning point in the trajectory of world inequality; and in most countries of the world, inequality has sharply increased ever since. One of the most provocative conclusions from the survey of the econometrically estimated developments of the GINI coefficients of household income inequality carried out in the graph series 7.5 is the hypothesis that one has to be even more optimistic for several Latin American nations than for Europe:

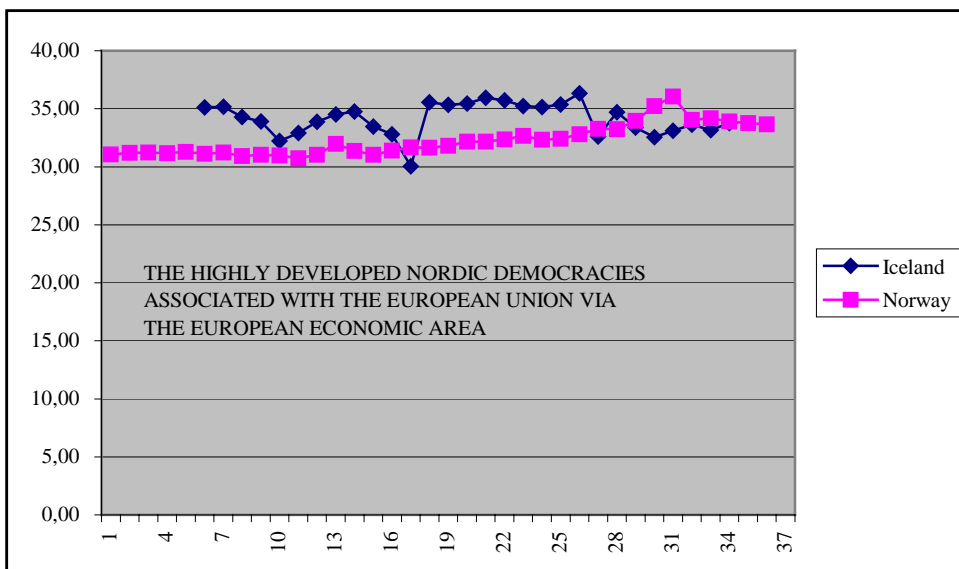
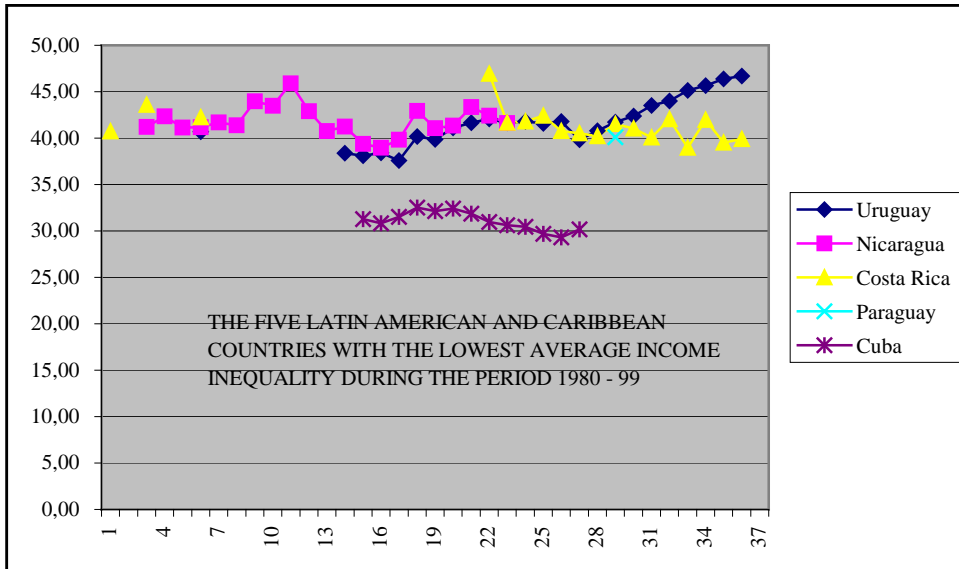
**Graph 7.5: the GINI Indices of Inequality in the European Union + accession + candidate countries, in Latin America; and in selected other regions, calculated from the University of Texas Inequality Project (UTIP) data series from 1963 to 1999**

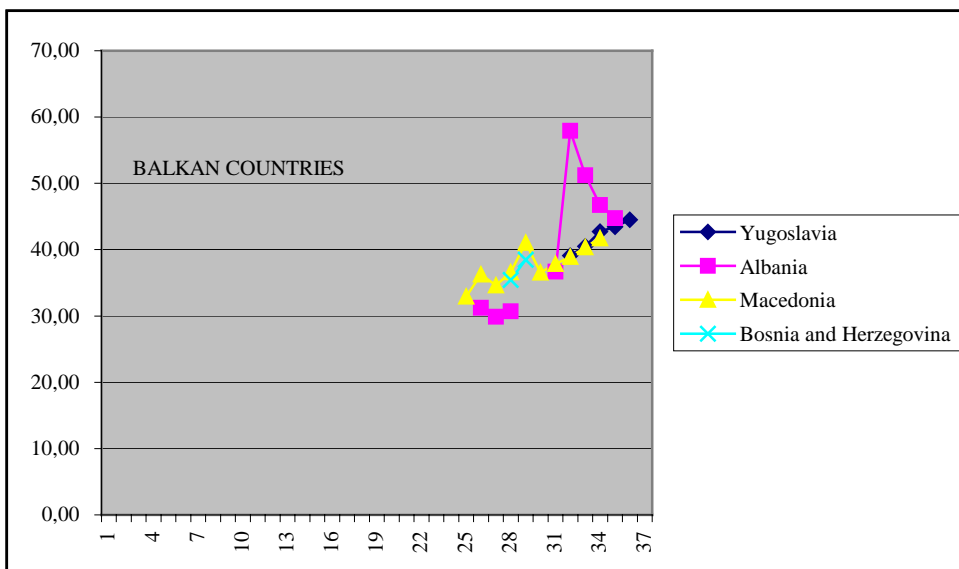
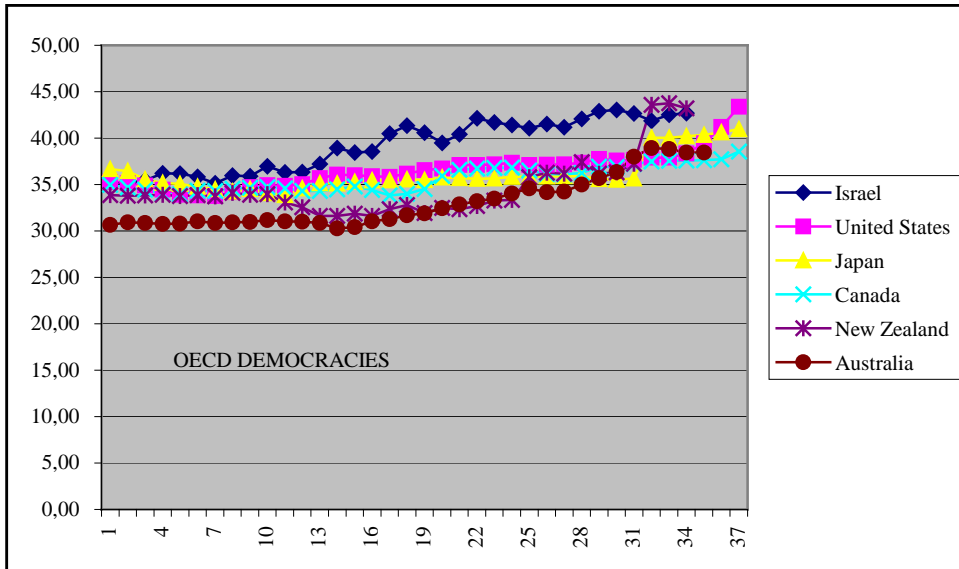




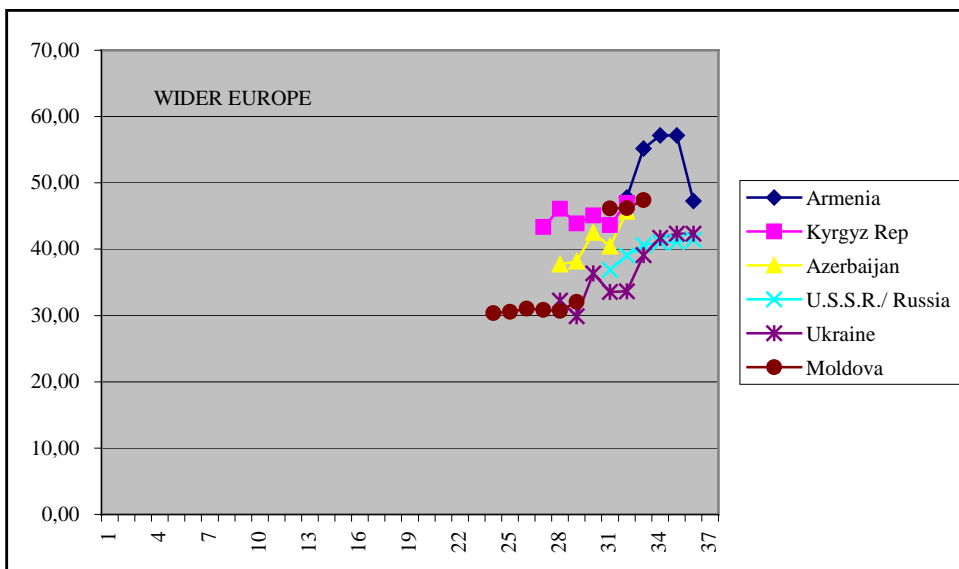
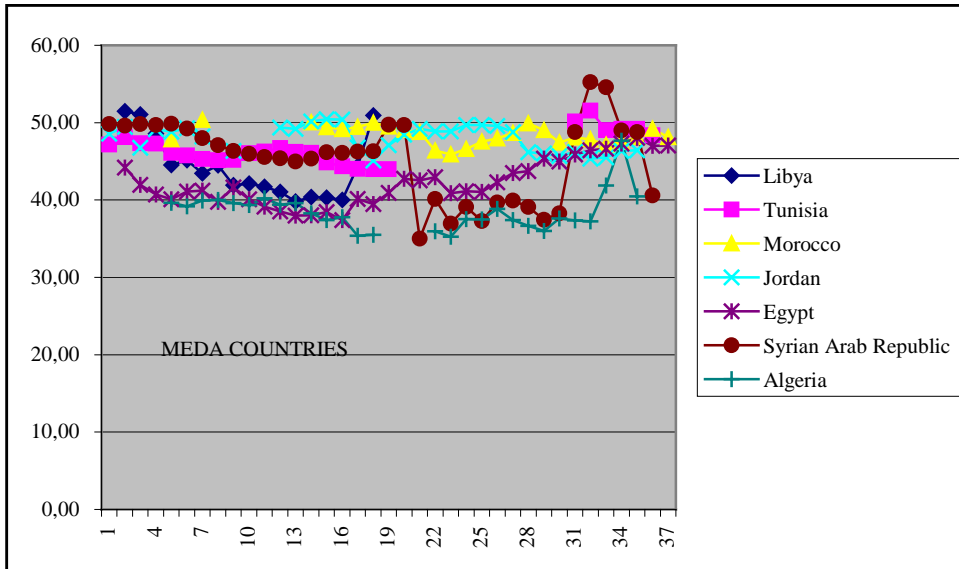






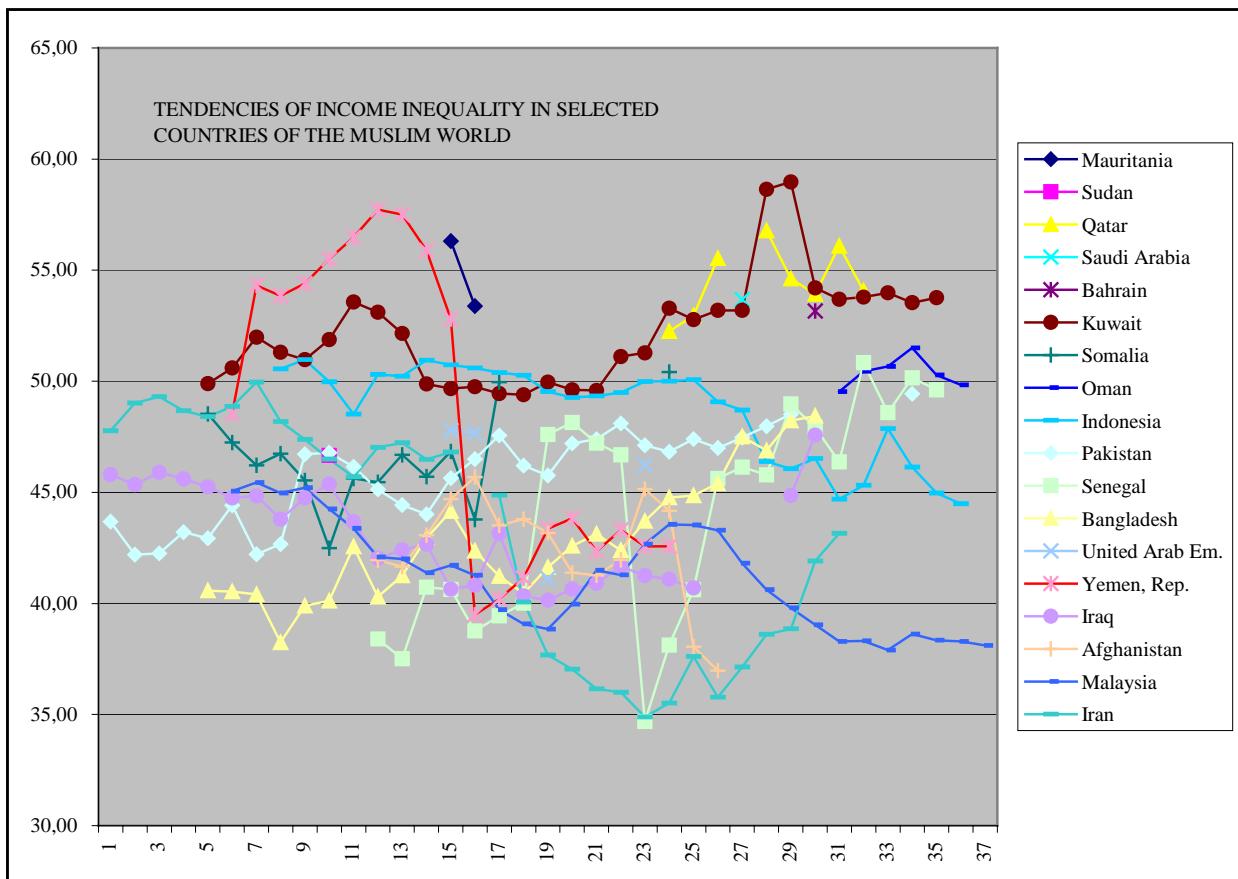






There has been, however, an interesting reversal of inequality trends in several major Muslim nations of the world, contradicting popular stereotypes about inequality in that group of countries. At any rate, the trend towards inequality is not as clear-cut as in the majority of the European countries. Combined with the tendencies towards a rapid human development in most countries of the region, we are **also more optimistic for the Muslim world** than we are for **Europe**:

**Graph 7.5. (cont.): the GINI Indices of Inequality in selected Muslim countries, calculated from the University of Texas Inequality Project (UTIP) data series from 1963 to 1999**



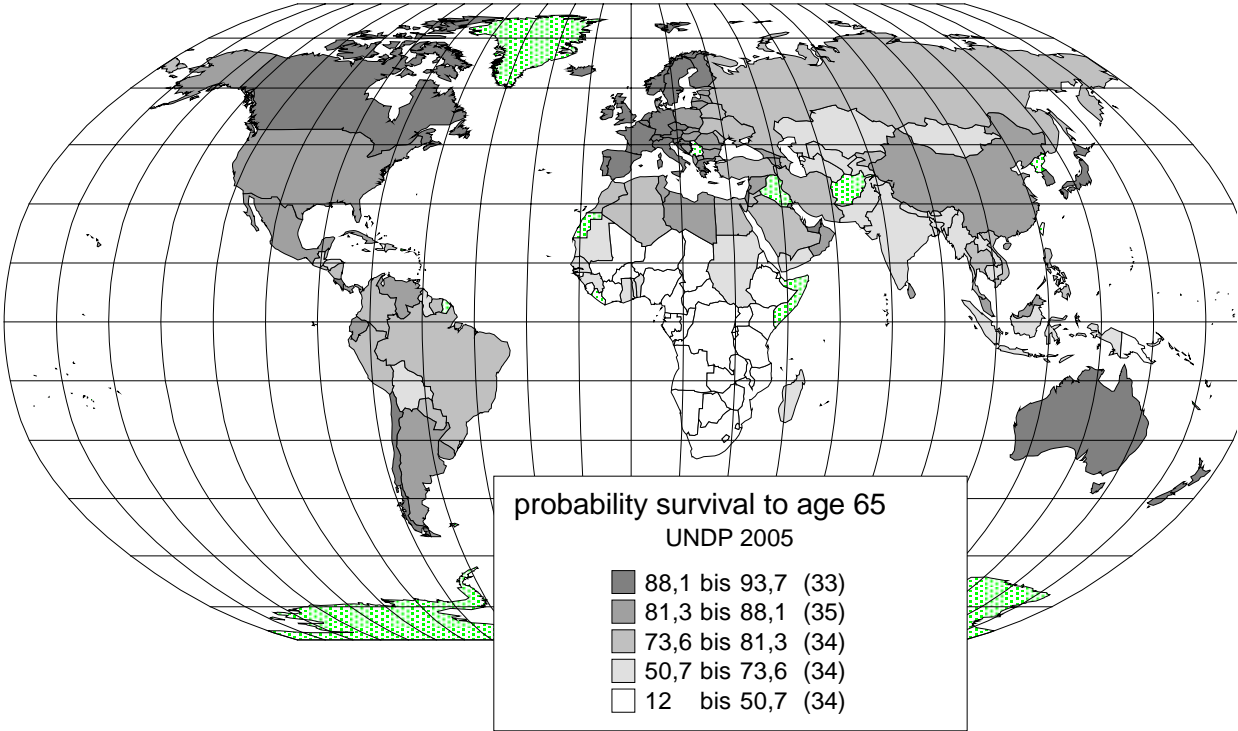
The most visible and clear-cut indicators of mass poverty, however, are the gender-specific **probabilities at birth of surviving to age 65**. The UNDP neatly documents these two data sets on its statistical website (<http://hdr.undp.org/statistics/data/>). The data outprints, ranked by survival rates for the female and the male population, are documented in the appendix to this Chapter in Appendix Tables 7.9 and 7.10. While 90 % or more **female persons** in Hong Kong (China (SAR), best placed territory of the world), Japan, Spain, Italy, Switzerland, Cyprus, Australia, Greece, Israel, Sweden, Iceland, Finland, France, Austria, Canada, Singapore, Norway, Germany, Belgium, Malta, Korea, Rep. of, Portugal, and the United Arab Emirates survive to age 65, the United States ranks only 41 among 170 countries of the world, and Chile, Costa Rica, Cuba, Uruguay, Panama, Argentina, Mexico, Venezuela, Ecuador outperform the worst placed country of the present EU-25, Latvia (rank 64 of global society). Also the Mediterranean partner countries of the EU, i.e. Israel, Syria, Tunisia, Algeria, Lebanon, Jordan, Morocco, and Egypt, easily outperform **Latvia**.

Even worse, **male survival rates** to age 65 in many EU-25 countries really correspond to those of developing countries. While 80 % or more of male persons in Iceland (best placed country of the world), Hong Kong (China (SAR)), Sweden, Japan, Australia, Israel, Switzerland, Malta, Canada, United Arab Emirates, Norway, Brunei Darussalam, Italy, Singapore, Cyprus, New Zealand, United Kingdom, Netherlands, Ireland, Kuwait, Luxembourg, Belgium, Austria, Germany, Spain, Greece, Costa Rica, Denmark, Finland, France, Albania, and Cuba survive to age 65, the US is ranked only 35<sup>th</sup> of world society, and the worst ranked EU-25 country, Estonia, is only placed 116<sup>th</sup> of all 170 classified countries of the world. Other very poor performances in the EU-25 are reported from Poland (rank 72), the Slovak Republic (rank 73), Romania (rank 88), Hungary (rank 89), Lithuania (rank 101), and Latvia (rank 104). Costa Rica, Cuba, Chile, Panama, Mexico, Barbados, Uruguay, Ecuador, Argentina, Venezuela, Belize, Saint Lucia, Paraguay, Colombia, Saint Vincent, Peru, Jamaica, El Salvador, Nicaragua, Trinidad & Tobago, Honduras, Suriname, Brazil, Bahamas, Dominican Republic, Bolivia, Guatemala often easily outperform the worst-ranked EU-25 country, just as the Mediterranean partner countries Israel, Syria, Tunisia, Algeria, Lebanon, Jordan, Morocco, and Egypt outperform Estonia.

Our world maps clearly support the view that in terms of human survival, Europe for a long time has ceased to be a "center" country, and long ago has started to re-become a periphery. From the viewpoint of world systems theory, especially from the angle of the "Re-Orient" sub-school, initiated by the late Andre Gunder Frank, this is not a coincidental movement along the historic ups and downs of social indicators, perhaps to be explained in addition by the devastating long-term effects of the social transformation crisis in the East, but the very symptom of a much more deeper-rooted crisis, which is the beginning of the real re-marginalization and re-peripherization of the European continent [after the interval of European ascent, which according to Andre Gunder Frank only lasted from 1750 to the last quarter of the 20<sup>th</sup> Century, and which interrupted the millennia of Chinese dominance in the world economy]:

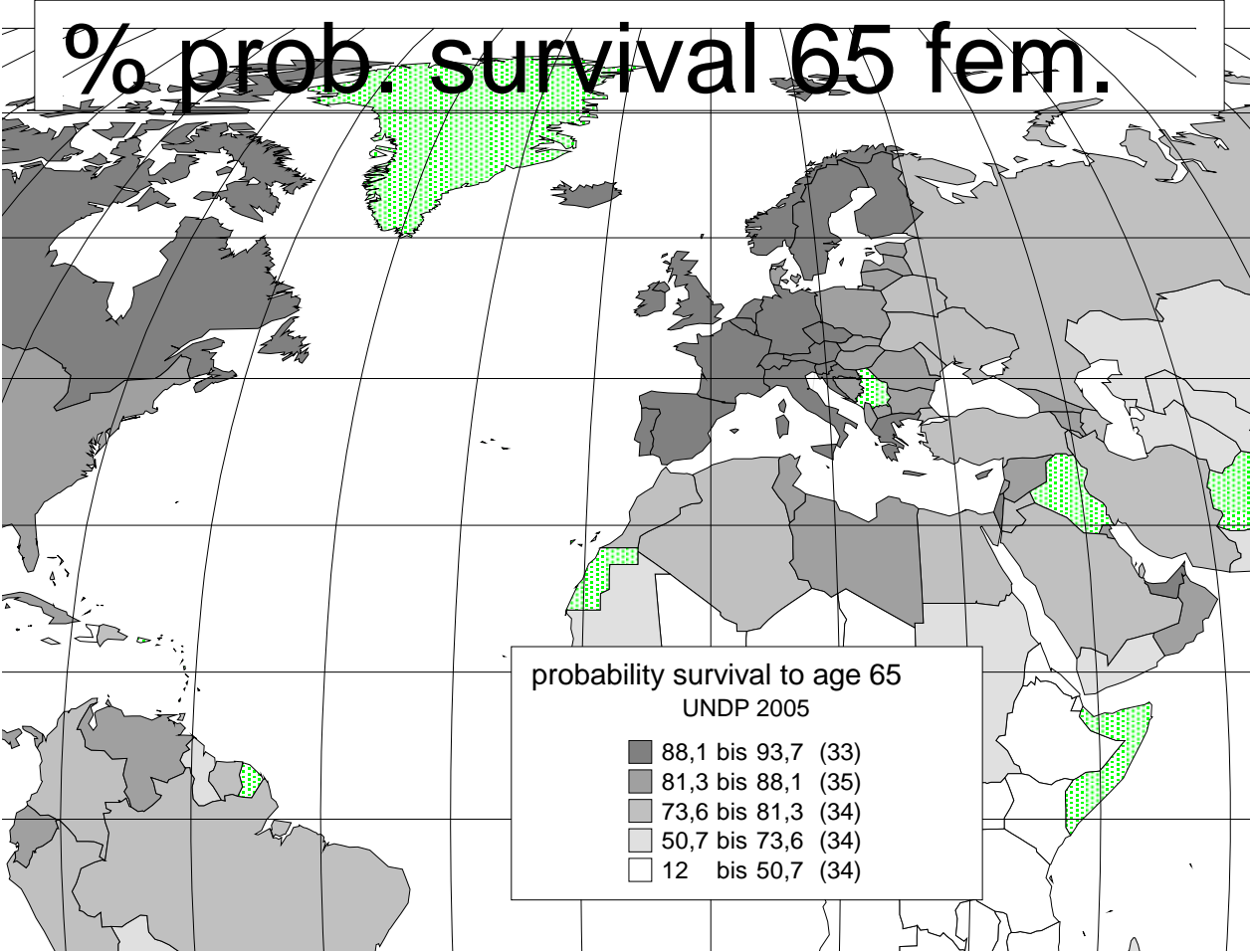
**Map 7.10: female survival probability to age 65**

**% prob. survival 65 fem.**



Legend: dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

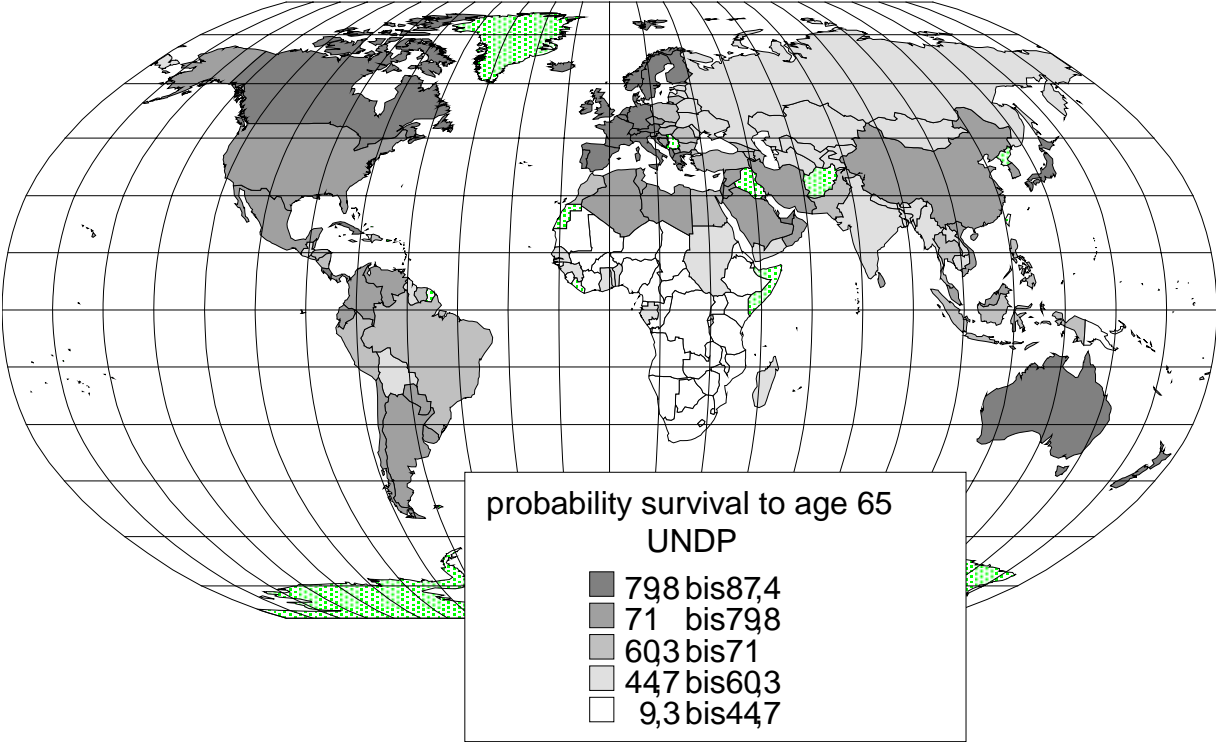
Map 7.10 (continued): female survival probability to age 65



Legend: dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

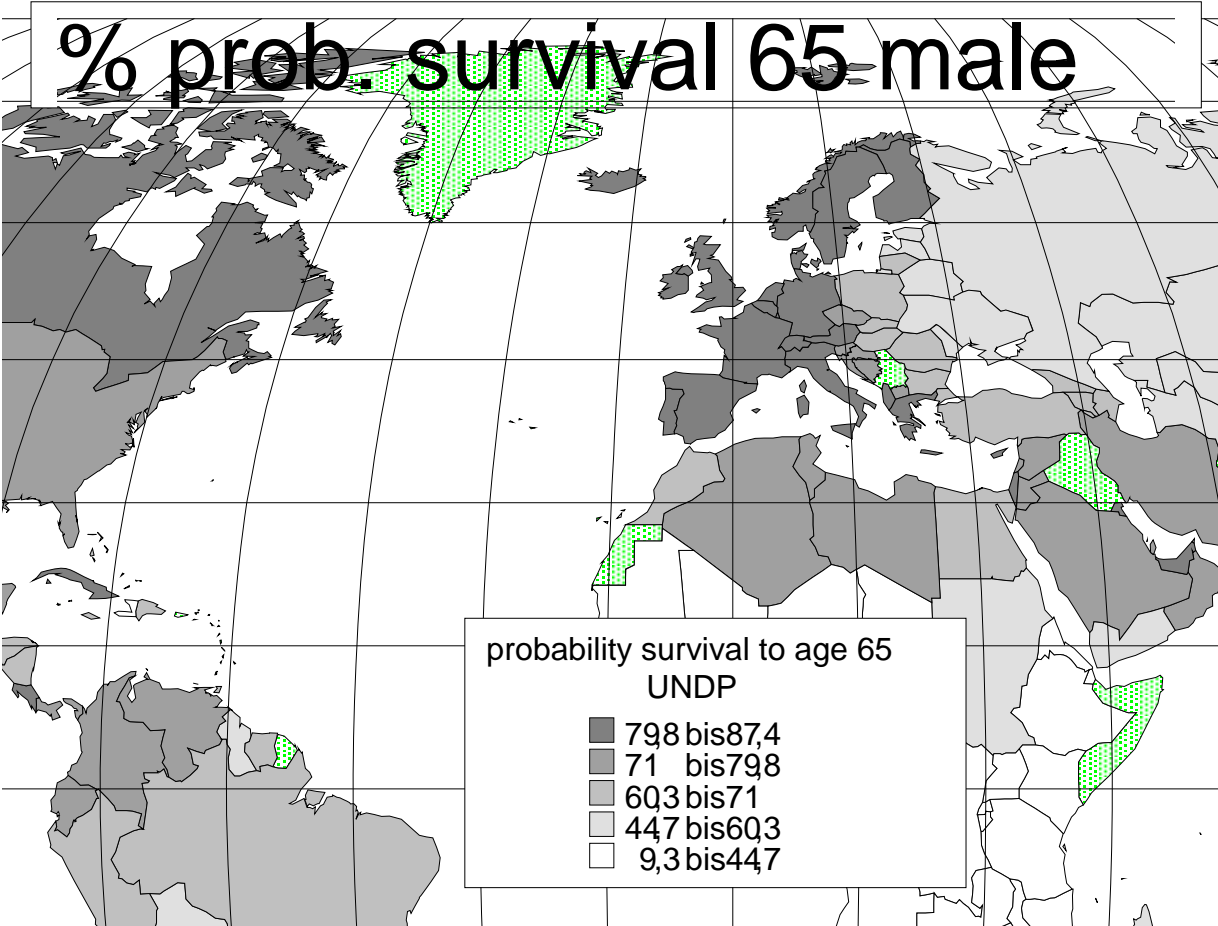
Map 7.11: male survival probability to age 65

# % prob. survival 65 male



Legend: dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

Map 7.11 (continued): male survival probability to age 65



Legend: dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

If that line of argument, which applies Andre Gunder Frank's reasoning about a long-term structural crisis of Europe, is correct, then other indicators should support the argument as well. And indeed they do. Our appendix tables to this Chapter neatly show that

- **combined ratios of trends towards human misery** (unemployment, inequality, stagnation) are very **strong in most European countries** (Appendix Table 7.1. and 7.2.)
- **absolute poverty rates in the US and in Europe are comparable**<sup>43</sup> (see Appendix Tables 7.3. to 7.8.)
- **poverty rates in the European periphery** cannot be measured in **relative terms alone** (i.e. the famous Eurostat measure which specifies the risk-of-poverty rate as defined by the share of persons with an equivalized disposable income below the risk-of-poverty threshold, which is set at 60% of the **national** median equivalized disposable income (after social transfers)). Bringing in **absolute income levels (see point above)**, it indeed emerges that poverty in the US and in the European periphery is comparable (see again Appendix Tables 7.3. to 7.8.)

The next question, which arises in such a context then is the question as to whether figures on income inequality and economic growth do support the arguments, just explained (Appendix Tables 7.11. and 7.12.). Is there a tendency towards stagnation, and towards inequality, which supports the argument put forward by Andre Gunder Frank about a more long-term structural crisis of the "European model"?

### **7.5. A tale of inequality and growth**

Well, first of all we have to analyze in this context the hypothesis of a **growing** semi-peripherization of the European continent by looking at the **aggregate** figures of economic inequality and stagnation for the contemporary period. Although **levels of present-day inequality** in Latin America and in Europe are still different from one another, it has to be noted that the gap between the rich and the poor (the top 20 % and the bottom 20 %) in the following European nations is already **5.0** or bigger: Lithuania, Netherlands, Romania, Spain, Poland, France, Latvia, Bulgaria, Switzerland, Ireland, Greece, Israel, Italy, Estonia, United Kingdom, Turkey, and Portugal. In **Portugal**<sup>44</sup>, this gap is already **8.0**, while in the US it is now at **8.4**. In historical terms (see below) both most of the European nations and the US moved away from the welfare capitalism of the 1960s. An interesting point for world system theory debates is of course, whether or not China, under global capitalism and enormous foreign capital inflows, repeats the experience of Brazil in the late 1960s and early 1970s – an economic "miracle" combined with increasing economic and social inequalities.

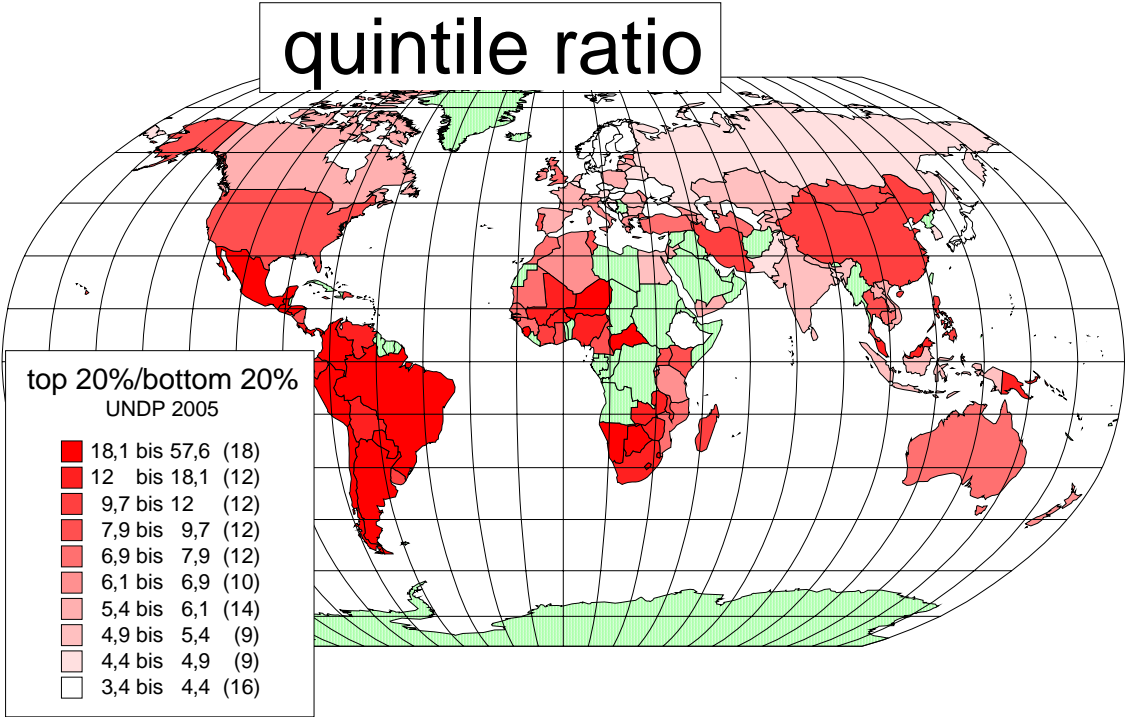
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<sup>43</sup> transatlantic honesty please: the social debacle of New Orleans, summer 2005, has its equivalent in Europe – the French riots of late fall and early winter 2005/2006

<sup>44</sup> Portugal is the country of origin of the actual President of the European Commission, José Manuel Durao Barroso. Before becoming Commission President, he was the Prime Minister of his home country. Generally, his policies as Prime Minister were associated with neo-liberal economic reforms.

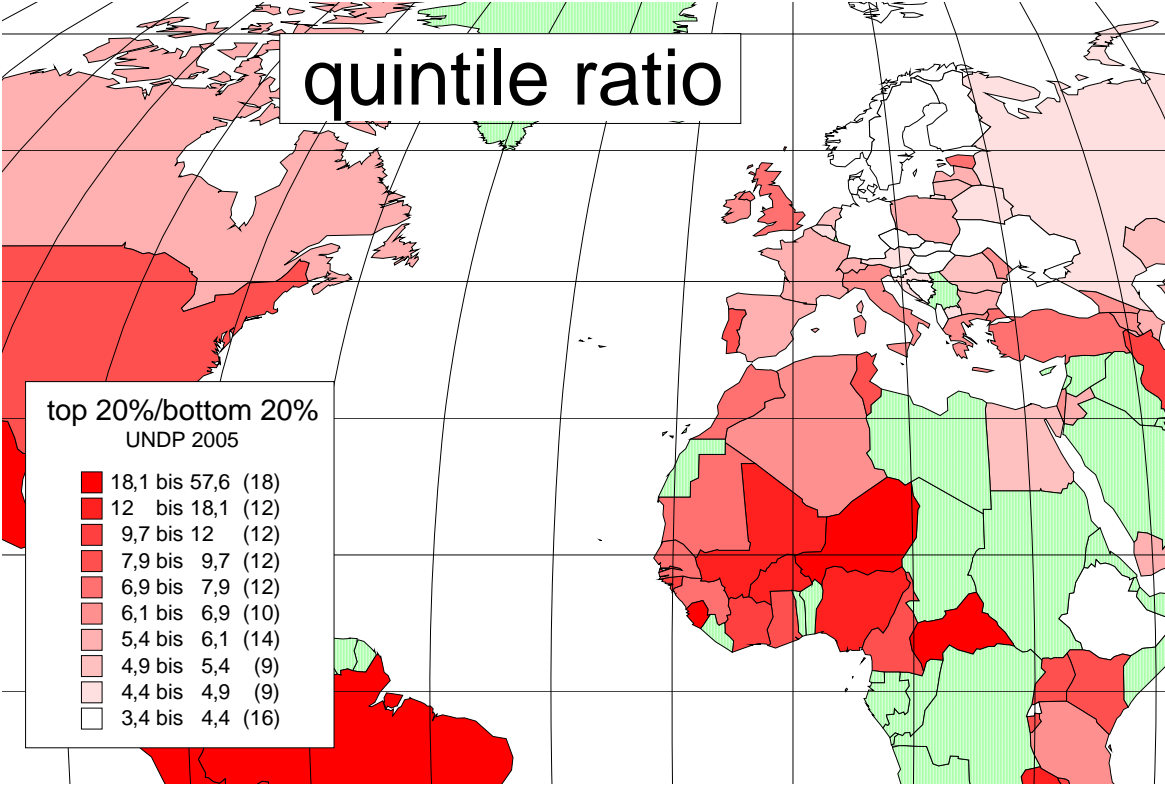


**Map 7.12: quintile ratios in the world system**



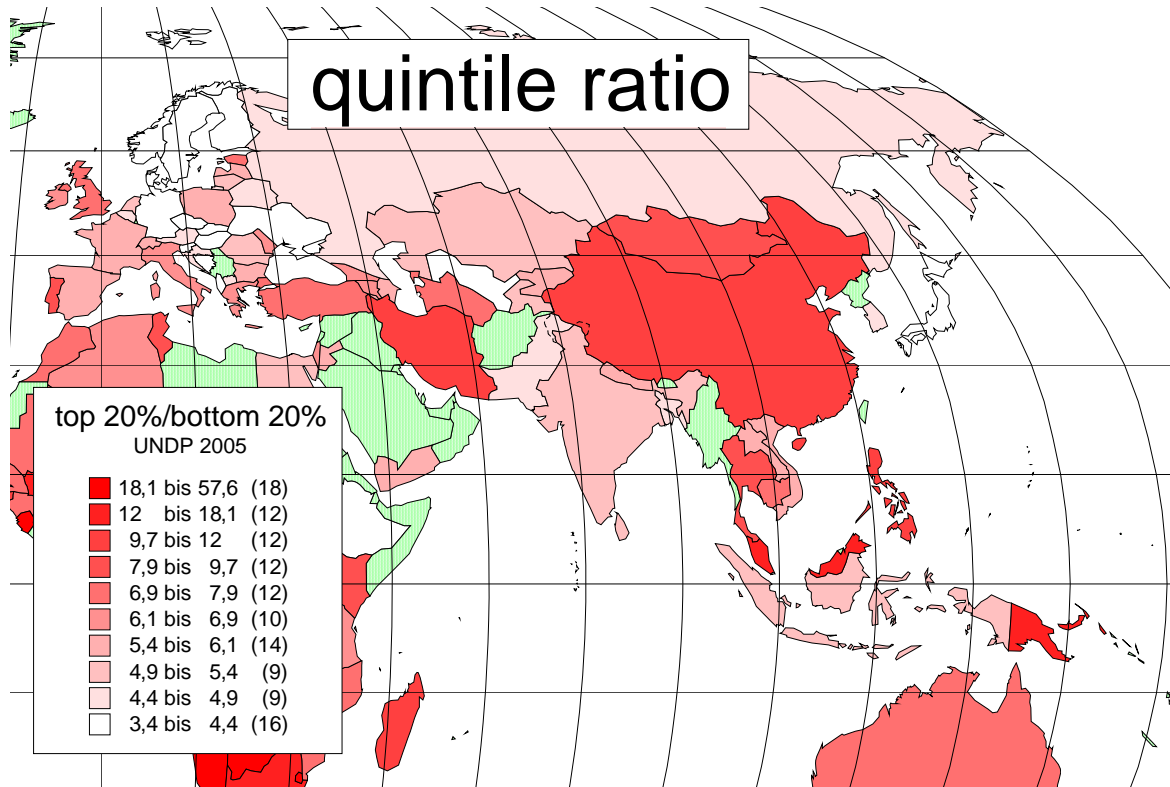
Legend: dark shades indicate a bad performance. "bis" shorthand for "ranging from ... to".

Map 7.12. (continued): quintile ratios in the world system



Legend: dark shades indicate a bad performance. "bis" shorthand for "ranging from ... to".

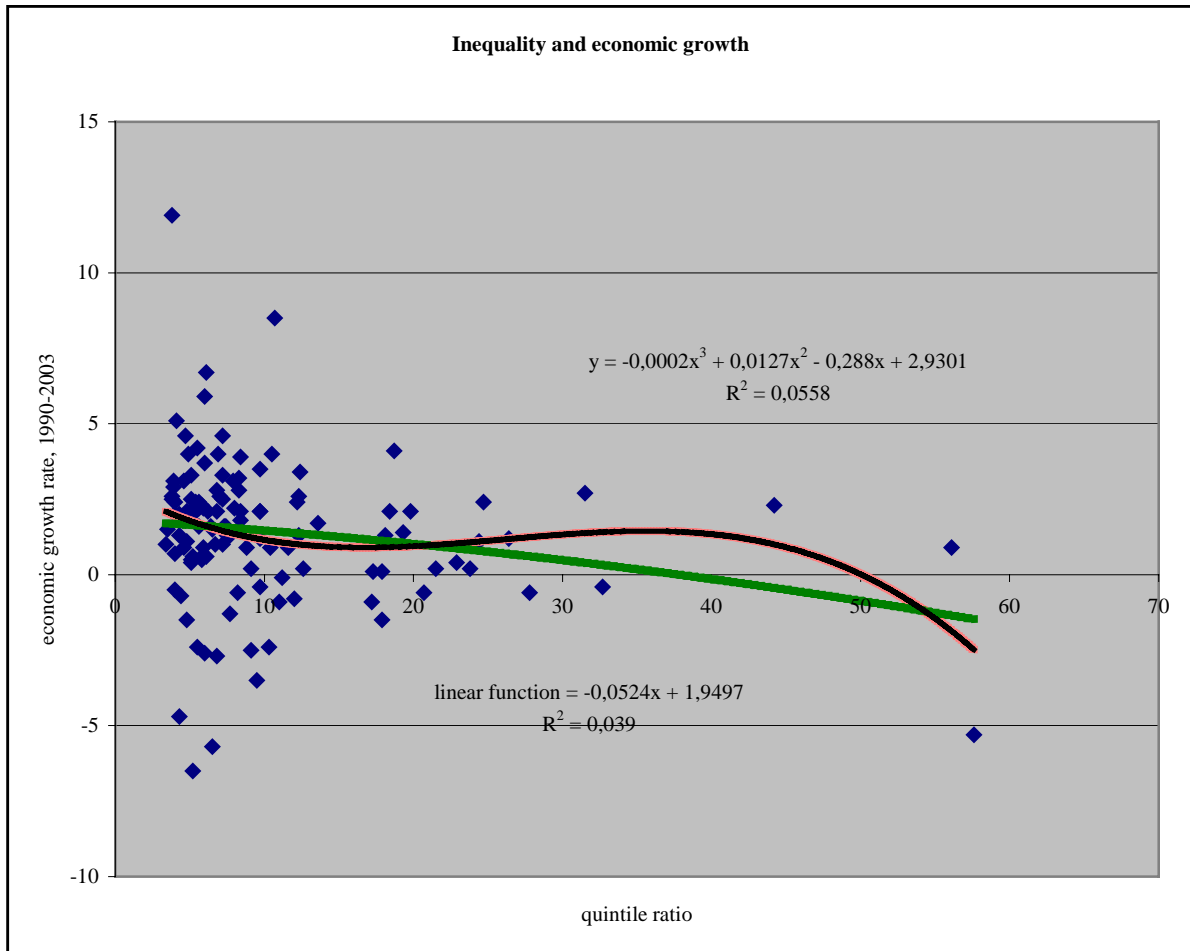
Map 7.12 (continued): quintile ratios in the world system



Legend: dark shades indicate a bad performance. "bis" shorthand for "ranging from ... to".

Proponents of the idea that social inequalities reflect different skill endowments on the market, and that pay and other inequality can be conducive to economic growth, and that economic inequalities are best left for themselves and will, if anything find remedies on the market and not by state intervention, find only weak support for their hypothesis in the available data. Economic and social inequalities and economic growth are very weakly and negatively associated with each other, thus contradicting the assumption that inequality is good for economic growth:

**Graph 7.6: inequality and economic growth**

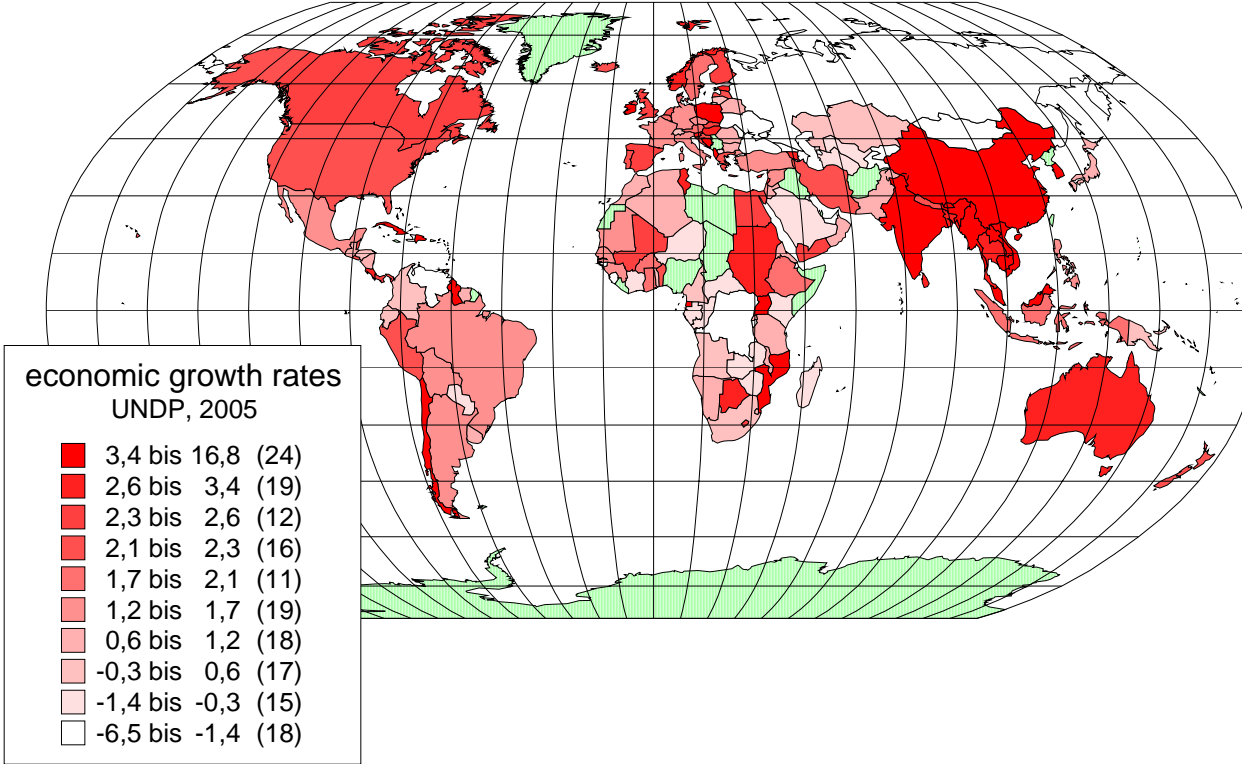


Legend: our own calculations from UNDP data, 2005

The available evidence about economic growth over the last 1 ½ decades meanwhile supports the hypothesis that economic dynamism in the world system by and large is an affair of the Pacific Rim countries, with more favorable real per capita income growth rates also to be found on the European geographical periphery, in some countries of the Middle East and in some parts of Northeastern and Eastern Africa. The most solid compound growth bloc of the world economy is and remains South Asia, Southeast Asia and China. Especially the three large founding member countries of the European Union, France, Germany and Italy, but also the profoundly globalized nations of Latin America however had weaker economic growth rates during that period:

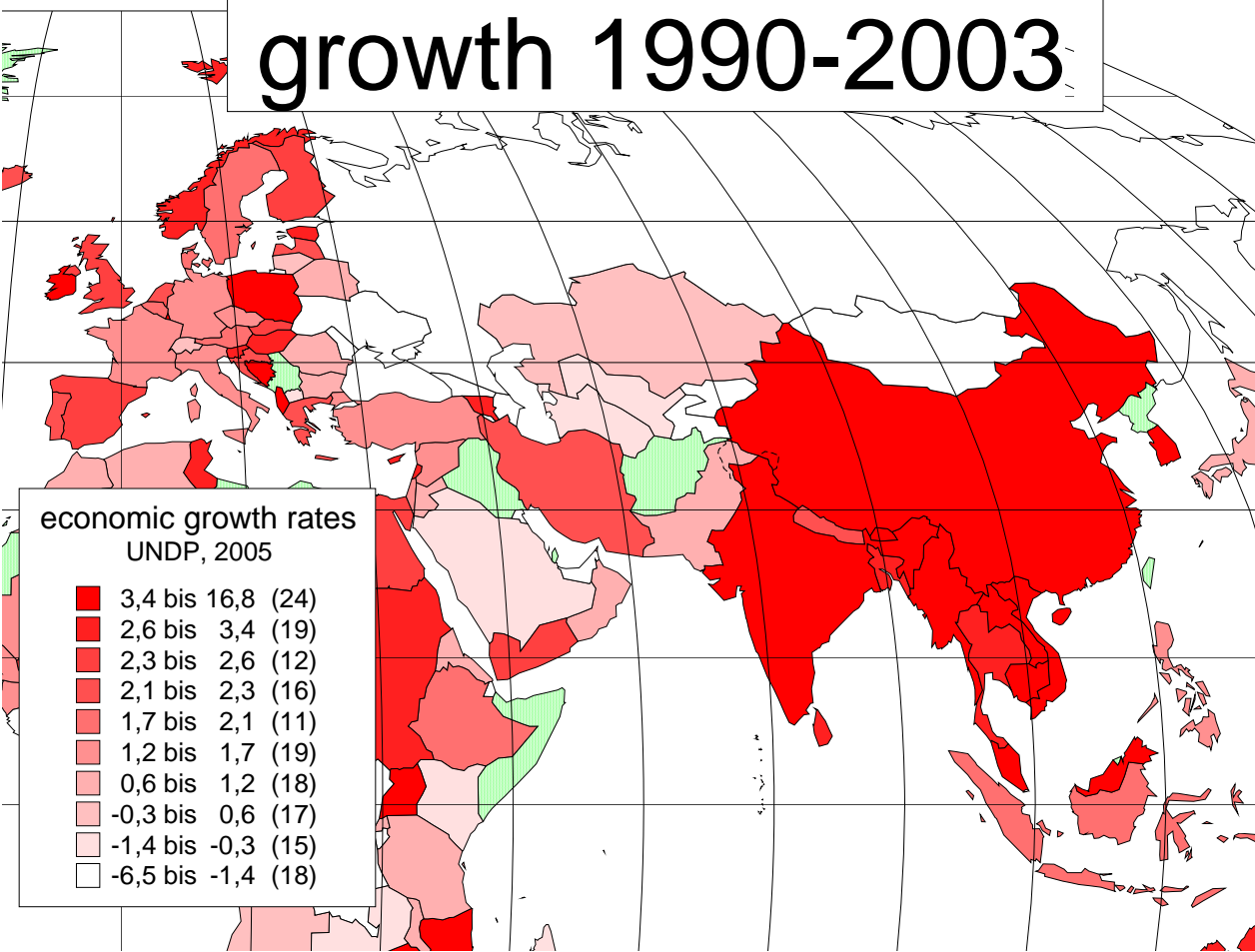
Map 7.13: economic growth in the world system

# growth 1990-2003



Legend: dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

Map 7.13 (continued): economic growth in the world system



Legend: dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

## **7.6. “Social Keynesianism” in Europe?**

The absolute center of the debate about the “European social model” is the social-Keynesian conviction that was perhaps best formulated by the former Minister of Finance of Sweden and General Director of Social Policies at the European Commission, Dr. Allan Larsson, and now President of the University of Lund in his home country. Dr. Larsson reiterated on many occasions his belief (for example at <http://www.globalprogress.org/ingles/seminarios/larsson.html>) that

- Europe’s current account surplus at that time was a sign of economic strength; while America has a secular current account deficit
- high gross social expenditures provide an ideal framework for subsequent high productivity growth rates; i.e. Europe with its strong social safety nets has ideal chances for faster productivity growth than the United States

There are different ways to look at the empirical record. While there are those who maintain that most recent developments have pulled away the carpet beneath such beliefs, there is strong counter-evidence to the contrary. The Eurostat data series on social protection levels and productivity already confirm this; there is a positive correlation which explains more than 16 % of productivity levels between social protection and productivity:

**Table 7.11: social protection level and labor productivity**

	Social protection level	Eurostat productivity (EU-25=100), 2005
Austria	29, 1	103
Belgium	27, 8	128
Czech R	19, 9	64, 9
Denmark	30	104
Estonia	14, 3	50, 6
Finland	26, 4	111
France	30, 6	119
Germany	30, 5	99, 1
Greece	26, 6	98, 4
Hungary	20, 9	69, 6
Ireland	16	130
Italy	26, 1	107
Latvia	15, 2	45, 1
Lithuania	14, 3	50, 8
Luxembourg	22, 7	142

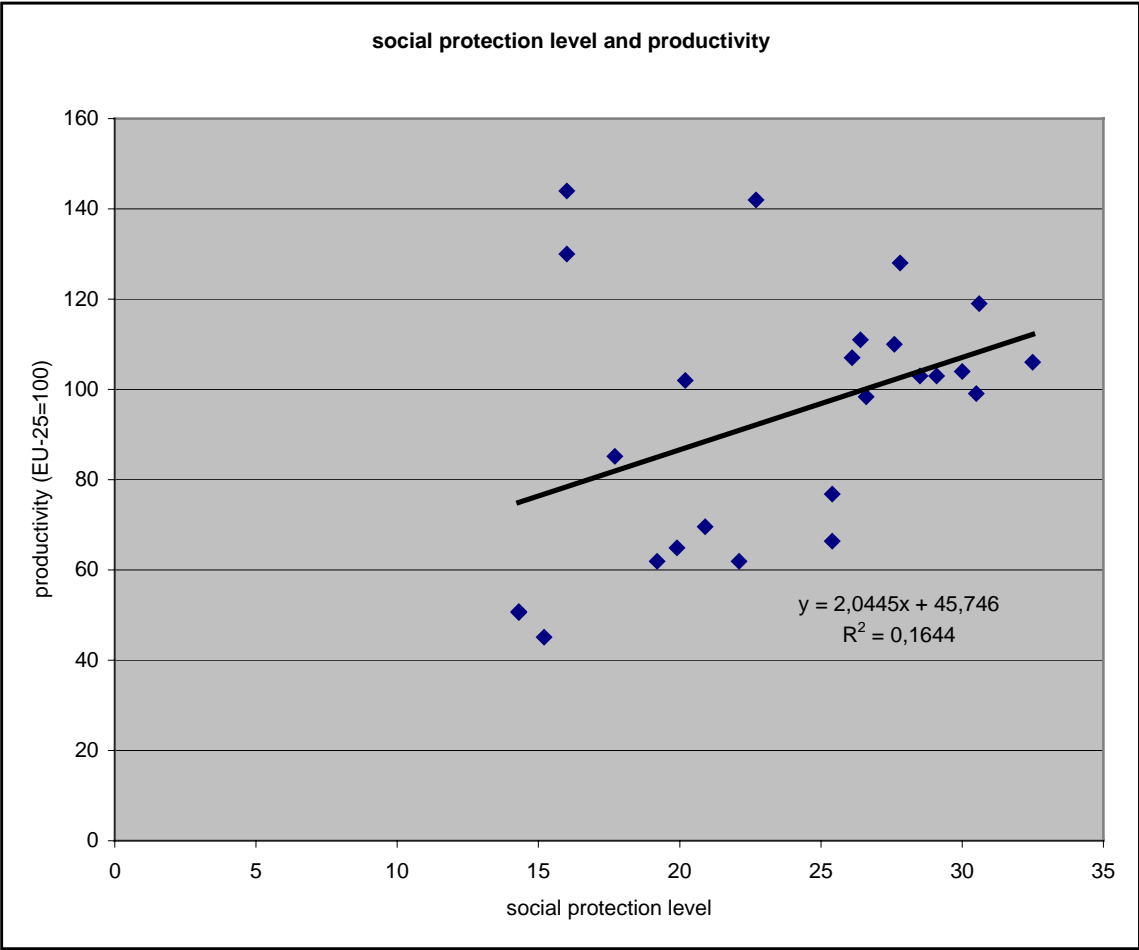
Malta	17, 7	85, 2
Netherlands	28, 5	103
Poland	22, 1	61, 9
Portugal	25, 4	66, 4
Slovak R	19, 2	61, 9
Slovenia	25, 4	76, 8
Spain	20, 2	102
Sweden	32, 5	106
UK	27, 6	110
USA	16	144

Legend: compiled from Eurostat structural indicators at:  
[http://epp.eurostat.ec.eu.int/portal/page?\\_pageid=1133,47800773,1133\\_47803568&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.ec.eu.int/portal/page?_pageid=1133,47800773,1133_47803568&_dad=portal&_schema=PORTAL)

Critics might say that this does not take into account global changes in productivity that disproportionately favor the Asian economies. But still, the evidence on a European level and on the level of the Lisbon competition has to be kept in mind:



**Graph 7.7: Social protection and labor productivity**



Legend: compiled from the data of Table 7.11

**Social Keynesians** would now argue that these relationships also hold on a global level.

**Table 7.12: social protection expenditures and World Economic Forum Growth Competitiveness Rankings**

	Total SSE 1990	Growth Competitiveness Rankings
Ethiopia	3, 2	2, 93
Bolivia	4, 2	3, 09
Madagascar	1, 6	3, 11
Nicaragua	7, 8	3, 12
Nigeria	1	3, 16
Ecuador	2, 1	3, 18
Mali	3, 1	3, 24
Guatemala	2, 4	3, 38
Kenya	2, 6	3, 45
Philippines	1, 7	3, 51
Argentina	9, 8	3, 54
Dominican Republic	2, 1	3, 63
Algeria	7, 6	3, 67
Ghana	2, 2	3, 78
Jamaica	4	3, 82
Turkey	5, 9	3, 82
Egypt	4, 8	3, 88
Bulgaria	16, 5	3, 98
Poland	18, 7	3, 98
Brazil	10, 8	4, 05
Morocco	2, 4	4, 06
India	1, 7	4, 07
Uruguay	14, 2	4, 08
El Salvador	1, 9	4, 1
Costa Rica	10, 3	4, 12
Mauritius	4, 8	4, 14
Mexico	2, 8	4, 17
Italy	23, 1	4, 27
China	5, 2	4, 29
Botswana	2, 5	4, 3
Slovakia	15, 9	4, 43
Tunisia	7	4, 51
Czech Republic	16	4, 55
Cyprus	8, 1	4, 56
Greece	19, 8	4, 56
Hungary	18, 4	4, 56
Jordan	6, 8	4, 58
Thailand	1, 5	4, 58

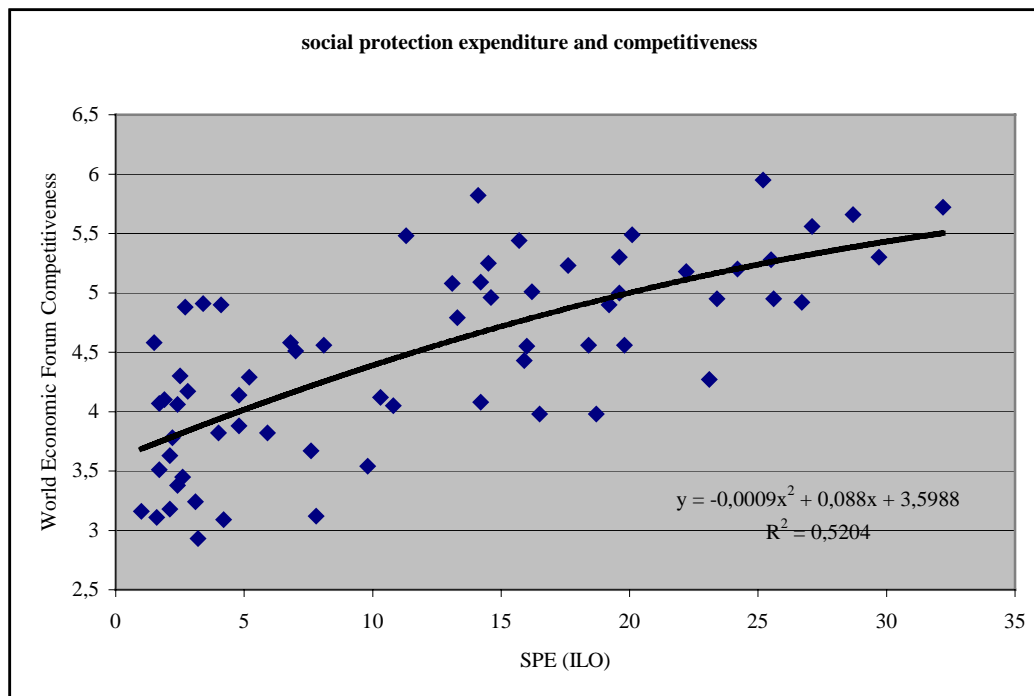
Malta	13, 3	4, 79
Malaysia	2, 7	4, 88
Ireland	19, 2	4, 9
Korea	4, 1	4, 9
Bahrain	3, 4	4, 91
France	26, 7	4, 92
Belgium	25, 6	4, 95
Luxembourg	23, 4	4, 95
Portugal	14, 6	4, 96
Spain	19, 6	5
Chile	16, 2	5, 01
Estonia	13, 1	5, 08
Israel	14, 2	5, 09
New Zealand	22, 2	5, 18
Austria	24, 2	5, 2
Canada	17, 6	5, 23
Australia	14, 5	5, 25
Germany	25, 5	5, 28
Netherlands	29, 7	5, 3
United Kingdom	19, 6	5, 3
Iceland	15, 7	5, 44
Japan	11, 3	5, 48
Switzerland	20, 1	5, 49
Norway	27, 1	5, 56
Denmark	28, 7	5, 66
Sweden	32, 2	5, 72
United States	14, 1	5, 82
Finland	25, 2	5, 95

Legend: Our own compilations, based on ILO and World Economic Forum. These data are downloadable from:

[http://www.weforum.org/pdf/Gcr/Growth\\_Competitiveness\\_Index\\_2003\\_Comparisons](http://www.weforum.org/pdf/Gcr/Growth_Competitiveness_Index_2003_Comparisons) and

<http://www.ilo.org/public/english/protection/socfas/research/stat/table14.htm>

But the contrary of what critics of the social welfare state assume is true: social protection levels and world economic competitiveness have a clear positive trade-off, and the correlation between the two variables is extremely high, in fact social protection levels explain more than ½ (i.e. 52 %) of world economic competitiveness:

**Graph 7.8: social protection levels and world economic competitiveness**

Legend: compiled from the data of Table 7.12

The intensive globalization that Europe experienced, points in the direction of globalization not leading to more equality, at least as suggested by the available new evidence under survey here. Available indicators indicate that the European continent experienced over the last years a real radical neo-liberal globalization and transformation, while the benefits of this transformation are rather mixed. In our following Table, EU-25 member countries are underlined.

**no increases in globalization over time** (see Table 2.2)

Greece

**no falling price level:**

Czech Republic

Hungary

Cyprus

**Table 7.13: EU-25 – global best practice in globalization, global worst practice rates of decreasing social well-being?**

**“Best practice” globalizers: European among the world’s top 30 globalizers (correlation over time of the rates of inflows of foreign direct investment per GDP; see appendix)**

Poland; France; Portugal; Costa Rica; Croatia; Pakistan; China; Israel; Latvia; Uganda; Moldova; Russian Federation; Slovak Republic; Romania; Lithuania; Mongolia; India; Chile; Azerbaijan; Honduras; Mexico; Nicaragua; Austria; Belgium; Denmark; Turkey; Armenia; Hungary; Venezuela; RB; Nepal; Germany

**“Best practice” reduction of the comparative price level (US=100): Europeans among the world’s top 30 reducers of the price level (see Chapter below)**

Luxembourg; Equatorial Guinea; Argentina; Singapore; Brazil; Switzerland; Denmark; Germany; Austria; France; Uzbekistan; Hong Kong; China (SAR); Uruguay; Belgium; Japan; Netherlands; Sweden; Finland; Italy; Croatia; Paraguay; Australia; Lesotho; Rwanda; Greece; Norway; New Zealand; South Africa; Tajikistan; Peru; Chile

**But worst practice rises in inequality: European among the world’s top 30 increases in inequality (see appendix)**

China; Slovak Republic; Nigeria; Czech Republic; Bangladesh; Gambia; The; Spain; Hungary; Panama; Australia; Latvia; Romania; Egypt; Arab Rep.; Gabon; Mexico; Venezuela; RB; Philippines; Moldova; Bulgaria; Pakistan; New Zealand; Netherlands; Japan; Slovenia; Tunisia; Turkey; Azerbaijan; Ireland; Portugal; Poland; Malawi

**Worst practice long-term tendency towards stagnation: Europeans among the world’s top 30 in slow long-term economic recovery; measured by the time series correlation of economic growth rate over time (see appendix)**

Pakistan; Burundi; Japan; Moldova; Russian Federation; Bulgaria; Egypt; Arab Rep.; Romania; Indonesia; Mongolia; Zimbabwe; Kenya; Thailand; Jordan; Italy; Cyprus; Colombia; Latvia; Malaysia; Algeria; South Africa; Gambia; The; Kyrgyz Republic; Singapore; Brazil; Zambia; Lithuania; Turkey; New Zealand; Norway; Czech Republic

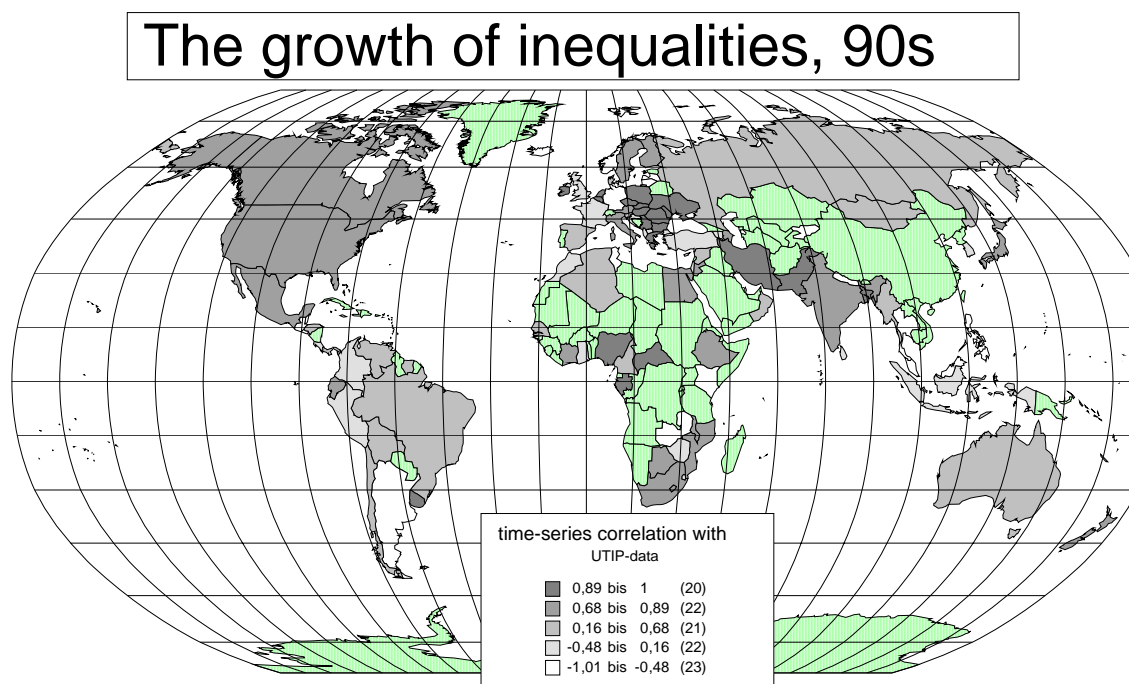
**Worst practice tendency towards unemployment: Europeans among the world’s top 30 with unemployment is rising over time (time series correlation of ILO Laborsta unemployment rates over time; see appendix)**

Mauritius; Haiti; South Africa; Tajikistan; Azerbaijan; Estonia; Croatia; Indonesia; Namibia; Algeria; Argentina; Greece; Czech Republic; Ukraine; Saudi Arabia; Brazil; Luxembourg; Philippines; Bangladesh; Pakistan; Japan;

*Uzbekistan; Slovakia; Albania; Uruguay; Egypt; Ecuador; Nicaragua; Russian Federation; Finland; Israel*

Thus European social science and European social policy making have no other way left open but to look more deeply into the patterns of globalization and inequality with which the European Union is faced. Using the University of Texas Inequality Project data series on inequality in the world system since the 1960s, based on solid pay data, we arrive at the following world map of time series correlations with inequality. The real explosion of pay inequality in the European East has to be noted. Still, the share of the poorest 20% in total incomes in the US is lower than in most European countries (except in the former USSR, see our data based on UNDP sources). **Eastern Europe** was the region which **most rapidly globalized** and which had the most **rapid tendency towards inequality at the same time**:

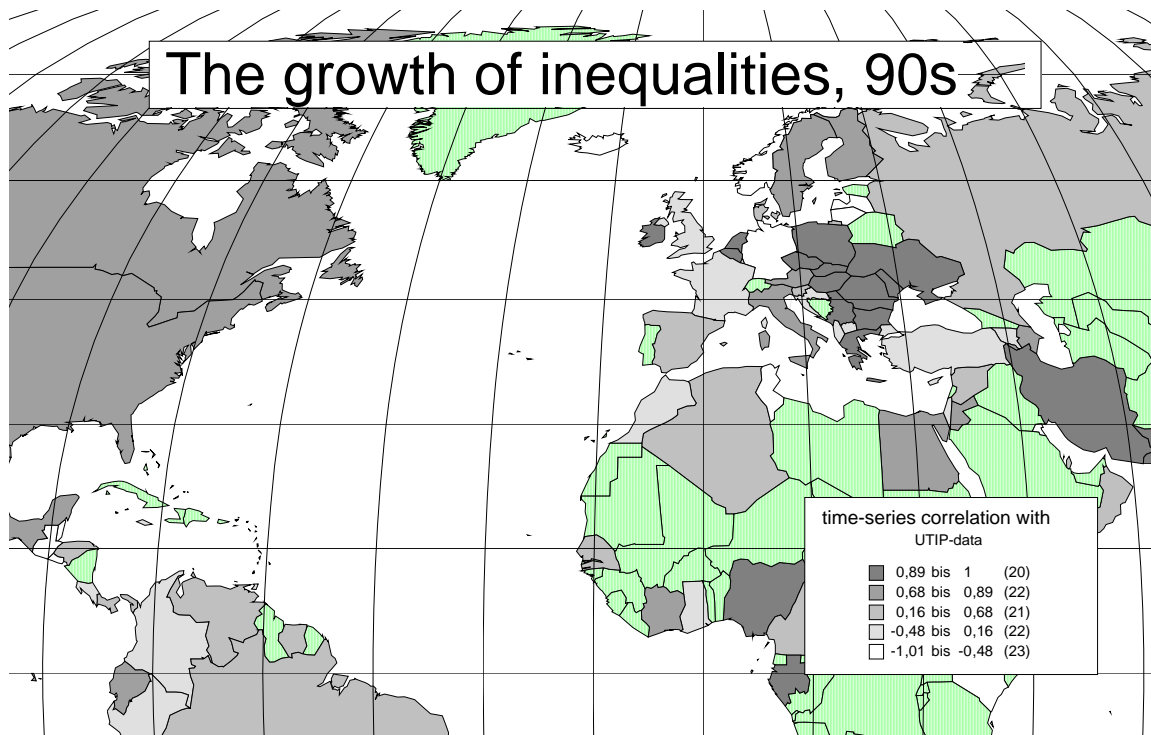
**Map 7.14: the growth of inequalities in the 1990s in the world system and in the wider Europe**



Source: our own calculations from UTIP<sup>45</sup>. In this and in all other maps in this work, "bis" is the shorthand for "ranging from ... to". Countries painted in green color: missing data. Dark colors indicate a bad performance

<sup>45</sup> <http://utip.gov.utexas.edu/>

**Map 7.14 cont.: the growth of inequalities in the 1990s in the world system and in the wider Europe**



Source: our own calculations from UTIP<sup>46</sup>. In this and in all other maps in this work, “bis” is the shorthand for “ranging from ... to”. Countries painted in green color: missing data. Dark colors indicate a bad performance

These tendencies are also responsible for the very high extent of absolute poverty to be encountered on the European periphery and semi-periphery. To begin with, the usual Eurostat measures of poverty that fix poverty levels at national relative poverty lines (i.e. poor = < 60 % of median equivalent per capita income of national societies) do not tell us much about the absolute income levels of the poor. If we define **poverty** as an **equivalent income** which is below the level of **60 %** or less of the **median** equivalent income of the EU-15, we already are confronted with the following staggering poverty rates on the outer rims of the EU-15:

**Table 7.14: poverty in Europe (EU-15)**

<sup>46</sup> <http://utip.gov.utexas.edu/>

**a) % of people living in poverty, 2001:**

	EUROZONE -12	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EU15T
2001	19	8	5	7	44	31	13	22	28	1	11	<b>7</b>	50	16	14	14	17
2000	18	8	5	7	41	32	14	25	24	1	8	<b>6</b>	49	16	14	15	17
1999	18	7	4	7	43	36	11	23	25	2	8	<b>8</b>	49	14	11	16	17
1998	19	8	4	8	44	38	11	23	27	1	8	<b>8</b>	52	11	12	15	18
1997	20	8	3	8	45	39	13	27	28	1	9	<b>8</b>	51	10	10	14	18
1996	20	8	4	8	46	39	12	27	28	1	11	<b>7</b>	51	9	:	15	19
1995	21	9	4	11	46	39	12	29	28	2	10	<b>7</b>	51	:	:	16	20

Legend: our own compilations from unpublished Eurostat surveys

**b) Changes in the percentage of people, living in poverty, EU-15, 1997 - 2001**

	<b>2001</b>	<b>1997</b>	Increase/decrease of poverty rates 1997-2001
	Below 60% of EU-15-median 2001 – 8253€	Below 60% of EU-15-median 1997 – 6789 €	
FIN	16	10	6
S	14	10	4
DK	5	3	2
NL	11	9	2
B	8	8	0
F	13	13	0
I	28	28	0
L	1	1	0
UK	14	14	0
D	7	8	-1
EL	44	45	-1
<b>A</b>	<b>7</b>	<b>8</b>	<b>-1</b>
P	50	51	-1
EU15	17	18	-1
EUROZONE12	19	20	-1
IRL	22	27	-5
E	31	39	-8

Legend: our own compilations from unpublished Eurostat surveys

Our appendix Tables to this Chapter (Appendix 7.3 ff.) all confirm the broader picture, merging from the text Table 7.7 (above), Table 7.14 (above) and Table 7.15 (below) – that poverty in Europe emerges as a much more serious problem,



when we abolish the incorrect assumption that absolute income levels do not matter. Another way to look methodologically correctly at these dynamics is to compare the absolute real per capita purchasing power level of the poorest 20 % across the globe:

**Table 7.15: World poverty (n = 124 countries with complete UNDP 2005 data)**

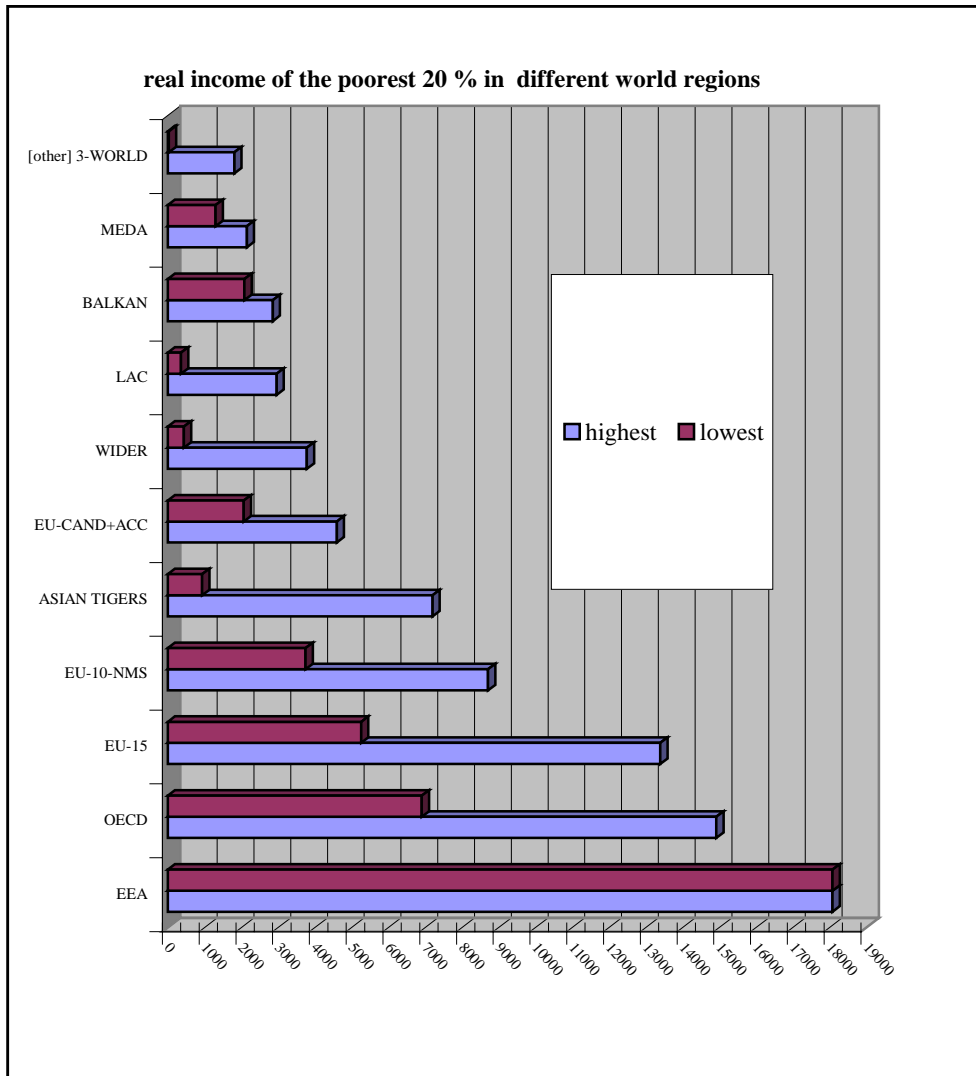
real per capita income, poorest 20 % in \$ and PPP in 2003	EU-29	European Neighborhood Program	Balkan	LAC	Western democracies	other countries
< 1000 \$		Georgia, Uzbekistan, Kyrgyzstan, Moldova, Rep, of, Tajikistan		Brazil, Nicaragua, Colombia, Panama, Peru, Venezuela, El Salvador, Ecuador, Guatemala, Bolivia, Paraguay, Honduras		Botswana, Vietnam, Pakistan, Bangladesh, Cambodia, Guinea, Lao People's Dem, Rep, , Swaziland, Ghana, Rwanda, Cameroon, Papua New Guinea, Zimbabwe, Mauritania, Nepal, Senegal, Mongolia, Gambia, Namibia, Uganda, Côte d'Ivoire, Mozambique, Yemen, Ethiopia, Kenya, Burkina Faso, Nigeria, Mali, Tanzania, U, Rep, of, Madagascar, Lesotho, Guinea-Bissau, Burundi, Malawi, Zambia, Central African Republic, Niger, Sierra Leone
1000 - 2000		Turkmenistan, Egypt, Jordan, Azerbaijan, Morocco, Armenia		Uruguay, Argentina, Dominican Republic, Chile, Mexico, Jamaica		South Africa, Iran, Islamic Rep, of, Sri Lanka, Indonesia, India, China, Philippines
2000 - 3000	Romania, Bulgaria, Turkey	Kazakhstan, Belarus, Ukraine, Tunisia, Algeria	Macedonia, TFYR, Bosnia and Herzegovina, Albania	Trinidad and Tobago, Costa Rica		Thailand, Malaysia
3000 - 4000	Latvia	Russian Federation				
4000 - 5000	Lithuania, Croatia, Poland, Estonia					
5000 - 6000	Slovakia, Portugal					
6000 – 7000	Hungary				Israel	Singapore
7000 – 8000	Greece				New Zealand	Hong Kong, China (SAR), Korea, Rep, of
> 8000 \$	Ireland, Finland, Denmark, Austria, Sweden,				Norway, Japan, Canada, Switzerland, United	

	Germany, Belgium, Netherlands, France, Italy, Slovenia, Czech Republic, Spain, United Kingdom				States, Australia	
--	---	--	--	--	----------------------	--

Legend: our own compilations from UNDP Human Development Report, 2005

These differences in real purchasing power of the poorest 20 % in the different groups of countries deserve our further attention – with the integration of the European Periphery into the larger European “whole” Europe becomes more and more similar to the developing regions, especially in Latin America and the Muslim Mediterranean. The radical consequence to be drawn from such comparisons is that European social policies more and more have to become “European development policies”.

**Graph 7.9: income differences in the regions of the world**



Legend: calculated from Table 7.15

### 7.8. Multivariate results about the global Lisbon contest

**It is no wonder then that debates in Europe intensify. More government, less government, more privatization, less privatization, more globalization, less globalization? Who, in the end, is to blame for this crisis? With the Social Keynesian European consensus politically in retreat, a new catchword has entered the European political scene – globalization. Is globalization to blame for the supposed ills of the “European Model?” As Roger Cohen put it in the *International Herald Tribune* on August 24, 2005:**

***“Globalist: French wrestle with art of political illusionists***  
*Roger Cohen International Herald Tribune*

WEDNESDAY, AUGUST 24, 2005

*PARIS In no major European country have politics remained as frozen since the Cold War's end as in France, where the old guard has proved largely impervious to the remaking of the world. Britain got New Labour and Tony Blair with their slick market-oriented makeover of a tired socialism. In Spain, Felipe González's elegant refashioning of the left helped lay the basis for post-Franco democracy. (...) (...) Mitterrand deployed the rhetoric of the left to mobilize his Socialist Party and then operated largely from the center. Chirac's Gaullism has similarly placed suspicion of the market and the United States at the heart of his discourse, and led him to govern from a nebulous centrist perch. The result is a paradox: a country more attached to ideological debate than any other in Europe, yet operating in an environment where "left" and "right" are often almost meaningless labels and where governance tends to consist of saying one thing - the state is a force for good - while trying to do another - privatize. Running France is above all a conjuring trick. It is perhaps because the art of the illusionist has lain at the center of French politics since 1945 - beginning with the depiction of wartime events and the Vichy regime - that it has been easier to maintain the various illusions that have preserved this country's strange political status quo. But, as the political season begins again in France after the summer break, there are signs of increasing strain. To the left and right, pressures are growing for clearer political positions that would offer the French at least the semblance of a real choice between distinct ideas. (...) Michel Rocard, a former Socialist prime minister, put the situation bluntly in a recent interview with Le Nouvel Observateur, saying it was time to "cast Marxist dialect into the trash can" and calling a growing leftist force in the country, the antiglobalization movement known as Attac, "a monument to economic and political stupidity." His comments had a ring to them. But the fact is Attac has attracted 30, 000 members in its seven years of existence. Its message that American-driven capitalism, known here as neo-liberalism, is making the world more unequal and more unjust has proved compelling. If the "Non" campaign triumphed in the referendum on a European constitution, it was partly because Attac and the forces of the left around it managed to portray the document as a paean to neo-liberalism. This coalition of the "Non" continues to hold sway, ensuring that the looming battle to define French socialism will not naturally lead down the same market-oriented path adopted by other European parties of the left. "The experience of hundreds of millions of people has been the failure of globalization and Anglo-Saxon capitalism, which has accentuated inequalities, dismantled systems of social protection and increased unemployment, " said Jacques Nikonoff, the president of Attac. "These processes can be reversed." (Roger Cohen, International Herald Tribune, available at: <http://www.iht.com/protected/articles/2005/08/23/news/globalist.php>)*

Our final multivariate model takes both the possible short-term dynamic effects of the increases in the reliance on foreign direct investment and the long-term stagnation effects of MNC penetration into account. In addition to the quantitative effects of the dependent variables used in Chapter 2 of this study, we introduce DYN MNC PEN, 1995 – 2000, as formulated in Map 7.1., into the

equations. We test the effects of these independent variables on DYN Human Development (formulation Map 7.6), increases or decreases of world Human Development ranks (formulation Map 7.5) and economic growth (see Map 7.13).

The original expectation expressed by Volker Borschier throughout his quantitative work that MNC penetration leads to short-term dynamics and long-term stagnation, is by and large confirmed again by Table 7.16, especially for the dynamics of human development over time. The short-term effect on growth is significant at the 0.03 percent level, the long-term negative effect is however only significant at the 12.5 % error level.

**Table 7.16: the dynamic aspects of dependence, DYN MNC penetration and world development – Borschier re-vindicated**

	(I-S)/GNP	State interventions	EU-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	DYN MNC PEN (residuals)	constant
<b>DYN HDI (residual measure)</b>	-0,0001	0,0018	-0,0130	0,0052	-0,0074	-0,0001	0,0173	-0,0005	0,0011	0,0010	-0,00799
	<b>0,0001</b>	<b>0,0026</b>	<b>0,0416</b>	<b>0,0036</b>	<b>0,0015</b>	<b>0,0001</b>	<b>0,0070</b>	<b>0,0106</b>	<b>0,0065</b>	<b>0,0003</b>	<b>0,1635</b>
	0,3077	0,0292									
	4,8449	109,0000									
	0,0412	0,0928									
t-test and direction of influence	-0,4552	0,6893	-0,3127	1,4179	-4,8450	-0,5573	2,4702	-0,0473	0,1625	3,8437	
t-test and direction of influence^2	0,2072	0,4751	0,0978	2,0104	23,4736	0,3106	6,1017	0,0022	0,0264	14,7744	
t-test and direction of influence^0.5	0,4552	0,6893	0,3127	1,4179	4,8450	0,5573	2,4702	0,0473	0,1625	3,8437	
degrees of freedom	109,0000	109,0000	109,0000	109,0000	109,0000	109,0000	109,0000	109,0000	109,0000	109,0000	
<b>error probability</b>	0,6499	0,4921	0,7551	0,1591	0,0000	0,5785	0,0151	0,9623	0,8712	0,0002	
F equation	4,8449	4,8449	4,8449	4,8449	4,8449	4,8449	4,8449	4,8449	4,8449	4,8449	
error probability, entire equation	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	
	(I-S)/GNP	State interventions	EU-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	DYN MNC PEN (residuals)	constant
<b>better or worse HDI rank, 1995-2003</b>	0,0224	0,7839	-10,1201	1,4850	-1,3177	-0,0316	3,6491	-0,1171	0,4392	0,1796	28,712185
	<b>0,0283</b>	<b>0,5719</b>	<b>9,2094</b>	<b>0,8040</b>	<b>0,3387</b>	<b>0,0291</b>	<b>1,5489</b>	<b>2,3420</b>	<b>1,4404</b>	<b>0,0603</b>	<b>36,1585</b>
	0,2576	6,4528									
	3,7827	109,0000									
	1575,0377	4538,5540									
t-test and direction of influence	0,7918	1,3706	-1,0989	1,8470	-3,8906	-1,0872	2,3559	-0,0500	0,3049	2,9771	
t-test and direction of influence^2	0,6269	1,8786	1,2076	3,4116	15,1367	1,1821	5,5504	0,0025	0,0930	8,8631	
t-test and direction of influence^0.5	0,7918	1,3706	1,0989	1,8470	3,8906	1,0872	2,3559	0,0500	0,3049	2,9771	
degrees of freedom	109,0000	109,0000	109,0000	109,0000	109,0000	109,0000	109,0000	109,0000	109,0000	109,0000	
<b>error probability</b>	0,4302	0,1733	0,2742	0,0675	0,0002	0,2793	0,0203	0,9602	0,7610	0,0036	
F equation	3,7827	3,7827	3,7827	3,7827	3,7827	3,7827	3,7827	3,7827	3,7827	3,7827	
error probability, entire equation	0,0001	0,0001	0,0001	0,0001	0,0001	0,0001	0,0001	0,0001	0,0001	0,0001	
	(I-S)/GNP	State interventions	EU-membership	Islamic conference	MNC PEN 1995	public education expenditure per GNP	unequal exchange	ln(GDP PPP pc)	ln (GDP PPP pc)^2	DYN MNC PEN (residuals)	constant
econ growth 1990-2002	-0,0307	-0,3657	6,3484	0,3522	-0,1998	0,0379	-0,1560	2,0849	-0,6251	0,0856	-24,90303
	<b>0,0108</b>	<b>0,2172</b>	<b>3,4976</b>	<b>0,3053</b>	<b>0,1286</b>	<b>0,0111</b>	<b>0,5883</b>	<b>0,8895</b>	<b>0,5470</b>	<b>0,0229</b>	<b>13,7326</b>
	0,3612	2,4507									
	6,1627	109,0000									
	370,1219	654,6380									
t-test and direction of	-2,8552	-1,6834	1,8151	1,1534	-1,5531	3,4312	-0,2651	2,3440	-1,1427	3,7339	

influence											
t-test and direction of influence <sup>^2</sup>	8, 1520	2, 8337	3, 2945	1, 3304	2, 4122	11, 7729	0, 0703	5, 4944	1, 3057	13, 9417	
t-test and direction of influence <sup>^0.5</sup>	2, 8552	1, 6834	1, 8151	1, 1534	1, 5531	3, 4312	0, 2651	2, 3440	1, 1427	3, 7339	
degrees of freedom	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	109, 0000	
error probability	0, 0052	0, 0952	0, 0723	0, 2513	0, 1233	0, 0008	0, 7914	0, 0209	0, 2557	0, 0003	
F equation	6, 1627	6, 1627	6, 1627	6, 1627	6, 1627	6, 1627	6, 1627	6, 1627	6, 1627	6, 1627	
error probability, entire equation	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	0, 0000	

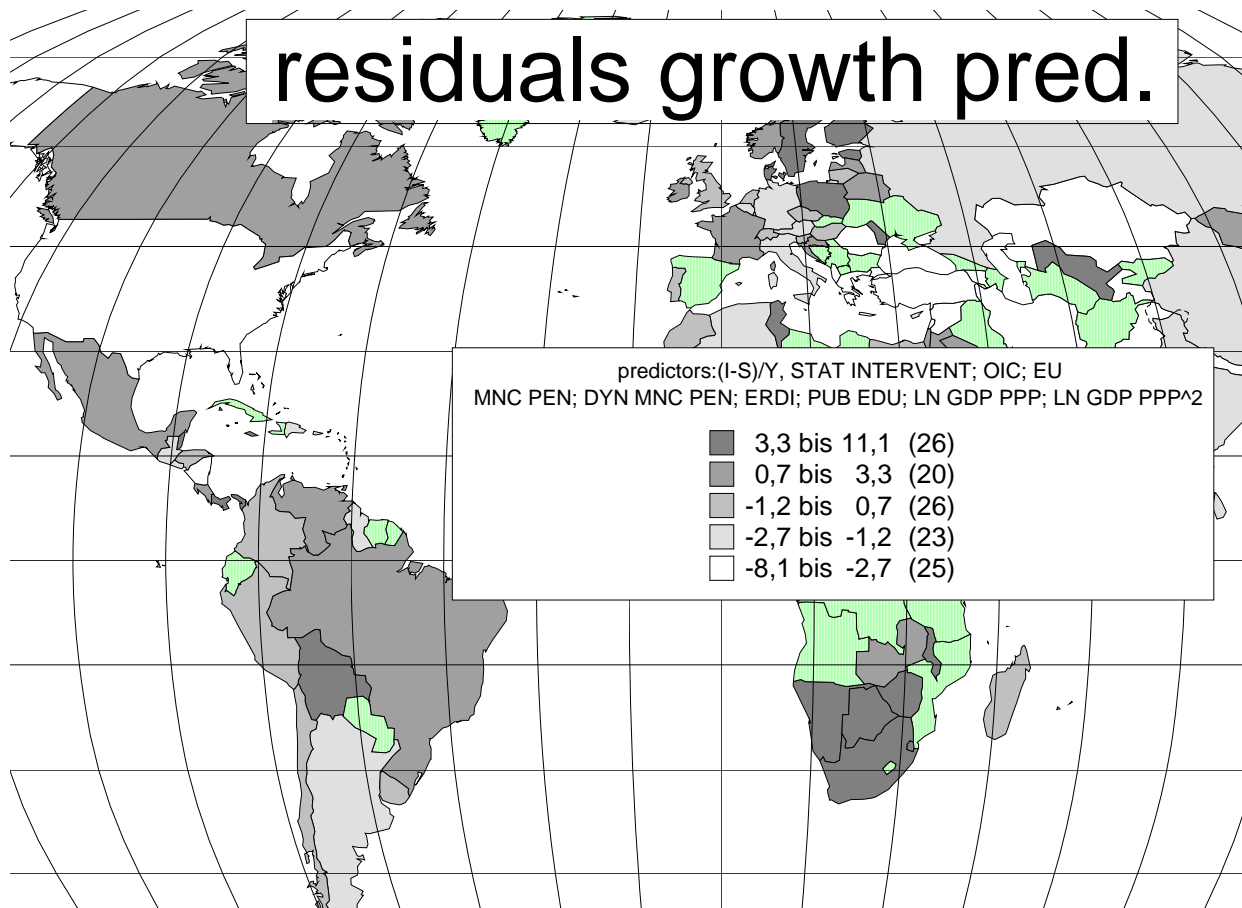
Legend: In this and in all following tables, very small decimal numbers are abridged according to established mathematical conventions, contained in the EXCEL routine. For example, a number **0, 000141972** will be abridged to **1E-04**, i.e. a decimal number rounded to 0, 0001 and starting at the fourth number after the decimal point with three zeros after the comma. A number 9E-10 equals thus a decimal number with 9 zeros after the comma, i.e. 0, 0000000009. All our EXCEL 7.0 calculations are from UNDP and other data sources, quoted above. As in all EXCEL 7.0 outprints, first row: un-standardized regression coefficients, second row: standard errors, second last row: t-Test and direction of the influence; last row: error probability. The values immediately below the standard errors are R<sup>^2</sup> (third row, left side entry), F, and degrees of freedom (fourth row). Below that:  $ss_{reg}$ ;  $ss_{resid}$ , i.e. the sum of squares of the regression and the sum of squares of the residuals. The right-hand entry in the third row is the standard error of the estimate y.

Table 7.17 now shows the deviations from the international trends of dyn human development in the European Union while Maps 7.15 to Maps 7.16 show the residuals from our growth and human development prediction. Germany, Greece, the UK and Austria have by far the lowest, and Latvia, Estonia, Ireland and Lithuania the best growth rates in terms of what should have been expected for these countries upon knowledge about the 10 predictors. It should be also noted that among the drivers of economic growth, we now find the significant results for (I-S), foreign savings (negative effect) and public education expenditures (positive effect). Our equations explain 31 % of human development and 36 % of economic growth over time.

**Table 7.17: deviations from the international trends of dyn human development in the European Union**

Country code	predicted trend value	observed value	Residual
Latvia	-0, 0112305	0, 04387573	0, 05510623
Estonia	-0, 0210238	0, 0308202	0, 05184396
Ireland	-0, 0171184	0, 02463693	0, 04175533
Lithuania	-0, 0014602	0, 03783501	0, 0392952
Poland	-0, 0229047	0, 01478132	0, 037686
Luxembourg	-0, 0133678	0, 01060547	0, 02397328
Slovenia	0, 00037162	0, 02371283	0, 02334121
Denmark	-0, 0197452	0, 00060176	0, 020347
Sweden	-0, 0261077	-0, 0074279	0, 01867982
Hungary	0, 00455467	0, 02278873	0, 01823406
Finland	-0, 0167226	-0, 0004001	0, 01632247
Czech Republic	0, 00353626	0, 00373134	0, 00019508
Portugal	0, 00378285	-0, 0013334	-0, 0051163
Belgium	-0, 0062324	-0, 0114279	-0, 0051955
Spain	0, 00511556	-0, 0033816	-0, 0084971
France	-0, 0006173	-0, 010413	-0, 0097958
Malta	-0, 0022335	-0, 0122853	-0, 0100518
Netherlands	-0, 0020161	-0, 012426	-0, 0104099
Italy	0, 01065309	-0, 0003871	-0, 0110402
Cyprus	0, 01746904	0, 00570358	-0, 0117655
Austria	0, 01040692	-0, 0054001	-0, 015807
United Kingdom	0, 0068282	-0, 009413	-0, 0162412
Greece	0, 02628248	0, 00867026	-0, 0176122
Germany	0, 01096442	-0, 0103982	-0, 0213627

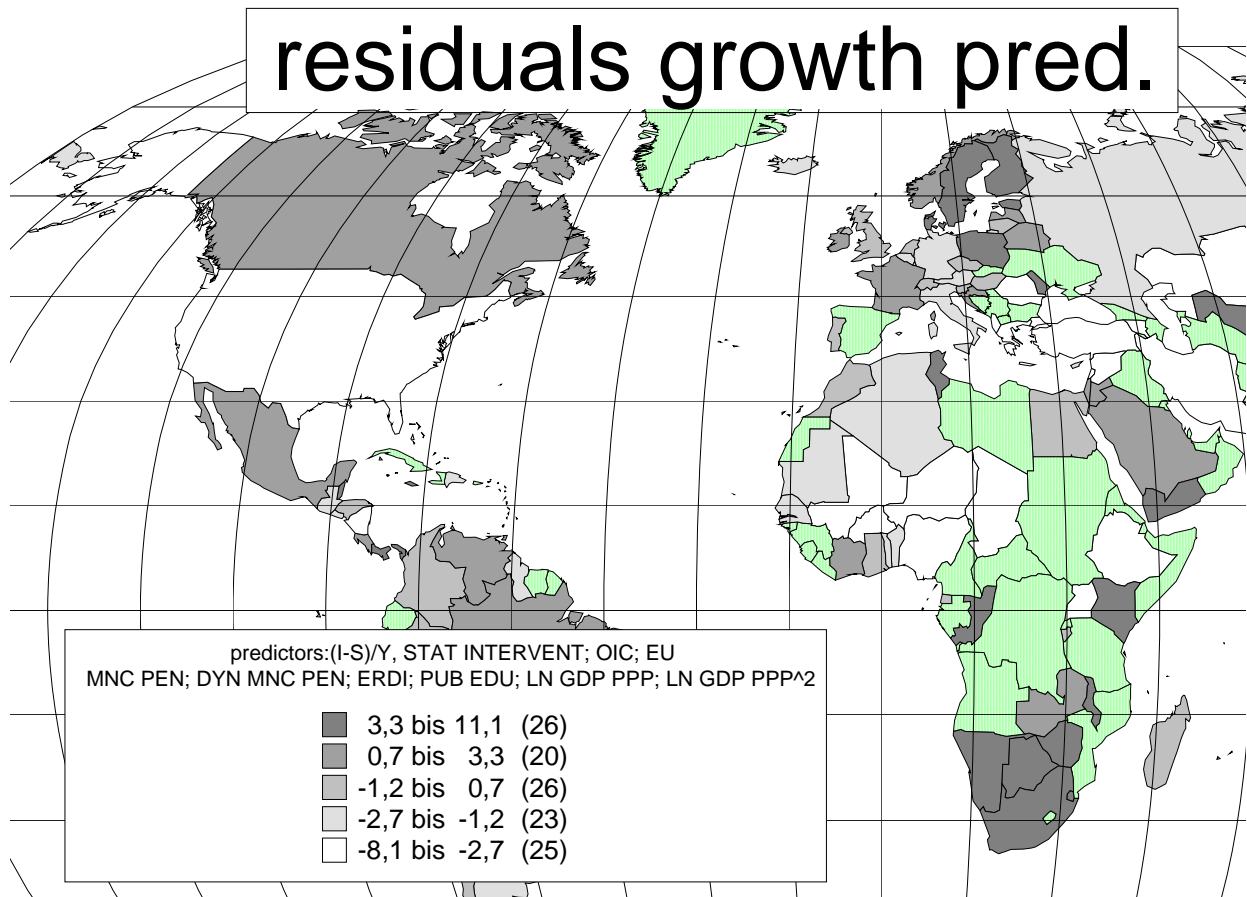
**Map 7.15: economic growth in the world system in the light of the results of Table 7.16**



Source: our own calculations. In this and in all other maps in this work, "bis" is the shorthand for "ranging from ... to". Countries painted in green color: missing data. Dark colors indicate an exceptionally good development performance in terms of the existing "drivers" and "constraints" analyzed in the multiple regression.

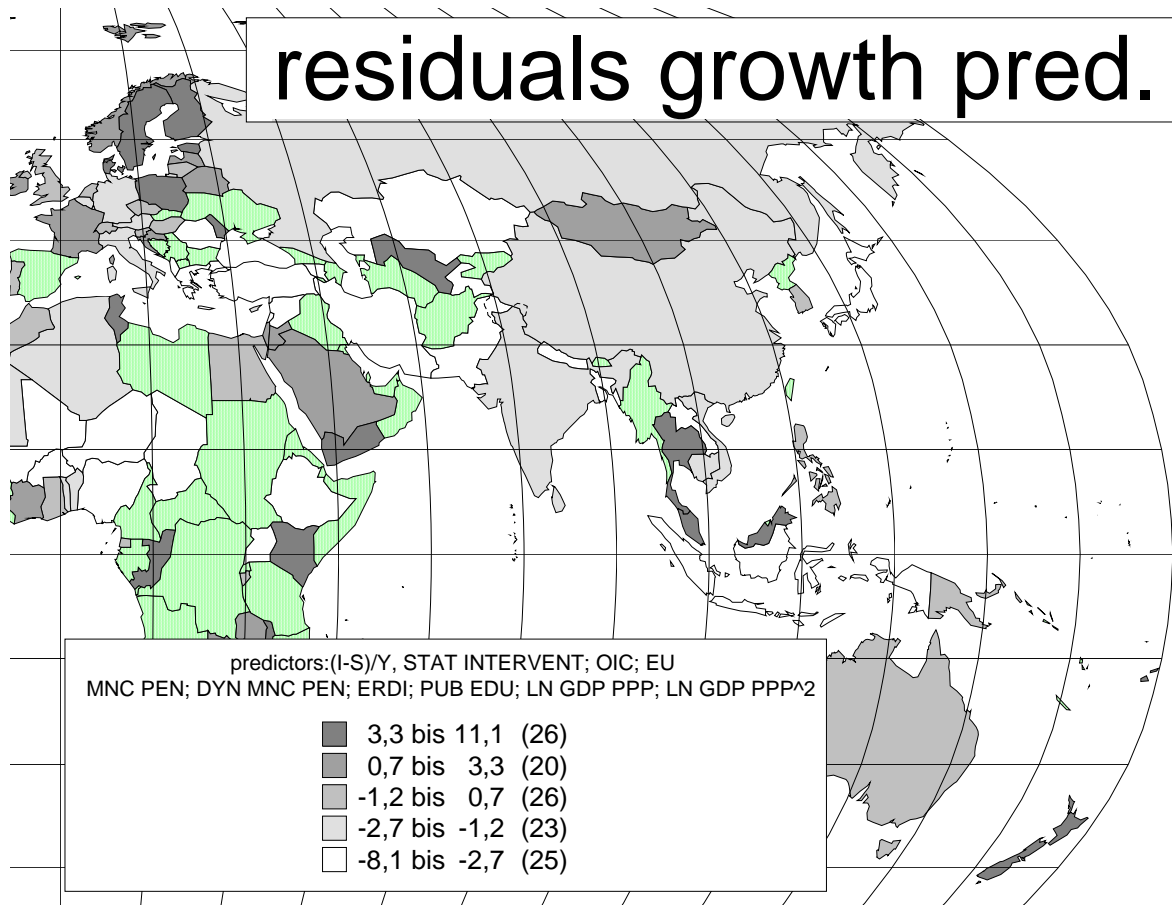


Map 7.15 (cont.): economic growth in the world system in the light of the results of Table 7.16



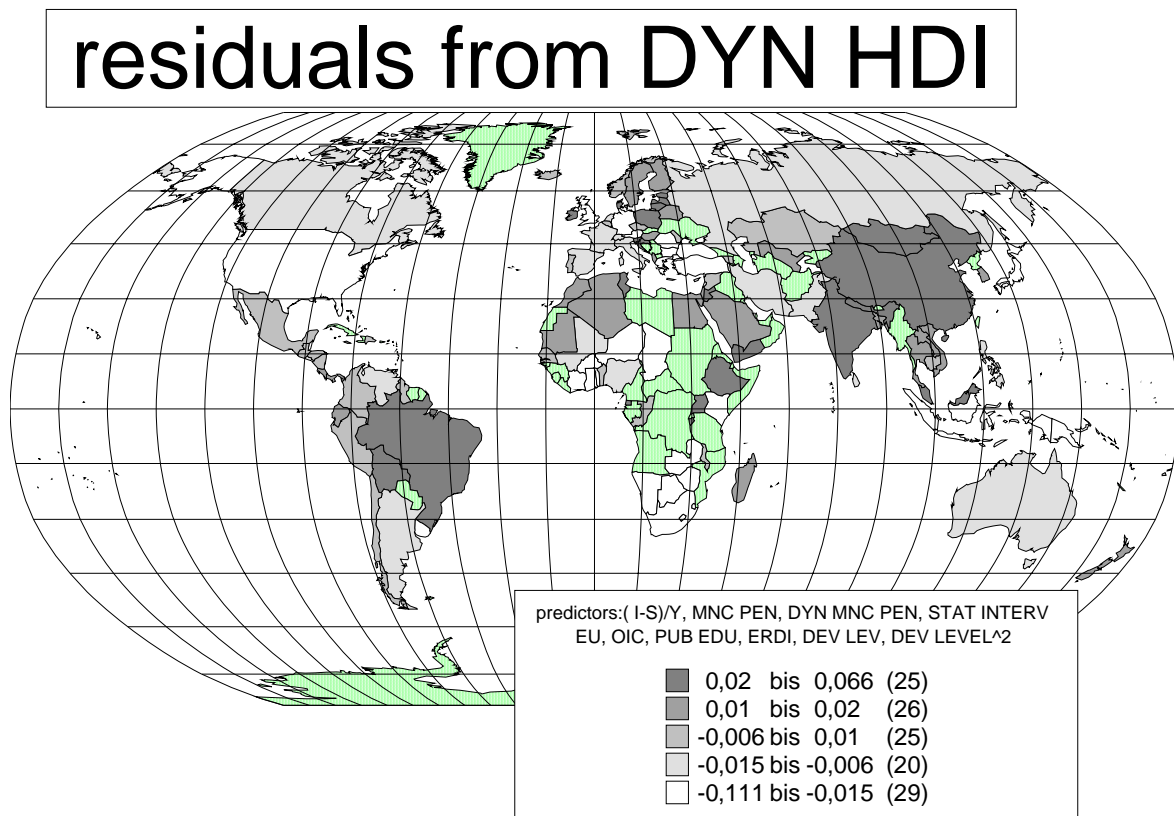
Source: our own calculations. In this and in all other maps in this work, "bis" is the shorthand for "ranging from ... to". Countries painted in green color: missing data. Dark colors indicate an exceptionally good development performance in terms of the existing "drivers" and "constraints" analyzed in the multiple regression.

**Map 7.15 (cont.): economic growth in the world system in the light of the results of Table 7.16**



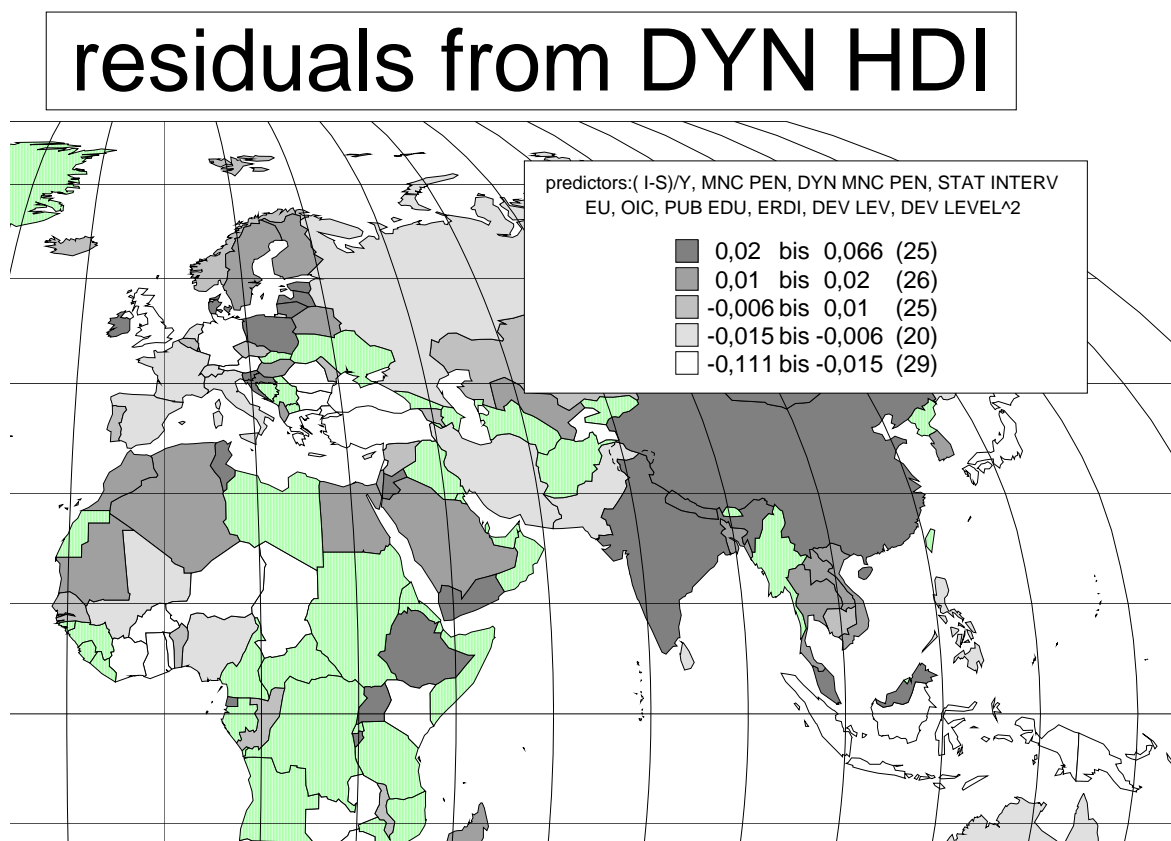
Source: our own calculations. In this and in all other maps in this work, “bis” is the shorthand for “ranging from ... to”. Countries painted in green color: missing data. Dark colors indicate an exceptionally good development performance in terms of the existing “drivers” and “constraints” analyzed in the multiple regressions.

**Map 7.16: human development in the world system in the light of the results of Table 7.16**



Source: our own calculations. In this and in all other maps in this work, “bis” is the shorthand for “ranging from ... to”. Countries painted in green color: missing data. Dark colors indicate an exceptionally good development performance in terms of the existing “drivers” and “constraints” analyzed in the multiple regressions.

**Map 7.16 (cont.): human development in the world system in the light of the results of Table 7.16**

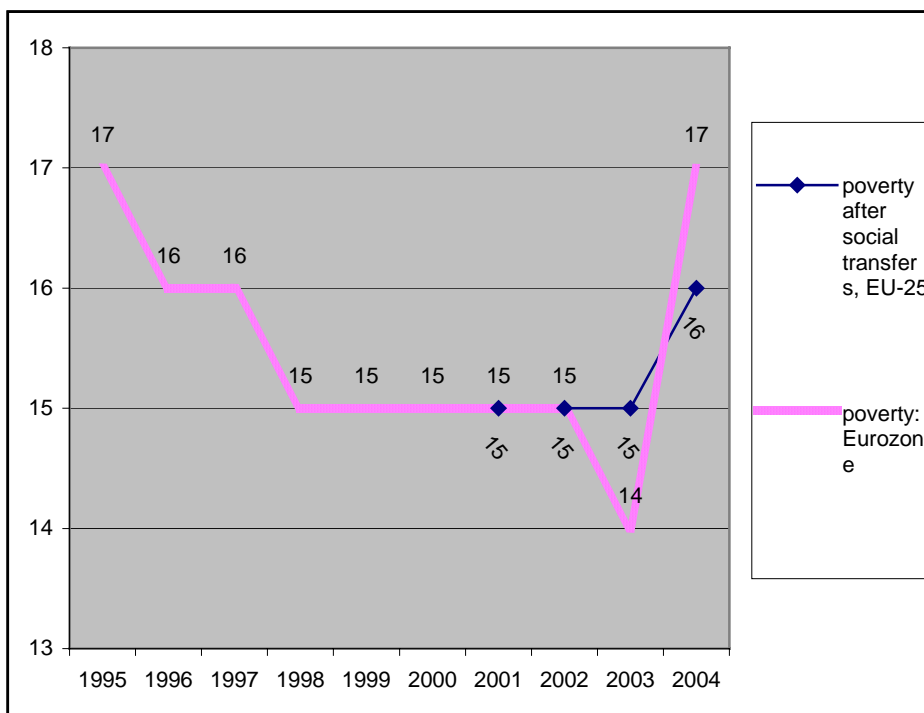


Source: our own calculations. In this and in all other maps in this work, “bis” is the shorthand for “ranging from ... to”. Countries painted in green color: missing data. Dark colors indicate an exceptionally good development performance in terms of the existing “drivers” and “constraints” analyzed in the multiple regressions.

### 7.9. Conclusion

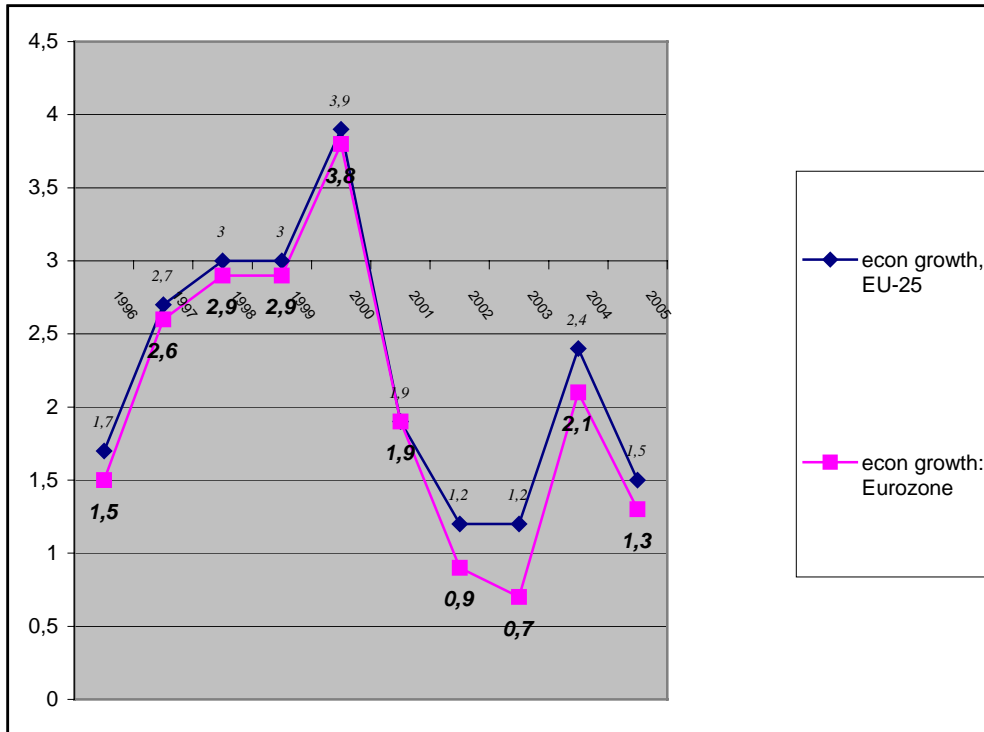
Based upon solid quantitative evidence, this Chapter has shown the profound development crisis that the European continent is facing. The quantitative evidence presented both at a cross national level (Table 7.16) as well as the massive data presented in this work on increasing globalization and increasing inequality all seem to conform to the original Bornschierean paradigm that the long-term effects of MNC PEN are very negative, short-term spurts of growth notwithstanding. The latest Eurostat-data confirm our analysis both for the EU-25 as well as the Euro-zone. From the very start, Europe, and especially the Euro-zone, dismally fails the Lisbon agenda:

**Graph 7.10: the growing polarization in Europe according to Eurostat, 2006**



Legend: based on Eurostat, structural indicators, February 2, 2006, available at: [http://epp.eurostat.ec.eu.int/portal/page?\\_pageid=1133,47800773,1133\\_47803568&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.ec.eu.int/portal/page?_pageid=1133,47800773,1133_47803568&_dad=portal&_schema=PORTAL)

**Graph 7.11: the growing stagnation in Europe according to Eurostat, 2006**



Legend: based on Eurostat, structural indicators, February 2, 2006, available at: [http://epp.eurostat.ec.eu.int/portal/page?\\_pageid=1133,47800773,1133\\_47803568&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.ec.eu.int/portal/page?_pageid=1133,47800773,1133_47803568&_dad=portal&_schema=PORTAL)

In many ways, it can be suggested that Latin America holds the mirror to Europe’s future, and that Europe now seems to undergo the very same neo-liberal shock treatments that failed in Latin America.

With the late Andre Gunder Frank, we are inclined to predict a more thorough development crisis of the European continent, that seems to correspond to much more long-term shifts in the capitalist world economy, that bring back the dynamics of the entire system back to Asia, from these dynamics shifter by around 1750.

It is to be hoped that European decision makers find the courage to go back to the beginnings of the successful European development model – i.e. social reform, mass demand, import substitution and social protection.

There is a lot that Europe can learn from Latin America, and there is also a lot Europe can learn from all the economic theories in the wake of the contributions by the great Raul Prebisch.

**Appendix to Chapter 7:****Appendix Table 7.1: Globalization, inequality, growth and unemployment – the time series evidence****globalization** – yearly inflow of foreign direct investments per GDP (World Bank)<sup>47</sup>**growth** –real GDP per capita income growth rates, per annum, based on World Bank**unemployment** – unemployment rate (ILO<sup>48</sup>)**UTIP** – Theil-Index inequality of wages<sup>49</sup> in 21 economic sectors, based on UNIDO (Inequality Project, University of Texas)

	correlation with unemployment over time, 1980 - 2002	correlation with globalization over time, 1980 - 2002	correlation with economic growth over time 1980 – 2002	correlation with inequality over time, 1980 - 2002
Albania	0, 77	0, 62	0, 04	0, 34
Algeria	0, 91	-0, 31	-0, 15	0, 49
Argentina	0, 90	0, 67	0, 28	0, 46
Australia	0, 07	0, 20	0, 16	0, 93
Austria	0, 36	0, 78	0, 19	0, 58
Azerbaijan	0, 97	0, 80	0, 41	0, 80
Bangladesh	0, 81	0, 66	0, 03	0, 95
Belgium	-0, 71	0, 78	0, 10	-0, 74
Bolivia	-0, 30	0, 74	0, 77	0, 53
Brazil	0, 85	0, 56	-0, 06	0, 68
Bulgaria	-0, 33	0, 72	-0, 41	0, 85
Chile	-0, 61	0, 80	0, 23	0, 06
China	0, 06	0, 85	0, 03	0, 96
Colombia	0, 50	0, 50	-0, 24	0, 75
Costa Rica	-0, 46	0, 91	0, 46	-0, 53
Croatia	0, 96	0, 90	0, 82	-0, 10
Cyprus	-1, 00	-0, 91	-0, 25	-0, 59
Czech Republic	0, 88	0, 71	0, 01	0, 95
Denmark	-0, 97	0, 78	0, 24	0, 70
Egypt, Arab Rep.	0, 72	-0, 56	-0, 37	0, 92
El Salvador	-0, 71	0, 40	0, 71	0, 70
Fiji	-0, 60	-0, 01	0, 04	0, 04
Finland	0, 67	0, 59	0, 01	0, 39
France	0, 01	0, 92	0, 11	-0, 07

<sup>47</sup> <http://www.worldbank.org/research/growth/GDNdata.htm><sup>48</sup> <http://laborsta.ilo.org><sup>49</sup> <http://utip.gov.utexas.edu/>

Germany	0, 08	0, 75	0, 24	-0, 87
Greece	0, 89	-0, 47	0, 31	0, 76
Guatemala	-0, 70	0, 01	0, 68	0, 61
Honduras	-0, 70	0, 79	0, 11	0, 76
Hungary	-0, 93	0, 76	0, 09	0, 93
India	0, 55	0, 81	0, 10	-0, 12
Indonesia	0, 95	0, 23	-0, 35	-0, 76
Ireland	-0, 85	0, 62	0, 77	0, 78
Israel	0, 66	0, 85	0, 02	0, 63
Italy	0, 49	0, 26	-0, 26	0, 49
Japan	0, 79	0, 43	-0, 46	0, 81
Latvia	-0, 78	0, 85	-0, 21	0, 93
Lithuania	-0, 20	0, 82	-0, 04	-0, 78
Malaysia	-0, 84	0, 21	-0, 19	-0, 05
Mexico	-0, 29	0, 79	0, 02	0, 90
Moldova	-0, 98	0, 85	-0, 45	0, 88
Mongolia	-0, 84	0, 81	-0, 33	0, 30
Netherlands	-0, 87	0, 72	0, 52	0, 82
New Zealand	0, 07	0, 41	0, 00	0, 83
Nicaragua	0, 68	0, 79	0, 28	-0, 07
Norway	0, 47	0, 59	0, 00	0, 12
Pakistan	0, 79	0, 86	-0, 74	0, 83
Panama	0, 51	0, 65	0, 13	0, 93
Philippines	0, 85	0, 71	0, 17	0, 89
Poland	0, 41	0, 98	0, 46	0, 77
Portugal	-0, 69	0, 43	0, 10	0, 92
Romania	-0, 57	0, 83	-0, 36	0, 92
Russian Federation	0, 67	0, 83	-0, 44	0, 60
Singapore	0, 02	-0, 16	-0, 08	-0, 96
Slovak Republic	0, 77	0, 83	0, 19	0, 96
Slovenia	-0, 83	0, 40	0, 74	0, 81
South Africa	0, 99	0, 52	-0, 13	0, 72
Spain	0, 06	0, 44	0, 22	0, 94
Sri Lanka	-0, 96	0, 35	0, 12	-0, 63
Sweden	0, 65	0, 63	0, 11	0, 68
Thailand	-0, 14	0, 68	-0, 28	-0, 27
Tunisia	0, 03	-0, 08	0, 12	0, 81
Turkey	-0, 84	0, 78	-0, 02	0, 81
United Kingdom	-0, 69	0, 59	0, 17	0, 74
United States	-0, 80	0, 60	0, 45	0, 56
Venezuela, RB	0, 55	0, 76	0, 12	0, 89
Zimbabwe	-0, 87	0, 57	-0, 31	0, 44



**Appendix Table 7.2: a dynamic human misery index, calculated by the UNDP HDI method (combining the correlation with unemployment over time, 1980 – 2002, the inverse value of the correlation with economic growth over time 1980 – 2002, and the correlation with inequality over time, 1980 – 2002; with each variable having a 1/3 weight in the overall final dynamic human misery index)**

	UNDP HDI method dynamic misery index	tendency globalization	
Pakistan	0, 968	0, 860	
Japan	0, 905	0, 430	
Egypt, Arab Rep.	0, 894	-0, 560	
South Africa	0, 851	0, 520	
Czech Republic	0, 846	0, 710	eu29
Russian Federation	0, 841	0, 830	
Bangladesh	0, 830	0, 660	
Brazil	0, 805	0, 560	
Algeria	0, 799	-0, 310	
Colombia	0, 798	0, 500	lac
Philippines	0, 795	0, 710	
Slovak Republic	0, 791	0, 830	eu29
Venezuela, RB	0, 756	0, 760	lac
Panama	0, 754	0, 650	lac
Italy	0, 752	0, 260	eu29
Greece	0, 748	-0, 470	eu29
Azerbaijan	0, 747	0, 800	
Israel	0, 747	0, 850	
Sweden	0, 735	0, 630	eu29
Bulgaria	0, 714	0, 720	eu29
Albania	0, 707	0, 620	
China	0, 706	0, 850	
Finland	0, 706	0, 590	eu29
Argentina	0, 700	0, 670	lac
New Zealand	0, 690	0, 410	
Romania	0, 676	0, 830	eu29
Australia	0, 674	0, 200	
Spain	0, 662	0, 440	eu29
Tunisia	0, 654	-0, 080	
Austria	0, 651	0, 780	eu29
Mexico	0, 638	0, 790	lac
Poland	0, 637	0, 980	eu29
Norway	0, 624	0, 590	
Moldova	0, 619	0, 850	
Indonesia	0, 614	0, 230	
Latvia	0, 611	0, 850	eu29
India	0, 571	0, 810	

Nicaragua	0, 563	0, 790	lac
Portugal	0, 558	0, 430	eu29
Turkey	0, 538	0, 780	eu29
Zimbabwe	0, 525	0, 570	
Honduras	0, 524	0, 790	lac
Hungary	0, 522	0, 760	eu29
United Kingdom	0, 509	0, 590	eu29
Mongolia	0, 508	0, 810	
Thailand	0, 508	0, 680	
Croatia	0, 489	0, 900	eu29
France	0, 488	0, 920	eu29
Denmark	0, 440	0, 780	eu29
Fiji	0, 421	-0, 010	
Netherlands	0, 419	0, 720	eu29
Malaysia	0, 413	0, 210	
Bolivia	0, 407	0, 740	lac
United States	0, 397	0, 600	
El Salvador	0, 383	0, 400	lac
Chile	0, 382	0, 800	lac
Slovenia	0, 377	0, 400	eu29
Guatemala	0, 374	0, 010	lac
Singapore	0, 363	-0, 160	
Ireland	0, 362	0, 620	eu29
Lithuania	0, 351	0, 820	eu29
Germany	0, 322	0, 750	eu29
Cyprus	0, 298	-0, 910	eu29
Costa Rica	0, 248	0, 910	lac
Belgium	0, 244	0, 780	eu29
Sri Lanka	0, 218	0, 350	

**Appendix Table 7.3: Poverty in world society according to OECD and UNDP, based on UNDP HDR (2005) and Sharpe, 2001**

	% pop. < 2 \$ per day	% pop. < 4 \$ per day (OECD, UNDP)	% pop. < 14, 40 \$ per day (OECD, UNDP)	% pop. < 18 \$ per day	% pop. < 50 % median	Year OECD Survey	UNDP < 50 % median (mid 1990s)
Norway	0, 5	0, 6	2, 6	7	9, 9	1991	6, 4
Japan	0, 3	0, 5	3, 7		11, 8	1992	11, 8
Finland	0, 1	0, 2	3, 8	8, 3	6, 2	1991	5, 4
Luxembourg	0, 2	0, 2	4, 3	10, 8	5, 4	1985	6
Sweden	0, 4	0, 8	4, 6	7, 5	6, 7	1992	6, 5
Canada	0, 4	0, 7	5, 9	10, 2	11, 7	1991	12, 8
Denmark	1	1, 4	7, 6	17	7, 5	1992	9, 2
Australia	0, 9	1, 3	7, 8	14, 9	12, 9	1989	14, 3
Germany	0, 8	1, 8	11, 5	21, 6	7, 6	1989	8, 3
France	0, 9	1, 3	12	25, 5	7, 5	1984	8
Belgium	0, 9	1, 1	12	26, 9	5, 5	1992	8
United Kingdom	0, 6	0, 9	13, 1	23, 1	14, 6	1991	12, 5
United States	1, 5	2, 3	14, 1	20, 3	19, 1	1994	17
Netherlands	1, 9	2, 4	14, 4	29, 3	6, 7	1991	7, 3
Spain	0, 5	1	21, 1	34, 3	10, 4	1990	10, 1
Ireland	1, 3	2, 2	36, 5	51	11, 1	1987	12, 3
Uruguay	3, 9						
Guyana	6, 1						
Tunisia	6, 6						
Iran, Islamic Rep. of	7, 3						
Jordan	7, 4						
Malaysia	9, 3						
Costa Rica	9, 5						
Chile	9, 6						
Turkey	10, 3						
Jamaica	13, 3						
Argentina	14, 3						
Morocco	14, 3						
Algeria	15, 1						
Panama	17, 6						
Brazil	22, 4						
Colombia	22, 6						
South Africa	23, 8						

Africa							
Mexico	26, 3						
Paraguay	30, 3						
Venezuela	32						
Thailand	32, 5						
Bolivia	34, 3						
Guatemala	37, 4						
Peru	37, 7						
Trinidad and Tobago	39						
Ecuador	40, 8						
Egypt	43, 9						
Honduras	44, 4						
Yemen	45, 2						
Sri Lanka	45, 4						
Philippines	46, 4						
China	46, 7						
Mongolia	50						
Botswana	50, 1						
Côte d'Ivoire	50, 4						
Cameroon	50, 6						
Indonesia	52, 4						
Namibia	55, 8						
Lesotho	56, 1						
El Salvador	58						
Kenya	58, 6						
Tanzania, U. Rep. of	59, 7						
Mauritania	63, 1						
Vietnam	63, 7						
Zimbabwe	64, 2						
Pakistan	65, 6						
Senegal	67, 8						
Lao People's Dem. Rep	73, 2						
Sierra Leone	74, 5						
Malawi	76, 1						
Cambodia	77, 7						
Mozambique	78, 4						
Ghana	78, 5						
India	79, 9						
Nicaragua	79, 9						
Ethiopia	80, 7						

Burkina Faso	81						
Nepal	82, 5						
Bangladesh	82, 8						
Gambia	82, 9						
Madagascar	83, 3						
Central African Republic	84						
Rwanda	84, 6						
Niger	85, 3						
Zambia	87, 4						
Burundi	89, 2						
Mali	90, 6						
Nigeria	90, 8						
Slovakia		8					7
Poland		10					8, 6
Lithuania		17					
Estonia		18					12, 4
Bulgaria		22					
Romania		23					8, 1
Ukraine		25					
Latvia		28					
Russian Federation		53					18, 8
Kazakhstan		62					
Moldova, Rep, of		82					
Kyrgyzstan		88					
Austria							8
Czech Republic							4, 9
Hungary							6, 7
Israel							13, 5
Italy							12, 7
Slovenia							8, 2
Switzerland							9, 3

**Appendix Table 7.4: Percentage of population with less than 2 \$ per capita and day, based on UNDP HDR (2005) and Sharpe, 2001**

	<b>% pop. &lt; 2 \$ per day</b>
Finland	0, 1
Luxembourg	0, 2
Japan	0, 3
Sweden	0, 4
Canada	0, 4
Norway	0, 5
Spain	0, 5
United Kingdom	0, 6
Germany	0, 8
Belgium	0, 9
France	0, 9
Australia	0, 9
Denmark	1, 0
Ireland	1, 3
<b>United States</b>	<b>1, 5</b>
<b>Netherlands</b>	<b>1, 9</b>
Uruguay	3, 9
Guyana	6, 1
Tunisia	6, 6
Iran, Islamic Rep. of	7, 3
Jordan	7, 4
Malaysia	9, 3
Costa Rica	9, 5
Chile	9, 6
Turkey	10, 3
Jamaica	13, 3
Argentina	14, 3
Morocco	14, 3
Algeria	15, 1
Panama	17, 6
Brazil	22, 4
Colombia	22, 6
South Africa	23, 8
Mexico	26, 3
Paraguay	30, 3
Venezuela	32, 0
Thailand	32, 5
Bolivia	34, 3
Guatemala	37, 4
Peru	37, 7
Trinidad and Tobago	39, 0
Ecuador	40, 8
Egypt	43, 9
Honduras	44, 4
Yemen	45, 2
Sri Lanka	45, 4
Philippines	46, 4
China	46, 7

Mongolia	50, 0
Botswana	50, 1
Côte d'Ivoire	50, 4
Cameroon	50, 6
Indonesia	52, 4
Namibia	55, 8
Lesotho	56, 1
El Salvador	58, 0
Kenya	58, 6
Tanzania, U. Rep. of	59, 7
Mauritania	63, 1
Vietnam	63, 7
Zimbabwe	64, 2
Pakistan	65, 6
Senegal	67, 8
Lao People's Dem. Rep	73, 2
Sierra Leone	74, 5
Malawi	76, 1
Cambodia	77, 7
Mozambique	78, 4
Ghana	78, 5
India	79, 9
Nicaragua	79, 9
Ethiopia	80, 7
Burkina Faso	81, 0
Nepal	82, 5
Bangladesh	82, 8
Gambia	82, 9
Madagascar	83, 3
Central African Republic	84, 0
Rwanda	84, 6
Niger	85, 3
Zambia	87, 4
Burundi	89, 2
Mali	90, 6
Nigeria	90, 8

**Appendix Table 7.5: Percentage of population with less than 4 \$ per capita and day, based on UNDP HDR (2005) and Sharpe, 2001**

	<b>% pop. &lt; 4 \$ per day</b>
Finland	0, 2
Luxembourg	0, 2
Japan	0, 5
Norway	0, 6
Canada	0, 7
Sweden	0, 8
United Kingdom	0, 9
Spain	1, 0
Belgium	1, 1
Australia	1, 3
France	1, 3
Denmark	1, 4
Germany	1, 8
Ireland	2, 2
<b>United States</b>	<b>2, 3</b>
<b><i>Netherlands</i></b>	2, 4
<b><i>Slovakia</i></b>	8, 0
<b><i>Poland</i></b>	10
<b><i>Lithuania</i></b>	17
<b><i>Estonia</i></b>	18
Bulgaria	22
Romania	23
Ukraine	25
<b><i>Latvia</i></b>	28
Russian Federation	53
Kazakhstan	62
Moldova, Rep, of	82
Kyrgyzstan	88



**Appendix Table 7.6: Percentage of population with less than 14.40 \$ per capita and day, based on UNDP HDR (2005) and Sharpe, 2001**

	<b>% pop. &lt; 14, 40 \$ per day</b>
Norway	2, 6
Japan	3, 7
Finland	3, 8
Luxembourg	4, 3
Sweden	4, 6
Canada	5, 9
Denmark	7, 6
Australia	7, 8
Germany	11, 5
France	12
Belgium	12
United Kingdom	13, 1
<b>United States</b>	<b>14, 1</b>
<i>Netherlands</i>	14, 4
<i>Spain</i>	21, 1
<i>Ireland</i>	36, 5

**Appendix Table 7.7: Percentage of population with less than 50 % of the median income of society per capita and day, regardless of average incomes, based on UNDP HDR (2005) and Sharpe, 2001**

	<b>UNDP &lt; 50 % median (mid 1990s)</b>
Czech Republic	4, 9
Finland	5, 4
Luxembourg	6, 0
Norway	6, 4
Sweden	6, 5
Hungary	6, 7
Slovakia	7, 0
Netherlands	7, 3
Belgium	8, 0
France	8, 0
Austria	8, 0
Romania	8, 1
Slovenia	8, 2
Germany	8, 3
Poland	8, 6
Denmark	9, 2
Switzerland	9, 3
Spain	10, 1
Japan	11, 8
Ireland	12, 3
Estonia	12, 4
United Kingdom	12, 5
Italy	12, 7
Canada	12, 8
Israel	13, 5
Australia	14, 3
<b>United States</b>	<b>17</b>
Russian Federation	18, 8

**Appendix Table 7.8: World poverty, based on our own calculations from UNDP HDR (2005)**

	Implied income of the poorest 20 %		world rank avoiding poverty
Norway	18082	EEA	1
Japan	14823	OECD	2
Ireland	13397	EU	3
Finland	13257	EU	4
Denmark	13058	EU	5
Austria	12188	EU	6
Sweden	12171	EU	7
Germany	11796	EU	8
Belgium	11759	EU	9
Netherlands	11161	EU	10
Canada	10737	OECD	11
Switzerland	10540	OECD	12
United States	10142	OECD	13
France	9964	EU	14
Italy	8814	EU	15
Australia	8741	OECD	16
Slovenia	8713	EU	17
Czech Republic	8424	EU	18
Spain	8397	EU	19
United Kingdom	8280	EU	20
New Zealand	7226	OECD	21
Hong Kong, China (SAR)	7202	APEC	22
Korea, Rep. of	7099	APEC	23
Greece	7084	EU	24
Hungary	6927	EU	25
Israel	6911	OECD	26
Singapore	6120	APEC	27
Slovakia	5937	EU	28
Portugal	5257	EU	29
Lithuania	4622	EU	30
Croatia	4598	CANDIDATE	31
Poland	4324	EU	32
Estonia	4129	EU	33
Russian Federation	3784	WIDER	34
Latvia	3749	EU	35
<b>Trinidad and Tobago</b>	<b>2961</b>	<b>LAC</b>	<b>36</b>
<b>Romania</b>	<b>2874</b>	<b>EU</b>	<b>37</b>
Macedonia, TFYR	2853	BALKAN	38
Bosnia and Herzegovina	2834	BALKAN	39
Kazakhstan	2602	WIDER	40

<b>Bulgaria</b>	<b>2590</b>	<b>EU</b>	<b>41</b>
Belarus	2542	WIDER	42
Ukraine	2416	WIDER	43
Thailand	2316	APEC	44
Tunisia	2148	MEDA	45
Algeria	2137	MEDA	46
Malaysia	2093	APEC	47
Albania	2086	BALKAN	48
<b>Turkey</b>	<b>2065</b>	<b>CANDIDATE</b>	<b>49</b>
<b>Costa Rica</b>	<b>2017</b>	<b>LAC</b>	<b>50</b>
<b>Uruguay</b>	<b>1987</b>	<b>LAC</b>	<b>51</b>
<b>Argentina</b>	<b>1876</b>	<b>LAC</b>	<b>52</b>
Turkmenistan	1811	WIDER	53
South Africa	1811	OTHER	54
Iran, Islamic Rep, of	1784	OTHER	55
Dominican Republic	1740	LAC	56
Egypt	1699	MEDA	57
Chile	1695	LAC	58
Jordan	1642	MEDA	59
Sri Lanka	1568	OTHER	60
Mexico	1421	LAC	61
Indonesia	1412	APEC	62
Jamaica	1375	LAC	63
Azerbaijan	1338	WIDER	64
Morocco	1301	MEDA	65
India	1287	OTHER	66
Armenia	1230	WIDER	67
China	1176	APEC	68
Philippines	1167	APEC	69
Botswana	959	OTHER	70
Brazil	935	LAC	71
Viet Nam	934	APEC	72
Pakistan	923	OTHER	73
Nicaragua	913	LAC	74
Colombia	905	LAC	75
Georgia	828	WIDER	76
Panama	822	LAC	77
Uzbekistan	802	WIDER	78
Bangladesh	797	OTHER	79
Peru	763	LAC	80
Venezuela	738	LAC	81
Cambodia	717	OTHER	82
El Salvador	693	LAC	83
Kyrgyzstan	674	WIDER	84
Guinea	671	OTHER	85

Lao People's Dem, Rep,	668	OTHER	86
Swaziland	638	OTHER	87
Ghana	627	OTHER	88
Rwanda	615	OTHER	89
Ecuador	601	LAC	90
Cameroon	593	OTHER	91
Papua New Guinea	589	OTHER	92
Zimbabwe	561, 89	OTHER	93
Mauritania	547	OTHER	94
Nepal	540	OTHER	95
Guatemala	539	LAC	96
Senegal	527	OTHER	97
Mongolia	518	OTHER	98
Bolivia	517	LAC	99
Paraguay	515	LAC	100
Moldova, Rep, of	513	WIDER	101
Gambia	446	OTHER	102
Tajikistan	437	WIDER	103
Namibia	433	OTHER	104
Uganda	430	OTHER	105
Côte d'Ivoire	384	OTHER	106
Mozambique	363	OTHER	107
Honduras	360	LAC	108
Yemen	329	ARAB	109
Ethiopia	324	OTHER	110
Kenya	311	OTHER	111
Burkina Faso	264	OTHER	112
Nigeria	231	OTHER	113
Mali	229	OTHER	114
Tanzania, U, Rep, of	211	OTHER	115
Madagascar	198	OTHER	116
Lesotho	192	OTHER	117
Guinea-Bissau	185	OTHER	118
Burundi	165	OTHER	119
Malawi	148	OTHER	120
Zambia	145	OTHER	121
Central African Republic	109	OTHER	122
Niger	109	OTHER	123
Sierra Leone	30	OTHER	124

**Appendix Table 7.9: Female survival rates, based on our own calculations from UNDP HDR (2005)**

female survival > 65 world rank	Country	Probability at birth of surviving to age 65, female (% of cohort)2000-2005
1	Hong Kong, China(SAR)	93, 7
2	Japan	93, 3
<b>3</b>	<b>Spain</b>	<b>92, 8</b>
<b>4</b>	<b>Italy</b>	<b>92, 2</b>
5	Switzerland	91, 9
<b>6</b>	<b>Cyprus</b>	<b>91, 6</b>
7	Australia	91, 5
<b>8</b>	<b>Greece</b>	<b>91, 5</b>
9	Israel	91, 5
<b>10</b>	<b>Sweden</b>	<b>91, 5</b>
11	Iceland	91, 4
<b>12</b>	<b>Finland</b>	<b>91, 2</b>
<b>13</b>	<b>France</b>	<b>91, 2</b>
<b>14</b>	<b>Austria</b>	<b>91</b>
15	Canada	90, 7
16	Singapore	90, 7
17	Norway	90, 6
<b>18</b>	<b>Germany</b>	<b>90, 5</b>
<b>19</b>	<b>Belgium</b>	<b>90, 4</b>
<b>20</b>	<b>Malta</b>	<b>90, 3</b>
21	Korea, Rep. of	90, 2
<b>22</b>	<b>Portugal</b>	<b>90, 2</b>
23	United Arab Emirates	90, 2
<b>24</b>	<b>Luxembourg</b>	<b>89, 9</b>
<b>25</b>	<b>Ireland</b>	<b>89, 7</b>
<b>26</b>	<b>Netherlands</b>	<b>89, 7</b>
27	United Kingdom	89, 4
28	New Zealand	89, 1
<b>29</b>	<b>Slovenia</b>	<b>88, 9</b>
30	Chile	88, 5
31	Costa Rica	88, 4
32	Czech Republic	88, 2
33	Croatia	88, 1
34	Brunei Darussalam	87, 9
35	Kuwait	87, 9
36	Albania	87, 6
<b>37</b>	<b>Denmark</b>	<b>87</b>
<b>38</b>	<b>Poland</b>	<b>87</b>
<b>39</b>	<b>Slovakia</b>	<b>86, 8</b>
40	Barbados	86, 7
<b>41</b>	<b><u>United States</u></b>	<b><u>86, 7</u></b>
42	Cuba	86, 2
43	Uruguay	85, 9
44	Sri Lanka	85, 6
45	Bosnia and Herzegovina	85, 2
<b>46</b>	<b>Lithuania</b>	<b>85, 2</b>
47	Panama	85, 1
48	Argentina	84, 9

49	Tunisia	84, 9
50	Bahrain	84, 6
51	Macedonia, TFYR	84, 6
<b>52</b>	<b>Bulgaria</b>	<b>84, 5</b>
53	Oman	84, 2
54	Mexico	84
<b>55</b>	<b>Estonia</b>	<b>83, 9</b>
<b>56</b>	<b>Hungary</b>	<b>83, 7</b>
57	Malaysia	83, 5
58	Syrian Arab Republic	83, 2
59	Georgia	83
<b>60</b>	<b>Romania</b>	<b>82, 9</b>
61	Venezuela	82, 8
62	Ecuador	82, 6
63	Libyan Arab Jamahiriya	82, 5
<b>64</b>	<b>Latvia</b>	<b>81, 9</b>
65	Armenia	81, 7
66	Lebanon	81, 7
67	China	81, 3
68	Saint Vincent and the Grenadines	81, 3
69	Qatar	81, 2
70	Saudi Arabia	81, 2
71	Colombia	81
72	Belize	80, 9
73	Mauritius	80, 9
74	Thailand	80, 3
75	Cape Verde	79, 8
76	Paraguay	79, 8
77	Belarus	79, 3
78	Egypt	79, 3
79	Iran, Islamic Rep, of	79, 2
80	Morocco	78, 9
81	Philippines	78, 6
82	Algeria	78, 4
83	Samoa(Western)	78, 4
84	Viet Nam	78, 4
85	Tonga	78, 2
<b>86</b>	<b>Turkey</b>	<b>77, 9</b>
87	Brazil	77, 7
88	El Salvador	77, 7
89	Jordan	77, 7
90	Suriname	77, 3
91	Peru	77, 1
92	Saint Lucia	77
93	Ukraine	76, 4
94	Russian Federation	76, 3
95	Trinidad and Tobago	76, 1
96	Azerbaijan	76
97	Kyrgyzstan	76
98	Vanuatu	75, 2
99	Dominican Republic	75, 1
100	Nicaragua	74, 9
101	Moldova, Rep, of	74, 3
102	Bahamas	73, 6
103	Guatemala	73, 5
104	Jamaica	73, 4
105	Uzbekistan	72, 9
106	Fiji	72, 2
107	Indonesia	72, 1
108	Kazakhstan	71, 9

109	Honduras	70, 1
110	Turkmenistan	69, 8
111	Tajikistan	69, 4
112	São Tomé and Príncipe	68, 6
113	Bolivia	68
114	Mongolia	67, 6
115	Maldives	67, 5
116	India	67, 4
117	Comoros	66, 5
118	Guyana	65, 7
119	Pakistan	65, 6
120	Bhutan	65, 3
121	Bangladesh	63, 7
122	Myanmar	63, 5
123	Solomon Islands	62
124	Cambodia	61, 5
125	Nepal	61, 0
126	Yemen	61, 0
127	Sudan	55, 4
128	Senegal	54, 6
129	Gambia	54, 3
130	Madagascar	54, 1
131	Togo	53, 8
132	Lao People's Dem, Rep,	53, 1
133	Benin	52, 9
134	Ghana	52, 9
135	Guinea	52, 6
136	Mauritania	50, 7
137	Gabon	48, 9
138	Djibouti	48, 1
139	Papua New Guinea	46, 6
140	Eritrea	45, 5
141	Mali	44, 8
142	Congo	43, 5
143	Burkina Faso	41, 7
144	Haiti	41, 3
145	Ethiopia	40, 7
146	Niger	40, 2
147	Guinea-Bissau	38, 8
148	Côte d'Ivoire	38, 5
149	South Africa	38, 1
150	Namibia	36, 7
151	Sierra Leone	36, 2
152	Cameroon	36, 1
153	Tanzania, U, Rep, of	35, 8
154	Rwanda	35, 5
155	Chad	35, 1
156	Congo, Dem, Rep, of the	34, 4
157	Uganda	34, 4
158	Nigeria	33, 2
159	Burundi	33, 1
160	Angola	33
161	Equatorial Guinea	33
162	Kenya	31, 8
163	Mozambique	30, 5
164	Central African Republic	24, 5
165	Malawi	24, 5
166	Lesotho	18, 6
167	Zambia	18, 5
168	Botswana	16, 5



169	Zimbabwe	15, 5
170	Swaziland	12

**Appendix Table 7.10: Male survival rates, based on our own calculations from UNDP HDR (2005)**

male survival > 65 world rank	Country	Probability at birth of surviving to age 65, male (% of cohort)2000-2005 1 2
1	Iceland	87, 4
2	Hong Kong, China(SAR)	86, 4
<b>3</b>	<b>Sweden</b>	<b>86, 4</b>
4	Japan	85, 7
5	Australia	85, 7
6	Israel	85, 5
7	Switzerland	85, 4
<b>8</b>	<b>Malta</b>	<b>85, 4</b>
9	Canada	85
10	United Arab Emirates	85
11	Norway	84, 7
12	Brunei Darussalam	84, 7
<b>13</b>	<b>Italy</b>	<b>84, 6</b>
14	Singapore	84, 5
<b>15</b>	<b>Cyprus</b>	<b>84, 3</b>
16	New Zealand	84, 1
<b>17</b>	<b>United Kingdom</b>	<b>83, 6</b>
<b>18</b>	<b>Netherlands</b>	<b>83, 5</b>
<b>19</b>	<b>Ireland</b>	<b>83, 1</b>
20	Kuwait	82, 7
<b>21</b>	<b>Luxembourg</b>	<b>82, 6</b>
<b>22</b>	<b>Belgium</b>	<b>82, 5</b>
<b>23</b>	<b>Austria</b>	<b>82, 4</b>
<b>24</b>	<b>Germany</b>	<b>82, 3</b>
<b>25</b>	<b>Spain</b>	<b>82, 1</b>
<b>26</b>	<b>Greece</b>	<b>82</b>
27	Costa Rica	81, 2
<b>28</b>	<b>Denmark</b>	<b>81</b>
<b>29</b>	<b>Finland</b>	<b>80, 9</b>
<b>30</b>	<b>France</b>	<b>80, 9</b>
31	Albania	80
32	Cuba	80
<b>33</b>	<b>Portugal</b>	<b>79, 8</b>
34	Chile	79, 1
<b>35</b>	<b>United States</b>	<b>79, 1</b>
36	Bahrain	78, 9
37	Oman	78, 8
38	Korea, Rep, of	76, 9
39	Panama	76, 3
40	Syrian Arab Republic	76, 3
<b>41</b>	<b>Slovenia</b>	<b>76, 1</b>
42	Sri Lanka	76, 1
43	Tunisia	75, 7
44	Macedonia, TFYR	75, 4
<b>45</b>	<b>Czech Republic</b>	<b>75, 2</b>
46	Mexico	75, 2
47	Algeria	75, 2
48	Barbados	74, 8

49	Libyan Arab Jamahiriya	74, 6
50	Bosnia and Herzegovina	74, 2
51	China	74, 2
52	Qatar	74
53	Malaysia	73, 4
54	Saudi Arabia	73, 4
55	Tonga	73, 4
56	Uruguay	73, 3
57	Croatia	73, 2
58	Lebanon	73
59	Ecuador	72, 7
60	Argentina	72, 1
61	Venezuela	71, 7
62	Belize	71, 7
63	Iran, Islamic Rep., of	71, 7
64	Jordan	71, 6
65	Paraguay	71, 3
66	Saint Lucia	71, 3
67	Colombia	71
68	Viet Nam	71
69	Saint Vincent and the Grenadines	70, 3
70	Morocco	70, 3
71	Philippines	70, 1
<b>72</b>	<b>Poland</b>	<b>69, 7</b>
<b>73</b>	<b>Slovakia</b>	<b>69, 3</b>
74	Egypt	69, 3
75	Bulgaria	68, 2
76	Peru	68, 1
77	Jamaica	67, 9
78	Maldives	67, 8
79	Cape Verde	67, 7
80	Vanuatu	67, 6
<b>81</b>	<b>Turkey</b>	<b>67, 3</b>
82	El Salvador	67, 3
83	Mauritius	66, 9
84	Armenia	66, 4
85	Georgia	66, 3
86	Nicaragua	66, 1
87	Samoa(Western)	65, 5
<b>88</b>	<b>Romania</b>	<b>65, 3</b>
<b>89</b>	<b>Hungary</b>	<b>64, 7</b>
90	Thailand	64, 5
91	Trinidad and Tobago	64, 5
92	Indonesia	63, 8
93	Honduras	63, 5
94	Suriname	63, 1
95	São Tomé and Príncipe	63, 1
96	Brazil	62, 7
97	Pakistan	62, 7
98	Fiji	62
99	Bahamas	61, 4
100	Dominican Republic	60, 8
<b>101</b>	<b>Lithuania</b>	<b>60, 5</b>
102	Azerbaijan	60, 3
103	Bhutan	60, 2
<b>104</b>	<b>Latvia</b>	<b>60, 1</b>
105	Bolivia	60
106	Uzbekistan	59, 9
107	Guatemala	59, 7
108	Tajikistan	59, 3
109	Bangladesh	59, 3

110	India	59, 2
111	Solomon Islands	59
112	Kyrgyzstan	58, 6
113	Mongolia	57, 9
114	Nepal	57, 9
115	Comoros	57, 8
<b>116</b>	<b>Estonia</b>	<b>57, 2</b>
117	Moldova, Rep, of	56, 5
118	Yemen	54, 9
119	Guyana	54, 2
120	Myanmar	52, 7
121	Turkmenistan	52, 1
122	Belarus	50, 6
123	Ghana	50, 4
124	Sudan	49, 6
125	Senegal	49, 4
126	Guinea	49, 1
127	Gambia	48, 7
128	Madagascar	48, 7
129	Benin	48, 4
130	Kazakhstan	48
131	Lao People's Dem, Rep,	47, 8
132	Ukraine	46, 6
133	Gabon	45, 6
134	Togo	45, 2
135	Cambodia	45
136	Russian Federation	44, 7
137	Mauritania	44, 5
138	Djibouti	42, 9
139	Papua New Guinea	41, 5
140	Mali	40, 8
141	Congo	38, 6
142	Haiti	38, 2
143	Burkina Faso	37, 9
144	Niger	37, 8
145	Ethiopia	36, 6
146	Eritrea	35, 9
147	Kenya	35
148	Côte d'Ivoire	34, 8
149	Tanzania, U, Rep, of	33, 4
150	Guinea-Bissau	33, 2
151	Cameroon	33, 1
152	Uganda	32, 9
153	Namibia	31, 6
154	Nigeria	31, 6
155	Chad	31, 2
156	Congo, Dem, Rep, of the	30, 8
157	Sierra Leone	30, 7
158	Equatorial Guinea	30, 6
159	Burundi	29, 7
160	Rwanda	29, 6
161	South Africa	28, 9
162	Angola	27, 8
163	Mozambique	26, 7
164	Malawi	23, 2
165	Central African Republic	21, 9
166	Zambia	20
167	Zimbabwe	15, 7
168	Botswana	13, 1
169	Lesotho	11, 6
170	Swaziland	9, 3



**Appendix Table 7.11: Quintile ratios (income difference between the richest 20 % and the poorest 20 % of the population), based on our own calculations from UNDP HDR (2005)**

	quintile ratio	world rank
Japan	3, 4	1
<b>Czech Republic</b>	<b>3, 5</b>	<b>2</b>
Bosnia and Hercegowina	3, 8	3
<b>Finland</b>	<b>3, 8</b>	<b>4</b>
<b>Hungary</b>	<b>3, 8</b>	<b>5</b>
Norway	3, 9	6
<b>Slovenia</b>	<b>3, 9</b>	<b>7</b>
Rwanda	4	8
Slovakia	4	9
<b>Sweden</b>	<b>4</b>	<b>10</b>
Uzbekistan	4	11
Albania	4, 1	12
<b>Denmark</b>	<b>4, 3</b>	<b>13</b>
Ethiopia	4, 3	14
<b>Germany</b>	<b>4, 3</b>	<b>15</b>
Ukraine	4, 3	16
Macedonia, TFYR	4, 4	17
<b>Belgium</b>	<b>4, 5</b>	<b>18</b>
Bangladesh	4, 6	19
Belarus	4, 6	20
<b>Austria</b>	<b>4, 7</b>	<b>21</b>
Korea, Rep. of	4, 7	22
Croatia	4, 8	23
Pakistan	4, 8	24
Russian Federation	4, 8	25
India	4, 9	26
Egypt	5, 1	27
Kazakhstan	5, 1	28
<b>Lithuania</b>	<b>5, 1</b>	<b>29</b>
<b>Netherlands</b>	<b>5, 1</b>	<b>30</b>
Sri Lanka	5, 1	31
Indonesia	5, 2	32
<b>Romania</b>	<b>5, 2</b>	<b>33</b>
Tajikistan	5, 2	34
<b>Spain</b>	<b>5, 4</b>	<b>35</b>
Kyrgyzstan	5, 5	36
<b>Poland</b>	<b>5, 5</b>	<b>37</b>
<b>France</b>	<b>5, 6</b>	<b>38</b>
<b>Latvia</b>	<b>5, 6</b>	<b>39</b>
Yemen	5, 6	40
<b>Bulgaria</b>	<b>5, 8</b>	<b>41</b>
Canada	5, 8	42
Switzerland	5, 8	43
Jordan	5, 9	44
Nepal	5, 9	45
Azerbaijan	6	46
Lao People's Dem. Rep.	6	47
Viet Nam	6	48
Algeria	6, 1	49

<b>Ireland</b>	<b>6, 1</b>	<b>50</b>
<b>Greece</b>	<b>6, 2</b>	<b>51</b>
Israel	6, 4	52
<b>Italy</b>	<b>6, 5</b>	<b>53</b>
Moldova, Rep. of	6, 5	54
Tanzania, U. Rep. of	6, 7	55
Armenia	6, 8	56
Georgia	6, 8	57
New Zealand	6, 8	58
Cambodia	6, 9	59
Jamaica	6, 9	60
Australia	7	61
<b>Estonia</b>	<b>7, 2</b>	<b>62</b>
Morocco	7, 2	63
Mozambique	7, 2	64
<b>United Kingdom</b>	<b>7, 2</b>	<b>65</b>
Guinea	7, 3	66
Mauritania	7, 4	67
Senegal	7, 5	68
<b><u>Turkey</u></b>	<b><u>7, 7</u></b>	<b><u>69</u></b>
Turkmenistan	7, 7	70
Tunisia	7, 9	71
<b>Portugal</b>	<b>8</b>	<b>72</b>
Kenya	8, 2	73
Thailand	8, 3	74
Trinidad and Tobago	8, 3	75
Ghana	8, 4	76
Uganda	8, 4	77
<b>United States</b>	<b>8, 4</b>	<b>78</b>
Nicaragua	8, 8	79
Cameroon	9, 1	80
Mongolia	9, 1	81
Burundi	9, 5	82
Côte d'Ivoire	9, 7	83
Hong Kong, China (SAR)	9, 7	84
Iran, Islamic Rep. of	9, 7	85
Philippines	9, 7	86
Singapore	9, 7	87
Guinea-Bissau	10, 3	88
Uruguay	10, 4	89
Dominican Republic	10, 5	90
China	10, 7	91
Madagascar	11	92
Gambia	11, 2	93
Malawi	11, 6	94
Zimbabwe	12	95
Mali	12, 2	96
Bolivia	12, 3	97
Costa Rica	12, 3	98
Malaysia	12, 4	99
Papua New Guinea	12, 6	100
Nigeria	12, 8	101
Burkina Faso	13, 6	102
Zambia	17, 2	103
Ecuador	17, 3	104
South Africa	17, 9	105
Venezuela	17, 9	106
Argentina	18, 1	107
Peru	18, 4	108
Chile	18, 7	109

Mexico	19, 3	110
El Salvador	19, 8	111
Niger	20, 7	112
Honduras	21, 5	113
Colombia	22, 9	114
Swaziland	23, 8	115
Guatemala	24, 4	116
Panama	24, 7	117
Brazil	26, 4	118
Paraguay	27, 8	119
Botswana	31, 5	120
Central African Republic	32, 7	121
Lesotho	44, 2	122
Namibia	56, 1	123
Sierra Leone	57, 6	124



**Appendix Table 7.12: World ranks, economic growth, based on our own calculations from UNDP HDR (2005)**

	world rank economic growth	annual economic growth 1990-2003
Equatorial Guinea	1	16, 8
Bosnia and Herzegovina	2	11, 9
China	3	8, 5
<b>Ireland</b>	<b>4</b>	<b>6, 7</b>
Viet Nam	5	5, 9
Myanmar	6	5, 7
Albania	7	5, 1
Maldives	8	4, 7
Korea, Rep, of	9	4, 6
Mozambique	10	4, 6
<b>Poland</b>	<b>11</b>	<b>4, 2</b>
Chile	12	4, 1
Cambodia	13	4
Dominican Republic	14	4
India	15	4
Mauritius	16	4
Uganda	17	3, 9
Lao People's Dem, Rep,	18	3, 7
Bhutan	19	3, 6
Guyana	20	3, 6
<b>Luxembourg</b>	<b>21</b>	<b>3, 6</b>
Cuba	22	3, 5
Singapore	23	3, 5
Malaysia	24	3, 4
Cape Verde	25	3, 3
<b>Estonia</b>	<b>26</b>	<b>3, 3</b>
<b>Malta</b>	<b>27</b>	<b>3, 3</b>
Sri Lanka	28	3, 3
Sudan	29	3, 3
<b>Cyprus</b>	<b>30</b>	<b>3, 2</b>
Trinidad and Tobago	31	3, 2
Bangladesh	32	3, 1
Saint Kitts and Nevis	33	3, 1
<b>Slovenia</b>	<b>34</b>	<b>3, 1</b>
Tunisia	35	3, 1
Lebanon	36	2, 9
Norway	37	2, 9

Armenia	38	2, 8
Thailand	39	2, 8
Botswana	40	2, 7
Australia	41	2, 6
Costa Rica	42	2, 6
<b>Hungary</b>	<b>43</b>	<b>2, 6</b>
Egypt	44	2, 5
<b>Finland</b>	<b>45</b>	<b>2, 5</b>
<b>United Kingdom</b>	<b>46</b>	<b>2, 5</b>
Grenada	47	2, 4
Mali	48	2, 4
Panama	49	2, 4
Samoa (Western)	50	2, 4
<b>Slovakia</b>	<b>51</b>	<b>2, 4</b>
<b>Spain</b>	<b>52</b>	<b>2, 4</b>
Yemen	53	2, 4
Canada	54	2, 3
Lesotho	55	2, 3
Belize	56	2, 2
Benin	57	2, 2
<b>Latvia</b>	<b>58</b>	<b>2, 2</b>
Nepal	59	2, 2
<b>Portugal</b>	<b>60</b>	<b>2, 2</b>
Seychelles	61	2, 2
Croatia	62	2, 1
El Salvador	63	2, 1
<b>Greece</b>	<b>64</b>	<b>2, 1</b>
Hong Kong, China (SAR)	65	2, 1
Iceland	66	2, 1
Iran, Islamic Rep, of	67	2, 1
<b>Netherlands</b>	<b>68</b>	<b>2, 1</b>
New Zealand	69	2, 1
Peru	70	2, 1
<b>United States</b>	<b>71</b>	<b>2, 1</b>
Ethiopia	72	2
Indonesia	73	2
<b>Sweden</b>	<b>74</b>	<b>2</b>
Tonga	75	2
<b>Denmark</b>	<b>76</b>	<b>1, 9</b>
<b>Austria</b>	<b>77</b>	<b>1, 8</b>
<b>Belgium</b>	<b>78</b>	<b>1, 8</b>
Fiji	79	1, 8
Ghana	80	1, 8
Saint Vincent and the Grenadines	81	1, 8
Burkina Faso	82	1, 7

Antigua and Barbuda	83	1, 6
<b>France</b>	<b>84</b>	<b>1, 6</b>
Guinea	85	1, 6
Israel	86	1, 6
Mauritania	87	1, 6
Bahrain	88	1, 5
<b>Czech Republic</b>	<b>89</b>	<b>1, 5</b>
<b>Italy</b>	<b>90</b>	<b>1, 5</b>
Barbados	91	1, 4
Mexico	92	1, 4
Syrian Arab Republic	93	1, 4
Argentina	94	1, 3
Bolivia	95	1, 3
<b>Germany</b>	<b>96</b>	<b>1, 3</b>
Senegal	97	1, 3
<b><u>Turkey</u></b>	<b><u>98</u></b>	<b><u>1, 3</u></b>
Brazil	99	1, 2
Dominica	100	1, 2
Philippines	101	1, 2
Guatemala	102	1, 1
Pakistan	103	1, 1
Eritrea	104	1
Japan	105	1
Morocco	106	1
Tanzania, U, Rep, of	107	1
Belarus	108	0, 9
Jordan	109	0, 9
Malawi	110	0, 9
Namibia	111	0, 9
Nicaragua	112	0, 9
Oman	113	0, 9
Suriname	114	0, 9
Uruguay	115	0, 9
Rwanda	116	0, 7
Algeria	117	0, 6
<b>Bulgaria</b>	<b>118</b>	<b>0, 6</b>
<b>Romania</b>	<b>119</b>	<b>0, 6</b>
<b>Lithuania</b>	<b>120</b>	<b>0, 5</b>
Switzerland	121	0, 5
Angola	122	0, 4
Colombia	123	0, 4
Kazakhstan	124	0, 4
Togo	125	0, 4
Bahamas	126	0, 3
Saint Lucia	127	0, 3
Cameroon	128	0, 2

Honduras	129	0, 2
Papua New Guinea	130	0, 2
Swaziland	131	0, 2
Ecuador	132	0, 1
South Africa	133	0, 1
Gambia	134	-0, 1
São Tomé and Príncipe	135	-0, 2
Vanuatu	136	-0, 3
Central African Republic	137	-0, 4
Côte d'Ivoire	138	-0, 4
Gabon	139	-0, 4
Uzbekistan	140	-0, 5
Kenya	141	-0, 6
Niger	142	-0, 6
Paraguay	143	-0, 6
Saudi Arabia	144	-0, 6
Macedonia, TFYR	145	-0, 7
Zimbabwe	146	-0, 8
Madagascar	147	-0, 9
Zambia	148	-0, 9
Comoros	149	-1, 3
Turkmenistan	150	-1, 3
Congo	151	-1, 4
Russian Federation	152	-1, 5
Venezuela	153	-1, 5
United Arab Emirates	154	-2, 1
Kuwait	155	-2, 3
Guinea-Bissau	156	-2, 4
Kyrgyzstan	157	-2, 4
Mongolia	158	-2, 5
Solomon Islands	159	-2, 5
Azerbaijan	160	-2, 6
Georgia	161	-2, 7
Haiti	162	-2, 8
Djibouti	163	-3, 3
Burundi	164	-3, 5
Ukraine	165	-4, 7
Sierra Leone	166	-5, 3
Moldova, Rep, of	167	-5, 7
Occupied Palestinian Territories	168	-6
Congo, Dem, Rep, of the	169	-6, 3
Tajikistan	170	-6, 5

# Documentation: The United Nations on definitions of the UNDP indicators

From: <http://hdr.undp.org/statistics/faq/#31>

## ***What is the human development index (HDI)?***

The HDI – human development index – is a summary composite index that measures a country's average achievements in three basic aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and standard of living by GDP per capita (PPP US\$). For details on how to calculate the HDI, see pages 258-259 of Technical Note 1 and also the interactive HDI calculator and the Excel tool - interactive tools that help understand the calculation of the HDI.

## ***How is the HDI used?***

- To capture the attention of policy makers, media and NGOs and to draw their attention away from the more usual economic statistics to focus instead on human outcomes. The HDI was created to re-emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth.
- To question national policy choices - asking how two countries with the same level of income per person can end up with such different human development outcomes (HDI levels). For example, Viet Nam and Pakistan have similar levels of income per person, but life expectancy and literacy differ greatly between the two countries, with Viet Nam having a much higher HDI value than Pakistan. These striking contrasts immediately stimulate debate on government policies on health and education, asking why what is achieved in one country is far from the reach of another.
- To highlight wide differences within countries, between provinces or states, across gender, ethnicity, and other socioeconomic groupings. Highlighting internal disparities along these lines has raised national debate in many countries.

## ***Is the HDI enough to measure a country's level of development?***

Not at all. The concept of human development is much broader than what can be captured in the HDI, or any other of the composite indices in this Report (see gender-related development index, gender empowerment measure, and human poverty index). The HDI, for example, does not reflect political participation or gender inequalities. The HDI and the other composite indices can only offer a broad proxy on some of the key the issues of human development, gender disparity, and human poverty. A fuller picture of a country's level of human development requires analysis of other human development indicators and information (see human development indicators).

## ***Can GDP per capita be used to measure human development instead of the HDI?***

No. GDP per capita only reflects average national income. It tells nothing of how that income is distributed or how that income is spent - whether on universal health, education or military expenditure. Comparing rankings on GDP per capita and the HDI can reveal much about the results of national policy choices. For example, a country with a very high GDP per capita such as Kuwait, who has a relatively low level of educational attainment, can have a lower HDI rank than, say, Uruguay, who has roughly half the GDP per capita of Kuwait.

## ***Why is GDP per capita (PPP US\$) used over GDP per capita (US\$) in the HDI?***

The human development index (HDI) attempts to make an assessment of 177 very diverse countries and areas, with very different price levels. To compare economic statistics across countries, the data must first be converted into a common currency. Unlike conventional exchange rates, PPP (Purchasing Power Parity) rates of exchange allow this conversion to take account of price differences between countries. GDP per capita (PPP US\$) accounts for price differences between countries and therefore better reflects people's living standards. In theory, at the PPP rate, 1 PPP dollar has the same purchasing power in the domestic economy of a country as 1 US dollar has in the US economy. For further discussion on the use of PPP, see Box 2, p.135, in the Note on statistics in the Human Development Report 2001 (The why's and wherefore's of purchasing power parities).

### ***Why doesn't the HDI include dimensions of participation, gender, and equality?***

As a simple summary index, the HDI is designed to reflect average achievements in three basic aspects of human development – leading a long and healthy life, being knowledgeable, and enjoying a decent standard of living. Participation, gender disparity and human deprivation are measured in other indices (see gender-related development index, gender empowerment measure, and the human poverty index) or other indicators of the Report. Measurement issues related to these indices demonstrate the conceptual and methodological challenges that remain to be tackled.

### ***Where do data for HDI come from? What are the criteria for a country to be included in the HDI?***

Currently, for various reasons, there still exist many data gaps in even some very basic areas of human development indicators. While actively advocating for the improvement of human development data, as a principle and for practical reasons, HDRO does not collect data directly from countries or make estimates to fill these data gaps in the Report.

The one exception is the human development index (HDI). The Human Development Report Office strives to include as many UN member countries as possible in the HDI. For a country to be included, data ideally should be available from the relevant international data agencies for all four components of the index (the primary sources of data are the United Nations Population Division for life expectancy at birth, the UNESCO Institute for Statistics for the adult literacy rate and combined gross enrolment ratio for primary, secondary and tertiary schools and the World Bank for GDP per capita [PPP US\$]). But for a significant number of countries data are missing for one or more of these components.

Striving to include as many UN member countries as possible and in response to the desire of countries to be included in the HDI, the Human Development Report Office makes every effort in these cases to identify other reasonable estimates, working with international data agencies, the UN Regional Commissions, national statistical offices and UNDP country offices. In a few cases the Human Development Report Office has attempted to make an estimate in consultation with regional and national statistical offices or other experts. Read more...

### ***Why isn't the HDI compiled for all UN member countries?***

While the data in the Report demonstrate the wealth of human development statistics available, they also reveal many data gaps in basic areas of human development. Not all UN member countries have sufficient data available to calculate the HDI or other indices. However, for the 16 UN member countries not included in the HDI in HDR 2004, basic human development indicators (where available) are shown in Table 33 of the Report, p. 250.

### ***Is the HDI comparable over time?***

The HDI is comparable over time when it is calculated based on the same methodology and comparable trend data. HDR 2004 presents a time series in HDI for 1975, 1980, 1985, 1990, 1995, 2000 and 2002. This time series uses the latest HDI methodology and the most up-to-date trend data for each component of the index (please see indicator Table 2, Human development index trends, pp. 143-146). Please note that the HDI is designed to capture long-term progress in human development, rather than short-term changes. Read more...

### ***Is the HDI comparable across editions of the HDR?***

Due to revisions to the data series for some or all of the components of the HDI, changes in the HDI methodology, or variations in the country coverage, the HDI values and ranks presented in the 1990 through 2004 editions of the Report are not directly comparable. The year-to-year changes in the index often reflect data improvement, instead of real increase or decrease in the level of human development (see Statistical feature 2 Note to table 1: About this year's human development index, pp. 137-138).

The Human Development Report Offices strongly advises against constructing HDI trend analysis based on the HDI published in different editions of the Report. For the most up-to-date HDI trend data based on consistent country coverage, methodology and data, please refer to Table 2 (Human Development Index Trends, pp. 143-146) in HDR 2004.

### ***Is the HDI available before 1975?***

Comparable data are not available for many countries for all components of the HDI before 1975, so 1975 is the first year for which the HDI was calculated in HDR 2004. Estimates for some indicators are available before this time, such as life expectancy, which are available since 1950.

### ***Why was the HDI methodology changed in the 1999 HDR?***

The methodology of the HDI has evolved and improved over time. In 1999, the formula used to treat the income component of the HDI was significantly refined, setting the methodology on a more solid analytical foundation (for details, see page 159 HDR 1999 Technical Note: Computing the indices).

### ***Questions about other indices used in the Human Development Report***

#### ***What is the gender-related development index (GDI)?***

The GDI – gender-related development index – is a composite indicator that measures the average achievement of a population in the same dimensions as the HDI while adjusting for gender inequalities in the level of achievement in the three basic aspects of human development. It uses the same variables as the HDI, disaggregated by gender. For details on how to calculate the GDI see pages 258, 261-262 and 264 of Technical Note 1.

#### ***What is the gender empowerment measure (GEM)?***

The GEM – gender empowerment measure – is a composite indicator that captures gender inequality in three key areas:

- Political participation and decision-making, as measured by women's and men's percentage shares of parliamentary seats;
- Economic participation and decision-making power, as measured by two indicators – women's and men's percentage shares of positions as legislators, senior officials and managers and women's and men's percentage shares of professional and technical positions;
- Power over economic resources, as measured by women's and men's estimated earned income (PPP US\$).

For details on how to calculate the GEM see pages 258, and 263-264 of Technical Note 1.

#### ***How are the GDI and the GEM used?***

To draw attention to gender issues. The GDI adjusts the HDI for inequalities in the achievement of men and women. A comparison of a country's ranking on the HDI and its ranking on the GDI can indicate the existence of gender disparity. To illustrate that gender empowerment does not depend on income, it is useful to compare relative rankings on the GEM and the relative level of national income. For example,

- Poland ranks 27th in the GEM, ahead of Japan, in 38th place, yet income per person in Poland is about one third that of Japan's (10, 560 PPP US\$ vs. 26, 190 PPP US\$ for 2002).
- The UK and Finland have very similar income per person (26, 150 PPP US\$ and 26, 190 PPP US\$ for 2002) yet in the GEM Finland ranks 4th, the UK 18th.

Both indicators can be disaggregated to highlight gender inequality within countries, which can vary widely across regions.

#### ***What is the human poverty index (HPI-1 and HPI-2)?***

Poverty has traditionally been measured as a lack of income - but this is far too narrow a definition. Human poverty is a concept that captures the many dimensions of poverty that exist in both poor and rich countries—it is the denial of choices and opportunities for living a life one has reason to value. The HPI-1—human poverty index for developing countries – measures human deprivations in the same three aspects of human development as the HDI (longevity, knowledge and a decent standard of living). HPI-2—human poverty index for selected high-income OECD countries—includes, in addition to the three dimensions in HPI-1, social exclusion.

For HPI-1 (developing countries): deprivations in longevity are measured by the probability at birth of not surviving to age 40; deprivations in knowledge are measured by the percentage of adults who are illiterate; deprivations in a decent standard of living are measured by two variables: the percentage of people not having sustainable access to an improved water source and the percentage of children below the age of five who are underweight.

For HPI-2 (selected high-income OECD countries): deprivations in longevity are measured by the probability at birth of not surviving to age 60; deprivations in knowledge are measured by the percentage of adults lacking functional literacy skills; deprivations in a decent standard of living are measured by the percentage of people living below the income poverty line, set at 50% of the adjusted median household disposable income; and social exclusion is measured by the rate of long-term (12 months or more) unemployment of the labour force. For details on how to calculate the HPI-1 and HPI-2 see pages 258 and 260 of Technical Note 1.

#### ***How is the HPI used?***

- To focus attention on the most deprived people and deprivations in basic human capabilities in a country, not on average national achievement. The human poverty indices focus directly on the number of people living in deprivation – presenting a very different picture from average national achievement. It also moves the focus of poverty debates away from concern about income poverty alone.
- To highlight the presence of human poverty in both the rich and poor countries. High income per person is no guarantee of a poverty-free country. Even among the richest countries, there is human poverty. The HPI-2 for selected high-income OECD countries (HPI-2) shows that out of 17 countries, the US has the second highest level of income per person, but also the highest rate of human poverty.
- To guide national planning for poverty alleviation. Many National Human Development Reports now break down the HPI by region or other socioeconomic groups to identify the areas or social groups within the country most deprived in terms of human poverty. The results can be dramatic, creating national debate and helping to reshape policies.

#### ***Why aren't all the countries included in the GDI, GEM, and HPI?***

Lack of data is a particular constraint in monitoring gender disparity and poverty. Coverage of the GDI in HDR 2004 is limited to 144 countries, GEM to 78 countries, and the HPI-1 to 95 developing countries and HPI-2 to 17 high-income OECD countries (see also “Why isn’t HDI compiled for all UN member countries?”).



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[http://www.galileus.info/members/m\\_TAUSCH/publications/112928097189/](http://www.galileus.info/members/m_TAUSCH/publications/112928097189/)

Macro-quantitative data

[http://www.galileus.info/galileus/members/m\\_TAUSCH/publications/11262583600/112625847359/](http://www.galileus.info/galileus/members/m_TAUSCH/publications/11262583600/112625847359/)

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