

The European Union at 50. What Europe can learn from Latin American social science after 5 decades of European integration.

An essay in honor of Osvaldo Sunkel



Title picture: Professor Osvaldo Sunkel (in conversation with Professor Jeffrey Sachs)

By Arno Tausch

Opinions expressed in this paper, are exclusively those of the author and not necessarily those of the Austrian Government

Abstract

One of the most famous pieces of Latin American scholarship, the article Sunkel, Osvaldo 1973 "Transnational capitalism and national disintegration in Latin America." *Social and Economic Studies* 22 (1): 156–171, published originally in 1969 and having appeared in many translations and editions around the globe ever since, proposed the still provocative thought that **transnational investment and integration might go hand in hand, under certain conditions, with an increasing relative social polarization between rich and poor in the host countries of the evolving transnational system and on the international level.**

In 1998, the present author published an essay at the electronic archive of the University of California at Riverside, which was – as a reference to Osvaldo Sunkel - entitled "Transnational integration and national disintegration". Preparing for the festivities of Europe at 50, I came to the conclusion to re-publish this essay as it was published in 1998, with an afterword, which will show how right Sunkel was and how much the European decision makers can learn from Latin American social sciences.

In 1998; I stated:

Europe faces three very important decisions about the future: east-ward expansion of the European Union, European monetary union, and the structural internal reform of the Union. Faced with these decisions, an intellectual battle rages across the continent between Euro-skeptics and integrationists, between federalists and nationalists, between centralists and regionalists. World systems research and development research provides radical, fascinating and novel answers to these old controversies.

With the latest data, we can show that Europe's crisis indeed 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, 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, 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 such tendencies are not a coincidental movement along the historic ups and downs of social indicators, but the very symptom of a much more deep-rooted crisis, which is the beginning of the real re-marginalization and re-peripherization of the European continent.

JEL Classification: C21, D31, E30, F02

Key words: Cross-Section Models, Income Distribution, Prices, Business Fluctuations, and Cycles – General; International Economic Order, Inequality, Economic Integration: General

'For upward of a thousand years the tendency of the economic centre of the world has been to move westward, and the Spanish War has only been the shock caused by its passing the Atlantic. Probably, within two generations, the United States will have faced about, and its great interests will cover the Pacific, which it will hold like an island sea (...)' Brooks Adams (1900) 'America's Economic Supremacy', as quoted in David and Wheelwright, 1989

'The Ten Duties of Kings are: liberality, morality, self-sacrifice, integrity, kindness, austerity, non-anger, non-violence, forbearance, and non-opposition to the will of the people' (Daw Aung San Suu Kyi, the Buddhist view of responsible kinship)

'Although famines can kill millions of people, they do not kill rulers. Kings and presidents, bureaucrats and bosses, generals and police chiefs - these people never starve' (Amartya Sen)

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List of abbreviations (functional terms)

- a constant in multiple regression analysis (statistics)
- ACDA Arms Control and Disarmament Agency (United States Department of State)
- ASEAN Association of Southeast Asian Nations
- b_{1,2,3} coefficients in multiple regression analysis (statistics)
- CEFTA Central European Free Trade Area (as of 1.9.1995, Czech Republic, Slovak Republic, Poland, Hungary)
- CIS Community of Independent States (in the ex-USSR)
- CO₂ carbon dioxide
- CPM capability poverty measure, combining percentages of unattended births, children with underweight, and female illiteracy rates
- df. degrees of freedom (statistics)
- DYN variables, measuring growth (economic growth, human development *et cetera*)
- DYN HD growth of life expectancy over time
- e Eulers number (2.7...)
- EC European Community, now: EU
- ECU European Currency Unit
- ENCONS energy consumption per capita
- EO/AA equal opportunity and affirmative action laws in the United States of America
- EU European Union (per 1.9.1995 15 member states)
- EXCEL computer software
- F productivities
- F F-test-value in multiple regression analysis
- GDI Gender Development Index, measuring the discrepancies in life expectancy, adult literacy rate, combined enrolment, educational attainment, and earned income shares
- GDP Gross Domestic Product
- GEI Gender Empowerment Index, combining parliamentary representation, share of administrative and managerial positions, share of professional and technical positions, weighted by population share
- GNP Gross National Product
- HD(I) Human Development (Index), combining life expectancy, adult literacy, combined enrollment ratios, and real GDP per capita
- HDR *Human Development Report*, document, published each year by the UNDP
- IBM International Business Machines, international manufacturer of computer hard- and software
- ILO International Labour Office
- IMF International Monetary Fund
- LDCs less developed countries
- LEX life expectancy
- ln natural logarithm
- LN PCI natural logarithm of per capita income
- M Imports
- MNC Multinational Corporations

n sample size
NAFTA North American Free Trade Area
nat.log. natural logarithm
NATO North Atlantic Treaty Organisation
NOX nitrogen
OECD Organisation of Economic Co-operation and Development
O2 oxygen
PCI per-capita-income
 π number π (3.14...)
PPP purchasing power parity
PSL Polish Peasant Party
R2 total variance explained
RGP linear standard regression procedure of the EXCEL 5.0 programme
RKP non-linear standard regression procedure of the EXCEL 5.0 programme
rpp real purchasing power parity
S.J. Jesuits Fathers (Catholic Church)
SO2 sulphur-dioxide
TNC Transnational Corporations
UN(O) United Nations (Organisation)
UNDP United Nations Development Programme
UN ECE United Nations Economic Commission for Europe
UNICEF United Nations Children's Fund
UK United Kingdom
USA United States of America
USSR former Union of Soviet Socialist Republics
WDR *World Development Report*, document, published each year by the World Bank
X Exports
x independent variable(s)
y dependent variable(s)

1) Introduction

The aim of this work is to serve as an invitation to the research community to further develop insights into the dynamics of world development in the post 1989-world. We walk in the fog of a world order, which seems to be characterized by instability and low-intensity conflict, by the shifting of the centers of gravity of the world economy, by the increase in the contradictions of the process of globalization, by environmental decay, refugee crises, by violations of human rights on a scale unthinkable since the end of the Second World War. The liberal paradigm, which shaped politics and economics of the post-1989 world, seems to have reached its limits, while the predictions of world society paradigms - starting with Karl Polanyi - gain in relevance. Our book is limited in aim and in scope - and well aware of future possibilities for further research both in terms of the sophistication of mathematical-statistical models as well as in terms of the data at our disposal and has the aim to provide a cross-national analysis of the post-1989 tendencies of world development that is both timely and politically relevant.

'Critical' thinking about the world economy and world politics, which again and again achieved to catch the imagination of a scholarly public even in a country, where the values of the free market economy are as firmly entrenched as they are in the USA - has always been that it hinted at the darker, possible outcomes of events to come, and that it showed to the world the continued relevance of the mechanisms of great power rivalry, conflict, and the relevance of dependence, of the cyclical ups and downs of the world economy, and finally, of both the 'outer' i.e., environmental, and the 'inner', i.e. gender frontiers of the existing world social order. It is no coincidence that precisely now, after years of silence in Europe, a book, written by two German speaking journalists - Martin/Schumann, 1996, has become a best-seller. Globalization. As if the issue had not existed before. All of a sudden, Europeans begin to discover that their societies and economies are being exposed as well in an almost ruthless fashion to the pressures of the globalization process, like the rest of the world has known for many years. With the fall of the Berlin Wall and the so-called End of the Cold War, the capitalist world economy found opportunities, qualitatively and quantitatively unheard of only a decade ago. Suffice to re-read today the still relevant volume edited by Christopher K. Chase Dunn (1982) to see what today has become possible in terms of transnational capitalist expansion and penetration into the world of former 'real socialism'. Even in the most populous former or still communist-party-ruled countries of the world, the central state as an economic actor (in the sense of activity) is out, while transnational investment is in. Let us compare here China, Vietnam, Myanmar, Ethiopia, Poland, Russia, and the Ukraine, whose population each will exceed 35 million inhabitants by the year 2000. All governed by elites in the 1980s, whose common denominator was an official rejection of 'Western' capitalism, often associated in their official propaganda with decay, rottenness and what more, their central governments today withdraw from the economy or have already done so long ago, and are actively engaged in promoting foreign direct investments from the very same transnational companies which once were bedeviled in the propaganda in the 1980s and earlier on. The average Eastern European former communist country is the host to FDIs, which amount to 7.4% of their respective national products,

in former Soviet Central Asia this percentage is at 3.3%; while in China the ratio is now at 17.9% (UNCTAD, 1996). Scholarly articles are being published today that claim that this or that piece predicted the demise of real socialism. But if ever there were correct predictions about the future of 'real socialism', they were contained in Chase-Dunn (1982), pointing in the direction of an increase in both qualitative and quantitative terms of the power of the transnational economy in Eastern Europe, in Russia and its historical inner perimeters since the expansion of the Russian state into Asia.

Another notion also figures prominently here: the notion: capitalist development is characterized by strong cyclical fluctuations, which are parallel to political and social instabilities and changes, both at the national and the international level.

The basic methodological innovation of this work is the idea that the cross-nationally observable 'laws' of development that determined, why some nations had a more rapid ascent than other nations, which declined, stagnated or even dissolved during an earlier cycle, might be different during a new, evolving cycle. In a way, this notion goes back to the thought of Giovanni Arrighi, who proposed in his provocative analysis of the *'Long 20th Century'* (1995) the thought that the logic of accumulation on a world-scale is governed by the ups and downs in the succession of regulation and de-regulation, starting from the Venetian (regulatory) and Genoese (deregulated) era of capitalism, followed by the Dutch (regulatory) and British (deregulated) era, and the US hegemony, which after 1945 was a regulatory model. From the late 1970s, however, we witness, Arrighi's argument goes on, again the renewed rise of a deregulated model of world capitalism.

We agree with Arrighi that the rise of financial capitalism and the decline of productive capitalism are always connected to major shifts in the location of the centers of world capitalism, first from Venice to Genoa, followed by the shift from Genoa to Amsterdam, from Amsterdam to London, from London to New York, and from there on to the capitalist archipelago of East Asia today (Arrighi, 1995). Arrighi also introduced the important notion that there is certain coexistence in the time-perspective between the 'different logics', so that elements of the waning and elements of the emerging order might coincide for years. Arrighi's sequential model of world capitalism is also a historic interpretation of the old Marxist notion of financial expansion - > material expansion- > financial expansion (*MCM'*), and as such radically challenges the notion of 'unchanging' general laws of rise and decline under world capitalism. Following Arrighi, we postulate that regulatory strategies might have been well compatible with growth under the rise of the Venetian, Dutch, and American era, while at the time of the rise of 'deregulation', such deregulatory strategies and not 'big government' will be conducive to economic growth.

There were dozens of articles being published on these 'laws' of development in world society, with the quantitative dependency argument perhaps most clearly having been stated by Bornschier and Chase Dunn in 1985. The basic two questions are then:

a) do these 'laws' still hold and are they still in force after the world went through the recession of the late 1970s and early 1980s?

b) do these 'laws' still hold for new phenomena, like social, ecological, and human development, as well as gender disparities, which more and more become an intrinsic part of the capitalist world system, and that, better than economic growth, express ascent and decline in world society today?

We present our results, ideas and prescriptions in the light of the preliminary evidence. Readers of this book are invited to try out for themselves the analytical possibilities, opened up by the use of the LOTUS-format UNDP data sets and the UNCTAD data series about foreign capital penetration that surpass in any way older and still to be encountered data series. The UNDP, with its almost unique data series, opened the way for a cross-national quantitative debate about environmental decay, gender inequality, human development, capability poverty, and many other issues at the same time. Instead of relying on economic growth as the main explanandum, and leaving other issues to specialists from other departments (geographers, social anthropologists etc.), the interdisciplinary nature of today's social issues compels social research to be inter-disciplinary in focus. If anything, this book attempts to be an impassioned plea for cross-national research, especially in the United States of America, where this tradition is now long established, to take up the challenges of such question writing and to further test and develop the hypotheses, presented here.

What also should be carried over into the debate is the pressing need to focus our research capabilities on the variety of crisis symptoms that the world is now facing. Where the present author especially agrees with Joshua Goldstein's results is the emphasis on the fact that the next 25 years will be determining the issue of war and peace for the next century.

About a quarter of a century ago, a Chilean social scientist, Osvaldo Sunkel proposed in a widely received article under the title: *'Transnational capitalism and national disintegration (in Latin America)'* the provocative thought that transnational investment and integration might go hand in hand, under certain conditions, with an increasing relative social polarization between rich and poor in the host countries of the evolving transnational system and on the international level. At that time, Sunkel said:

'The interpretation so far advanced suggests that the international capitalist system contains an internationalized nucleus of activities, regions and social groups of varying degrees of importance in each country. These sectors share a common culture and 'way of life', which expresses itself through the same books, texts, films, television programs, similar fashions, similar groups of organization of family and social life, similar style of decoration of homes, similar orientations to housing, building, furniture and urban design. Despite linguistic barriers, these sectors have a far greater capacity for communication among themselves than is possible between integrated and marginal persons of the same country who speak the same language (...) Modernization implies the gradual replacement of the traditional productive structure by another of much higher capital intensiveness (...) On the one hand, the process of modernization incorporates into the new structures the individuals and groups that are apt to fit into the kind of rationality that prevails there; on the other hand, it expels the individuals and groups that have no place in the new productive structure or who lack the capacity to become adapted to it. It is important to emphasize that this process does not only prevent or limit the formation of a national entrepreneurial class, as indicated by Furtado, but also of a national middle class (...) and even a

national working class. The advancement of modernization introduces, so to speak, a wedge along the area dividing the integrated from the segregated segments (...) In this process, some national entrepreneurs are incorporated as executives into the new enterprises or those absorbed by the TRANCO (i.e. transnational corporations), and others are marginalized; some professionals, forming part of the technical staff and the segment of employees are incorporated, and the rest are marginalized; part of the qualified labor supply and those that are considered fit to be upgraded are incorporated, while the remainder are marginalized.

The effects of the disintegration of each social class have important consequences for social mobility. The marginalized entrepreneur will probably add to the ranks of small or artisanal manufacture, or will abandon independent activity and become a middle class employee. The marginalized sectors of the middle class will probably form a group of frustrated lower middle class people trying to maintain middle class appearance without much possibility of upward mobility and terrorized by the danger of proletarianization. The marginalized workers will surely add to the ranks of absolute marginality, where, as in the lower middle class, growing pools of resentment and frustration of considerable demographic dimension will accumulate (...) Finally, it is very probable that an international mobility will correspond to the internal mobility, particularly between the internationalized sectors (...) The process of social disintegration which has been outlined here probably also affects the social institutions which provide the bases of the different social groups and through which they express themselves. Similar tendencies to the ones described for the global society are, therefore, probably also to be found within the state, church, armed forces, political parties with a relatively wide popular base, the universities etc.' (Sunkel, 1972: 18-42).

The polarization effects in relative terms along the welfare borders of the world, which happen to be the outward borders of the economic integration zones, built up by the rich countries, are the basic conflict that confronts the process of transnational integration, and especially European integration today. The second basic conflict is the tendency towards increasing social exclusion in the transnationally integrated core areas themselves.

Transnational corporations and their foreign investments are the cornerstone of the international system, as Osvaldo Sunkel so correctly foresaw in his penetrating analysis a quarter of a century ago. The outward stock of foreign direct investments of 39000 parent firms in their 270000 affiliates reached \$2.7 trillion in 1995. The gross product of foreign affiliates amounted to 8.7% of home country GDP in the countries of the European Union in 1991, the last year with available data. In North America this ratio stood at 6.4%, in the LDCs at 6.5%, and in Central and Eastern Europe at 1.3%. On a world level, the TNCs control 6.4% of the world gross domestic product. In Eastern Europe, too, this relationship is on the rise, with the transnationals now controlling - through their FDI stock - up to 15.6% of the GDP of Eastern Europe, like in Hungary, 1994. The sales of foreign affiliates amounted to 116% of the total of world exports of goods and non-factor-services in 1982; this ratio now has risen to 127.9% (UNCTAD, 1996). For ages, economists have warned repeatedly against the danger of monopoly capitalism. Kalecki and Rothschild should be specially mentioned in this context here. An ever larger proportion of world trade is

nothing but trade between the affiliates and headquarters of transnational corporations.

The international system, in addition, is not only a system of social and economic polarization; it is also a system of recurring international long-run tensions, which erupt along these socio-economic conflict lines. Ever since the days of Akerman's pioneering study, published with Macmillan's before the Second World War, social scientists have studied by quantitative methods the connection between economic long cycles and major wars, among them Modelski, 1987, and Goldstein, 1988. International tension has characterized the world system since 1450 in ups and downs, which have led the world to three catastrophic world wars (Goldstein, 1988). Whether there is room for optimism now, after the end of the so-called Cold War, will be finally decided, among other factors, by the growing tension between the human species and the environment. Each day, 140 species are condemned to extinction; the CO₂-content in the atmosphere is 26% higher than at the beginning of the industrial age; the earth surface was warmer in 1990 than at any point since the middle of the 19th century, when measurements began; each year, a forest area of the world as big as Finland is being destroyed, and each year, another Mexico is being added to the world's population (World Watch Institute Report, 1992).

Rather than predicting the **end of history**, the **acceleration of history** might loom ahead. Sunkel foresaw then, from the viewpoint of his structural economic theory, many of the problems that seem to beset the post-1989 world. In 1993, 76% of the stock of world-wide foreign direct investments was still anchored in the old industrialized countries, and only 23% in the developing countries. Although 40% of all investment flows between 1990 and 1994 went to the LCD's, 4/5 of which to the top ten among the semi-industrialized or newly industrialized nations (China, Singapore, Argentina, Mexico, Malaysia, Indonesia, Thailand, Hong Kong, Taiwan and Nigeria), European leadership towards growth for the European East in an ecologically sustainable way is one of the main tasks of rebuilding the world-economy. Between 1990 and 1994, the share of the 'triad'(US+CAN; Japan; EU) in world GNP rose from 50.3% to 50.7%; the share of the rest of Asia rose from 17.2% to 23.1%, while the participation of Eastern Europe and the ex-USSR in the world economy was nearly wiped out and reduced to half in less than a decade - from 10.9% to 5.3% of world GNP. Will Europe be able to lead to growth for the East, or will - what a bleak, though nonetheless realistic scenario, the stagnation of the East between 1990 and 1994 become the future of the West of the continent (our compilations from Stiftung, 1993, and 1996)?

The gaps between the rich centre in Europe and the surrounding peripheral and semi-peripheral areas are part of the economic, ecological and social history over the last 500 years. They continue to exist today, and if anything, have deepened since the 1980s. In terms of most welfare indicators, as calculated by the UNDP, the East (Eastern Europe and the former USSR) and the southern rim of Europe (the Arab world), are as distant from 'us', the European Union, as the 'Haves' and the have-nots are divided from each other at any welfare border around the world, be it on the shores of the Rio Grande or across the China Sea. At the same time, the population balance, and the balance of military forces shifts in favor of the poorer nations, which surround the rich man's land, the European Union, beset by a growing number of internal problems, like unemployment, drugs, crime, environmental decay, and ageing populations. The following

calculation from UNDP-data, 1995, shows the dramatic character of the welfare gap at the outer borders of the Union:

East-West-gap North-South-gap

for the European Union, by around 1995

real purchasing power 1:3.5 1:4

life expectancy 1:1.12 1:1.22

share of world industrial GNP 1:8.5 -

defense expenditures 1:6.1 1:1.8

population potential, 2000 1:0.9 1:1.3

military personnel 1:1.8 1:1

total GDP 1:9 -

The East's challenge to the ageing north-west is its population and thus migration potential, its high military personnel ratio, but the East's unease number one is its low share in world total GDP and industrial GNP. The South's challenge in military terms has been building up over recent years, combined with a rapid population growth and still existing large-scale poverty. Let us hope and work for peace in the Middle East; but if that is not achieved quickly, and development in the Arab world does not reach down to the poorest strata, centuries of unequal exchange, foreign rule and neglect could combine with the archaic weight of religious tradition - then the *dar al harb*, the world of war and disbelief will be held responsible for 80 million illiterates, for the 73 million poor, for the 12% of resources, spent on arms, for the scarcity of water that affects 55% of the Arabs. If the balance will not be achieved by political and economic means within the next 25 years, then migration and the military expansion of the desperate nations will attempt to redress the balance. With real purchasing power parity rates, the gaps are today:

Japan - East Asia (excl. China) 1:2.6

Europe - Eastern periphery 1:3.5

Europe - South 1:4

North America - Latin America 1:4.1

The professional political optimism of our times in Europe holds that after overcoming the transformation crisis, Europe will re-unite and catch up with the competing market economic centers. Another vision might hold though that the inability of the East to find a proper niche in the world market might spill over to the West of the continent. Social scientific thought in the long-term policy planning and development research tradition - in Austria of Otto Bauer, Karl Polanyi, Joseph Alois Schumpeter, Kurt Rothschild and many other social

scientists, would dare to ask, whether or not the crisis and final collapse of communism, in the end, is the product of the one and single movement in world economic dynamics away from the European landmass and the Euro-Atlantic region towards the Pacific. GDP real growth, p.a., from 1986-95 was:

Asia +7.3%

LCD's in the Middle East and Southern Europe +3.7%

Latin America +2.6%

USA +2.5%

Japan +2.5%

EU +2.4%

Africa +2.4%

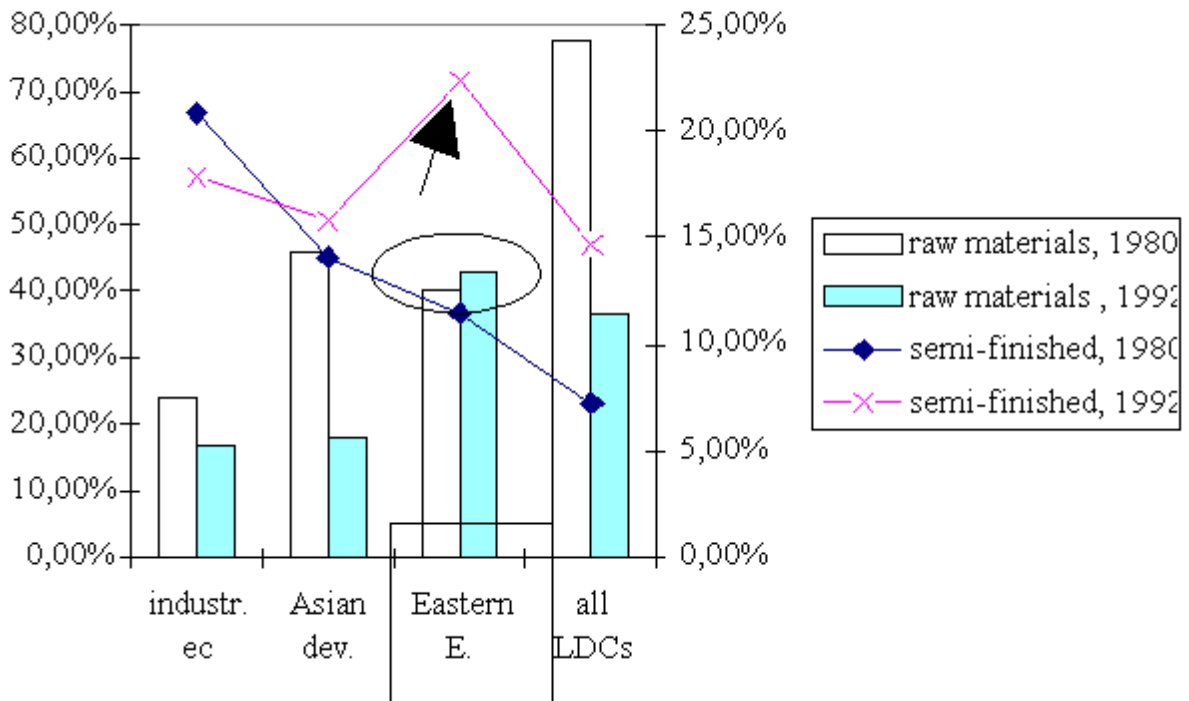
Eastern Europe -1.9%

CIS -4.2%

Source: Stiftung Entwicklung und Frieden, 1996

Re-reading Osvaldo Sunkel's penetrating analysis, written over thirty years ago, one is struck by the parallels between the Latin America of yesterday and the Eastern Europe of today. One of the most recurrent predictions of structuralists as Osvaldo Sunkel, Raul Prebisch, and many others would be that a country, specializing in investment goods and other manufactures has a much better chance for long-run and stable development than nations, specializing in raw materials and semi-finished products. Samir Amin and other critics of the Union have maintained that the structure of trade relations with the outer rim of the Union favors unequal specialization, and prolongs the periphery's trade in raw materials and semi-finished products. Just that that seems to have been the case from 1980 to 1992:

Graph 1.1: Structural dependence of the European East



Legend: right-hand scale: semi-finished products; left-hand scale: raw materials per total exports. Source: our own compilations from Stiftung Entwicklung und Frieden, 1996

While other regions could advance and received a fairer share of the world market, Eastern Europe was increasingly marginalized. More and more, there seems to be a 'legal' and a parallel illegal core of the world economy. What the legal economy cannot redress, the illegal economy will. The mafias around the world have a turnover of more than \$ 500 thousand million a year alone from the narcotics' trade. Each year, \$ 85 thousand million in drug profits are 'laundered' through the financial markets. The new, speculative character of the global market economy dictates that even legal transnationals have to earn much of their profits from speculation on the international financial markets. With that, the basic instability of the international system increases (UNDP, 1994, 1995; Stiftung Entwicklung und Frieden, 1996). Among the most powerful groups, threatening the very fabric of legal society in western countries today, are the following large illegal transnational corporations (with their estimated turnover)

La Costa Nostra (USA) 100 thousand million \$

Colombian cartels (Colombia) 15 thousand million \$

Italian organized crime (Italy) 100 thousand million \$

Cosa Nostra

Camorra

Ndrangheta

Sacra Corona Unita

Yakuza (Japan) 120 thousand million \$

(Source: our compilation from Raith, 1995)

Newcomers, like the Russian Mafia groups, and formally regional groupings, like the Chinese triads, are expanding rapidly as well into the core areas of the world-wide market. By the year 2020, the expansion of these and other criminal corporations will be not a threat, but a reality (Raith, 1995). The logic of accumulation of these large, transnational criminal corporations seem nowadays to reflect the growing weight of 'flexible specialization', while the earlier, post-1932 model reflected 'corporatist structures' (Behan, 1996).

The core of the transnational economy, Sunkel and many others observed, used to be the legal transnational corporation and the legal transnational bank. From 1991 to 1993, the following growth rates were observed:

world GDP +1.6%

world trade +3.1%

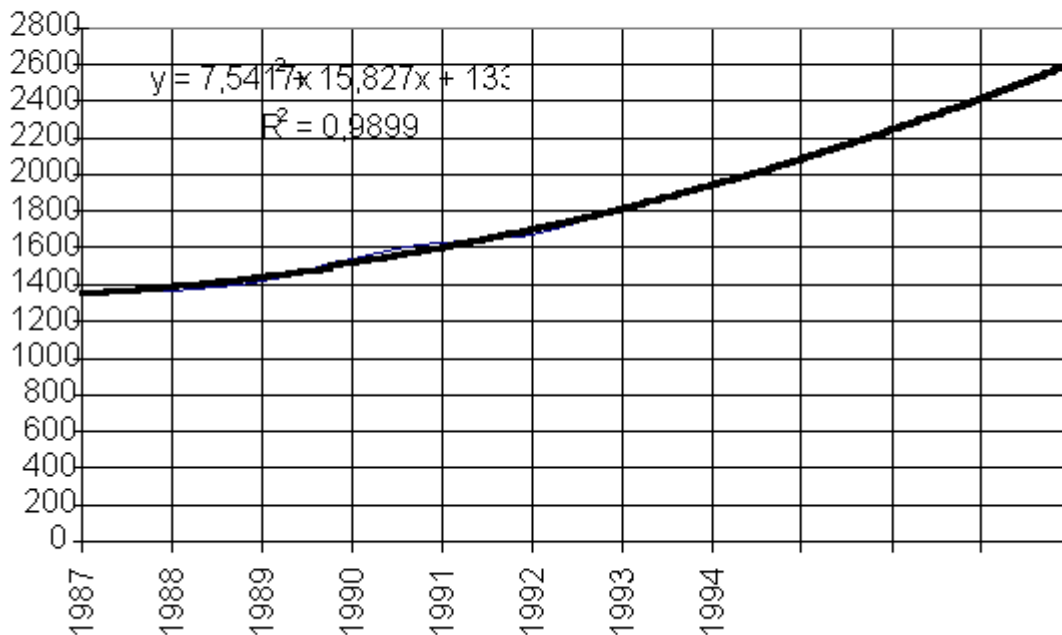
world-wide stock of FDI +8.0%

sales of the foreign affiliates of transnational corporations +20.0%

Source: our own compilations from Stiftung Entwicklung und Frieden, 1996

More than \$ 1000 thousand million are shifted around each day by way of international financial markets. The cumulative debt of the developing countries reaches the staggering proportion of \$ 1945 thousand million, and will tend to grow by around 1998 to \$ 2600 thousand million dollars:

Graph 1.2: The debt crisis of the world periphery



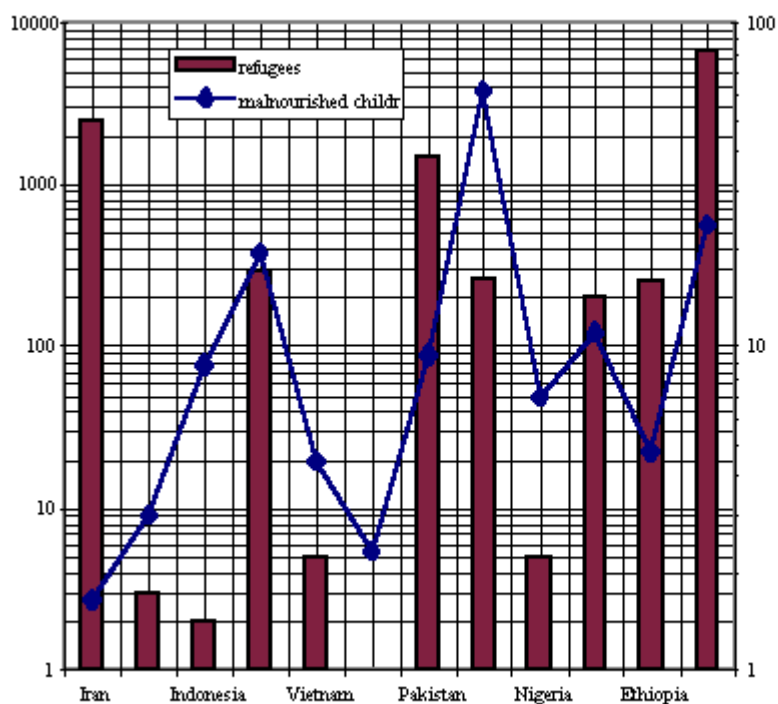
Legend: our own compilations from Stiftung Entwicklung und Frieden, 1996

The problem of international development, to a large extent, is also the problem of underdevelopment and poverty, in which a large part of the malnourished children of this world grow up - 11 - 19 countries, which, in addition, have to shoulder a large part of the world refugee problem as well:

Graph 1.3: The 11 - 19 main crisis points in the world system

	refugees in thousands	malnourished children in millions	
Iran	2495	1,64	
Philippines	3	3,024	
Indonesia	2	8,768	
China	288	19,317	
Vietnam	5	4,413	
Myanmar		2,326	
Pakistan	1480	9,409	
India	260	61,775	

Nigeria	5	6,975	
Bangladesh	199	10,994	
Ethiopia	248	4,749	
Rest LDCs	6805	23,55	



Country estimated number of poor people

according to the capability-poverty-measurement-scale

Mexico	14,5847
Brazil	15,16
Turkey	12,1264
Thailand	11,6894
South Africa	11,8256
Philippines	18,3744
China	204,8725
Iran	17,8502
Algeria	12,672
Indonesia	79,3971
Morocco	12,7729
Egypt	23,4232
Pakistan	73,872
India	530,5605

Tanzania	10,5986
Zaire	17,2542
Nigeria	57,8436
Bangladesh	89,5116
Ethiopia	36,0314
Rest	172,2797

Source: our own calculations from UNDP, 1996 and the data-base of this work

Globalization negatively affected the lives of around 1.5 thousand million people on earth, whose per-capita incomes were lower than in earlier decades. These 1.5 thousand million people live in around 100 countries; while 15 nations experienced rapid capitalist development over the last decade. Among the world's desperate nations, 43 countries had a per-capita income which was lower - in real terms - than that of the 1970s. The poorest 20% of the world saw their share in global product reduced from 2.3% to 1.4% over the past 30 years. The share of the richest 20% rose from 70% to 85%, with the differences between these two rising from 30:1 to 61:1 (UNDP, 1996). In the developed core countries of the world economy alone, 100 million people are categorized as poor, and 30 million are homeless. In the Federal Republic of Germany alone, 900000 people are homeless, nearly 5 million people officially have no job, and 7.5 million are poor (*Orientierung*, 60, 1996: 204). **385 persons on our globe - 358 billionaires- have an income that is greater than the yearly income of the combined poorest 45% of our globe.** The wave of the world recession - or as we prefer to say, the Kondratieff B-phase - first hit Africa in the 1970s, and rolled on to hit Latin America and the Arab world in the 1980s and Eastern Europe in the 1990s. Even in the highly industrialized countries, capitalist development became more and more

(i) **jobless**: in the countries of the European Union in 1993, there were 16.86 million unemployed people. In the industrial countries as a whole, there are 30 million people out of work.

(ii) **ruthless**: global GNP grew by 40%, but the number of poor grew by 17%. In the European Union, the ratio between the richest 20% and the bottom 20% is now 7.5 in France, 9.6 in the UK, 7.1 in Denmark, 5.8 in Germany, and 6.0 in Italy. Each year, damage to forests due to air pollution leads to economic losses of about \$35 billion - about the annual GDP of Hungary. In Europe, the number of poor people increased within half a year from 50 million to 80 million (Afheldt, 1994)

(iii) **voiceless**: human and political rights performance on a global scale has deteriorated in many countries according to the well-known *Freedom House* data series (Stiftung, 1996); even in the countries of the European Union, the following performances in 1993 were below the maximum value '1'

Germany: civil rights 2

France: civil rights 2

Greece: civil rights 3

Great Britain: civil rights 2

Northern Ireland-political rights 5

civil rights 4

Irish Republic: civil rights 2

Italy: civil rights 3

Spain: civil rights 2

More than 100 million people live below the official poverty line in the industrial countries; more than 5 million are homeless. The poorest 40% receive only 18% of total incomes. Women receive on average only 2/3 of the income of males; and hold only 12% of parliamentary seats

(iv) **rootless**: 10000 cultures of humans and millions of species are on the verge of disappearance world-wide; local human dialects, cultures and accents, disappear also in Europe at a rapid pace. Nationality conflicts and regional conflicts have increased in many countries of Europe over the last decade. Low-quality satellite TV more and more substitutes national TV output; the transnational economy dominates more and more domains of radio, TV, and the press. Even in EU countries, nationally made films amount from only 2% (Greece) to 34.9% (France) of all films shown in cinemas. The US film industry holds a market-share of 2/3 or ¾ and more. At the same time, social deviance increases in the age of rootless growth or stagnation. In the European Union, there were 77 prisoners per 100 000 people in 1987; now there are 87. The intentional homicide rate is Union-wide 7.7 per 100 000. 44% of all male EU adults smoke (women: 25%), alcohol consumption is 9.6 liters per capita and year, and the male cancer rate is 235, the female cancer rate is 171 Union-wide. Television takes up now some 40% of the free time of the average American, and participation in voluntary associations such as the Red Cross has declined by 25-50%. The basic networks, necessary for the functioning of democracies, are on the retreat around the globe. Trade Union membership rates declined in the Netherlands from 39% in 1978 to 25% in 1991; from 30% to 15% in the USA et cetera. In the Union as a whole, trade union membership declined from 37% in 1970 to 33%; in Austria and in many other countries, the decline was even more dramatic (from 62% to 46%). Nearly 130000 women are reported annually to be raped in the industrial countries.

(v) **futureless**: annual fresh water withdrawals amount to 862 m³ in the Union. Commercial energy use in oil equivalents is 3588 kg per capita in oil equivalents, and each year, the Union produces 15.13% of the world's greenhouse gas emissions, 3373 metric tons of heavy metal from nuclear reactors, 48220 tons of hazardous highly-toxic waste. The average Union citizen produces 399 kg of municipal waste a year, and recycles only 45% of his or her paper and 52% of his or her glass. 2 million people are already affected with HIV.

In the developing countries, despite the increases in life expectancy over 1960-93, the specter of poverty is still overwhelming. 1.3 billion people are to be classified as poor, 800 million people do not eat enough food, and 500 million are chronically malnourished. Each year, 20 million hectares of tropical forests are degraded or completely cleared; there are now 11 million refugees in the developing countries, and entire regions are affected by destabilization and war, most notably the lake region of East-Central-Africa, wide areas of Central Asia, and some countries of West Africa.

Instead of an end of history, global or regional anarchy in countries like Kampuchea, Somalia, Yemen, Afghanistan, Tajikistan, Georgia, Liberia, Sudan, Bosnia, Ruanda, Burundi, Angola, and Mozambique seems to be likely. In a very brilliant commentary, Rudi Dornbusch thinks that another Mexican crisis - or rather Peso disaster for the world economy - is likely (Dornbusch, in Business Week, November 25, 1996). The capacity of the US to act as a global policeman under such circumstances is severely constrained by the secular balance of trade deficit of the US economy, not being offset by an enough positive balance of services and payments.

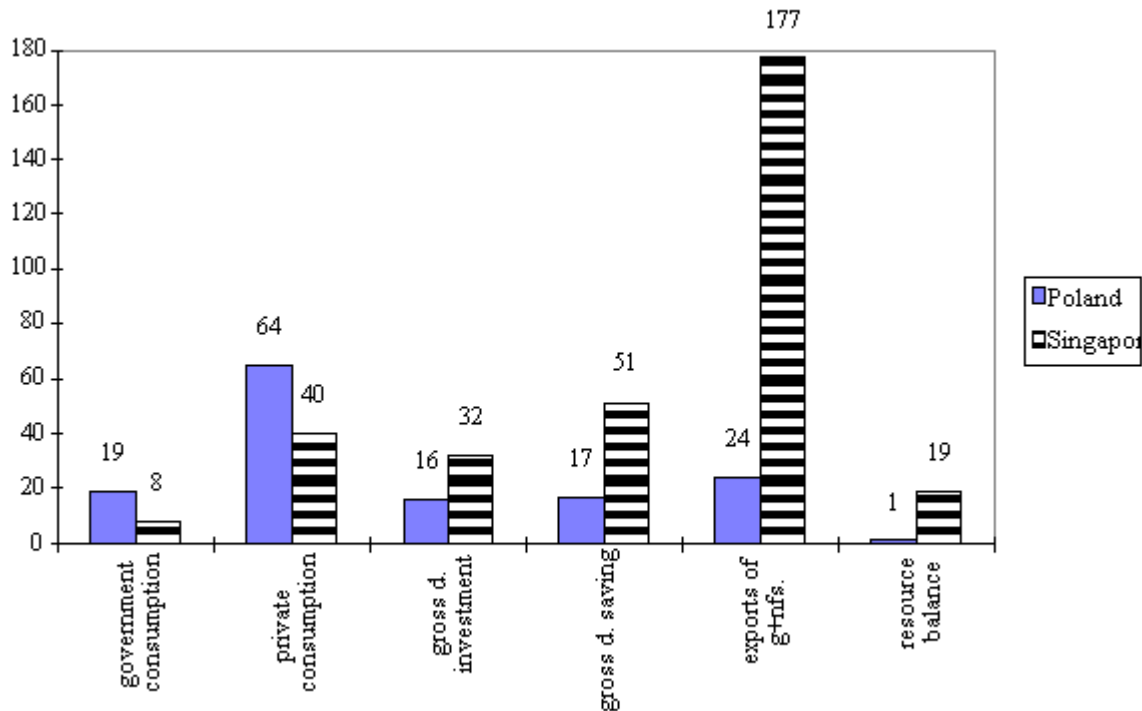
The contradictions of capitalism today are truly global: during 1965-90, world merchandise trade tripled, and financial cross-border flows exceed a trillion US \$ a day. In the light of the empirical research results of macro-quantitative social sciences, we have to start from the assumption here that MNC penetration, i.e. the relationship between MNC investments and the size of the economy of the host country, has unfortunately a long-term structural negative effect, which goes beyond the earlier Kondratieff-cycle that ended by around 1982; affecting development in the contemporary, post-1982 world. The main reason for the short-term dynamic, but long-term structural negative effects of FDI have been often seen by economists and other social scientists to be the structural inability of the host country to achieve a process of their own proper savings, and positive trade and current account balances. The negative effects of transnational foreign investment dependence on the more long-term growth of societies in the world system are demonstrated by the effects of the UNCTAD variable 'share of inward FDI stock in gross domestic product' by around 1985 on subsequent growth and redistribution.

As it is well-known, the current account balance is the broadest measure of a nation's trade and world market performance. For the neo-classical economists, this is mainly so, because import substitution and market imperfections are at work in the highly penetrated countries, while for the *dependency*-schools, the monopoly situation of large corporations alongside a backward or semi-backward business environment creates outflows due to transferred profits and royalties, which are much higher than inflows in the long run.

The internationally comparable economic and social data from the World Development Report 1996 by the World Bank make this point for the transition economies very clear. Poland, with its recent spurt of economic growth already often termed the 'European tiger', achieved a per-capita-income in internationally comparable \$ of 5480 \$. The current account balance before official transfers amounted to -3.1% of GNP in 1994, and the net value of the external debt amounted to 37% of GNP. On the positive side for Poland, official development assistance amounted in 1994 to 2.0% per GNP, the highest value for all the transformation countries in Europe with complete data except Albania.

But the 27% of population, who live from agriculture, just receive 6% of the total GNP - an expression of the perennial structural heterogeneity of Polish society, which characterizes the country from the Long 16th Century onwards.

Graph 1.4: The demand side of the distribution of gross domestic product in a Tiger economy and in a successful transformation country - Singapore and Poland compared



Legend: our own compilations from World Development Report, 1996, World Bank

The following comparison might again be dramatic, but it tries to drive home an important point: Europe is too restrictive in its economic relations with its periphery. The annual growth rates of exports and imports after transformation also clearly show the difference between Europe's restrictive interaction with its peripheries and the East Asian growth model, based on labor-intensive exports:

Poland Singapore

export growth, 1980-90 +4.8% +12.1%

export growth, 1990-94 +3.9% +16.1%

import growth, 1980-90 +1.5% +8.6%

import growth, 1990-94 +26.3% +12.1%

The policy approach, which is at the basis of this study, realistically assumes that the following determinants will be of the utmost importance for the success or failure of the project of European integration and European unity:

(i) Europe is characterized by the typical 'mix' of countries that are doomed to stagnation

(ii) Europe must come to terms with the 'new' social problems arising from the contradictions of the process of global environmental destruction, to which Europe as one of the main regions of world industry and traffic disproportionately contributes, and Europe must find a proper way for gender empowerment

(iii) Europe must come to terms with the contradictions of world cultures and world cultural conflict, global anarchy and global decay

(iv) Europe must come to terms with the contradictions between Europe, the developed centre, and its Eastern European periphery, and the problems of political instability, nationalism, and unequal development, which the present form of interaction between the centre and the periphery bring about

(v) Europe must come to terms with the contradictions of the process of the ageing of democracies, especially phenomena which one might term *sclerosis bruxelliana* and *sclerosis Europea*

Development is seen here as a multi-dimension process in the tradition of recent UNDP-centered research. Apart from per capita income growth, our indicators also analyze the maintenance of growth during the changing conditions of the post-1980 world as compared to the development experience from 1965 to 1980. Our measurements of development include, among others, life expectancy, life expectancy increases, political rights violations, human rights violations, the UNDP human development index, the UNDP gender-related development index, the UNDP gender empowerment index and, last but not least, the UNDP greenhouse index as an indicator of pollution. The human development index weights longevity, income, knowledge and standard of living. It is composed of per capita incomes, education and life expectancy variables. We also control for the effects not of internal, but international distribution coalitions as a co-determining factor of ascent and decline in the world system. These international distribution coalitions are closely linked to the number of years that a country is member of the UN.

2) The theoretical framework: what can policy-makers know about the ascent and decline in the world economy?

Above, we already mentioned some of the controversies that surround the process of globalization. The world view of this analysis holds that the transnational system is characterized today by two basic tendencies (i) the tendency towards globalization (ii) the tendency towards an erosion of the world political order that shaped the world after 1945. Because of the phenomenon of dependency and unequal exchange, there could be an underlying tendency towards conflict in the world system again, as already happened during the earlier world political cycles from 1495 - 1618, 1648 - 1791, 1816 - 1945.

The transnational world-wide market economy has expanded tremendously since the early 1980s. A look at transnational investment flow statistics shows this process in all clarity:

Table 2.1: Global patterns of foreign direct investments, 1975-1995, in billions of \$:

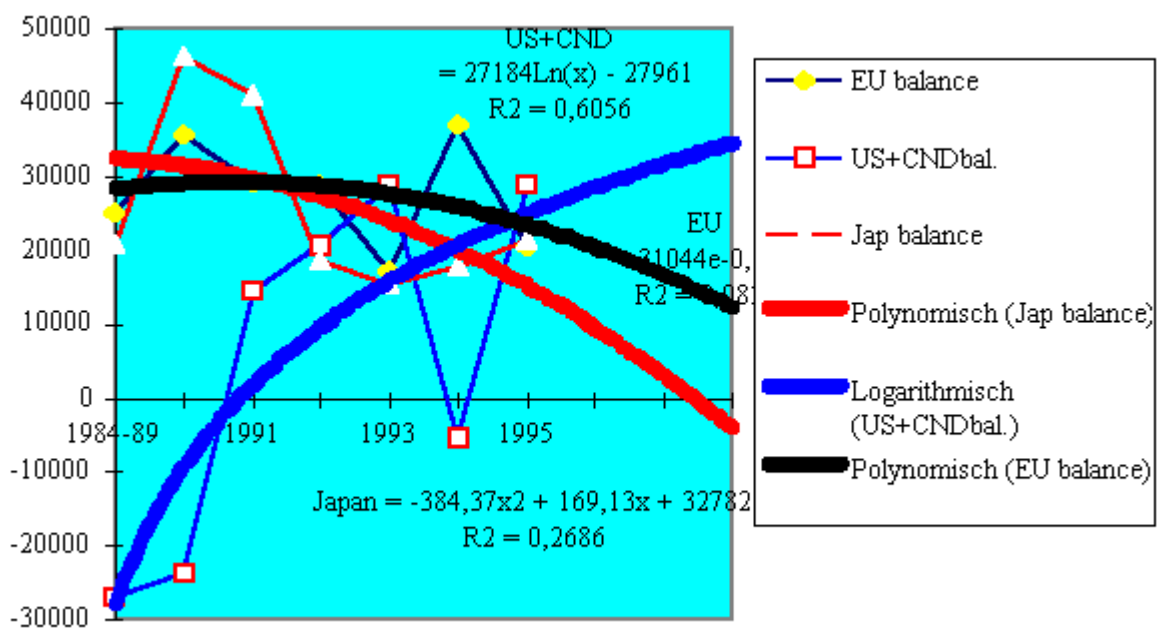
<i>total outflows</i>	1975-79	1980-84	1985-89	1990	1991				
from US	15,9	9,6	22,8	33,4	29,5				
from Japan	2,1	4,3	23,8	48	30,7				
from EC	14,2	20,9	59,4	97,5	80,5				
other industr.	2,5	6,2	22,4	30,6	24,8				
LDCs	0,6	1,4	6,5	12,9	11,8				
total industr.	34,7	41	128,4	209,5	165,5				
<i>total</i>	35,3	42,4	134,9	222,4	177,3				
<i>total inflows</i>	1975-79	1980-84	1985-89	1990	1991				
to US	6,1	18,6	48,2	37,2	22,2				
to Japan	0,1	0,3	0,1	1,8	1,4				
to EC	11,4	14,2	38,4	85,9	67,7				
other industr.	2,3	3,1	11,4	23,8	23,9				
LDCs	7	16,4	19,5	30,9	42,7				
total industr.	19,9	36,2	98,1	148,7	115,2				
<i>total</i>	26,9	52,6	117,6	179,6	157,9				
	OECD inflows	OECD outflows	LDC inflows	LDC outflows	CEE inflows	CEE outflows			
1990	169,8	222,5	33,7	17,8	0,3	0,04			
1991	114	201,9	41,3	8,9	2,45	0,04			
1992	114	181,4	50,4	21	3,77	0,1			
1993	129,3	192,4	73,1	33	5,59	0,2			
1994	132,8	190,9	87	38,6	5,89	0,55			
1995	203,2	270,5	99,7	47	12,08	0,3			
	EU inflows	EU outflows	EU balance	US+CND infl.	US+CND out.	US+CND bal.	Jap inflows	Jap outflows	Jap balance
1984-89	37702	62641	24939	48656	21511	-27145	81	20793	20712
1990	97387	132959	35572	55773	31900	-23873	1753	48024	46271
1991	77715	106842	29127	24760	39111	14351	1730	42619	40889
1992	79812	108716	28904	22097	42613	20516	3490	21916	18426
1993	74467	91488	17021	46125	74803	28678	234	15471	15237
1994	64017	101070	37053	55803	50421	-5382	908	18521	17613

1995	111920	132285	20365	71418	100291	28873	39	21286	21247
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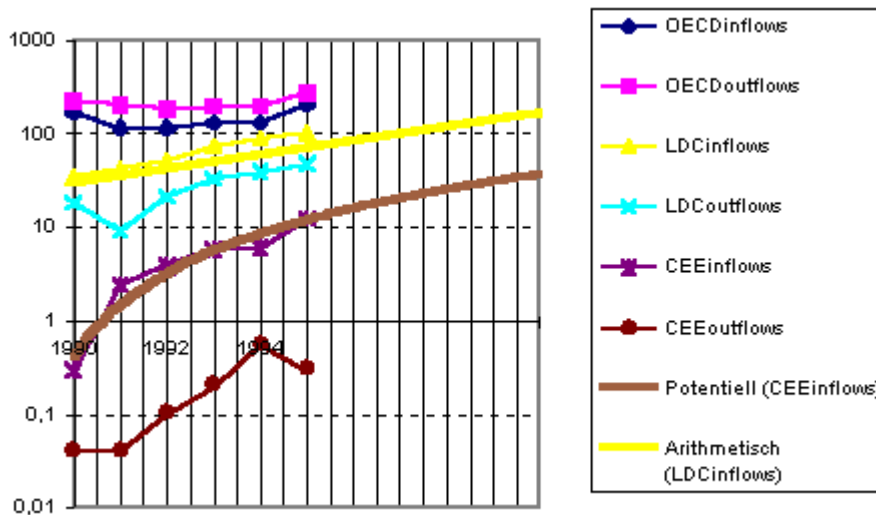
Source: our own compilations from Bailey, Parisotto and Renshaw, 1993, and UNCTAD, 1996

It might very well be possible that the following trends emerge from the international inflow and outflow statistics:

Graph 2.1a: Capital flows, projected from outflow and inflow data 1984 - 1995 from major economic regions. North America will become the major source of capital outflows over the coming years



Graph 2.1b: Capital flows, projected from outflow and inflow data 1984 - 1995 from major economic regions. The scenario is optimistic for the LDCs and Eastern Europe



Source: our compilations and projections from the data, quoted in Stiftung, 1996, UNCTAD, 1996

The United States current account balance deficit widened to \$ 35.59 thousand million in the first quarter of 1996 from a revised \$ 30.44 thousand million in the fourth quarter of 1995. Acquisitions of foreign assets by US residents slowed sharply, and total net capital inflows of \$43.1 thousand million were recorded in the first quarter of 1996. Apart from the USA, the LDCs - especially in East and South Asia and the Americas - will become the major investment areas of the international order, while Europe as a whole loses (with shifts between Western and Eastern Europe still being likely). Thus, Eastern Europe could become again a contested zone of influence - in between the eastward expansion of west European, Asian and North American capital and a newly asserted Russian power projection.

Why some nations grow faster than others, is an explosive issue of international relations that contributes towards the distribution conflicts in the international system, especially after the end of the 40-to 50 year hegemonic periods that characterize the world economy after 1618, 1816, and 1945. Among the theories of social science, claiming compatibility with the empirical findings of cross-national policy planning and development research, are those dealing with international competitiveness, liberal theories of institutional reform and transformation, and finally approaches in the tradition of social safety and social dialogue, which claim that the factor of societal 'embeddedness' is the most important determinant of world development. Although liberal approaches of institutional reform were rather dominant in the debate after 1989, the other theories and policy approaches equally claim quantitative evidence on a world scale in their favor. Our analysis of the theoretical structure of the arguments will be rather short and condensed; all three major approaches are presented in terms of their contribution to the evolving European policies *vis-à-vis* the Eastern half of the continent.

Improving international competitiveness of the peripheral regions surrounding Europe: the dependency perspective

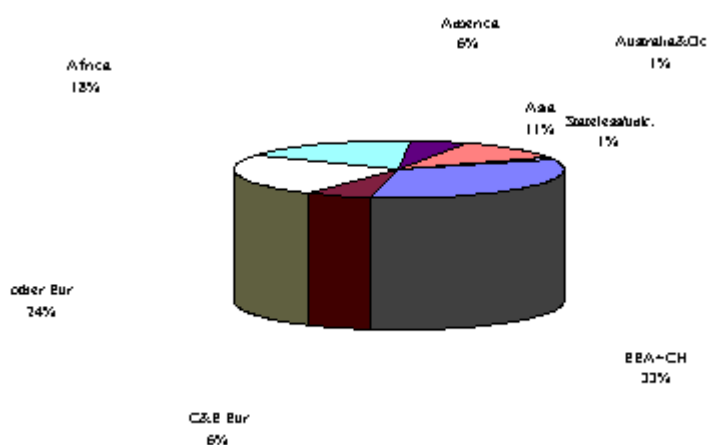
Why some nations grow faster and socially and environmentally less contradictory than other nations, can be explained by various social science theories. Much amount of western aid, including EU aid, to the less-developed regions of the world is devoted to the dimension of international competitiveness. A brief look will suffice here to explain the theoretical backgrounds to this approach. Poor regions must be supported to achieve a sufficient level of international competitiveness. Hirschman, Kaldor, Kalecki, Mandelbaum, Rosenstein-Rodan, Rothschild and many other prominent economists, who knew the Eastern European region very well, were all very much aware of the problems of monopoly power and structural imbalances that are to be observed under conditions of 'market imperfection'.

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 spring issue of the *Journal of Peace Research* a quarter of a century ago (Galtung, 1971). Skepticism about the expanding world order, dominated by the transnationals, as a tool for achieving stable market-oriented development persisted, the neo-liberal transformation literature in the wake of the earthquake of the revolution of the year 1989 in Eastern Europe and the breakdown of communism notwithstanding (Aslund, 1992; Sachs, 1993). The second '*Great Transformation*' of our century that from socialism back to the world-wide market economy, can be seen in the perspective of the specific globalization aspects also inherent in the writings of Karl Polanyi: a Polanyian world view would hold that authoritarian socialism in Eastern Europe crumbled like the old Hapsburg empire back in 1918 under pressure of the world market that democracy had a chance in the region, as it had from 1918 onwards, but that this new chance, as the one in 1918 is now being at stake. For followers of the globalization school, Polanyi's anthropology in a way foresaw the destabilization, the nationalist warfare, the unemployment, the international conflict, the social decay, and the more than 800000 excess mortality cases since the transformation in the whole of Eastern Europe and the former USSR, as Cornia's UNICEF study so aptly put it in 1994. These phenomena also, the argument goes on, imply why in the East the lessons of 'critical' development theory should remain on the agenda. Political turmoil continues in some regions of Eastern Europe and the former USSR 7 years after the transformation, and transnational crime from the East and the South has become a very serious negative factor in international relations. Indeed, it is even plausible that the old big-power rivalries will continue under the new banner of culture and nationalism. Only four of the seventeen countries that adopted democracy during the Kondratieff cycle B-phase between 1915 and 1931 could save democracy; and today, freedom in the world is again on the retreat while violence and repression is on the increase. At the end of 1993, only 57.5% that is, 107 out of 186 UN member countries had competitive elections and various guarantees of political and human rights (Lipset, 1994: 1).

Small nations in the world economy might find it difficult to get access to bigger markets. That is one of the main themes of dependency theory. In Western Europe, unemployment and early retirement rose dramatically, while in the USA there was a considerable withdrawal from the labor force into crime (Wood, 1994). The institutional greater flexibility of wage labor in the US still allowed for a better employment creation record than in Western Europe, with both major regions of developed capitalism being affected by trans-border migration and a growth of the shadow economy. The South's official exports of manufactures to

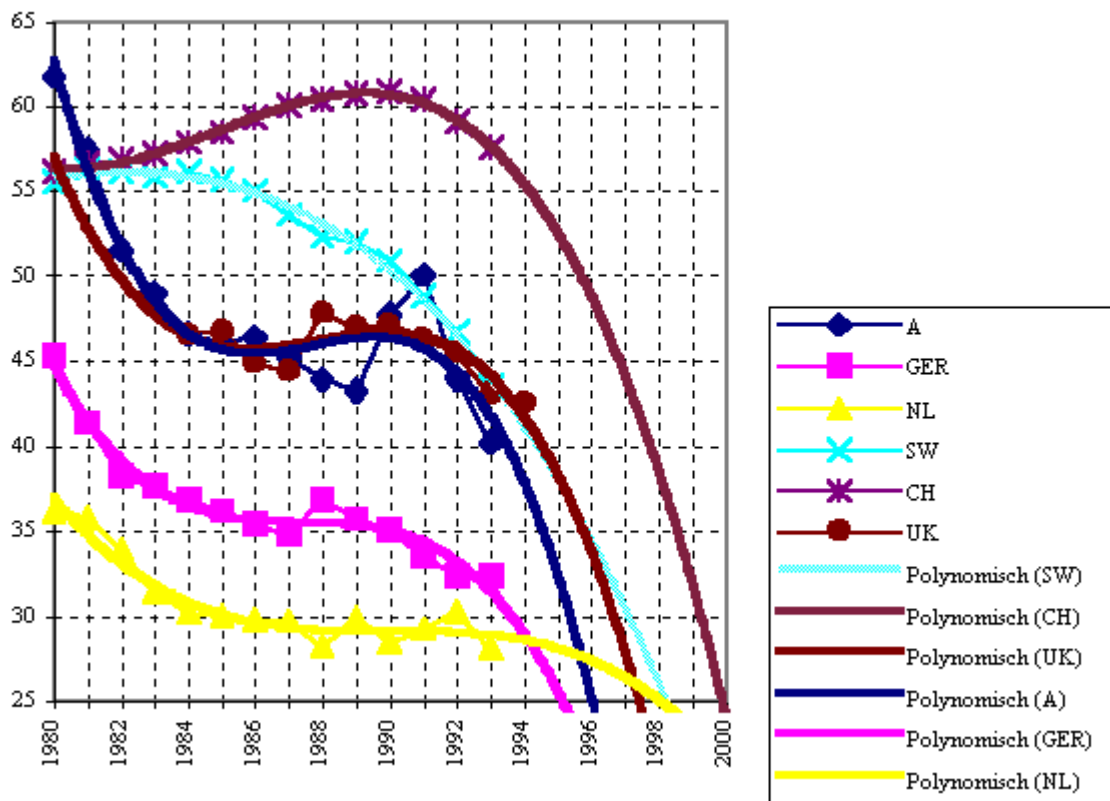
the developed countries have meanwhile risen to \$ 250 thousand million a year, and the developed countries' and East's industrial labor intensive base shrinks rapidly. That there is a new international division of labor seems to be increasingly out of the question. The cumulative effect of the expansion of trade in manufactures and services with the South reduced the demand for unskilled labor in the developed countries and the East relative to skilled labor. In the developed countries, this amounts to a 20 percent reduction in the relative demand for unskilled labor (Wood, 1994). Transnational capital and its tendency to re-deploy the sites of production world-wide is seen by the theories of neo-dependency and international division of labor as the basic underlying cause of the crisis in the developed countries themselves (Froebel et al., 1977-86; Ross and Trachte, 1990; Tausch and Prager, 1993). Wage and personnel side costs in industry per hour in a country like the Federal Republic of Germany (*alte Bundeslaender*) or Sweden exceed those in the United States of America by a ratio of approximately 2:1, those in a country like Turkey by a ratio of 6:1 (Weltalmanach, 1995: 989-990). Automatization, work robots, rationalization and personnel reduction are the answer of capital *vis-à-vis* the high labor costs in industry in some leading industrialized countries. Although some dependency authors, most notably Chase-Dunn, 1984, dismissed this 'new international division of labor' approach, millions of jobs, especially those of women, were lost in Northern manufacturing over recent decades and were 'exported' to the East and the South. There are very clear trends, this school maintains, towards peripherization and marginalization of entire regions, social groups and industrial sectors in the developed countries. Ross and Trachte were among the most prominent authors to voice such concerns in the USA; in Europe, the '*Starnberg group*' authors Froebel, Heinrichs and Kreye advanced this point in a systematic fashion.

Graph 2.2: national origin of the foreign population of 16.9 million people, living in the European Union countries



Legend: C&E Europe: Central and Eastern Europe, not yet members of EU; EEA+CH: European Economic Area + Switzerland. Our own compilations from Salt, 1996

Graph 2.3: the legally employed foreigners as a percentage of the number of total foreigners in selected European countries, 1980 - 1994 and projections until 2000



Legend: the percentage of legally working foreigners per total foreigners, 1980 - 1994, and projections (polynomial expressions of the 3rd or 4th order) until 2000 according to EXCEL 5.0

The market economies of Western Europe first imported labor; now, with the transfer of production away from the European central zones, foreigners become increasingly marginalized. In the inner cities of countries like France, Germany, and Britain, real 'ghettos' develop, a process that began in the United States of America three or two decades ago. Women also have to suffer from these tendencies, as their jobs are being exported away to the still much-lower paid labor power of the periphery and the semi-periphery (Stiftung Entwicklung und Frieden, 1993). Neo-dependency schools would fear that the most recent tendencies of world capitalism will strongly work against high female employment and create female unemployment, and they would expect two hypotheses to hold (i) transnational capital marginalizes female labor power (ii) the dynamics of growth turn away from those countries, where women still have a strong position on the labor market. The measurement scale, compatible with such hypotheses, would be the share of women in total employment and it's trade-off with growth rates. The new indicator series, developed by the UNDP for the UNO-Women-Conference in Beijing 1995, provide a further testing ground for the different feminist social theories of world development.

In international feminist literature, it has been maintained for the logic of the preceding Kondratieff cycle that the world system - especially penetration by transnational corporations - creates a sexist pattern of development, which leads to a growing marginalization of women, especially in the periphery and semi-periphery. Feminist approaches in social policy would consider that the share of women in the national legislature and the share of women in the total labor force reflect the positive role of women in society. More recent indicator series are available from the UNDP.

The heritage of the world depression in the 1980s, as was already explained in greater detail in Tausch/de Boer, 1997, is said to be unequal exchange, another important concept of dependency and world system theories.

The main operationalizations of the concept of dependence in this study will be MNC penetration, measured either during the B-phase of the preceding cycle or by the more recent UNCTAD-time series on the share of inward FDI stock in gross domestic product from 1980 to 1994, and more traditional indicators of dependency, like terms of trade or trade dependency. A great number of economic nationalists and neo-nationalists cherish such an argument. Their position in part would be at least understandable, if MNC penetration indeed were to contribute to underdevelopment in the long run, short-term spurts of growth notwithstanding.

The share of foreign trade per total GDP is for some social scientific theories the symbol of the status of a nation as a small state in world society, conducive to social compromise and world economic adjustment. Opportunity of access to bigger markets will be deeply connected with this variable. Some dependency schools would regard however the share of trade per total product as an indicator of dependence (Hoell, 1983; Rothschild, 1944-1985). The main theoretical expectation of the refined globalization model in the tradition of Cardoso can still be summarized as follows:

(2.2a) **structural imbalance of the development process** (like high polarization of income distribution, insufficient human development, political or human rights violations) = constant + b1 * **MNC penetration** index + b2 * **trade dependency** index - b3 * **terms of trade** index

while 'classic' small state theories and early macro-quantitative studies of development in addition would expect:

(2.2b) **economic growth** = constant - b1 * **MNC penetration** index - b2 * **trade dependency** index + b3 * **terms of trade** index

The liberal and social reformist perspective: creating the institutional environment in the periphery and semi-periphery

The presentation of the liberal and socio-liberal counter positions to the dependency approach will be rather condensed. The basic problem of institutional reform in the less developed part of the world economy is the creation of a market economy, based on private property in the framework of democracy. Over recent years, the liberal doctrine challenged the near dominance of globalization-paradigms in international social science that was evident in the late 1970s and the early 1980s. During the 1980s it became the dominant

paradigm of **politics** in the USA, the UK and many other places. For the transformation countries of Eastern Europe it had a paramount importance. There are certain myths and fallacies involved in the interpretation of these theories.

First of all, - and this might be perhaps surprising to many - **there is** a certain **structural similarity** between many of the arguments from **dependency theory and liberal development theory**, once you 'translate' one theoretical language into the other and vice versa. As the *Economist* paper put it on October 26, 1996:

'although some investment can be financed by foreign money, high savings rates will be needed to pay for the accumulation of capital and thus to boost growth rates'

For a true liberal economist, dependency is a special situation of the typical constraints, caused by a policy of import substitution and export discrimination. Policies that create double deficits (huge current account balance deficits + large state sector budget deficits) and discriminate against internal savings, will lead to a high propensity to import foreign capital, often still aided by *de-iure* or *de-facto* policies that prevent enterprise creation and savings mobilization. The growing peripherization of the United States of America should be also mentioned in this context. According to the World Bank World Development Report, 1996, the current account balance of the United States in 1994 before official transfers was the largest single negative current account balance in the world (\$136.484 thousand million); the current overall central government deficit per GNP in 1994 was 3%. Neo-classical economists would agree with *'dependentistas'* in their critique of import substitution strategies, currency overvaluations, and - hence - the discrimination against exports in benefit of the urban sector and to the detriment of rural society. The basic argument of such a sophisticated version of the neo-liberal school further runs as follows: in world politically stable countries with long recognised international borders, narrow distribution coalitions emerge in the wake of too big a state sector influence, and they will thwart growth perspectives and bring about stagnation and unemployment. High *real* appreciation of the national currency (Poland + 9% 1990-94) declining private savings rates (Poland: 12.4% growth rate of *private consumption*), inadequate investments in the tradables sector, low export growth rates compared to imports, high official *current account balance deficits* per GDP (estimated by some economists to be unsustainable when twice the numerical value of the *export growth rate* or more), a growing reliance on short-term capital flows and large currency exposures are well known to both neo-classical economics and dependency theories alike (Dadush and Brahmhatt, 1995). In addition, the state and its economic activities will be most harmful in older democracies due to the unhalted workings of the mechanism of narrow distribution coalitions.

Measured in terms of central state sector expenditures per total GNP, the average European Union country today (50.9%) is more 'socialist' than most former communist states. Even in the UK, after years of conservative rule, 39.9% of GNP in 1994 was controlled by the central government in London, a figure, which does not include expenditures by government in the broader sense in the municipalities *et cetera*. One of the reasons, why the central government share in the USA (22.2%) is lower than in most European countries is simply that

the USA are a very federal system (World Bank, World Development Report, 1996; UNDP, Human Development Report, 1995). True liberals would not preclude that distribution coalitions indeed foster situations, where imported capital plays a predominant role in an economy. What might be politically valid for old democracies like New Zealand or the United States, does not necessarily hold true for a young democracy like Spain after Franco or Poland after the downfall of communism.

Neo-liberal cross-national studies of growth and development tended to conceptualize 'systems age' or 'age of democracy' by the number of years that a polity enjoyed without changes to the externally recognised borders and in the framework of the establishment of free and competitive elections to the legislative chamber(s) (Weede, 1985-1992). Our operationalizations of the concept of system's age are here the concept of the strength of international distribution coalitions: '*years of United Nations membership of a state*', to account for the 'internationally recognised' position of a country in the international community. Thus, the power position as a distribution coalition broker in the international system is being measured:

(2.3a) **stagnation** = constant + b1 * **age of the international post-war system participation** + b2 * **national state sector influence** (like state sector expenditures per GDP)

or, on a world-scale:

(2.3b) **stagnation** (in the countries of the world system) = constant + b1 * **chance for distribution coalitions to arise** (years of UN membership) + b2 * **state sector influence** (like state sector expenditures, **government consumption** per GDP or share of **public investment** per total investment) - (b3 * **proper internal and external conditions for the defense of democracy** (a firmly entrenched democratic system and a stable integration into the Western security zone - b4 * **cultural preconditions** (like the Huntington Index)

Ever since the classical political economy of J.S. Mill, socio-liberal reformers have maintained the compatibility of social reform and market economic/capitalist growth. The official social doctrine of the Catholic Church in some aspects is using similar arguments - from Pope Leo XIII to John Paul II. There are common denominators for a reform-oriented social policy program: a leading variable, of interest to this school, will be social security benefits expenditures per GDP in the contemporary period. The social insurance program experience index measures the social security experience of a nation during the earlier Kondratieff cycle as a precondition for contemporary growth.

Some authors in the tradition of this 'social policy approach', summarized in a statement by Nancy Birdsall from the World Bank before the delegates of the Social Committee, UN General Assembly, October 19th, 1992, would also expect - ever since the publication of the World Development Report 1984, - a very strong negative relationship between development performance and population growth. Throughout his academic and political life, Myrdal emphasized this point of development theory, thought to be so important for the structure of labor markets, income distribution, and economic growth. Apart from that, human capital formation and the patterns of human ecology and the use of scarce

natural resources, all connected with the population issue, are of relevance for this approach (Tausch and Prager, 1993). The anti-natalist view, however, is not shared by the mainstream of Catholic reform thinking.

The liberal corporatist school, an important sub-school, which draws its experience from the post-war development of countries like Sweden or Austria, treats the combination of world economic openness (trade dependency index) with a democratic political regime (for example a low index of violations of civil and political rights) as an ideal mix, conducive towards political compromise and a partial alliance between capital, wage labor and the state. It expects positive trade-offs between world economic openness, democracy and social policy on the one hand and economic and social performance on the other hand. Katzenstein was most prominent to formulate such a theory (1984); others, most notably Schmidt, 1986, and Munoz, 1982 followed suit. According to the social policy approach, markets always need the element of existing and functioning social safety nets. Rent seeking is a reality, but it is a process that in the end redistributes incomes upwards and wastes economic resources. By concentrating social policy on the real needy and poor sectors of society, an impetus can be created to cut government expenditures in other areas.

By way of summary, a social and ecological reform theory would expect at least:

(2.4) **pace and level of development** = constant - b1 * **increase of fertility rates 1960-90** (UNDP, 1993/94) + b2 * **social insurance program experience index** (or **social security benefits expenditures as % of GDP**) + b3 * **share of women in the membership of national legislature or other measures of gender development** - b4 * **total fertility rate** - b5 * **share of richest 20% in total incomes** + b6 * **trade dependency index**

3) *The international environment is basically unstable. A survey of the contemporary research methods for the study of changes in the world system since 1989*

International social science since the mid-1960s studied patterns of international development in a cross-national perspective. This movement towards retrievability of research results, based on statistical analysis with internationally available and recognised data, which was initiated, amongst others, by the late Karl Wolfgang Deutsch from Harvard University, had important implications for international social policy. It allowed for the rigorous testing of hypothesis, contested in the political arena in an often passionate fashion.

Our attempt to estimate the determinants of world economic and social development **from 1980 onwards** tries to be based in this tradition. The UNDP Human Development Reports, our main new data source, emerged over the years as one of the leading socially scientific relevant data collections for cross-national research; the wealth of data contained in them shows concern for the global environment and for social decay and by far exceeds in quality other comparable products on the market today. The choice of the time period corresponds to the Kondratieff-type long cycle theories that are presented below. Our data collection goes on to use some materials which are relevant for the description of the long-run position of a society in terms of ownership of the means of production (public investment, transnational investment), the social security program experience, and ethno-linguistic fractionalization from the Bornschier/Heintz data collection. In combining the new UNDP data with these older materials from Bornschier/Heintz and the *World Handbooks of Political and Social Indicators*, I-III, pertaining to the earlier Kondratieff cycle, we fully integrate the new knowledge about cycles into our hypotheses.

Our data sources for the study of this latest phase in the evolution of transnational capitalism relied at least in part also on Fischer Weltalmanach; Nohlen; Seager and Olson and Stiftung Entwicklung und Frieden, which are excellent data handbooks for the study of international relations. Some data were also cross-checked with Tausch, 1993, 1994; UNECE; UNICEF (Cornia, 1993 and 1994); and the World Bank *WDR* and other sources. Our main samples of 123 nations and 135 nations comprised all the countries for which UNDP reports economic growth rates and life expectancies at two different periods. The countries of the ex-USSR are not being included for the reason of data limitations, while other 'real socialist' or ex-'real socialist' nations, like China and Hungary, at any rate integral parts of the conceptualizations of the capitalist world economy today, do form part of our main 123 and 135 countries' investigation.

Our leading, but not exclusive indicator of the process of dependence and globalization is the historic legacy of MNC (Multinational Corporation) penetration of a country in the earlier Kondratieff-cycle (Tausch/de Boer, 1997) or the effects of the share of inward FDI stock in the gross domestic product of the host countries of MNC penetration. The MNC-penetration-concept was first contained in the very widely used publication by Bornschier and Heintz, reworked and enlarged by Ballmer-Cao and Scheidegger, later on widely popularized by the book publication Bornschier/Chase Dunn, 1985. The emphasis was on MNC

investments, 1967 and 1973, weighted by population and total capital stock. The more recent UNCTAD concept of the share of FDI stock is defined in terms of total host-country GDP. That is to say, available measurements correspond to the value of the indicator during the B-phase of the earlier long economic cycle.

The more dependent a country is in the system of the world-wide market economy, the greater will be the penetration of its economy by transnational capital. Dependency theories (Cardoso/Faletto, 1971) hold that the countries of the periphery were integrated into the world-economy in the following sequence of events

(i) *desarrollo hacia exterior* (development to the outside)

(ii) *desarrollo hacia adentro* (inward-looking development)

(iii) *transnacionalización de los mercados internos* (internationalization of the internal markets)

Starting from the late 1950s, the transnational system increasingly dominates the industrialization process of the periphery and the semi-periphery (phase iii). The penetration of the host countries by transnational investment becomes the most important scientific yardstick of dependency (Bornschiefer/Chase-Dunn, 1985).

To these phases in the evolution of the international division of labor, one would have to add

(iv) *financiamiento y globalización*

as the latest stage of centre-periphery relationships during the 1980s and 1990s.

Cycle time plays an important role in our approach. Above, we already hinted at Arrighi's thought that the logic of accumulation on a world scale shifts along time, and that we again witness during the 1980s and beyond a deregulated phase of world capitalism with logic, characterized - in contrast to earlier regulatory cycles - by the dominance of financial capital. Arrighi further teaches us that even a century can be a 'short run' in the evolution of world capitalism. There are *signal crises* of world capitalism, and there are *terminal crises* of the world system, like the great crash of the early 1340s, which marked the beginning of the Genoese age, the 1560s, which marked the beginning of the Dutch era, the 1750s and 1760s, which marked the beginning of the British era, and the 1930s, which were the terminal crisis of British world capitalist dominance. 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). Macroquantitative research about the determinants of world development has to be conscious about the time horizon, in which the research design is situated. Bornschiefer (1988) found out that state sector expenditures in 21 western democracies correlate with economic growth in the following fashion:

1950-60 $r = + .41$

1960-75 $r = - .07$

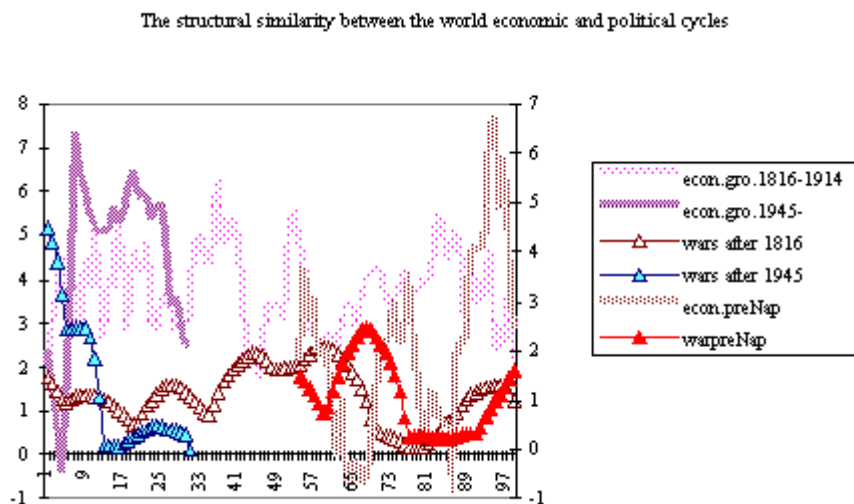
1974-77 $r = - .72$

(Bornschiefer, 1988: 309)

Studies about world development throughout the entire period 1960 - 1997 might be misleading, because the time period would reflect the 'logic' of the waning 'regulatory' cycle, the economic global crisis of the 1970s and the early 1980s, and the ascent of financial capitalism and the East Asian archipelago of the 1990s. Thus, the beginning of the 1980s serves as our 'cutting point'.

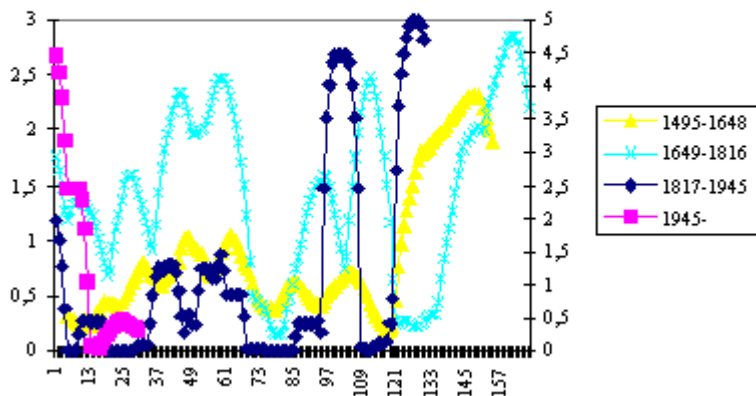
The long cycle literature, largely overlooked by macro-quantitative development studies, tells us, why there is a recurrent pattern of instability in the social orders both at the level of national society as well as at the level of the international system. It also explains the often puzzling aspect, how different studies, using different time perspectives, reach different results. Long cycles by themselves are quite a strong argument in the debate about the long-run viability of the world-wide market economy: the recurrence of cycles, depressions and wars was thematically portrayed, amongst others, by Goldstein (1988) and Arrighi (1995) in very far-reaching empirical studies of world development from 1450 onwards. First we update the evidence that led Goldstein to the conclusion that the capitalist world systems tends continuously towards wars and violent conflicts:

Graph 3.1: the tendencies of the capitalist world economy towards Kondratieff cycles



economic growth (left hand scale) and war intensity (right-hand scale) in the world economy. Moving 9-year averages, calculated with EXCEL 5.0 from Goldstein's original data.

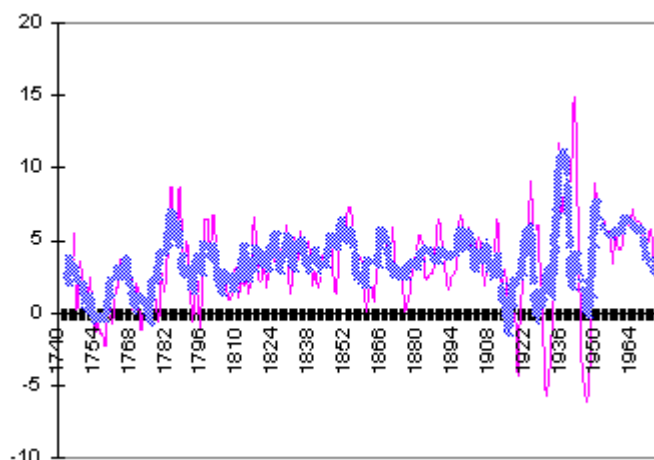
The tendency towards war in the capitalist world economy, 1495-1975



war intensity = nat. logarithm from $(1 + \text{battle fatalities from great-power wars})^{0.10}$

At a time of major shifts in world politics and economics, it is no wonder that systematic studies in the evolution of the international order have gained ground. Arrighi's main hypotheses (1995) differ from those of Goldstein. Goldstein's quantitative approach (1988 ff.) concentrates on the major power confrontations as the 'watershed' in international relations. Ample empirical evidence supports Arrighi's and Goldstein's theories. 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 international system. Each world political cycle up to now

corresponded to a **'W'**-pattern of war intensity. The x-axis in our graph is the number of years after the end of the major power wars, i.e. 1648, 1816, and 1945. The starting point is Goldstein's data series about economic growth since 1740:



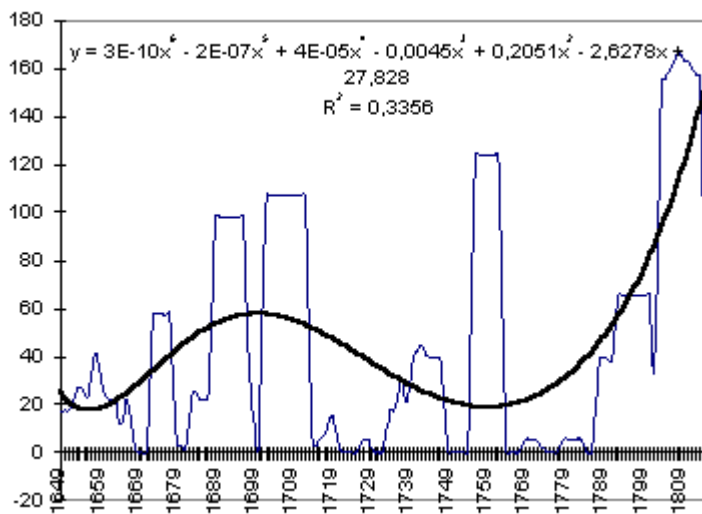
economic growth in the world system since 1740; adapted from Goldstein, 1988 and UN ECE/Fischer Weltalmanach, current issues. 5 and 9-year moving averages

From Goldstein's data series, it is possible to derive - without any smoothing of the data - the following cycles of war in world society since 1495, using 6th order polynomial expressions:

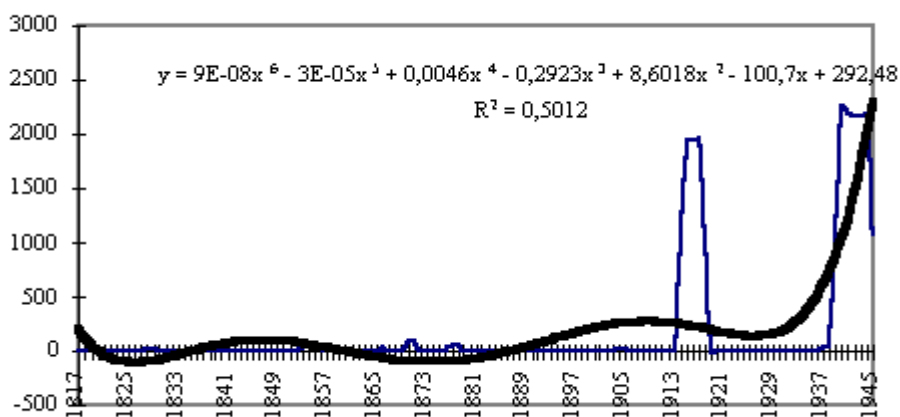
Graph 3.2: The war cycles since 1495

1495-1648

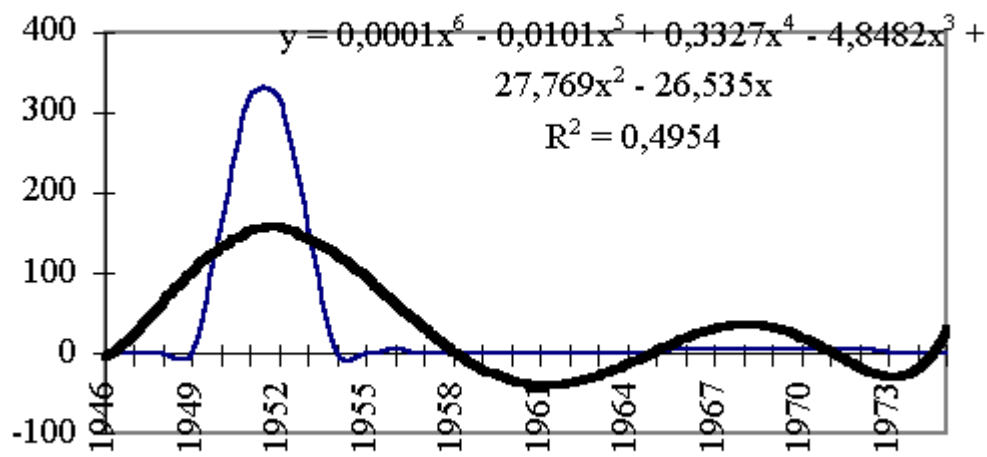
1649-1816



1817-1945

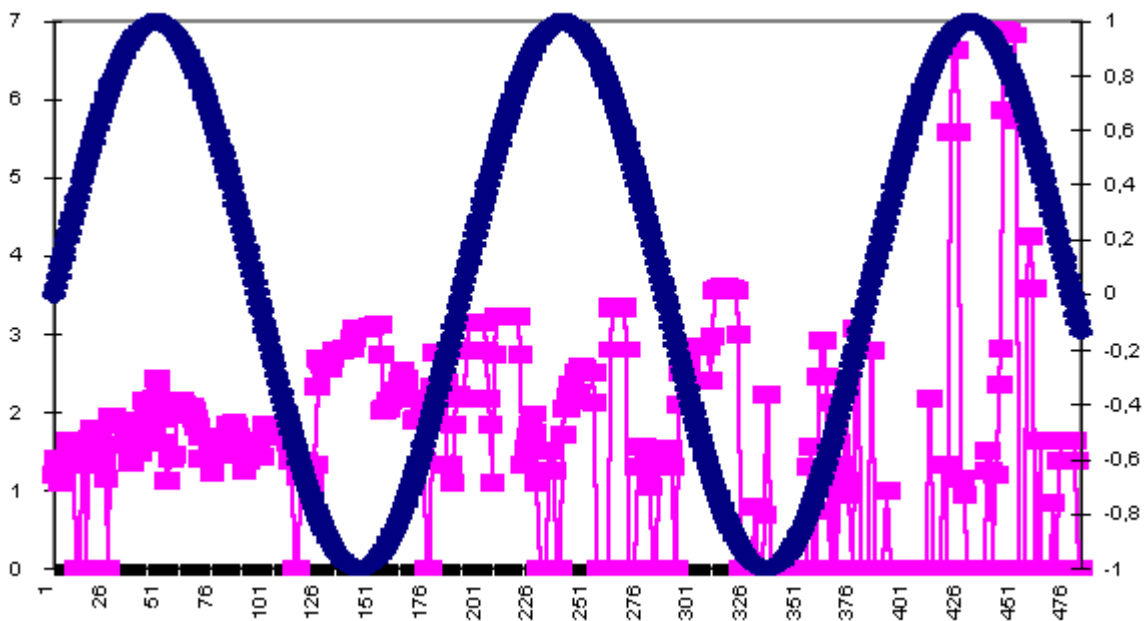


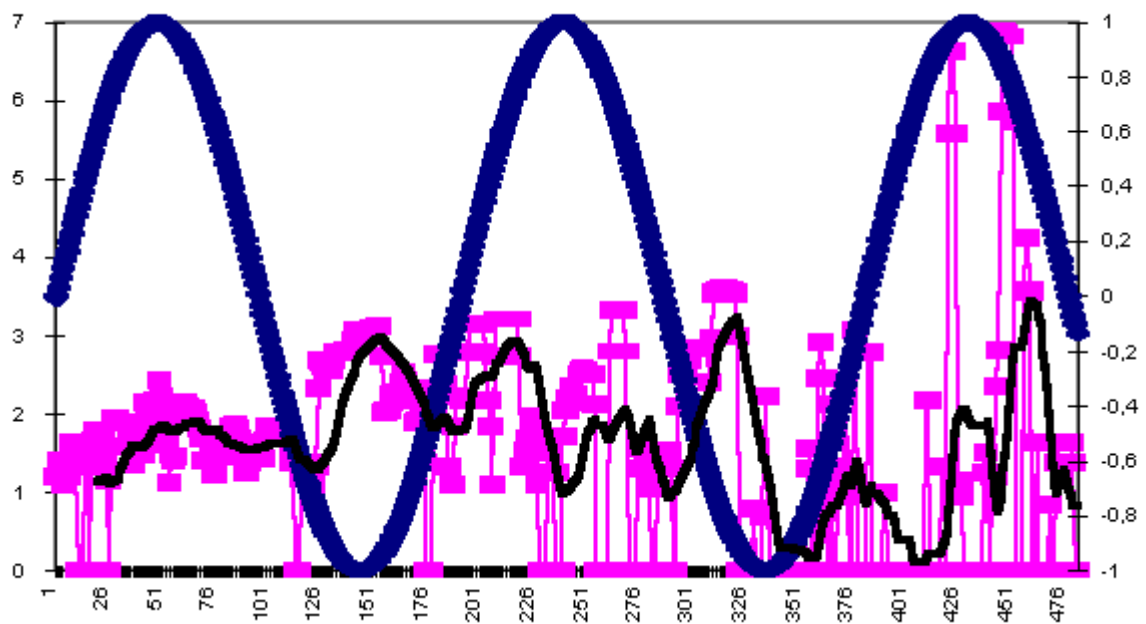
1946 -



annual battle fatalities from major great power wars in thousands

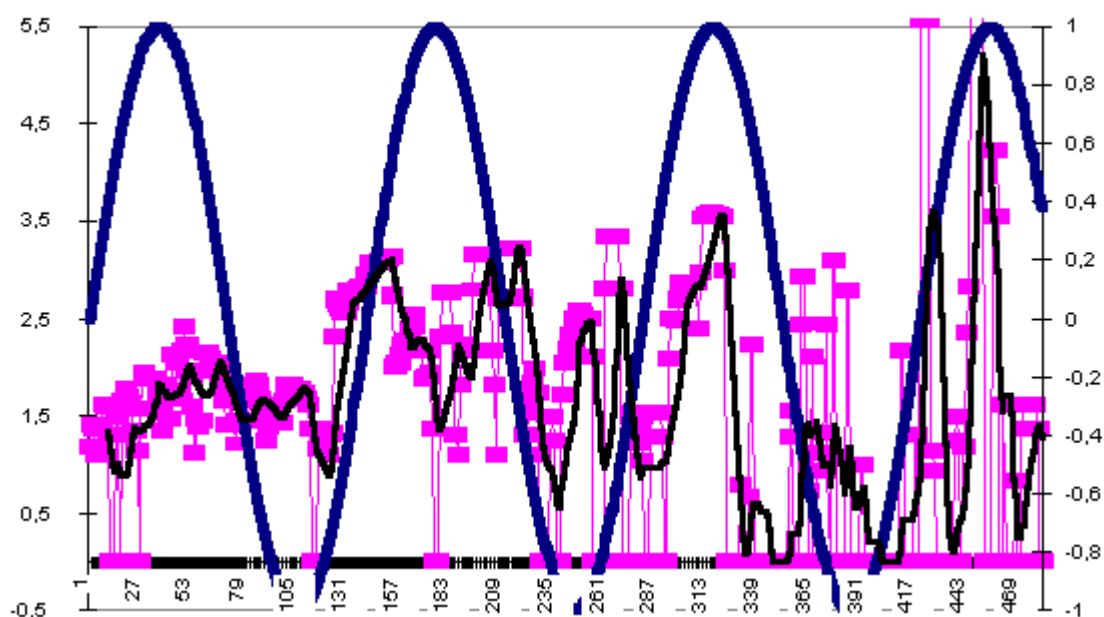
The stylized function:





Source: our own compilations, using a sinus function (1495 = 0; 1496 = 0,33; 1497 = 0,33 + 0,33 etc.) about war in the world system. The sinus function is the stylized function, based on reasoning about three major global wars in capitalist world society (Thirty Years War, Napoleonic Wars, Germany's Wars in the 20th Century); the dotted lines are the fourth root of Goldstein's data series on major power battle fatalities; the trend line is a 20 years moving average of major power war fatality rates, calculated as before

Alternatively, we could also use a shorter swing, which would then be more in line with Arrighi's argument of the four hegemonies in world capitalism (Arrighi, 1995): Genoa, the Netherlands, Great Britain and the United States:

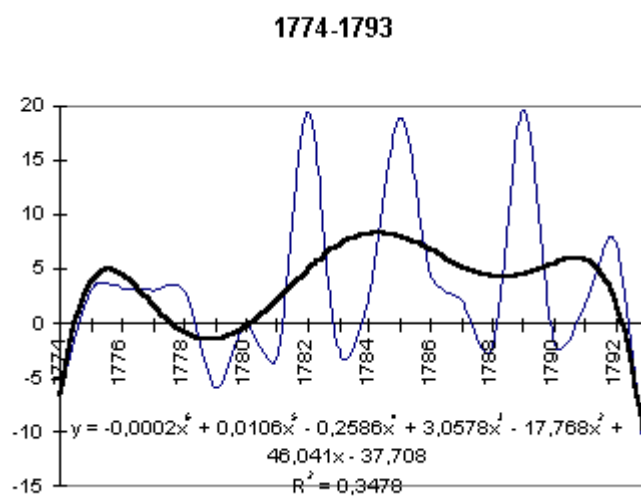
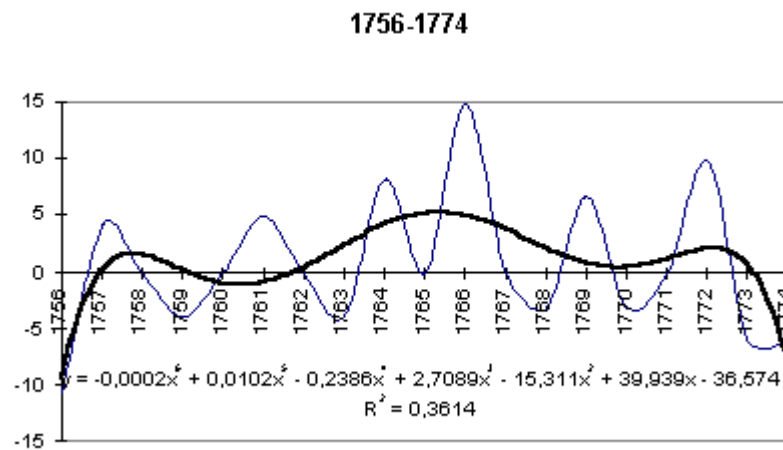
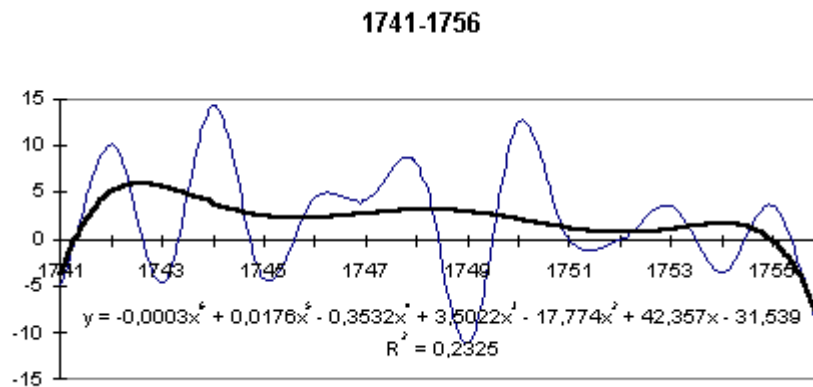


Source: our own compilations, using a sinus function (1495 = 0; 1496 = 0,45; 1497 = 0,45 + 0,45 etc.) about war in the world system. The sinus function is the stylized function, based on Arrighi's reasoning about the four hegemonies in capitalist world society, connected with the ups and downs of war in global society (Genoa, the Netherlands, Britain, the United States, while the major power confrontations were Charles V Wars, the Thirty Years War, the French-British Conflict of the 18th Century, Napoleonic Wars, Germany's Wars in the 20th Century); the dotted lines are the fourth root of Goldstein's data series on major power battle fatalities; the trend line is a 10 years moving average of major power war fatality rates, calculated as before

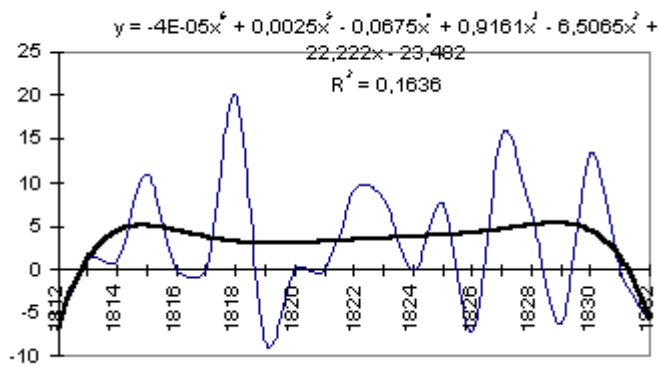
Each long Goldstein or Arrighi cycle of world politics could be characterized, according to Modelski, by a dominant world economic power and its challenger. Goldstein and Arrighi have very aptly described these world political cycles in great detail, so there is no need to repeat their reasoning here. The simple statistical evidence to support their theories on the basis of Goldstein's own original data is surprising, though. Our tests use very common software, available on millions of home micro-computers around the world (the EXCEL 5.0 program). The R² for the test series is between 31% and 91%; no transformation of the data was performed. The W-structure of conflict emerges neatly from all the tests. And each time, the challengers for world hegemony of a dominant sea-power were former members of the ruling coalition (France, Germany, Russia + China?), while the challengers in the world wars (Thirty Years War, Napoleonic Wars, German Wars of our century) always were continental powers (the Hapsburgs, France, Germany) (see also: Modelski, 1987; Goldstein, 1988, Arrighi, 1995). Thus, there is some support at least for the hypothesis about the sequence of world politics, leading from global wars to hegemonies, to the de-concentration of the international system, to the de-legitimization of international leadership, and finally, to new global wars.

Ever since the days of Schumpeter, economists and sociologists were inclined to see also more short-term cycles at work, namely the *Kitchin* cycles, lasting *three and a half years*, the *Jugar* cycles lasting *8-10 years*, and the *Kuznets* cycles between *18 and 25 years*. The intense controversy about cycles should only be mentioned briefly here; for the policy-maker perhaps more important is the fact that after the economic crisis of 1825, the stock exchange collapse of 1873, the Black Friday of 1929 and the world recession starting in 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 *Kondratieff cycles* of approximately *50 years duration* and the *Kuznets* cycles, 20 years long, are especially relevant for our understanding of the ups and downs of world economics and politics: our data series, constructed from Goldstein's original data, is explained quite markedly by the application of the Kondratieff and Kuznets-cycle hypotheses, even when there are now data filtering or smoothing operations being performed:

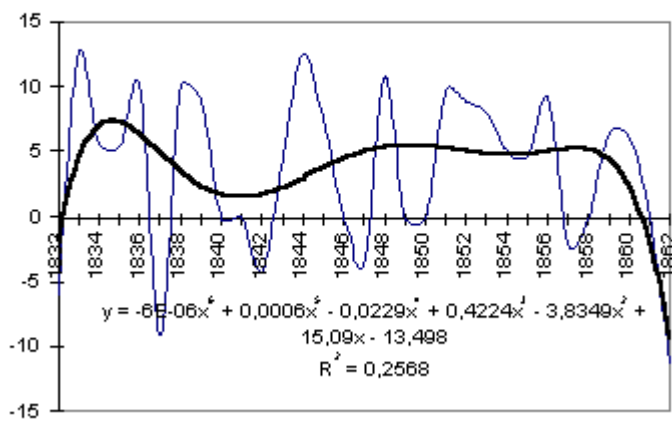
Graph 3.3: Kuznets-cycles in the world system, 1756 - 1975



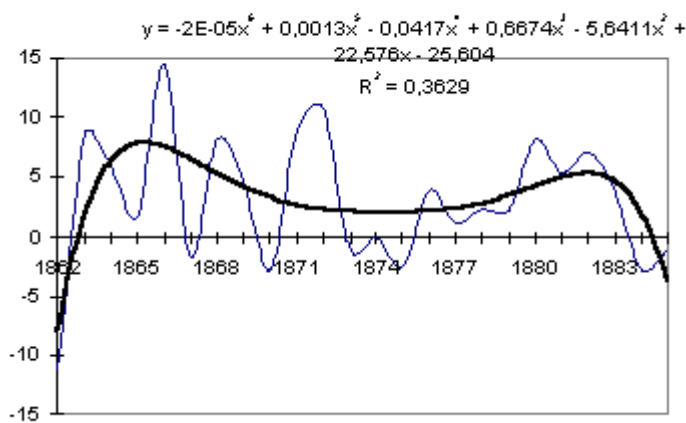
1812-1832



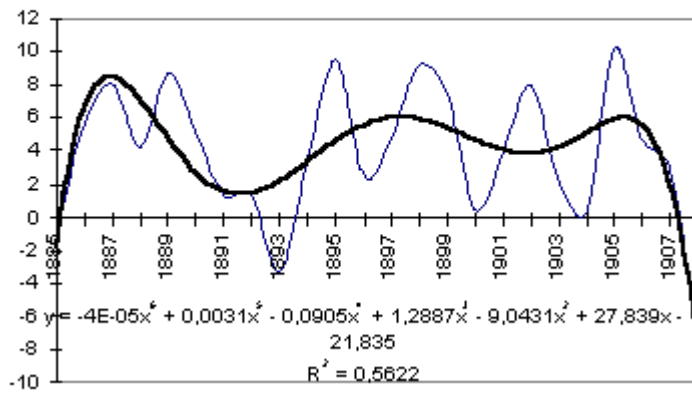
1832-1862



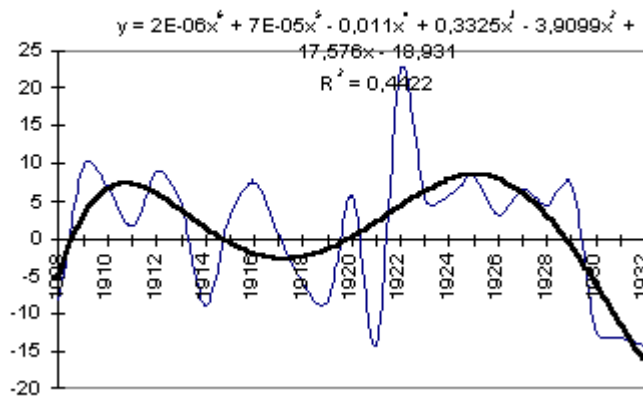
1862-1885



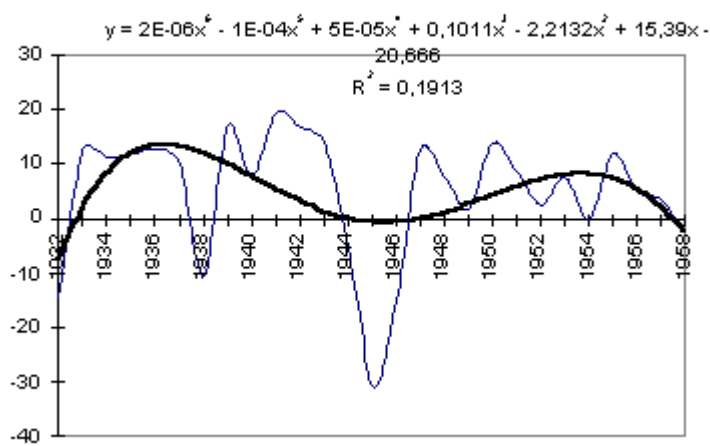
1885-1908

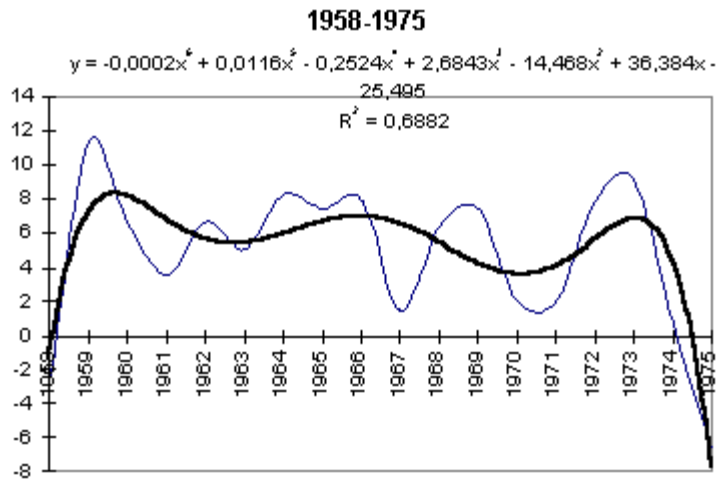


1908-1932



1932-1958



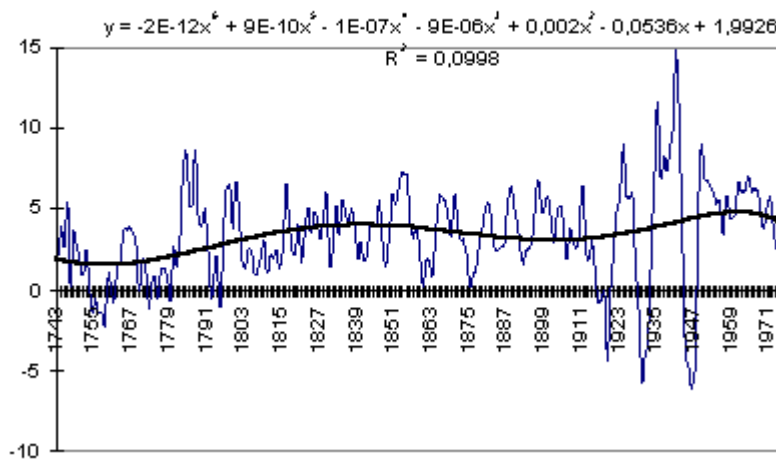


Three Kuznets cycles make up one Kondratieff cycle; **three Kondratieff** cycles up to now led the world economy in a W-shaped pattern towards the major global wars.

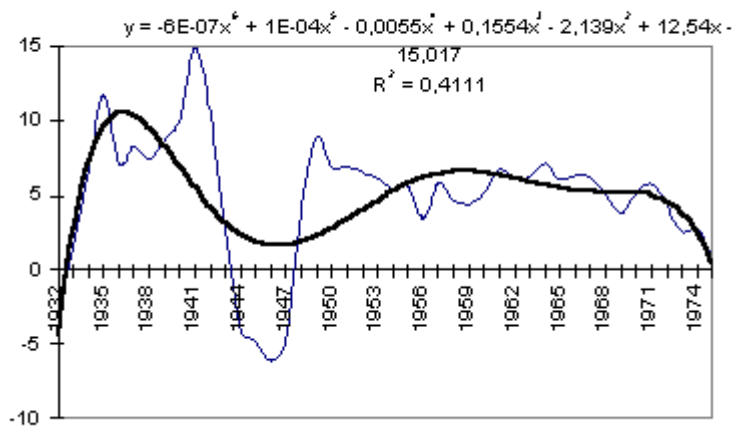
The 'filtering' of the very short-term economic fluctuations plays an important part in the debate about the existence of Kondratieff-cycle fluctuations. It should not be denied here that Kondratieff cyclical movements in the world economy are seen to be highly controversial, with a large tradition in economic literature, like Eklund and Kuznets, denying the existence of such cycles. Other social scientists from a variety of theoretical camps, only some of them, like Mandel, Marxists, others, like Forester, W. W. Rostow, also took up the challenge of long-wave research. Filtering out the very-short-term Kitchen-cycle fluctuations by applying 5 year moving averages and then to explain these moving averages by a Kondratieff cycle hypotheses from 1756 seems to be a reasonable new research strategy. The results for such a procedure are being reprinted below:

Graph 3.4a: New evidence regarding the Kondratieff cycles, 1740-1975, based on 5-year moving averages

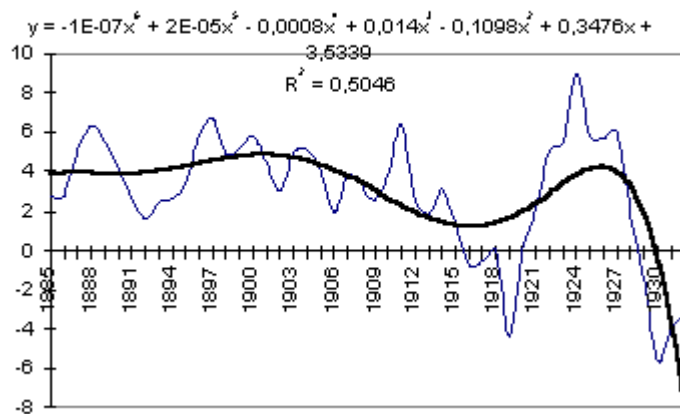
1740-1975

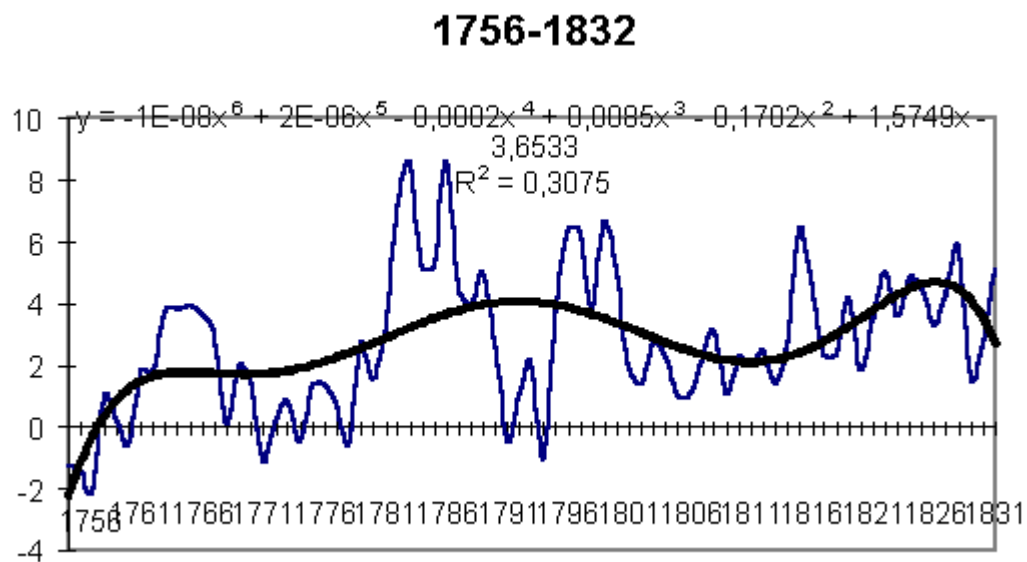
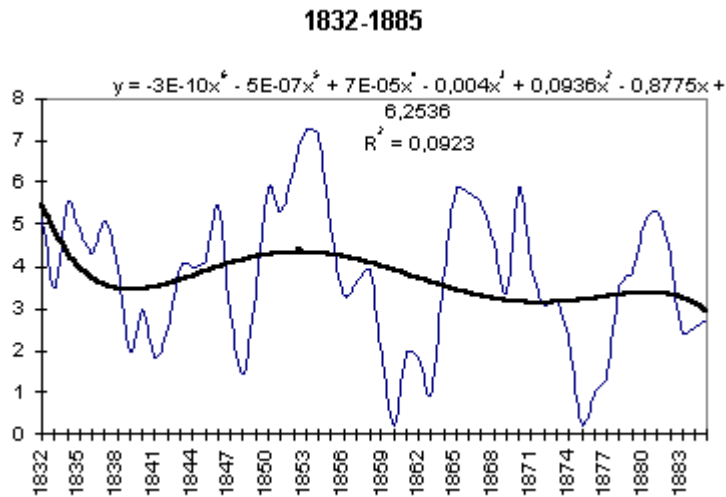


1932-1975



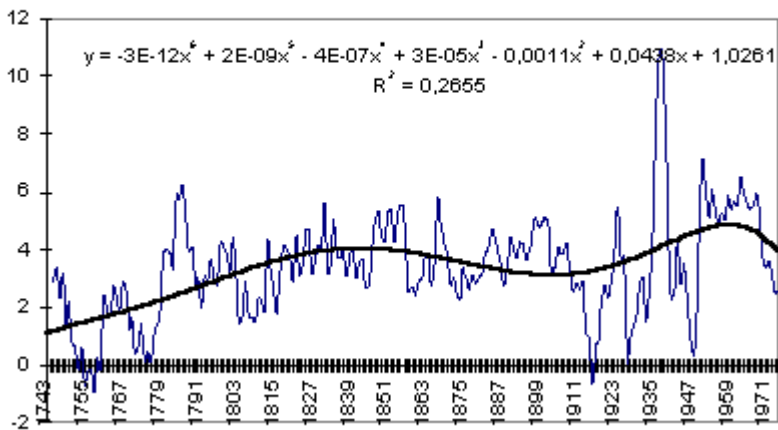
1885-1932



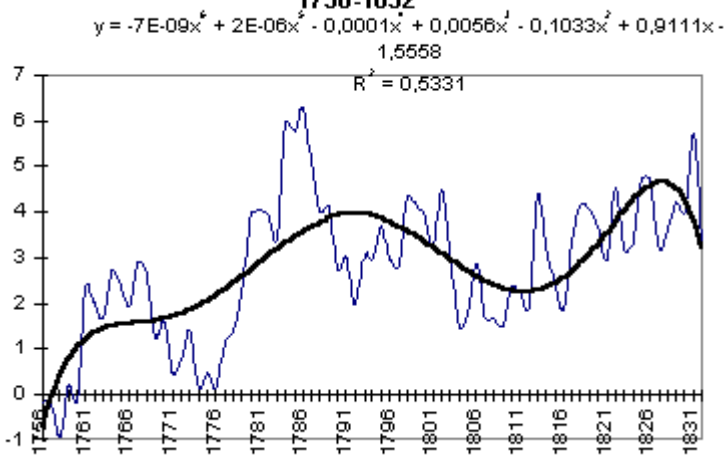


Graph 3.4b: Kondratieff cycles, based on 10 year moving averages

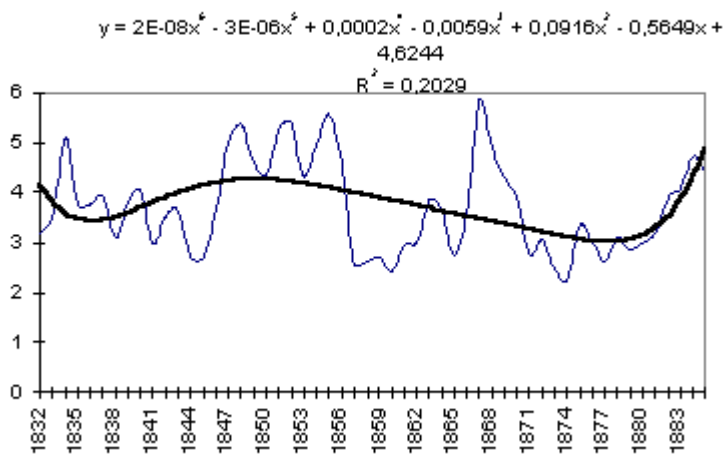
1740-1975



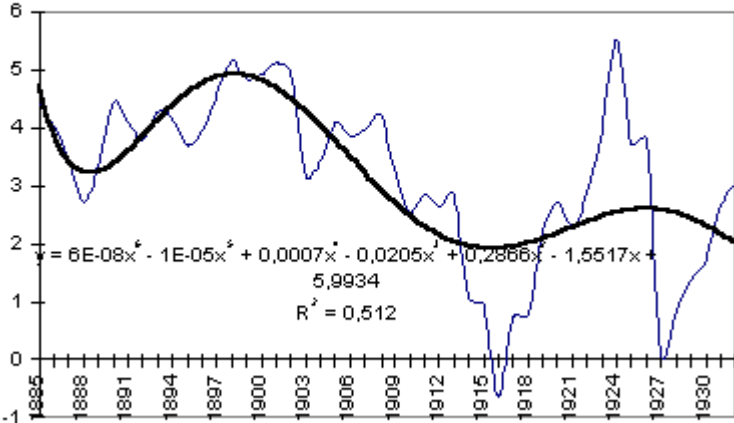
1756-1832



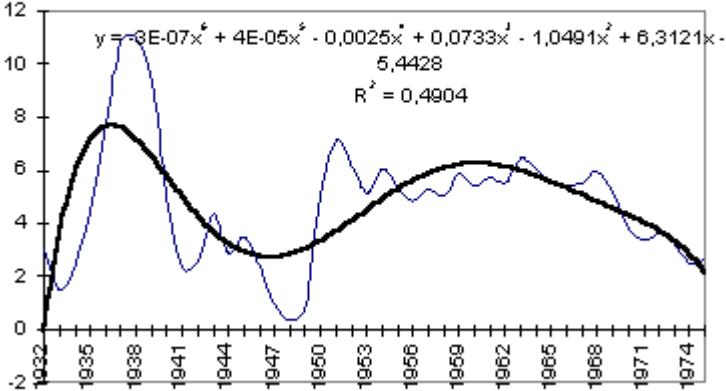
1832-1885



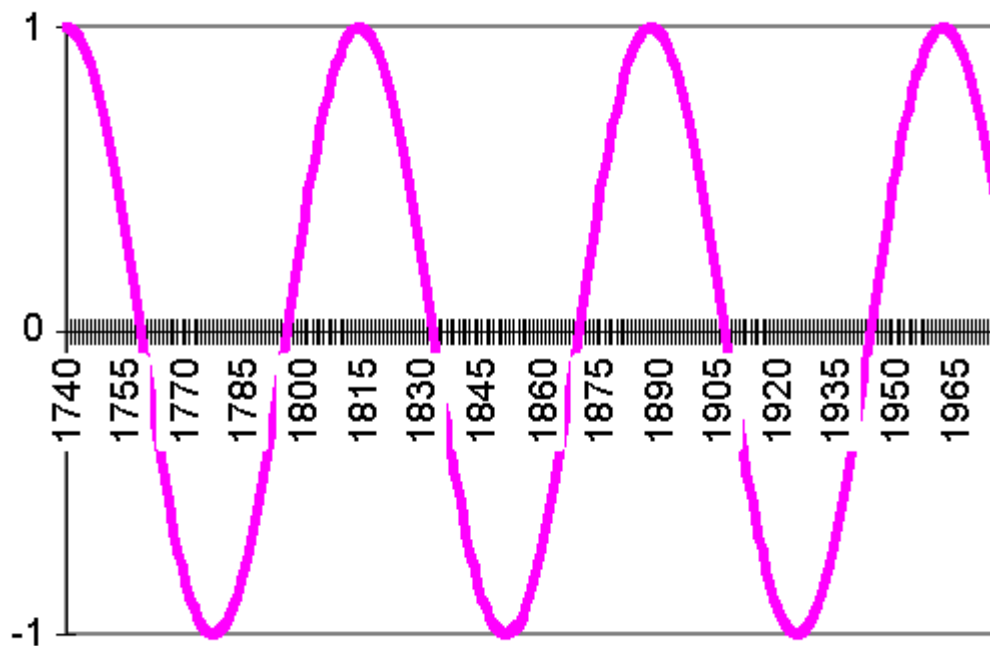
1885-1932



1932-1975

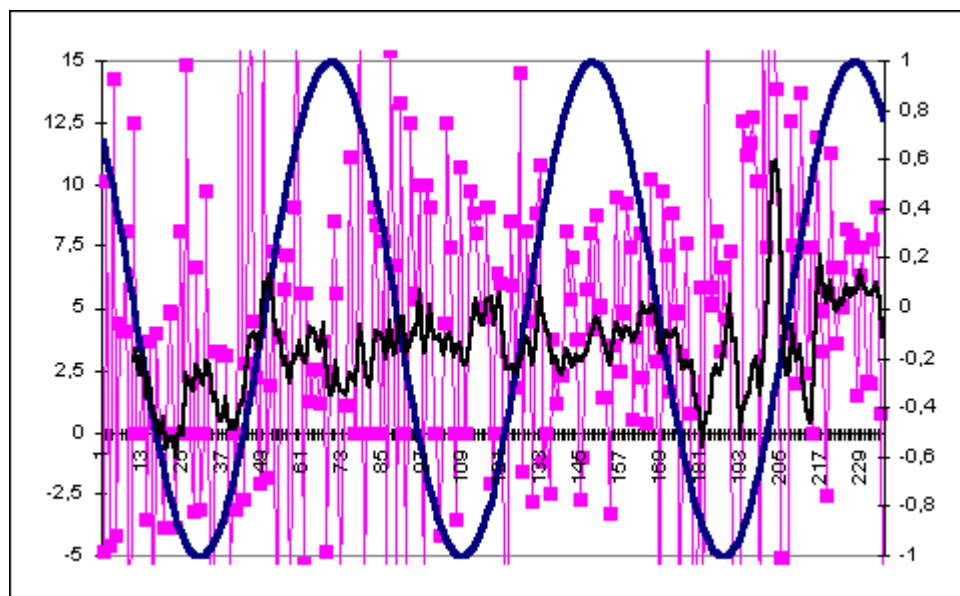


The stylized function could have the following form:

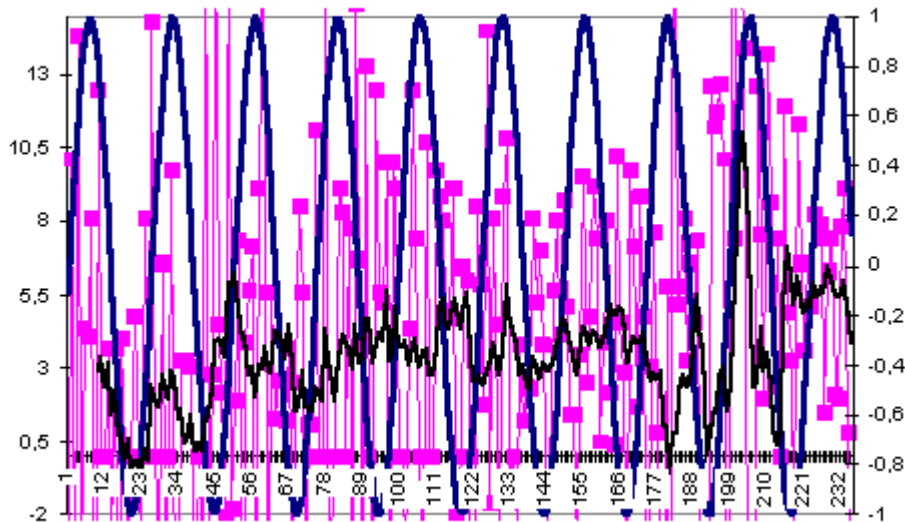


Source: our own compilations, using a cosinus function (1740 = 0; 1741 = 0,85; 1742 = 0,85 + 0,85 etc.).

The fit with the empirical data for a Kondratieff swing is the following:



Legend: A Kondratieff-type cyclical fluctuation in the world economy, compared to the empirical data about world economic growth (dotted line) and the 10-year moving averages. As to the calculation of the cosinus function, see above



Legend: Kuznets-cycles and growth in the capitalist world economy, 1740-1975. Kuznets fluctuations, 10-year moving averages of real growth rates and the empirical data (dotted line). (1740 = 0; 1741 = 0,255; 1742 = 0,255 + 0,255 etc.).

Thus, we achieved here a structural differentiation of the time periods, and it will be easier to correctly evaluate the cross-national evidence from **different periods** in the history of the evolution of the world economy.

Throughout this work, the following statements hold:

Regression coefficients at the level of error probability < or = 5% are printed in **bold** type. The following further conditions do hold:

Concepts: growth always refers to per capita income growth in real terms, if not specified otherwise

Time period: 1980s and beyond (if not specified otherwise)

Missing values: **mean substitution**, if possible, by known values for the economic or geographic region (like: countries with low human development, excluding India *et cetera*)

It should be explained here, what is meant under the term 'structural adjustment': the empirical measurement (and not normative concept) of adjustment compares the GNP per capita growth rates in two subsequent periods with a regression-based residual analysis. In other words: we try to answer the empirical, and not normative question, which countries accelerated their economic growth compared to the earlier cycle, and which countries adapted badly to the new conditions. Our measurement concept compares growth rates predicted for the period of the new Kondratieff cycle (post 1980/82) (\hat{Y}_i) upon knowledge of the performance during the earlier Kondratieff B-phase (1965-80) with the actual growth rates Y_i during the new Kondratieff cycle from 1980/82 onwards:

$$(3.1) \text{ adjustment } i = Y_{i_{tn}} - \hat{Y}_{i_{tn}}$$

Y = economic growth

$$Y_{tn} = a + b_1 * Y_{tn-1}$$

Changes in the underlying logic of ascent and decline in the world economy will be especially observable at a time of comparison between the logic of a waning Kondratieff cycle and the emerging laws of a new cycle. Thus, adjustment will be a theoretically especially relevant phenomenon.

Next, we should deal with the trade-off between development level and performance. Policy planning must, in order to avoid spurious results, under any circumstances properly specify such trade-off. Poor countries increase rapidly their average life-expectancy or economic growth and they quickly reduce their income inequality; *prima vista* there will be a spurious and very high, but absolute non-sense correlation between, say, the number of shanty-town dwellers per total population and life expectancy increases. The reduction of the infant mortality rate, the acceleration of growth or the redistribution of income over time will all dramatically and positively be influenced by the number of people still living in shanty towns. If we do not properly specify development level as an intervening variable, our results will be biased extremely.

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 former Second and Third World (Jackman, 1982):

$$(3.2) \text{ economic growth/adjustment success} = a_1 + b_1 * \ln(\text{PCI}_{tn-1}) - b_2 * (\ln(\text{PCI}_{tn-1}))^2$$

The same function is also applied to income inequality, following a famous essay published by S. Kuznets in 1955. Redistribution gets underway after 1000 \$ per capita income is reached; the share of the richest 20% diminishes from approximately 55% to around 40%. Growth and adjustment accelerate with redistribution.

Now, we should turn to basic human needs satisfaction and hence, life expectancy: it is very difficult to arrive at valid propositions about social conditions and development as a dependent variable on the basis of income distribution data alone. There are comparable World Bank income distribution data for only 65 countries, while basic human needs satisfaction data are available from many more countries. Studies about the determinants of basic human need satisfaction, and hence, poverty are of a more recent date (Stokes and Andreson, 1990; Tausch and Prager, 1993; furthermore: Moon and Dixon, 1992; Ragin and Bradshaw, 1992). The idea to link life expectancy to energy consumption levels or dollar income levels that is to say, to patterns of civilization that exploit mother earth and lead to the self-destruction of life chances of the human species, is still somewhat revolutionary, although there has been quite an extensive debate among different researchers from the ILO, the World Bank and other researcher institutions, most notably Goldstein, 1985b and Russett, 1983b, on the proper specification of the development-basic-human-needs trade-off. Among the decision makers of our time, US vice-president Gore formulated such 'green' philosophical apprehensions in the most stringent fashion (Gore, 1994). It is difficult to design a single indicator of the civilization *malaise* constituted by the environmental crisis caused by the industrial mode of production. But the energy consumption-life expectancy trade-off offers a very clear, mathematical expression. The prime success measure of a society should be how much energy can be saved in achieving a given quantity of life of the population and to avoid premature death. The limited resources of our planet, so clearly foreseen by Polanyi, dictate that as little as possible energy is being used. The social demands and moral convictions of civilizations dictate that premature death should be avoided. Thus, eco-social reasoning taking into account the performance scores of the energy consumption-life expectancy trade-off would hold that the energy consumption of a society should be minimized and life expectancy maximized. One recent formulation of this position, reported in Tausch and Prager, 1993 that contains a reference to the extensive earlier debate at the World Bank and at the ILO about this trade-off, arrived at the conclusion that using very common deviates of the natural constants e (2.7) and π (3.1) reproduce this important trade-off in an optimal fashion, although most other published mathematical formulations boil down to similar strong curve-linear functions. It is also imperative to consider the effect of already achieved levels of life expectancy on the subsequent life expectancy increase: a poor society with, say, 40 years life expectancy, will find it easier to expand the well-being of the population to 50 years average life expectancy than a society that already reached the level of a 75 year-average.

To avoid problems of collinearity, increases in life expectancy over time are being calculated by differences in logarithms 10, *i.e.*

$$(3.3) \text{ DYN LEX} = ((\log_{10} (\text{LEX}_{tn}) - \log_{10} (\text{LEX}_{tn-1})) * 100$$

Let *LEX* denote life expectancy or other basic human needs indicators, *PCI* per capita incomes, *ENCONS p.c.* energy consumption rates per capita and year in kg

oil equivalent, and *DYN* rates of increases of basic human needs satisfaction. On a world scale and for different groups of countries, levels of human development and increases in terms of human development, reductions in infant mortality *et cetera* will always **significantly** correspond to the following function and the first derivate:

$$(3.4) \text{ LEX} = a + b_1 * (\text{ENCONS p.c.})^{(1/(e^2))} - b_2 * (\text{ENCONS p.c.})^{\ln(\pi)}$$

R2 = 72.4%; F = 157.63; df. = 120; alpha (one-tailed) 5% > 1.289

$$(3.5) \text{ DYN LEX}(tn) = a - b_1 * \text{LEX}(tn-1) +$$

$$b_2 * (\text{PCI})(tn-1)^{((1/(e^2))-1)} - b_3 * (\text{PCI})(tn-1)^{((\ln(\pi))-1)}$$

R2 = 69.8%; F = 91.85; df. = 120; alpha (one-tailed) 5% > 1.289

predictors b2 and b3 only: R2 = 43.3%; F = 45.89; df. = 120; alpha (one-tailed) 5% > 1.289. Formulation also possible with ENCONS p.c., but the PCI data series is more complete

Based on UNDP (1993) data for all the countries that report economic growth rates for the periods 1965-80-90, equation (3.4) explains 72.4% of total variance of life expectancy; equation (3.5) - even without life expectancy in 1960 as an additional control variable - explains 45.9% of total variance.

Equation (3.2) can also be applied to human development, the world gender issues and democratization:

$$(3.6a) \text{ human development or gender development or gender empowerment} = a_1 - b_1 * \ln(\text{PCI } tn-1) + b_2 * (\ln(\text{PCI } tn-1))^2$$

or

$$(3.6b) \text{ political rights violations or civil rights violations} = a_1 + b_1 * \ln(\text{PCI } tn) - b_2 * (\ln(\text{PCI } tn))^2$$

Human development, and the growing participation of women in society, is a clearly rising function of achieved development level, while political and civil rights violations decrease along the course of development. No result is weaker than roughly 2/5 of variance explained; and all results show - *per se* - an optimistic perspective for human development, gender justice and democratization: the human development index, the gender development index, the gender empowerment index (ranging from 0.0 to 0.999 each), political rights violations and civil rights violations (ranging from 1.0 to 7.0) are all to be represented as a function of achieved development level in 1990 (expressed in purchasing power parity rate). For the calculation of the gender empowerment (GEI) function, the following procedure to estimate missing data was followed: means of country groups with available data were taken to substitute missing values. The following groups were used: industrial countries (UNDP definition, 1993; GEI = 0.56); developing countries with a higher human development index (UNDP 1993 list - Barbados through to Saint Lucia; GEI = 0.391); developing countries with medium human development (UNDP 1993 list - Turkey

through to El Salvador; GEI = 0.347); developing countries with low human development (UNDP 1993 list - Maldives through to Sierra Leone; GEI = 0.27). The following statistical properties of the functions hold:

human development index $R^2 = 82.4\%$; $F = 281.0$

gender development index $R^2 = 80.1\%$; $F = 240.8$

gender empowerment index $R^2 = 60.0\%$; $F = 90.0$

political rights violations $R^2 = 38.0\%$; $F = 36.8$

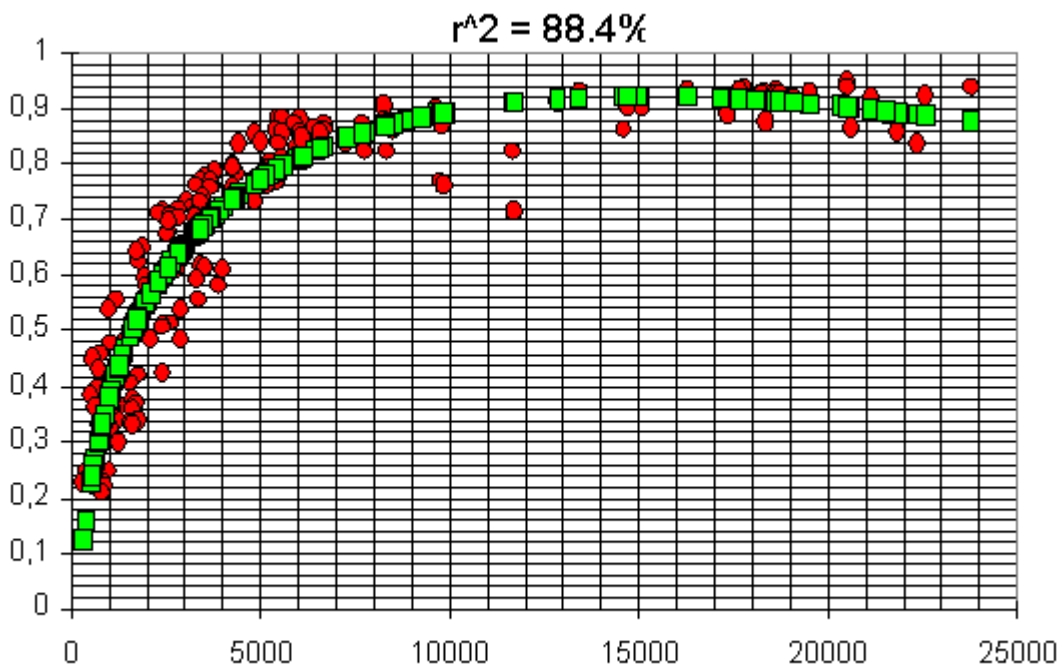
civil rights violation $R^2 = 40.0\%$; $F = 39.9$

(3.6a) might be formulated, however, by function (3.6b), applying model (3.4). The function is:

(3.6b) Human Development Index = $a + b_1 * (\text{real purchasing power p.c.})^{(1/(e^2))} - b_2 * (\text{real purchasing power p.c.})^{\ln(\pi)}$

The trend-line then has the following fashion:

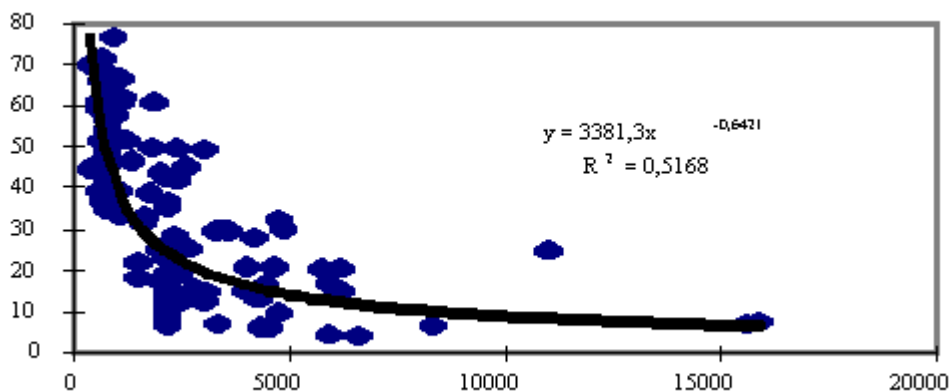
Graph 3.5a: the Human Development Index as a function of the level of development (real purchasing power)



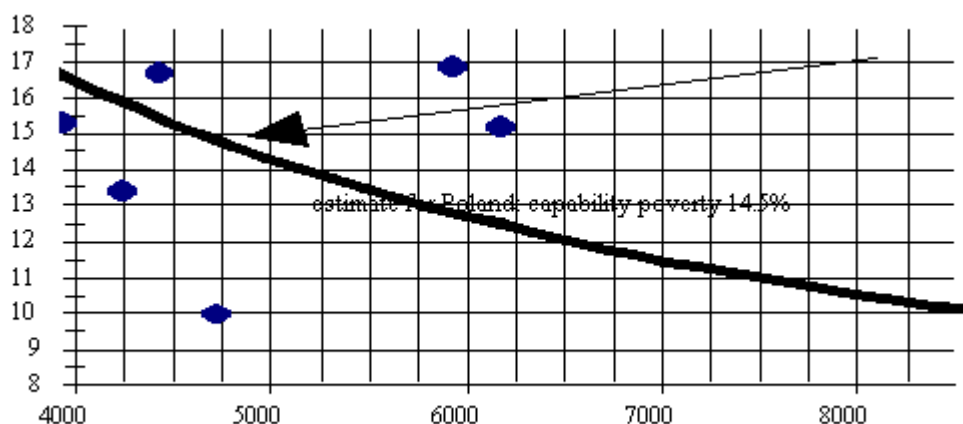
Legend: human development as a function of development level

Gender empowerment itself is a very strong non-linear function of achieved development level. The above functions will be used in the following chapter to evaluate the validity of different development theories to explain the dependent variables under due consideration of these general development functions. To exclude them will lead to spurious results. The capability poverty measure, in turn, is being determined by the following function of real purchasing power of a society:

Graph 3.5b: capability poverty as a function of real purchasing power - the results at the level of the semi-periphery and periphery countries

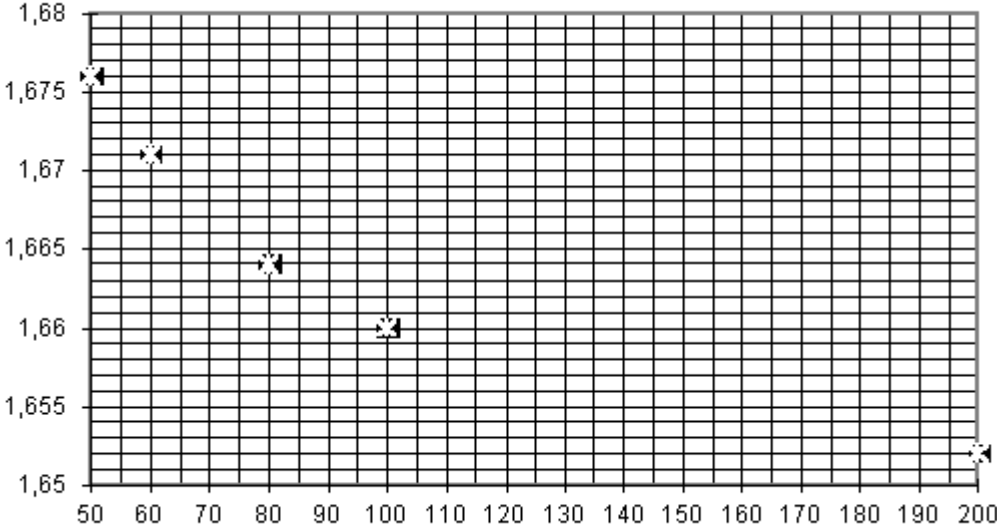


Graph 3.5c: capability poverty as a function of real purchasing power - the results at the level of the semi-periphery and periphery countries with a real GDP per capita between 4000 \$ and 8500 \$



Finally, we summarize the critical values of the t-test, applied in this work, at the 5%-level in Graph 3.6:

Graph 3.6: critical values of the t-test



Legend: the x-axis symbolizes degrees of freedom, the y-axis critical values of the t-test at the 5%-level according to Kriz, 1978

4) Problem number 1: Europe is characterized by the typical 'mix' of conditions that lead to stagnation

Some nations develop more rapidly and in a less contradictory manner as other nations. Over the last decade, Europe began to lag behind, while Asia is ascending. The globalization model of economic and social stagnation in the world economy, which was empirically first developed by Bornschier, is clearly vindicated again with the new data. The European Union policies, as maintained by EU-critics ever since the days of Johan Galtung, favor disproportionately the powerful, big, European transnational corporations and banks, while the real dynamics of modern capitalism demand a lean, relatively socially just state, a high, internal savings mobilization, and relatively little room for man oeuvre of social distribution coalitions. The protected home market for the transnationals in Europe created large market distortions which are inhibiting economic growth.

TNC-dominated development pressures societies towards higher income inequality, and less employment. Women, especially, become marginalized, a trend, which is still enhanced by the growing tendency towards a new international division of labor within Europe. In Europe, where the legacy of politically established feminism is still relatively strong, state expenditures are being used to redress the balance, but the struggle is an uphill one against the tendencies of contemporary globalization. Feminism will become over the years the big loser in the redistribution of world political and economic resources.

High MNC penetration becomes one of the main blocks against further European ascent in the world economy. We have already stated that for a true liberal economist, dependency is a special situation of the typical constraints, caused by a policy of import substitution and export discrimination. Policies that create double deficits (huge current account balance deficit + large state sector budget deficits) and discriminate against internal savings, will lead to a high propensity to import foreign capital, often still aided by *de-iure* or *de-facto* policies that prevent enterprise creation and savings mobilization. Instead of selling-out the 'family jewels' of national industry, both private and national (so common in Europe today), there would be an alternative for the European policy-maker: neo-classical economists would agree with '*dependentistas*' in their critique of import substitution strategies, currency overvaluations, and - hence - the discrimination against exports in benefit of the urban sector and to the detriment of rural society. European monetary union, just like the smaller monetary union between the D-Mark and the new Bundesländer, will only increase this problem (Süddeutsche Zeitung, 50, ½ March, 1997: 25). German unification cost anywhere between 750 thousand million or 1000 million D-Mark; monetary union, Maastricht style, will load another sum of similar proportions onto the more advanced participant nations of the monetary union project.

The basic argument of such a sophisticated version of the neo-liberal school further runs as follows: in world politically stable countries with long recognised international borders, narrow distribution coalitions emerge in the wake of too big a state sector influence, and they will thwart growth perspectives and bring about stagnation and unemployment. Political feminism in Europe cannot be exempted from this.

Neoclassical and of course *dependencia* theorists would admit that gender discrimination is a typical violation of the assumptions of a functioning market economy. The neo-classical remedy would consist in better creating better market access for the underprivileged groups. Without question, the gender issue is one of the most typical instances of such a market imperfection under 'capitalism'. The solution, especially in Europe, has been to remedy this imperfection with huge programs of state expenditures. But state expenditures in excess of revenues, together with a deficit in the balance on the current account, are a good receipt for increasing the share of foreign capital in the national economy. The *circle* continues.

Government consumption in the EU was 19% already in 1992, and will still increase with eastward expansion and the rising unemployment problem. Tax revenue was on average only 38 of GNP - in contrast to the 50.9% of GNP, spent by the national government. EU-imports were 23% of GNP, while EU-exports only 22% of EU-GNP. By 1992, the average deficit per EU-GNP was 10%. In such a situation, the inflow of foreign capital, including that of dubious legality, will become an economic necessity. Indirect taxes play an overwhelming role in European finances, and indirect taxes are a growth-inhibiting structure of their own (Tausch/Prager, 1993).

By the beginnings of the 1990s, the penetration of MNC in the European Union economies in terms of total manufacturing employment was quite considerable by international standards:

Table 4.1a: MNC penetration by international comparison

- MNC penetration Inward FDI FDI inflows
- in terms of manufact. per total GDP in the year 1990
- employment per total GDP

USA 12% 7% 0.7%

Japan 1% 1% 0.1%

FRG 16% 6% 0.1%

France 20% 7% 1.1%

Italy 12% 6% 0.6%

UK 15% 21% 3.3%

Canada 36% 19% 1.0%

Spain 48% - 2.8%

Australia 24% - 2.4%

CH 4% 8% 2.2%

Sweden 13% - 1.0%

Belgium 33% - 4.2%

Austria 33% - 0.6%

SF 6% - 0.7%

Norway 11% - 0.8%

DK 9% - 0.9%

Portugal 12% - 3.5%

New Zealand 23% - 0.5%

Ireland 43% - 0.2%

Poland 3%

Mexico 21%

Argentina 32%

Colombia 16%

Barbados 31%

Botswana 36%

Mauritius 33%

South Korea 15%

Indonesia 24%

Thailand 15%

Hong Kong 14%

Philippines 20%

Malaysia 27%

Singapore 58%

Sri Lanka 40%

Source: our own compilation from Bailey et al., 1993

Also, long-term MNC penetration in Europe has increased rapidly, reflecting the growth of a monopolistic, protected home-market for the European transnational corporations:

Table 4.1b: The share of inward FDI stock in the gross domestic product of European Union countries by international comparison, 1980-1994

	1980	1994
Austria	5.8%	6.6%
Belgium and Luxembourg	6.0%	31.7%
Denmark	6.3%	12.6%
Finland	1.1%	5.9%
France	3.4%	10.7%
Germany	4.5%	6.8%
Greece	11.3%	23.5%
Ireland	19.5%	10.3%
Italy	2.0%	5.9%
Netherlands	11.3%	27.7%
Portugal	4.4%	6.6%
Spain	2.4%	25.0%
Sweden	2.9%	9.7%
UK	11.7%	20.9%
other Western Europe	9.4%	14.4%
Canada	20.4%	19.2%
USA	3.1%	7.5%
Australia	8.7%	28.3%
Israel	3.3%	5.2%
Japan	0.3%	0.4%
New Zealand	10.5%	31.6%
South Africa	21.3%	9.1%
developing Europe	0.3%	10.0%

Africa 5.8% 14.6%

Latin America 6.5% 12.7%

among these:

Brazil 6.9% 8.0%

Argentina 6.9% 8.1%

Mexico 4.6% 14.4%

West Asia 1.2% 7.2%

Central Asia - 3.3%

South and South-

East Asia 3.8% 13.3%

among these:

Bangladesh 0.4% 0.7%

China - 17.9%

India 0.7% 0.9%

Pakistan 2.5% 6.0%

Philippines 3.8% 8.3%

South Korea 1.8% 3.3%

Taiwan 5.8% 6.6%

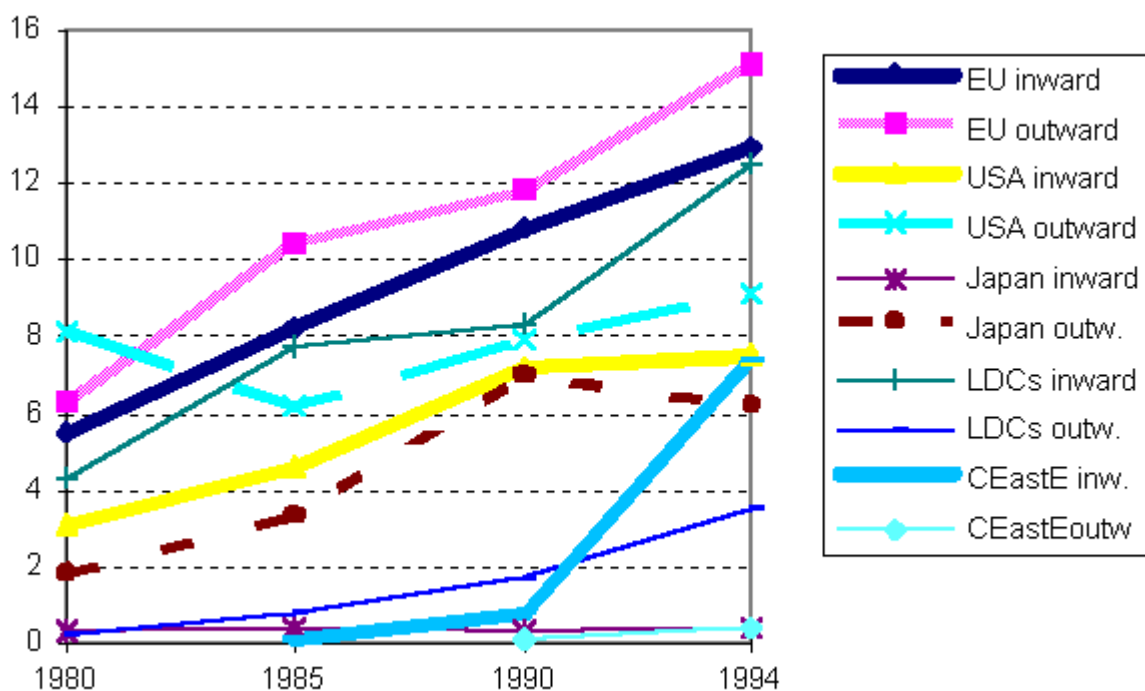
The Pacific 26.4% 40.1%

Central and Eastern Europe 0.1% (1985) 7.4%

Source: our own compilations from UNCTAD, 1996

Graph 4.1 shows the tendencies of the inward and outward FDI stock as a percentage of gross domestic product over time in 1980, 1985, 1990 and 1994 in major regions of the world economy:

Graph 4.1: inward and outward FDI stock as a percentage of gross domestic product over time in 1980, 1985, 1990 and 1994 in major regions of the world economy



	1980	1985	1990	1994
EU inward	5,5	8,2	10,8	12,9
EU outward	6,3	10,4	11,8	15,1
USA inward	3,1	4,6	7,2	7,5
USA outward	8,1	6,2	7,9	9,1
Japan inward	0,3	0,4	0,3	0,4
Japan outw.	1,8	3,3	7	6,2
LDCs inward	4,3	7,7	8,3	12,5
LDCs outw.	0,2	0,8	1,7	3,5
CEastE inw.		0,1	0,8	7,4
CEastEoutw			0,1	0,4

Legend: our own compilations from UNCTAD, 1996

In our empirical analysis, as we already explained in our methodological section above, we included the proper specifications for development levels and other

trade-offs affecting processes of development. For example, it would be senseless to predict life expectancy increases without properly taking into account earlier; achieved levels of life expectancy; and it would be senseless to talk about deforestation rates and coverage of a country with woodlands, not knowing how much of the total areas are taken up by agricultural land. Dependency from the transnational corporations both in 1973 and in 1985 significantly and fairly constantly blocks development. The data outprint of Table 4.1 reiterates again the well-known dependency and neo-classical results in the tradition of Bornschiefer, Chase-Dunn, Dadush and Brahmabatt, even for the new time period and the new indicators of world development, published by the UNDP:

Table 4.1c: The re-iteration of the dependency and neo-classical model of growth and development in the capitalist world economy, 1980 - 1992

	MNC PEN73	Govex	Trade Dep	social sec	UN- membership	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	Constant
adjustment	-0,66	-0,988	0,1353	-3,49	0,0247	-0,065	-0,065	0,1698	0,0058	-0,037	-0,004	23,741
	0,1795	0,9495	0,3355	5,0128	0,0244	0,0379	0,0206	0,0592	0,0073	0,0219	0,0017	19,163
	0,3515	2,5513										
	5,4705	111										
	391,7	722,52										
t-Test	-3,679	-1,04	0,4033	-0,696	1,0123	-1,715	-3,135	2,8687	0,8004	-1,688	-2,222	
	MNC PEN73	Govex	Trade Dep	social sec	UN- membership	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	Constant
growth	-0,888	-0,406	0,1692	-4,102	0,0108	-0,087	-0,047	0,1641	0,0118	-0,048	-0,003	27,785
	0,1585	0,8383	0,2963	4,4259	0,0216	0,0335	0,0182	0,0523	0,0064	0,0193	0,0015	16,919
	0,4426	2,2526										
	8,014	111										
	447,33	563,25										
t-Test	-5,605	-0,484	0,5713	-0,927	0,4988	-2,604	-2,589	3,141	1,8314	-2,464	-1,773	
	LEX 1960	1 der e-funct	1 der pi-func	MNC PEN73	Viol Rits Civ	Trade Dep	Terms Trade	UN- membership	Women Parl	Women %LF	ln(MPR+1)	Constant
DYN	1,1954	-0,045	-0,043	-0,038	0,0161	-0,001	0,0549	-2E-04	-0,251	-26,67	-0,3	27,436
LEX	0,8258	0,0207	0,0307	0,018	0,0167	0,0063	0,1759	0,0016	0,7469	6,8464	0,0365	2,6108
	0,7425	2,2316										
	29,1	111										
	1594,1	552,79										
t-Test	1,4476	-2,178	-1,408	-2,119	0,9644	-0,215	0,3122	-0,138	-0,336	-3,896	-8,217	
	e-func Encon	pi-func Enc	MNC PEN73	Viol Civ Rits	Trade Dep	Terms Trade	pub invest	Women Parl	Women %LF	ln(MPR+1)	Fertility Rate	Constant
green	0,0103	0,0651	0,0014	-0,001	-0,003	-4E-04	-4E-05	0,0118	4E-05	2E-05	0,0122	0,1137
house	0,0153	0,0708	0,0018	0,0025	0,0013	0,0014	0,0005	0,0129	0,0001	4E-06	0,0798	0,3005

index	0,4201	0,1792										
	7,309	111										
	2,5828	3,5659										
t-Test	0,6724	0,9192	0,7857	-0,596	-2,413	-0,325	-0,077	0,9119	0,2921	4,4106	0,1528	
pol rights	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	Constant
violations	0,5593	1,3587	0,0913	-1,779	0,0054	0,0556	0,0202	-0,11	0,0058	0,0133	0,0003	7,1765
	0,1075	0,5685	0,2009	3,0012	0,0146	0,0227	0,0123	0,0354	0,0044	0,0131	0,001	11,473
	0,5679	1,5275										
	13,261	111										
	340,34	258,98										
t-Test	5,2037	2,3902	0,4546	-0,593	0,371	2,45	1,6368	-3,118	1,3315	1,012	0,2914	
	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	Constant
civil rights	0,3518	1,3417	-0,008	-0,305	-0,003	0,0345	0,027	-0,099	0,003	-0,006	-9E-04	3,6364
violations	0,0828	0,4381	0,1548	2,3132	0,0113	0,0175	0,0095	0,0273	0,0034	0,0101	0,0008	8,8428
	0,6057	1,1773										
	15,501	111										
	236,35	153,86										
	4,2469	3,0621	-0,052	-0,132	-0,307	1,974	2,8429	-3,625	0,8792	-0,58	-1,159	
HDI	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	Constant
	-0,096	0,1617	0,0053	0,0295	4E-05	-0,003	-5E-04	0,0008	-2E-04	0,0006	7E-05	0,4458
	0,0078	0,0413	0,0146	0,218	0,0011	0,0016	0,0009	0,0026	0,0003	0,001	8E-05	0,8332
	0,8698	0,1109										
	67,432	111										
	9,1287	1,3661										
	-12,26	3,9161	0,3641	0,1353	0,0366	-1,628	-0,546	0,3095	-0,736	0,6132	0,8849	
	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	Constant
	-0,072	0,0902	-0,007	0,1685	0,0011	-0,002	-3E-04	0,0021	-2E-04	0,0003	8E-05	-0,018
	0,0057	0,0303	0,0107	0,1597	0,0008	0,0012	0,0007	0,0019	0,0002	0,0007	6E-05	0,6107
	0,8711	0,0813										
	68,221	111										
	4,9607	0,7338										
	Gender Development Index											
	-12,63	2,9816	-0,641	1,0549	1,4275	-1,883	-0,444	1,0921	-0,71	0,4643	1,5028	
	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	Constant
	-0,022	0,0074	0,0152	-0,182	0,0016	0,0054	0,0006	0,0022	-1E-04	6E-05	4E-05	0,8293
	0,0041	0,0216	0,0076	0,1139	0,0006	0,0009	0,0005	0,0013	0,0002	0,0005	4E-05	0,4356
	0,8193	0,058										

	45,758	111											
	1,6927	0,3733											
	Gender Empowerment Index												
	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	In PCI	In PCI^2	In(MPR+1)	Fertility Rate		
	-5,285	0,3421	1,9977	-1,595	2,82	6,2331	1,2727	1,6387	-0,732	0,1206	1,1321		
	e-func Encon	pi-func Enc	MNC PEN73	Viol Civ Rits	Trade Dep	Terms Trade	Constant	Life Expectancy					
	0,0499	0,0121	-1,444	-0,004	-4E-04	17,288	24,842						
	0,0364	0,0134	0,3005	0,0034	1E-04	1,5622	5,1727						
	0,777	4,9733											
	67,347	116											
	9994,6	2869,1											
	1,3696	0,9042	-4,807	-1,302	-3,768	11,067							
	Life expectancy												
	e-func Encon	pi-func Enc	MNC PEN73	Viol Civ Rits	Trade Dep	Terms Trade	Constant	Maternal Mortality					
	-1,975	-0,374	23,806	0,1619	0,0127	-551,7	1681,8						
	1,1804	0,4329	9,7404	0,1093	0,0032	50,639	167,67						
	0,7282	161,21											
	51,806	116											
	8E+06	3E+06											
	e-func Encon	pi-func Enc	MNC PEN73	Viol Civ Rits	Trade Dep	Terms Trade							
	-1,674	-0,863	2,444	1,4809	4,0355	-10,89							
	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	In PCI	In PCI^2	In(MPR+1)	Fertility Rate	%agland	Constant
%forest	-0,392	-2,287	-9,318	-2,208	30,87	0,517	0,748	-0,027	-0,391	-0,088	0,101	0,01	-79,6
area	0,131	1,415	7,406	2,598	38,83	0,189	0,296	0,159	0,474	0,057	0,17	0,014	148,8
	0,291	19,75											
	3,771	110											
	17648	42902											
t-Test	-3,003	-1,617	-1,258	-0,85	0,795	2,73	2,53	-0,17	-0,825	-1,557	0,593	0,711	
	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	In PCI	In PCI^2	In(MPR+1)	Fertility Rate	%agland	Constant
annual	0,015	0,094	-0,571	-0,217	3,172	0,004	2E-04	0,009	-0,058	0,004	-0,002	3E-04	-11,24

deforest	0,006	0,069	0,361	0,127	1,893	0,009	0,014	0,008	0,023	0,003	0,008	7E-04	7,253
	0,339	0,963											
	4,705	110											
	52,33	102											
t-Test	2,295	1,36	-1,582	-1,71	1,676	0,478	0,016	1,181	-2,499	1,436	-0,28	0,448	-1,55
	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	In PCI	In PCI ^2	In(MPR+1)	Fertility Rate	%agland	Constant
ethno	0,008	0,096	0,337	-0,053	0,701	0,01	0,03	0,023	-0,041	2E-05	-0,015	-0,001	-2,865
warfare	0,011	0,116	0,606	0,213	3,177	0,015	0,024	0,013	0,039	0,005	0,014	0,001	12,17
	0,124	1,616											
	1,3	110											
	40,74	287,2											
t-Test	0,772	0,833	0,556	-0,249	0,221	0,657	1,228	1,747	-1,07	0,004	-1,103	-1,065	
	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	In PCI	In PCI ^2	In(MPR+1)	Fertility Rate	%agland	Constant
destab./war	0,002	0,019	0,03	-0,033	0,515	0,001	-0,001	0,008	-0,012	-7E-04	0,001	-4E-04	-2,114
	0,145	0,381											
	1,549	110											
	2,703	16											
t-Test	0,82	0,683	0,212	-0,662	0,686	0,355	-0,19	2,552	-1,347	-0,599	0,421	-1,54	

	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	In PCI	In PCI ^2	In(MPR+1)	Fertility Rate	Constant
employment	-1,639	2,339	2,146	-32,85	0,377	0,146	-0,035	-0,054	0,033	-0,168	0,005	161,9
	0,43	2,274	0,804	12,01	0,059	0,091	0,049	0,142	0,017	0,052	0,004	45,9
	0,546	6,111										
	12,16	111										
	4994	4145										
t-Test	-3,813	1,029	2,671	-2,736	6,446	1,603	-0,705	-0,378	1,887	-3,21	1,116	

	MNC PEN73	In PCI	In PCI ^2	In(MPR+1)	Fertility Rate	constant
inequality	1,844947742	-3,803585139	-2,233455684	33,20675582	0,008641375	-79,27182924
share top 20%	0,655930289	3,580564824	1,031320612	15,67457093	0,005552609	59,67619026
	0,260566545	8,013042615				
	<i>5,285801109</i>	75				
	1696,976104	4815,663896				
t-Test	2,812719236	-1,06228635	-2,165626925	2,118511312	1,556272887	

Note: as in all EXCEL 5.0 outprints in this work, first row: unstandardized regression coefficients, second row: standard errors, last row: t-Test. The values immediately below the standard errors are R^2 (third row, left side entry), F , and degrees of freedom (fourth row).

Although the ethno-warfare index, and the index of destabilization and war can be considered as the weakest points in the theoretical structure, presented above, for the R^2 is below 1/6 in each case, the above materials can be considered as a powerful support for dependency theory. There are 17 variables and processes of development measured here. 14 variables are explaining different aspects of development. MNC penetration **significantly** and negatively affects 14 of the 17 dimensions reported, the rest - the greenhouse index, ethno-warfare, and the existence of war and political destabilization in a country, are still affected in a fashion, as predicted by our theory, but not significantly.

Three variables measure dependency: MNC penetration, trade dependency, and terms of trade; the processes, relevant for liberal transformation theories are government expenditures, UN member years, civil rights violations, and social security expenditures. The reform theories are being measured by social security, women in parliaments, and women as a percentage of the labor force, and the fertility rate. In addition, arms conversion and peace sub-theories in the reformist camp will be measured by military personnel ratios.

One dimension, not significantly affected by MNC penetration, the greenhouse index, is however to be shown a clear function of the fluctuations of unequal exchange in the world economy (*terms of trade*). Women are particularly marginalized by the process of globalization, as is shown in our results for gender development, gender empowerment, and maternal mortality. Female power and equity is incompatible, at the other hand, with the process of globalization.

To judge from Table 4.1, the world after 1980 seems to be a neat repetition of the well-known scholarly *Weltbild* that emerged from the writings of Volker Bornschier and Chris Chase-Dunn during the 1980s, and to which we referred to above. Our findings particularly suggest that MNC penetration in the earlier Kondratieff cycle period again significantly blocks adjustment, growth, increases of life expectancy, the political and human rights record, the human development index, and the gender development index, the gender empowerment index, the life expectancy, a reduction of maternal mortality, and the protection of the world forests.

In addition, income inequality (the share of top 20% of income earners in 81 countries according to Moaddel's data base, enlarged by WDR World Bank data, 1994) is also well explained by the penetration of multinational corporations in the host countries, and is - in contrast to Weede's earlier findings - nowadays significantly enhanced and not lessened by militarisation.

International system participation age is an important control variable in the whole process of the explanation of post-1982 growth and development/stagnation. The basic dependency-argument that emerges from Table 4.1 almost does not need to be spelt out here anymore: too evident is the negative and systematic effect of MNC dependence on growth and development. Almost as a footnote to these arguments, one can add that terms of trade have a significant effect in the expected direction on the process of maternal mortality.

However, our results need a series of qualifications: (i) **militarisation** emerges - contrary to widely published earlier results by Weede - as one of the main development blocs in the period after 1980, with 5% significant results regarding adjustment, growth, life expectancy increases, income redistribution, employment, the greenhouse effect, and further notable effects on the two deforestation indicators. The main theoretical thrust of our results points, however, in the following further directions: (ii) **fertility** is negatively related to adjustment, redistribution and growth. (iii) The **small and open economies** in the world society also tend towards gender political power sharing and towards a better employment situation. A world economically open society with a high proportion of foreign trade per total product is also more likely to have - *ceteris paribus* - a lower greenhouse-index, principally because the world economically more dominant big nations tend towards higher environmental destruction. (iv) **Government** activity is not significantly related to adjustment and growth; but a government-controlled economy increases in a negative way the performance of a country regarding the political and human rights record. At the other hand, strong, and not weak government, enhances the human development index, and the gender development index. A socially active state (social security) is significantly better performing, furthermore, to protect the world's forests in a time-perspective sense than the countries that rely on less 'embedded' modes. The neo-liberal critique is correct, however, in stressing the negative effect of a high social security effort on employment. (v) The **institutional long-term integration into the world community**, and especially the United Nations, has a significant positive effect on gender power sharing, employment and the dynamic aspects of forest protection. The United Nations programs in these areas can be regarded as indeed the most effective side of the UN, as far as the measurable results on world development are concerned. (vi) **Established feminism** (representation of women in parliaments and in the work force) can be regarded as the main loser of the world economic changes that have taken place since the 1980s. States with a high feminist power base at the one hand were successful in still increasing the feminist power base (gender empowerment index); and are performing relatively well on the forest protection front; but even the gender development index could not be affected in an upward direction by established feminism; and *ceteris paribus*, states with a well-developed feminist power base were performing very badly regarding adjustment, growth, life expectancy increases, political and civil rights performance.

The following Table 4.1d now shows the effects of MNC penetration, measured by the new UNCTAD data series, measured by around 1985, on world development. In addition to our above-discussed measures of the social, political, and environmental well-being of nations, we now have also included mean years of education as a measure of human capital formation, and the new UNDP capability poverty measure (CPM), which directly tries to estimate the percentage of people, marginalized from development in today's LDCs. Unfortunately, the UNDP did not calculate the CPM-poverty measure for the transition economies of Eastern Europe, where poverty and mortality often have increased during transformation. Again, MNC penetration significantly blocks development in the fullest sense of the word, negatively affecting the whole canon of development measures:

Table 4.1d: The effects of dependency (FDI stock per total GDP in the host countries) and world development - data for the 1980s and beyond

	MNCP85	Govex	Trade Dep	social sec	UN- membership	Women Parl	Women %LF	In PCI	In PCI ^2	In(MPR+1)	Fertility Rate	C
adjustment	-0,758	-0,717	0,1956	-4,491	0,0169	-0,05	-0,045	0,1354	0,0044	-0,042	0,0092	2
65/80/93	0,1563	0,7946	0,2894	4,3203	0,0211	0,0329	0,0181	0,0512	0,0064	0,0188	0,014	1
	0,3777	2,2049										
	6,1235	111										
	327,46	539,62										
t-Test	-4,847	-0,902	0,6757	-1,039	0,8025	-1,53	-2,483	2,643	0,6865	-2,228	0,661	
	MNC PEN85	Govex	Trade Dep	social sec	UN- membership	Women Parl	Women %LF	In PCI	In PCI ^2	In(MPR+1)	Fertility Rate	Constan
growth	-0,907	-0,281	0,0954	-3,147	0,0144	-0,063	-0,038	0,1416	0,0086	-0,04	0,0145	2
1980-93	0,1551	0,7885	0,2872	4,2869	0,0209	0,0327	0,0179	0,0508	0,0063	0,0187	0,0138	1
	0,4425	2,1879										
	8,0108	111										
	421,8	531,33										
t-Test	-5,846	-0,356	0,3322	-0,734	0,6895	-1,922	-2,104	2,7849	1,3644	-2,116	1,0498	
	LEX 1960	1 der e-func	1 der pi-func	MNCP85	Viol Rits Civ	Trade Dep	Terms Trade	UN- membership	Women Parl	Women %LF	In(MPR+1)	C
DYN	1,3468	-0,05	-0,033	-0,028	0,0147	-0,006	0,0599	0,0348	-0,497	-25,58	-0,292	2
LEX	0,7823	0,0201	0,03	0,0179	0,0157	0,0062	0,171	0,0137	0,7032	6,6478	0,0353	2
	0,7565	2,1702										
	31,349	111										
	1624,1	522,79										
t-Test	1,7215	-2,509	-1,115	-1,578	0,9382	-0,903	0,3502	2,528	-0,707	-3,847	-8,265	
	e-func Encon	pi-func Enc	MNCP85	Viol Rits Civ	Trade Dep	Terms Trade	pub invest	Women Parl	Women %LF	In(MPR+1)	Fertility Rate	C
green	0,0107	0,0514	0,0016	-0,002	-0,003	-3E-04	0,0001	0,0116	-0,001	2E-05	0,0249	0
house	0,0152	0,0681	0,0018	0,0025	0,0013	0,0013	0,0005	0,0129	0,0011	4E-06	0,0798	0
index	0,4238	0,1787										
	7,4227	111										
	2,606	3,5427										
t-Test	0,7035	0,7549	<i>0,882</i>	-0,742	-2,351	-0,26	<i>0,254</i>	0,901	-0,901	4,328	0,3121	
pol rights	MNCP85	Govex	Trade Dep	social sec	UN- membership	Women Parl	Women %LF	In PCI	In PCI ^2	In(MPR+1)	Fertility Rate	C
violations	0,5633	1,3303	0,0892	-1,74	0,0046	0,0561	0,0209	-0,11	0,0057	0,0133	0,0032	6
	0,1083	0,5504	0,2005	2,9926	0,0146	0,0228	0,0125	0,0355	0,0044	0,013	0,0097	1
	0,568	1,5273										
	13,266	111										

	340,4	258,92										
t-Test	5,2024	2,4168	0,4451	-0,582	0,3158	2,4594	1,6653	-3,098	1,2994	1,0218	0,3327	
	MNCP85	Govex	Trade Dep	social sec	UN- membery	Women Parl	Women %LF	ln PCI	ln PCI ^2	ln(MPR+1)	Fertility Rate	C
civil rights	0,3549	1,4809	0,0051	-0,535	-0,002	0,0361	0,0275	-0,098	0,002	-0,008	0,0014	4
violations	0,084	0,4268	0,1554	2,3205	0,0113	0,0177	0,0097	0,0275	0,0034	0,0101	0,0075	8
	0,601	1,1843										
	15,203	111										
	234,53	155,67										
	4,2269	3,4698	0,0328	-0,231	-0,21	2,0412	2,8337	-3,566	0,5888	-0,748	0,184	
Human Development Index	MNCP85	Govex	Trade Dep	social sec	UN- membery	Women Parl	Women %LF	ln PCI	ln PCI ^2	ln(MPR+1)	Fertility Rate	C
	-0,095	0,1544	0,0047	0,0402	-1E-04	-0,003	-4E-04	0,0009	-2E-04	0,0006	0,0005	0
	0,0079	0,04	0,0146	0,2177	0,0011	0,0017	0,0009	0,0026	0,0003	0,0009	0,0007	0
	0,8695	0,1111										
	67,224	111										
	9,125	1,3697										
	-12,08	3,8562	0,3237	0,1845	-0,106	-1,589	-0,426	0,3348	-0,716	0,663	0,6949	
	MNCP85	Govex	Trade Dep	social sec	UN- membery	Women Parl	Women %LF	ln PCI	ln PCI ^2	ln(MPR+1)	Fertility Rate	C
	-0,071	0,0814	-0,008	0,1812	0,0009	-0,002	-2E-04	0,0022	-2E-04	0,0004	0,0007	-0
	0,0058	0,0294	0,0107	0,1597	0,0008	0,0012	0,0007	0,0019	0,0002	0,0007	0,0005	0
	0,8705	0,0815										
	67,801	111										
	4,9568	0,7377										
	Gender Development Index											
	-12,36	2,7703	-0,706	1,1346	1,1746	-1,809	-0,23	1,1382	-0,707	0,5363	1,285	
	MNCP85	Govex	Trade Dep	social sec	UN- membery	Women Parl	Women %LF	ln PCI	ln PCI ^2	ln(MPR+1)	Fertility Rate	C
	-0,021	0,0038	0,015	-0,177	0,0014	0,0055	0,0007	0,0023	-1E-04	5E-05	0,0006	0
	0,0041	0,0208	0,0076	0,1129	0,0006	0,0009	0,0005	0,0013	0,0002	0,0005	0,0004	0
	0,8216	0,0576										
	46,465	111										
	1,6974	0,3686										
	Gender Empowerment Index											
	MNCP85	Govex	Trade Dep	social sec	UN- membery	Women Parl	Women %LF	ln PCI	ln PCI ^2	ln(MPR+1)	Fertility Rate	C
	-5,089	0,1813	1,9835	-1,57	2,5954	6,364	1,537	1,7252	-0,895	0,1112	1,644	
	e-func Encon	pi-func Enc	MNCP85	Viol Civ Rits	Trade Dep	Terms Trade	Constant	Life Expectancy				
	0,0387	0,0082	-1,41	0,0046	-4E-04	17,262	25,561					
	0,0356	0,0138	0,3021	0,0303	1E-04	1,58	5,1809					
	0,7737	5,009										

	66,116	116												
	9953,2	2910,5												
	1,0862	0,5931	-4,668	0,1524	-3,766	10,925								
	Life expectancy													
	e-func Encon	pi-func Enc	MNCP85	Viol Rits	Civ Trade Dep	Terms Trade	Constant	Maternal Mortality						
	-1,564	-0,247	22,606	-0,05	0,0129	-551,3	1655,5							
	1,158	0,4491	9,8139	0,9842	0,0032	51,33	168,31							
	0,7231	162,73												
	50,487	116												
	8E+06	3E+06												
	e-func Encon	pi-func Enc	MNCP85	Viol Rits	Civ Trade Dep	Terms Trade								
	-1,351	-0,55	2,3034	-0,051	4,0413	-10,74								
	MNCP85	Govex	Trade Dep	social sec	UN- membership	Women Parl	Women %LF	In PCI	In PCI^2	In(MPR+1)	Fertility Rate	%agland	Constant	
%forest	-0,451	-2,685	-11,86	-2,419	34,205	0,5247	0,6685	-0,072	-0,385	-0,06	0,1344	-0,193	-85,86	
area	0,1307	1,4212	7,0959	2,5719	38,418	0,1874	0,2954	0,1607	0,4696	0,0565	0,1678	0,127	147,29	
	0,3029	19,589												
	3,9827	110												
	18339	42211												
t-Test	-3,447	-1,889	-1,672	-0,941	0,8903	2,7998	2,2632	-0,447	-0,819	-1,057	0,8006	-1,521		
	MNCP85	Govex	Trade Dep	social sec	UN- membership	Women Parl	Women %LF	In PCI	In PCI^2	In(MPR+1)	Fertility Rate	%agland	Constant	
annual	0,0127	0,0805	-0,653	-0,223	3,2788	0,0047	-0,002	0,0077	-0,058	0,0049	-0,001	-0,007	-11,43	
deforest	0,0064	0,0696	0,3473	0,1259	1,8803	0,0092	0,0145	0,0079	0,023	0,0028	0,0082	0,0062	7,2093	
	0,3446	0,9588												
	4,8196	110												
	53,166	101,12												
t-Test	1,979	1,1567	-1,879	-1,774	1,7437	0,5142	-0,166	0,9756	-2,503	1,7661	-0,148	-1,053	-1,586	
	MNCP85	Govex	Trade Dep	social sec	UN- membership	Women Parl	Women %LF	In PCI	In PCI^2	In(MPR+1)	Fertility Rate	%agland	Constant	
ethno	0,0102	0,1021	0,5162	-0,038	0,4516	0,0119	0,0318	0,023	-0,043	-1E-03	-0,017	0,0002	-2,072	
warfare	0,0108	0,1178	0,5883	0,2133	3,1854	0,0155	0,0245	0,0133	0,0389	0,0047	0,0139	0,0105	12,213	
	0,1152	1,6242												
	1,1933	110												
	37,776	290,19												

t-Test	0,9403	0,8667	0,8773	-0,179	0,1418	0,765	1,2968	1,7257	-1,092	-0,208	-1,226	0,0144	
	MNCP85	Govex	Trade Dep	social sec	UN- membery	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	%agland	Constant
destab./	0,0022	0,0166	0,0792	-0,029	0,4441	0,0021	-0,001	0,0074	-0,013	-8E-04	0,001	-0,002	-1,842
war	0,0026	0,0279	0,1392	0,0504	0,7534	0,0037	0,0058	0,0032	0,0092	0,0011	0,0033	0,0025	2,8885
	0,1319	0,3841											
	1,3929	110											
	2,4667	16,233											
t-Test	0,876	0,5952	0,569	-0,579	0,5895	0,5772	-0,193	2,36	-1,38	-0,689	0,309	-0,853	

	MNCP85	Govex	Trade Dep	social sec	UN- membery	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	Constant
mean y	-0,821	1,1775	0,5406	-6,526	0,02	-0,009	-6E-04	0,0817	-0,008	-0,012	-0,013	26,224
of educ	0,0871	0,4429	0,1613	2,4078	0,0118	0,0184	0,0101	0,0286	0,0035	0,0105	0,0078	9,2048
ation	0,8799	1,2288										
	73,939	111										
	1228,1	167,61										
t-Test	-9,419	2,6589	3,3519	-2,711	1,7038	-0,487	-0,055	2,8626	-2,385	-1,178	-1,647	

	MNCP85	Govex	Trade Dep	social sec	UN- membery	Women Parl	Women %LF	social sec	ln PCI^2	ln(MPR+1)	Fertility Rate	Constant
employ	-1,729	1,3969	2,0486	-31,17	0,3784	0,1233	-0,05	-0,07	0,0436	-0,153	-0,06	156,76
ment	0,4309	2,1905	0,7978	11,909	0,0581	0,0908	0,0498	0,1412	0,0175	0,0519	0,0385	45,529
	0,5513	6,078										
	12,397	111										
	5037,6	4100,6										
t-Test	-4,012	0,6377	2,5678	-2,617	6,5094	1,3583	-1	-0,493	2,4854	-2,939	-1,565	

	MNCP85	Govex	Trade Dep	social sec	UN memy	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	
cpm	5,6962	-9,65	-1,156	8,4534	-0,131	-0,029	0,0247	-1,711	0,0388	-0,14	-0,078	16,497
measure	0,9599	4,9936	2,1929	31,463	0,1232	0,2494	0,1189	0,8804	0,0376	0,1178	0,0805	115,66
	0,6509	12,162										
	14,917	88										
	24270	13016										
t-Test	5,934	-1,933	-0,527	0,2687	-1,06	-0,117	0,2078	-1,944	1,0332	-1,186	-0,973	

	MNCPen85	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	constant
inequality	1,660219	-5,34162	-2,13994	31,8547	0,12603	-73,7864
share top	0,65447	3,456306	1,019608	15,49074	0,070035	59,09442
20%	0,252326	7,897908				
	4,92722	73				
	1536,726	4553,517				

t-Test	2,53674	-1,54547	-2,09879	2,05637	1,799521	
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See: footnotes above, Table 4.1c. As in all EXCEL 5.0 outprints in this work, first row: unstandardized regression coefficients, second row: standard errors, last row: t-Test. The values immediately below the standard errors are R^2 (third row, left side entry), F , and degrees of freedom (fourth row).

The above materials again strongly support dependency theory. There are 19 variables and processes of development measured here. 14 variables are explaining different aspects of development. MNC penetration **significantly** and negatively affects 15 of the 19 dimensions reported, the rest - life expectancy increases, the greenhouse index, ethno-warfare, and the existence of war and political destabilization in a country, are still affected in a fashion, as predicted by our theory, but not significantly.

Three variables again measure dependency: MNC penetration, trade dependency, and terms of trade; the processes, relevant for liberal transformation theories are again government expenditures, UN member years, civil rights violations, and social security expenditures. The reform theories are again being measured by social security, women in parliaments, and women as a percentage of the labor force, and the fertility rate. In addition, arms conversion and peace sub-theories in the reformist camp will be measured by military personnel ratios.

One dimension, not significantly affected by MNC penetration, the greenhouse index, is shown to be a clear function of militarisation; however, smaller nations in world society (high trade dependency index) still have a more favorable balance here. The new research design shows again that women are particularly marginalized by the process of globalization, as is shown in our results for gender development, gender empowerment, and maternal mortality. Female power and equity is incompatible, at the other hand, with the process of growth and adjustment in the era of globalization.

Our findings suggest that MNC penetration in the present Kondratieff cycle period again significantly blocks adjustment, growth, the political and human rights record, human development, gender development, gender empowerment, life expectancy, a reduction of maternal mortality, and the protection of the world forests.

In addition, income inequality (the share of top 20% of income earners in the 81 countries according to Moaddel's data base, enlarged by WDR World Bank data, 1994) is again well explained by the penetration of multinational corporations in the host countries, and is again - in contrast to Weede's earlier findings - significantly enhanced and not lessened by militarisation. MNC penetration increases significantly poverty, as measured by the new UNDP 1996 CPM poverty measure. International system participation age is again an important control variable in the whole process of the explanation of post-1982 growth and development/stagnation. It significantly enhances the increase of life expectancy over time, gender empowerment, and the educational and employment record of a given country (the strong points of belonging long enough to the de-facto distribution coalition of long-standing UN members), while it significantly fails to block the deforestation process, especially due to the divergence between professed ideals and dire realities in the long-standing UN member-nations in

Latin America and in Eastern Europe. Terms of trade have again a significant effect in the expected direction on the process of maternal mortality, and life expectancy.

However, our results again need a series of qualifications: (i) **militarisation** emerges again - contrary to widely published research results by Weede about the world economy of the 1960s, the 1970s and the early 1980s - as one of the main development blocs in the period after 1980, with 5% significant results regarding adjustment, growth, employment, income redistribution, the greenhouse effect, and further notable effects on the two deforestation indicators. The main theoretical thrust of our new results with MNC penetration during the 1980s points, however, in the following further directions: (ii) **fertility** is negatively related to redistribution, employment and human capital formation, but there is perhaps somewhat surprising *ceteris paribus* positive effect on gender empowerment, mainly due to the relatively good gender empowerment performance of countries with a relatively higher historical fertility rate like Barbados, Bahamas, China., Ireland etc., whose gender empowerment is higher than that of nations with a historically low birth rate like France (iii) The **small and open economies** in the world society also tend towards gender political power sharing and towards a better employment situation. A world economically open society with a high proportion of foreign trade per total product is also more likely to have - *ceteris paribus* - a lower greenhouse-index. To further support the predictions about the positive effects of trade dependency on development, developed by Katzenstein, one should emphasize also the positive effects on human capital formation and employment. But trade dependency also works as a classic transmitter of mechanisms of dependency by the effects it wields on life expectancy, maternal mortality, and the coverage of a nation with forests. (iv) **Government** activity is again not significantly related to adjustment and growth; but a government-controlled economy increases also in this research design in a negative way the performance of a country regarding the political and human rights record. At the other hand, strong, and not weak government, again enhances the human development index, and the gender development index, the human capital formation record of a nation, and government significantly reduces the amount of absolute poverty measured by the new UNDP CPM-measure to be found in developing countries. The effects of government or - more specifically - the social welfare state (social security index) on the indicators of the situation of the world woodland's are however not giving reason for optimism. The relative strength of the social welfare state has - like so many explanatory variables - positive and negative effects on the process of world development: it has a negative effect on employment, and it has a negative effect on human capital formation (mean years of education), while welfare states - *ceteris paribus* - still tend to behave in a protective fashion regarding their ecological systems (% forest coverage). (v) **Established feminism** (representation of women in parliaments and in the work force) again emerges as the main loser of the world economic changes that have taken place since the 1980s. States with a high feminist power base at the one hand were - as in the above research design - again successful in still increasing the feminist power base (gender empowerment index); and were performing relatively well on the forest protection front; but even the gender development index could again not be affected in an upward direction by established feminism; and *ceteris paribus*, states with a well-developed feminist power base were performing very badly regarding adjustment, growth, life expectancy increases, political and civil rights performance, the human development index.

Our analysis also shows the effects that transnational migration has on the sending and on the receiving countries. The hope of many semi-periphery and periphery nations to change their weak position in the world-wide structure of the division of labor by mass migration to the developed countries is not realistic. These findings could have an implication not only for the social scientific, but also for the political debate in Europe. At present, 'green', 'alternative' and socialist-left-wing groups claim that Western Europe should allow more immigration from the South and the East. For us, migration is - above all - an expression of a peripheral position in the world economy. The dominant countries, like Japan or the United States, send their managers abroad, but not their workforce. Poor and peripheral countries, like Jordan, Pakistan, Ireland, Portugal, or nowadays Poland, send their workers abroad, and import their managers. Interestingly enough, the effect of government size on growth becomes significantly and highly negative, once we consider for the effect of migration on development. Introducing the variable: 'worker remittances per total GNP' into the above equations, we achieve for the countries with complete data on worker remittances the following results:

Table 4.2: International dependency and its effects on growth and adjustment, allowing for the influence of the migration process

	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	migration	constant
adjustment	-0,143	-1,13	0,525	0,589	-11,5	-0,018	-0,033	-0,05	0,115	-0,02	-0,02	-0,004	60,89
	0,049	0,207	1,195	0,404	6,05	0,026	0,05	0,027	0,081	0,017	0,036	0,003	22,69
	0,56	2,072											
	5,402	51											
	278,4	219											
t-Test	-2,897	-5,452	0,439	1,456	-1,901	-0,671	-0,667	-1,852	1,426	-1,191	-0,552	-1,278	
	MNC PEN73	Govex	Trade Dep	social sec	UN-membership	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	migration	constant
growth	-0,119	-1,42	1,832	0,42	-9,152	-0,01	-0,008	-0,041	0,063	-0,019	-0,017	-3E-04	53,4
	0,046	0,194	1,12	0,379	5,671	0,025	0,047	0,025	0,076	0,016	0,034	0,003	21,27
	0,614	1,943											
	6,767	51											
	306,4	192,5											
t-Test	-2,569	-7,307	1,636	1,108	-1,614	-0,407	-0,179	-1,637	0,827	-1,166	-0,51	-0,113	2,51

61.4% of economic growth is explained by our equation. Although the small and open economies - especially in Europe - tend towards a higher economic growth rate and a less painful structural adjustment towards the realities of the evolving post-1982/89 world economic and social order, it stands out very clearly that under due consideration for the effects of migration on growth, the critique of the state sector and an excessive social security burden becomes relevant.

5) Problem number 2: Europe must come to terms with the 'new' social problems arising from the contradictions of the process of the global environmental destruction, to which Europe as one of the main regions of world industry and traffic, disproportionately contributes, and Europe must find a proper way for gender empowerment

The amplification of the discourse of development theory that still tends to be sometimes fixed towards such monetary dimensions as growth and distribution alone might be somewhat surprising. Over recent years, there has emerged a new sub-field of development and transformation theory that is sensitive to the concerns of 'the new social movements' around the globe (Bello, 1989; Friberg, 1988; UNDP, 1993, 1994; Woehlke, 1987, 1993). The situation of women and the situation of the environment emerge as one of the prime issues of development (Benard and Schlaffer, 1985; Betz and Bruene, 1995; L. R. Brown, 1992; Dubiel, 1993; Frank and Fuentes-Frank, 1990; Leggett, 1991; Saffioti, 1978; Seager and Olson, 1986). Cross-national analysis about economic and social preconditions and the quality of the environment are relatively new (Beckerman, 1992; Shafik and Bandyopadhyay, 1992).

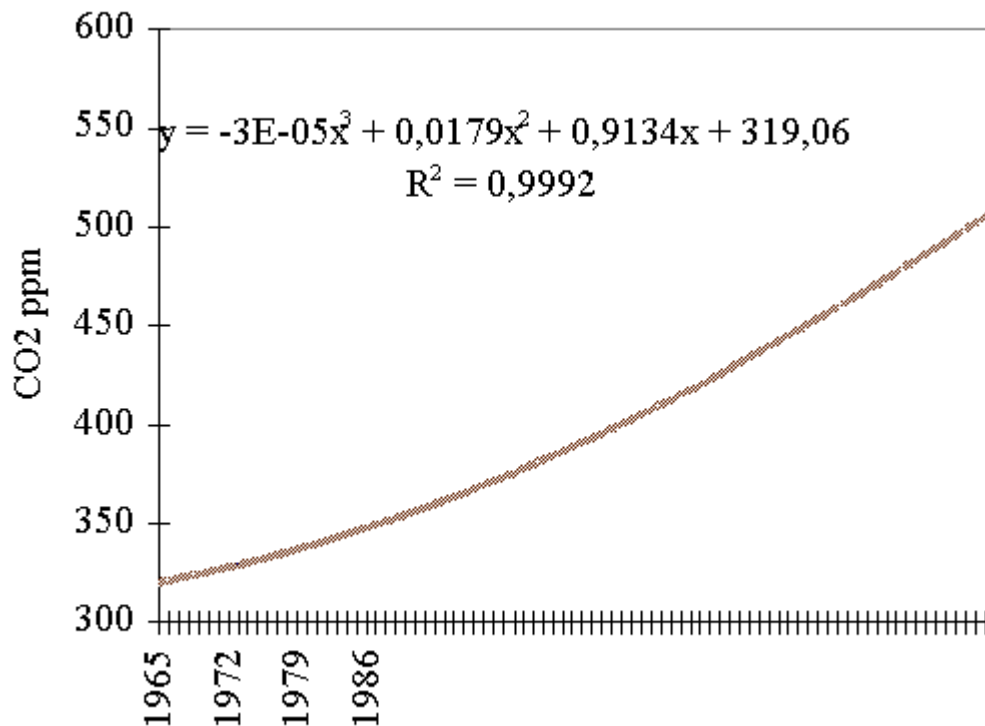
It is hard to construct a single indicator of the environmental situation of a country. The following indicators are being used widely: the *greenhouse index* per 10 million people, *energy consumption per capita*, and the *annual rate of deforestation*. A fourth indicator, *per capita carbon dioxide emissions*, is also available. The greenhouse index measures the net emissions of three major greenhouse gases: carbon dioxide, methane and chlorofluorocarbons. The index weights each gas according to its heat trapping quality in carbon dioxide equivalents and expresses them in metric tonnes of carbon per capita. Energy consumption, on the other hand, refers to commercial forms of primary energy - petroleum (crude oil, natural gas liquids, and oil from non-conventional sources), natural gas, solid fuels (coal, lignite, and other derived fuels), and primary electricity (nuclear, hydroelectric, geothermal, and other) - all converted into oil equivalents. Energy consumption refers to domestic primary energy supply before transformation to other end-use fuels and is calculated as indigenous production plus imports and stock changes, minus exports and international marine bunkers. The use of firewood, dried animal excrement, and other traditional fuels, is *not* taken into account for lack of international comparative data. Energy consumption per capita can be considered as perhaps the most important single indicator of the factors that lead to global environmental degradation. The two environmental indicators have a very high positive correlation with each other. The third indicator, annual rate of deforestation or total forest area (under proper consideration of arable land per total land), is connected with the first and the second process in a complex fashion. For the future of the world environment, deforestation is the most alarming contemporary process of environmental degradation. Forest burning directly leads to a greatly increased CO₂ emission; deforestation reduces the world's future capacity to produce oxygen and to adapt to increasing CO₂ levels. To put it into a drastic comparison with medicine: the patient suffers from cancer on the **left** lung (*the green house-effect*), and the doctors decide to extract the still functioning **right** lung (the world-wide CO₂ --> O₂ photosynthetic regenerative capacity of the world's tropical forests). Due to the destruction of the outer ozone-layer of the earth, this fatal process will still be increased. **Each second,**

a rainforest area as large as a football field, is being demolished on purpose (Launer, 1992).

Among the factors, leading to deforestation, the export-oriented economy, the use of tropical wood in the world paper and furniture industry, and the burning of wood for cooking and heating purposes are the three most commonly mentioned factors. A great number of scholars, among them Leggett et al., 1991, tried to bring deforestation rates systematically into a causal relationship with the kind of dependent capitalist development, analyzed amongst others by Bornschier and Chase Dunn, 1985. The creation of large plantations in Latin America for meat exports to the United States of America is often causally linked in the literature to the problem of deforestation (Launer, 1992). Brazil's supposed role is of special importance here, because Brazil still has a share of 27.5% of the world's tropical forests. Indonesia's year-long wood-export drive has often been mentioned as the most paradigmatic case of the influence of the capitalist world economy on the rapid disappearance of the world's forests. The role of the peasantry in dependent capitalism was also often mentioned in this context. Extensive tropical agriculture, implanted by 500 years of dependent development, described by the Peruvian Marxist José Carlos Mariátegui in his classic '*7 Essays*', and later on analyzed by Feder, 1972, is thought to be one of the main factors leading to the alarming rates of deforestation. Small scale peasants - the *dependencia* argument runs - are evicted throughout the countries of Latin America, Africa, Asia and the Pacific from their meager holdings by the land-hungry process of dependent agricultural capitalism for the sake of export-oriented breeding for meat production and tropical export crops. But what is already commonplace in the former 'Third World' could become a rule of the day also in the former 'Second World'. Forests are being cut down not only in Indonesia and in Northern Borneo at an amazing speed, but also in the *Warmia* region of the Mazurian lakes in Poland and in other parts of Eastern Europe. Forest cutting for export purposes, disregarding the social and ecological rights of the local populations, could serve, a *dependencia*-minded argument could maintain, the short-term profit interests of the old and new export-oriented elites. In the former or continuously communist countries of Eastern Europe and the USSR-successor-states, environmental quality poses indeed one of the main concerns of development planning nowadays (World Resources Institute, 1992). Eastern Europe's transformation could be again seen as a testing ground for various development paradigms and strategies. The globalization argument would emphasize that, contrary to the optimistic expectations about an improvement in the environmental situation due to the new presence of transnational capital, the adoption of an energy-consuming 'US-style'- model would mean a significant long-term increase of various emissions. The global atmospheric carbon dioxide concentration increased from 280 ppm in pre-industrial times to 315.8 in 1959, to stand at 354 in 1990. World carbon dioxide emissions increased from 6002 millions of metric tons in 1950 to 21863 millions of metric tons in 1989. Over the last 100 years, the earth's temperature rose by 0.6 degrees; from 1970 to today, the rise was 0.3 degrees. The earth's temperature will rise by a further 3 degrees until 2100, if contemporary emission trends continue (Stiftung, 1996). Over the last 160000 years, there has been a close correlation between carbon-dioxide concentrations and changes in the world temperature (Gore, 1994; Leggett, 1991). Roughly, a change of +- 100 ppm carbon dioxide historically led to a change of +- 12.5 degrees Celsius. From 1750 to today, carbon dioxide emissions amount to 800 thousand million tons of CO₂. Although the temperature change factor might be smaller, and a rise by

100 ppm CO₂. might lead to a temperature rise of 1.1 degrees, the heating of the atmosphere in the coming decades will be enormous:

Graph 5.1 Charles D. Keeling's data series from Mauna Loa - atmospheric concentrations of greenhouse and ozone-depleting gases, 1959-90, and the trend for the next 60 years



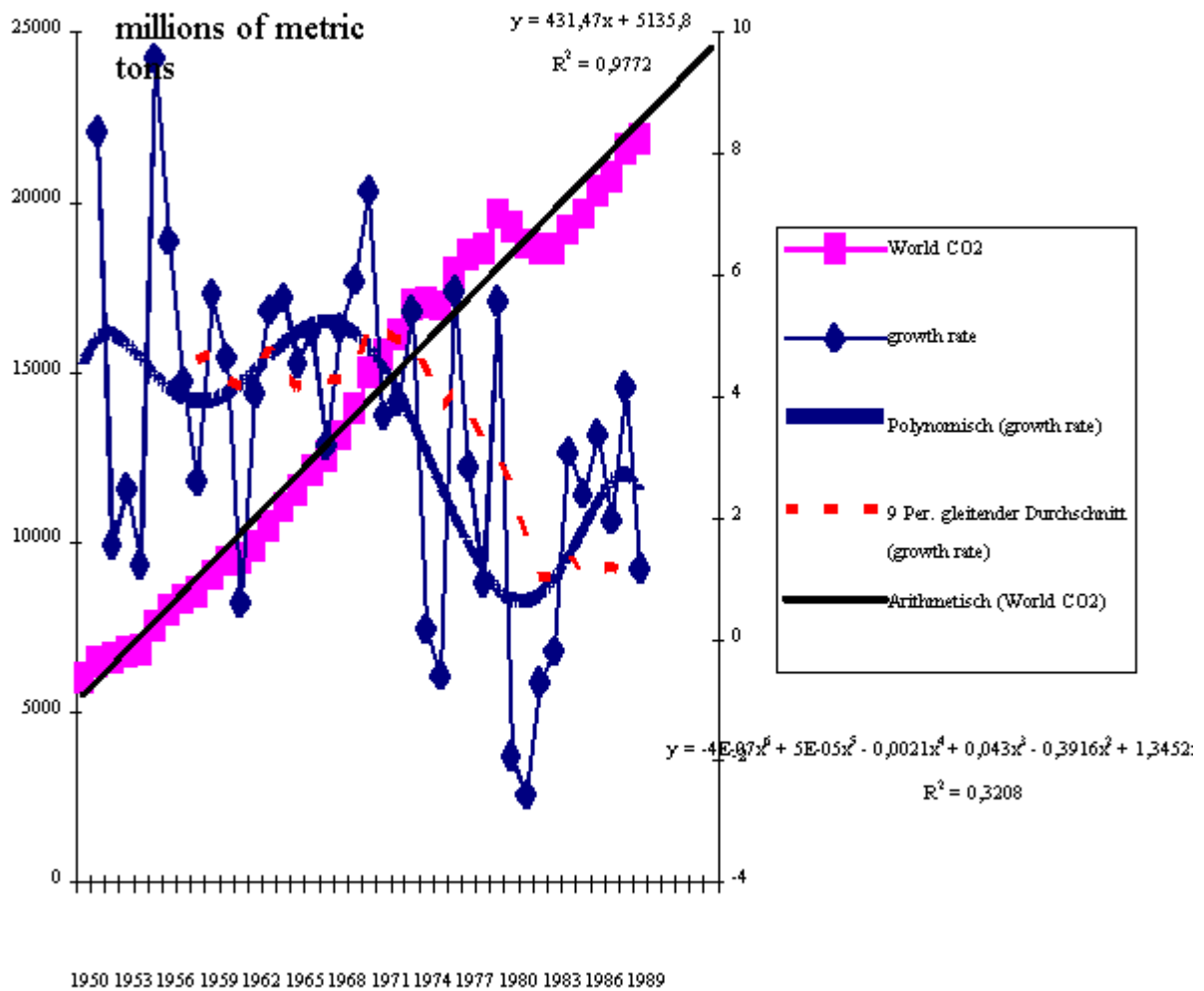
our own calculations from Keeling's data, World Resources Institute, 1992, using the trend-line extrapolation of the EXCEL 5.0 program (3-order polynomial expression)

Desertification, storms, flooding in many parts of the world during the winter seasons, as well as famine and droughts during the summer months could be the results of these recent increases in carbon dioxide levels and are indeed already a reality in many parts of the world. There were 16 major disasters in the 1960s, 29 in the 1970s, and 70 in the 1980s. Since 1967, 1.3 million people died from droughts, 800000 in cyclones, 600000 in earth quakes and 300000 in floods (UNDP, 1994). The last time that a carbon dioxide concentration as high as around 300 ppm was reached in the earth's history was around 130000 before our time; from that moment onwards, global temperatures and carbon dioxide concentration ratios fell to 20000 before our time, when a level of just 180 ppm was reached.

World pollution is even a clear statistical function of the ups and downs of the longer swings in the world economy, most notably the Kuznets cycle and the Kondratieff cycle. The World Resources Institute has provided information on the basis of the Carbon Dioxide Information Analysis Centre about CO₂ emissions in

the world from 1950 onwards. The growth rates of CO2 consumption clearly correspond to the Kondratieff and Kuznets cycle analysis about economic growth, which we introduced in Chapter 3.

Graph 5.2: CO2 emissions and their growth rates from 1950 onwards



Legend: World CO2 emissions from fossil fuel consumption and cement manufacture, 1950-89. Left hand scale: emissions in millions of metric tons per year; right-hand scale: growth rates. The graph shows also the polynomial expression (6th order) of the growth rates, as calculated by EXCEL 5.0, as well as the gliding averages on a 9-year basis. The dark line is the linear regression trend of CO2 emissions, projected for 5 consecutive periods

It is clear, however that some Western countries on the other hand use technical and civilization standards that indeed constitute a significant improvement in terms of the environment compared to the preceding regime. Table 5.1 now summarizes the most important environmental indicators for the region before or during the start of the transformation process by international comparison:

Table 5.1: environmental quality in Eastern Europe and the former USSR in comparison to the US, the UK, France, (West) Germany, Sweden and Austria

Country Environmental degradation indicator

CO2 SO2 NOX % forest defoliation

per capita emissions (tons) (moderate to severe)

(in industry)

Albania 3.04 15.6 2.8 -

Bulgaria 11.87 114.6 16.7 24.9%

former CS 14.47 178.9 60.7 33.0%

East Germany - 313.3 42.6 16.4%

Hungary 6.05 115.2 24.5 12.7%

Poland 11.54 103.3 39.1 31.9%

Romania 9.16 8.6 16.8 -

former Yug. 5.61 69.6 8.0 22.6% (Slovenia)

former USSR - 32.4 14.6 35.0% (Kalinin-

grad oblast)

USA 19.68 83.2 79.6 -

UK 9.89 62.1 43.9 28.0%

France 6.38 27.1 30.1 -

W-Germany 10.48 24.2 48.4 15.9%

Sweden 7.0 25.9 35.4 12.9%

Austria 6.82 16.3 27.7 4.4%

Source: our own compilations from World Resources Institute, 1992

Deforestation in Eastern Europe and the former USSR is already more severe than in most parts of Western Europe. What will happen to these forests in the course of world-market oriented development? To this we must add that in a country like Poland environmental concerns do not receive the priority that they should receive. Only 34% of the population is served by waste water treatment plants (EU average 70%); municipal waste services reach only 55% of the population (EU average: 96%; our own compilations from UNDP, 1995). The basic argument of a globalization-oriented explanation of environmental quality on a world scale (Launer, 1992; Woehlke, 1987) would run as follows: dependent development not only leads to social strains and imbalances, with all its economic dynamics that it might initiate at the same time; it also means a further strain on the natural resources and the environment by the energy-,

space-, forest- and individual-traffic intensive life-style that the world-wide market economy, especially in its North American variety, brings about. Although some forest-, energy- and emission-saving might be the initial consequence of the introduction of more modern and western technologies, the basic problem of dependent and polarizing development would remain on the agenda. Profit-oriented development between unequal partners will always, globalization theory argues, lead to forms of 'unequal exchange'. Concretely, the world-wide market economy and the new international division of labor will (i) transfer energy and pollution intensive industries to the countries of the periphery and the semi-periphery (ii) industrial waste from the centers will be increasingly attempted to be deposited in those regions (iii) export-intensive industrialization and the debt crisis will mean an almost reckless use of remaining natural resources, especially forest areas, for export purposes to earn badly needed foreign cash, or to destroy forests to gain land for tropical and sub-tropical export agriculture. International tourism (including its 'soft-body'-component), air traffic, individual traffic and the 'western' lifestyle that begins with the plastic bag, ranging over well-known soft drinks - preferably from the tin-can - to equally well-known western TV-serials, will in the end more than negatively compensate the initially positive contributions that economic transformation, market mechanisms and the recession of the 1980s will have meant for the countries of the periphery and the semi-periphery of Eastern Europe and the countries of the South in terms of the environment. Poland produces today more waste per inhabitant already (1500 kg per year) than Spain, Italy, France, the UK or Germany (1021 kg) (*Wprost*, 20.09. 1995: 52; Tausch/de Boer, 1997). Poland might have new factories for paper recycling with western technology, but the raw material - old paper - is being imported from Western countries.

In addition, regional development authorities throughout Eastern Europe and in other semi-peripheral regions will hope to attract foreign buying power in exchange for local property rights in environmentally still undamaged regions. Insert here what you like: Caribbean island coasts, still untouched regions in Eastern Europe, like the Mazurian lakes, the Tatra Mountains, *et cetera*. They will share the fate - dependency theory would tell us - of the sell-out at the Spanish Mediterranean coast, wide areas of the Austrian Alps and many other places in Europe. In other zones, unabated deforestation will develop, not unlike many Third-World countries. Unequal environmental exchange will increasingly affect (semi)peripheral regions in greater geographical distance from the centers; mass tourism to the tropical zones of the world will cause a tremendous increase in air-pollution from air-traffic that these 'island get-aways' bring about. For these reasons, environmental indicators are so negatively determined by transnational penetration. An important control variable in our analysis of the deforestation process is the percentage of total land, devoted to agriculture. At the one hand, it allows for the fact that large regions of the world are affected by a growing desertification; on the other hand, this control variable duly considers the negative effect that the expansion of world agriculture had on the world's woodlands in a historic perspective.

Europe must not only come to terms with the environmental destruction, to which it contributes disproportionately on a global scale, Europe must also lead the way in bringing about a lean and socially just state at the same time. Social justice, by and large, means gender justice today (UNDP, 1995). The eastward expansion of the Union will further increase this problem dimension.

Faced by the marginalization of women on the labor markets due to the workings of globalization, Europe is tempted to spend its way out to maintain their position in a global context. The eastward expansion of the Union will mean that millions of up to now economically marginalized women will become citizens of the Union, whose fate has to be taken care of by Brussels at least in some way.

Aggregate societal data suggest that after the transformation, the situation of women in Eastern and Central Europe did *relatively* deteriorate in many ways (Cornia, 1993, 1994). Since Cornia's very telling research results are easily available internationally, it might suffice here to quote some aggregate UNDP data to further illustrate our point. Our aggregate data show, how difficult a relatively rapid integration of the more traditionalist, rural and in many ways backward East into the European Union could become. Only the Czech Republic is socially by any means on a comparable level with the more highly developed countries of Western Europe:

Table 5.2: the marginalization of women, social devastation and decay in former communist countries of Central and Eastern Europe in comparison to the European Union countries

Indicator CS H BUL PL ROM ALB EU

maternal mortality

per 100000 live births 14 21 40 15 210 100 **9**

sulphur and nitrogen

emissions per capita 239 141 - 141 - - **74**

Rapes per 100000

women 12 31 21 19 - - **17**

homicides by men

per 100000 1.3 3.5 4.0 2.5 **1.6**

prisoners per

100000 inhabitants - 142 160 204 - - **59**

suicides by men per

100000 30 58 23 24 13 - **19**

total health expen-

diture as % of GDP 5.9 6.0 5.4 5.1 3.9 - **8.2**

mean years of schooling

female population >25y. 8.6 9.9 6.4 7.8 6.7 5.2 **9.9**

mean years of schooling

male population >25y. 9.8 9.7 7.6 8.5 7.5 7.2 **10.3**

tertiary graduates as

% of population of nor-

mal graduate age 11.8 6.4 6.4 6.6 2.2 1.7 **12.6**

average age of women

at first marriage 22.2 22.4 21.1 22.8 21.1 20.4 **25.1**

% of seats in parlia-

ment occupied by

women 9% 7% 13% 9% 3% 6% **13%**

human development index

rank on the world scale 27. 31. 48. 49. 72. 76. -

Source: our own compilations from UNDP (HDR, 1994). The world rankings of the EU countries on the human development index are:

Sweden 4.

France 6.

NL 9.

UK 10.

Germany 11.

Austria 12.

Belgium 13.

DK 15.

SF 16.

LUX 17.

IRE 21.

Italy 22.

Spain 23.

Greece 25.

Portugal 42.

Gender empowerment, as it is known, combines parliamentary seats, held by women, the share of women in the total number of administrators and managers in a country, the share of women in the professional and technical workforce, and the share of women in earned income (UNDP, 1996). Table 5.3 shows the performance of the transformation countries in comparison to Western democracies:

Table 5.3: gender empowerment

CND 0.685

USA 0.645

Japan 0.445

NL 0.646

NOR 0.786

SF 0.710

France 0.437

SW 0.779

Spain 0.490

Australia 0.590

BLG 0.580

Austria 0.641

NZ 0.685

CH 0.594

UK 0.530

DK 0.718

GER 0.654

IRE 0.504

ITA 0.593

GRE 0.370

ISR 0.485

HUN 0.507

POL 0.431

BUL 0.486

Source: our own compilations from UNDP, 1996

Eastern Europe, finding itself at the absolute lower middle range of the continuum between backward and 'modern' societies, characterized by the values

of education as an end in itself, self-realization outside traditional role patterns, associated with child-bearing and the family, control of male aggressive behavior and a developed social welfare system, socially belongs much more to the countries, still (semi-)characterized by traditional role patterns. In the industrialized world, countries as different as Japan, France, Israel and Greece also have a gender empowerment index lower than 0.500. They all have in common a certain secondary role of women in public life, as compared to the real world leaders in terms of emancipation, like the protestant democracies in Scandinavia, the Netherlands and Canada. The unquestionable advances in the relative role of women that were evident throughout the region before the year 1989 came to a grinding halt after the transformation. With the background of the general poverty levels, sketched above, the socially disruptive dimension of this conflict becomes evident.

For the political economy of the world system, interesting research questions arise out of such tendencies. Does the market economy, especially in its dependent variety, in the end really marginalize women furthermore, or does the (re)advent of full-fledged capitalism bring about a marked improvement in the social situation of women? There emerge very interesting results on the situation of women from our empirical investigations in Table 4.1.

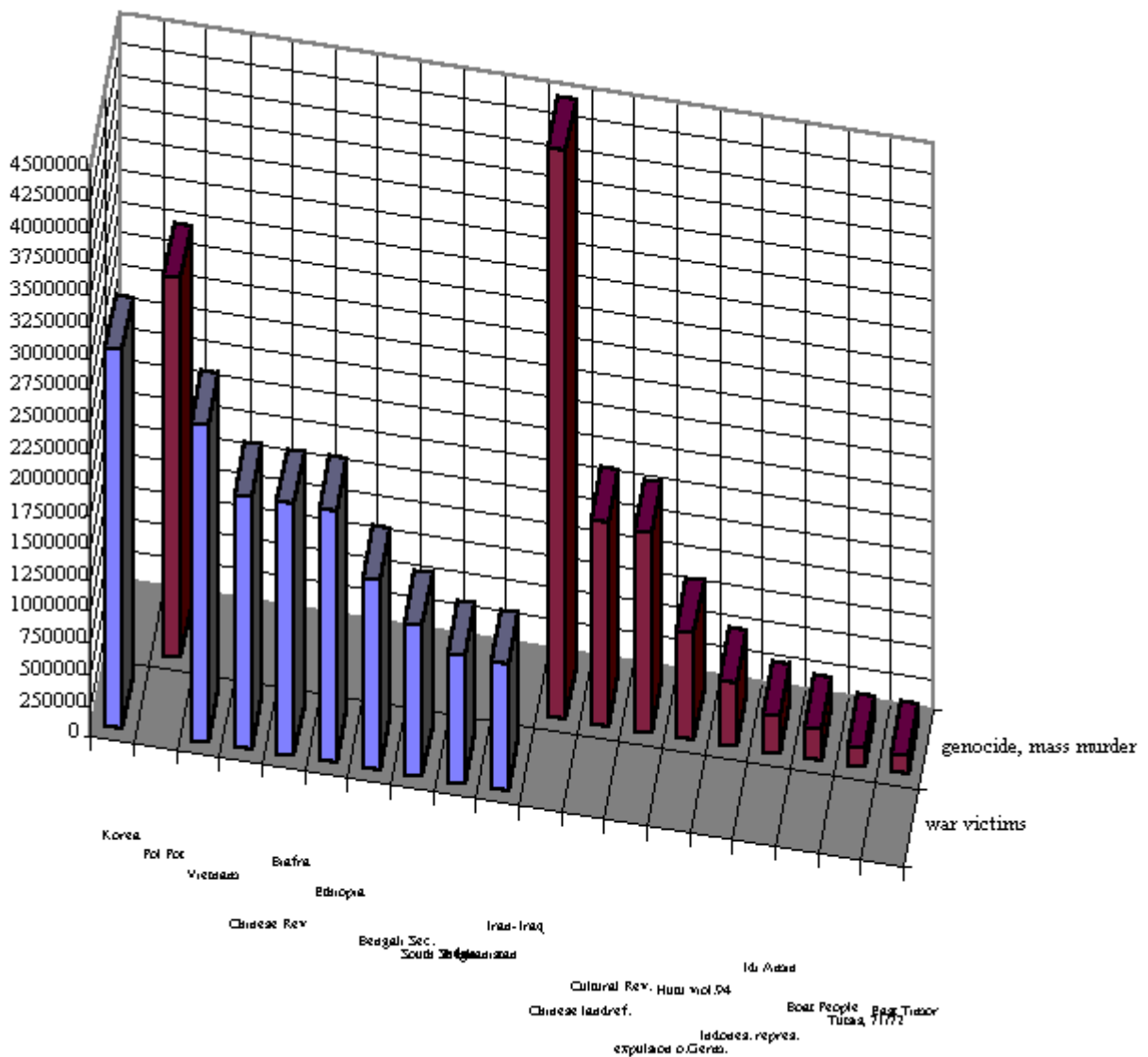
Three measures are used to further test the relationship between globalization and gender-related human development. One is maternal mortality, the second is the new UNDP gender-related development index, and the third is the gender empowerment measure. The first and the third index are more distribution-oriented than the second indicator. Each year, 290 women per 100000 live births lose their lives in the moment of giving birth. What is the ultimate moment of happiness in a life for woman and man, to experience in togetherness the advent of a newly-born life, becomes the ultimate pain for millions of mothers around the world. They lose their lives due to the structural violence existing in the world system, they lose their lives in their ultimate moment of loneliness while giving birth, desolated and marginalized by a social order on the global level that produces more and more commodities, services and pollution but that forgets about the poor backyards, shanty towns and desolate clinics in the world poverty belts. In the industrialized countries of the OECD, maternal mortality is 11 per 100000. That is to say, at the global level there is an 'excess mortality' of **279 women per 100000 live births**, considering the progress in medicine reached at the level of the western democracies. In Eastern Europe, maternal mortality already reaches 66 per 100000 live births, and in the developing countries, 420. All three indicators of the female *situation de la vie* are being significantly blocked by MNC penetration (see Table 4.1).

Our results indicate that dependency is by far the most important determinant of maternal mortality, and that the two dependency-related indicators: *terms of trade* and *trade dependency* co-determine the process of maternal mortality in the world system. Our results also indicate that gender empowerment and gender development are significantly and negatively influenced by MNC penetration.

6) Problem number 3: Europe must come to terms with the contradictions of world cultures and world cultural conflict, global anarchy and global decay

Nationalism will continue to receive from the contradictions of globalization. One theory (Huntington) holds that cultural dividing lines increasingly achieve relevance; and even could threaten to endanger the transformation project to build up a stable, market oriented western democracy on the ruins of communism. To those, accustomed to the dialogue about international politics as a '*dismal science*' it will be no surprise to learn about recent international research results regarding genocide and mass murder in this century (Rummel, 1994, 1995). 218 repressive regimes (141 state regimes and 77 quasi-state and group regimes) from 1900 to 1987 have killed nearly 170 million of their own citizens and foreigners - about four times the number of people killed in domestic and international wars during that same period. Power kills; democracy is the general method of non-violence, says Rummel: but what happens, if democracy and non-violence are seriously undermined by ethno-political conflict? After the horrors of the Holocaust and the Second World War, the following victimization of mostly civilians stands out in contemporary history:

Graph 6.1: War victims and victims of mass murder after 1945



Source: our own compilations from Stiftung Entwicklung und Frieden, 1996, based on Rummel, 1994 and other sources, quoted there

Who will be the groups that most violently are going to challenge the logic of accumulation on a global scale? Does capitalist globalization that process of unequal and uneven development, in the end cause the cultural conflicts in the world system, as globalization theories would maintain (Axtmann, 1995)? A research effort at global, cross-national analysis of social integration and disintegration did not lead very far, perhaps because the research design was centered on too many variables and the number of countries included in the analysis makes the research findings very dependent on outlying cases (Klitgaard and Fedderke, 1995). But what emerged at least was that there are different types of social disintegration in the world system, and that - as the authors contend - stagnation is more detrimental than growth to the issue of social

stability. This hypothesis might be contested in the light of new research results; but at any rate that recent essay opens the way for the debate of these issues anew.

Ethno-nationalistic conflicts, terrorism and war were to break out along the real 'earthquake line' in today's international system, the great dividing line between the cultures. That is at least what Samuel Huntington, Harvard professor of political science and for many years one of the closest advisers of successive United States governments on matters of international security and military policy, has maintained in his recent contributions. Huntington tries to offer a socio-cultural explanation to the question, where Europe's frontier will be finally drawn. Are there clear empirically observable tendencies in development performance according to the classification, suggested by Huntington, of the basic underlying socio-cultural patterns of a given country?

Professor Huntington's thesis is not at all abstract and has - however we view it - a vital importance for the future of the European Union. From Marseilles to Algiers, from Madrid to Rabat, from Rome to Tunis or Sofia, from Athens to Bucharest or Cairo, from Vienna to Kiev or Ankara or Teheran geographical distances are smaller or about equal as the distances from these European Union cities to the Canary Islands, the Irish Republic, northern Scotland or northern Scandinavia or other remoter parts of the already existing Union. The migration pressures from Eastern Europe and the population explosion on the southern rim of the Mediterranean and beyond has not yet been fully grasped to be a real problem. By the year 2025 that is to say, in only 30 years, the population balance on the southern rim of Europe will have dramatically shifted. The southern border of Europe already is and will even more so become a border between relatively wealthy developed societies and societies that are threatened by overpopulation, scarcity of resources, and poverty. By the year 2000, 290 million people will live in the 19 countries of the Arab world alone. Today, less than three-fifths of the rural population have access to safe water, 80 million people are illiterate, 50 million of them females, 10 million people are underfed, 73 million Arabs live below the line of absolute poverty. Average life expectancy is still 61.9 years, 40 million people have no access to health services, while 50.4 thousand million \$ were spent on armaments. Arms imports in the Arab world amounted to 3.5 thousand million \$ in 1992 alone (our own compilation from UNDP, 1995).

The still existing high concentration of development problems and population dynamics in the immediate vicinity of Europe over the next 30 years will dramatically change the shape of international politics, economics and migratory pressures in the region. A dependency-oriented explanation of underdevelopment would hold that the 'Huntington factor' is in reality disappearing, whenever we control for MNC penetration. The main result of our investigation will be that the Huntington factor only plays a certain role when we do not control for the amount of MNC penetration; however, if we do consider MNC penetration properly, the effects become weaker or are even the reverse.

The (in)validity of Huntington's culture conflict approach on a world level

However forceful Huntington's theory might seem to be at first sight, we can consider it to be falsified by our investigations. While Lipset and Weede seem to be inclined to regard Confucianism as a growth precondition, Huntington's theory

is more pessimistic and foresees a joint rising world cultural challenge against the dominant centers by Islam and Orthodoxy. The important element in the test of Huntington's theory seems to be the *joint* interaction of societies, classified under his index. The Huntington-Index might be thus the mere reflection of this underlying geographical and world economic peripherization that jointly affects the Orthodox and the Islamic world. This joint peripherization would cast a large shadow on the prospects for market-economic reform in Russia, Romania, Bulgaria, and the 'Federal Republic of Yugoslavia'.

Enough of ideologies. Let the hard facts speak. Substituting 'UN membership years' by the Huntington-index of the clash of civilizations (Huntington-Index countries = 1, other countries = 0), we get the following results on the level of world society from our Table 4.1:

Table 6.1: the influence of Huntington's index on development performance at the level of world society

	MNC PEN73	Govex	Trade Dep	social sec	Huntington-I	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	Constant
adjustment	-0,761	-1,491	0,125	-3,538	0,048	-0,058	0,83	0,133	0,01	-0,024	-0,004	21,47
	0,188	1,029	0,349	5,208	0,029	0,04	0,806	0,06	0,007	0,022	0,002	19,93
	0,301	2,649										
	4,341	111										
	335,1	779,1										
t-Test	-4,035	-1,449	0,359	-0,679	1,684	-1,46	1,03	2,193	1,353	-1,08	-1,989	
	MNC PEN73	Govex	Trade Dep	social sec	Huntington-I	Women Parl	Women %LF	social sec	ln PCI^2	ln(MPR+1)	Fertility Rate	Constant
growth	-0,944	-0,625	0,167	-4,228	0,021	-0,084	0,209	0,138	0,015	-0,038	-0,003	26,73
	0,165	0,9	0,305	4,558	0,025	0,035	0,706	0,053	0,007	0,02	0,002	17,45
	0,409	2,319										
	6,997	111										
	413,8	596,8										
t-Test	-5,723	-0,694	0,546	-0,928	0,844	-2,426	0,296	2,616	2,311	-1,956	-1,645	
	LEX 1960	1 der e-funct	1 der pi-func	MNC PEN73	Viol Civ Rits	Trade Dep	Terms Trade	Huntington-I	Women Parl	Women %LF	ln(MPR+1)	Constant
DYN	0,811	-0,025	-0,038	0,984	0,013	0,001	-0,049	2E-04	-0,706	-29,49	-0,299	26,79
LEX	0,885	0,024	0,031	0,708	0,017	0,006	0,173	0,002	0,742	6,961	0,037	2,724
	0,737	2,257										
	28,23	111										
	1582	565,3										
t-Test	0,916	-1,054	-1,216	1,391	0,793	0,238	-0,282	0,147	-0,952	-4,237	-7,993	

	18940	41610											
t-Test	-3,043	-1,303	-0,696	-0,812	0,738	1,584	2,353	-1,856	-0,797	-1,495	0,654	0,564	
	MNC PEN73	Govex	Trade Dep	social sec	<i>Huntington-I</i>	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	%agland	Constant
annual	0,015	0,091	-0,646	-0,22	3,273	0,008	0,001	0,278	-0,054	0,003	-0,004	3E-04	-11,53
deforest	0,006	0,07	0,377	0,127	1,898	0,01	0,015	0,294	0,023	0,003	0,008	7E-04	7,281
	0,336	0,965											
	4,643	110											
	51,87	102,4											
t-Test	2,324	1,306	-1,712	-1,732	1,724	0,748	0,099	0,946	-2,367	1,181	-0,511	0,511	
	MNC PEN73	Govex	Trade Dep	social sec	<i>Huntington-I</i>	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	%agland	Constant
ethno	0,009	0,098	0,218	-0,059	0,91	0,016	0,032	0,511	-0,032	-0,002	-0,02	-0,001	-3,323
warfare	0,011	0,118	0,638	0,215	3,207	0,018	0,025	0,496	0,039	0,005	0,014	0,001	12,3
	0,109	1,63											
	1,116	110											
	35,59	292,4											
t-Test	0,816	0,83	0,342	-0,275	0,284	0,884	1,292	1,031	-0,823	-0,391	-1,444	-0,985	
	MNC PEN73	Govex	Trade Dep	social sec	<i>Huntington-I</i>	Women Parl	Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	%agland	Constant
destab./war	0,002	0,029	0,073	-0,033	0,535	-6E-04	-0,002	-0,048	-0,008	-0,001	-2E-04	-4E-04	-1,938
	0,003	0,028	0,153	0,052	0,771	0,004	0,006	0,119	0,009	0,001	0,003	3E-04	2,959
	0,095	0,392											
	0,965	110											
	1,78	16,92											
t-Test	0,885	1,02	0,477	-0,633	0,693	-0,151	-0,28	-0,399	-0,883	-1,078	-0,049	-1,55	

Legend: our own calculations with EXCEL 4.0 and 5.0

The Huntington Index, under control for MNC penetration, is even significantly and positively related to adjustment and gender empowerment; and the only negative significant effect is the influence on deforestation. Traditional forms of globalization are responsible for the process of stagnation in the world periphery and semi-periphery. In the countries falling under the Huntington-index, environmental concerns should achieve greater attention in the future.

The return of dictatorship? Towards understanding the process of ethno-political conflict and the world-wide refugee problem

In 1989 we heard the prophecy of the 'end of history'. Instead of talking about the end of history, we might be faced with the acceleration of history. Deadly ethno-political conflicts continue to beset the world. In the international system, wars are of course not new; 16 of all the 21 wars with more than a million deaths in history happened during the 20th century. From 1945 to 1992 more than 25 million people died in wars or as a direct consequence of wars (Stiftung Entwicklung und Frieden, 1993). Civilians have to pay an ever larger price for these wars; the tendency has been rising steadily and in 1990, already 90% of all war victims were civilians. The number of *international* refugees according to the narrowest definitions increased world-wide from 7.8 million in 1982 to 16.6 million according to the strictest criteria in 1991. To these numbers, one would have to add 3.4 million refugee-like situations of people in foreign countries and 23.5 million internal refugees. All together, there were at least *43 million refugees* classified according to *various categories* around the world in 1991 (*op. cit.*: 184-185). But estimates of the real number of refugees reach as high as 500 million on a global scale (Datta, 1993). The 'official' data show furthermore that according to UNHCR criteria, the number of refugees world-wide increased from 16.6 to 24 million people (Stiftung Entwicklung und Frieden, 1996).

Ethno-political conflicts are among the most vicious forms of international and domestic conflicts. Over 40% of the states of the world have more than 5 major ethnic groups within their borders, with at least one of them facing permanent discrimination (UNDP, 1994). There were 10 major ethnic conflicts in Europe, 6 in the Middle East, 28 in Asia, 23 in Africa, 3 in Latin America during the period 1993-94 (Gurr, 1994). These 50 lethal conflicts produced almost 4 million deaths and displaced 26.8 million people as refugees (Gurr, 1994: 351). It would be wrong, though, to assume that there are necessarily centrifugal tendencies in the international system as such that will still further extend these types of conflicts like bush-fires. Rather, Gurr in his far-reaching empirical work proposes to start from the hypothesis that the collapse of the communist bloc is only partly to blame for the increase in ethno-political violence, since 54% of all ethno-political conflicts were started before 1987. Since the 1990s, already existing conflicts have tended to intensify, but the spreading of conflicts, Gurr argues, could be avoided. Contention for power, struggle for indigenous rights and ethno-nationalism were the main causes of these conflicts. Huntington's recent thesis about the clash of civilizations receives a considerable qualification from Gurr's empirical work: only 4 of the ethno-political conflicts correspond to the traditional left-right ideological struggle; while 18 are motivated by civilization struggles (Gurr, 1994: 357). *Although ethno-political conflict intensified after the end of the Soviet Union, it would be wrong to blame the first process on the second. The disintegration of the Soviet Union only increased an already existing tendency in world society.* Power shifts, the emergence of new states, and revolutions still play an important role in the determination of conflict. *But,*

according to Gurr, it would be wrong to assume that the fragmentation tendency of the world system were to continue indefinitely. Rather, the most likely scenario will be an increase in communal contention about access to power in the weak and heterogeneous states in Africa. Secessionist conflicts outside Africa and the former communist bloc even declined in intensity over recent years (Gurr, 1994: 364).

Macroquantitative evidence on these processes is very difficult to construct and collect, as long as data collection and data reporting is so deficient in many of the new states of the East and continues to be so in the South as well. Thus, our model can be called only a preliminary test of the Deutsch/Huntington approach to ethno-political conflict and had to start with a few available data series that render themselves at least partially to the testing of the general patterns of the new realities of ethno-political conflict around the world. Our predictors included indicators of dependency (aggregate net transfers that is to say, inflows that are greater than outflows due to international exploitation), of the liberal approach to development (political and human rights violations versus respect), and of the social-policy approach (mean years of schooling, adult literacy rate, human development index, the fertility rate and its change as an indicator of the process of demographic change). The Deutsch/Huntington school however regards alphabetization as an indicator of social mobilization, and hence as a threat to stability.

Our following analysis shows that the threat to democracy in the semi-periphery and the periphery continues. Superficially, it seems to be that similar conditions at different times produce similar theories and empirical results: during the emergence of the many new states in the 'Third World' in the early 1960s, more pessimistic versions of modernization theory gained ground. With the contemporary problems of democracy in the former 'Second World', the stability question of the new recently emerged or liberated states cannot be separated from such modernization theory dimensions anymore. In the model that we propose, the chain of causation, underlying the empirical trends, is related to, but not completely patterned according to modernization theories. For Huntington, instability always was determined by social mobilization (*SM*), which works in the direction of instability (*IST*). This is at least the consistent interpretation that Weede (1985) has proposed, and which we follow here.

Deutsch was even more radical than Huntington in expressing the idea that development is a threat to stability. His clearly formulated mathematical formula for political stability expects a positive trade-off between government sector size, income concentration and stability on the one hand and a negative trade-off between social mobilization, level of development and stability on the other hand (Deutsch, 1960/66).

The tragedy in former Yugoslavia could be regarded in many ways as a paradigmatic case, to be explained at least in part by Deutsch's theory. The Deutsch/Huntington school would believe that, however legitimate the issue of transformation from the communist political and economic system in that country might have been, the strategy to cling to communist regional power while opening up the country to the world market was the real and final reason for the break-out of the conflict. In fact, Yugoslavia in the 1980s held many world or at least European records in economic and social policy that seem to be forgotten more and more in the futile debate about early international recognition of

Slovenia, Croatia and Bosnia as the alleged main cause for the subsequent tragedy. At first inspection, Yugoslavia should have become a real miracle of neo-liberal economic transformation in the 1980s after the ethno-heterogeneous state class model of the 1970s came to a grinding halt. Malicious social scientists might dig out some day these old journal and book contributions, praising the old leadership for what it had achieved in the name of the market, the international financial institutions, and in the name of economic theory. *Amen*. We refrain from that: *errare humanum est*. Yugoslavia attempted the most-far-reaching neo-liberal transformation strategy in the region; and for that reason alone its experience should be carefully studied elsewhere: (i) Yugoslavia had the most rapid urbanization rate of all European countries from 1960 to 1990 (3.2% per annum). In fact, urban population doubled from 28% to 56% in just thirty years. This enormous potential and challenge of social mobilization was coupled with (ii) a very rapid process of economic transformation and a disappearance of the central state. Yugoslavia recorded the highest rate of gross domestic investment of all countries of the world with complete World Bank WDR data for 1988 and also the highest gross domestic savings rate for the same year. With a savings rate of 2/5 of the national income, Yugoslavia should have been well underway towards self-sustained growth. At the same time, however, the central government in Belgrade reduced in accordance with many international advisors and in a very radical fashion (iii) its role in national economic affairs to almost non-existence. Yugoslavia again holds a world record here, this time for having trimmed down the size of the national total government expenditure as percentage of GNP from 1972 - from 21.1% to 7.5% in 1988. It was the most radical economic transformation from socialism to dependent regional nationalism ever to have been recorded throughout the period of the end of communism in the world; because in no former communist country had there been such a deliberate attempt to reduce the share of the federal government below the 10%-mark. Not even in Pinochet's Chile such a radical cure has been attempted. In both relative and in absolute terms, Yugoslavia was a mega performer of a kind of regional post-communist IMF-adapted adjustment. The price of the strategy was very clear, but many will shrug their shoulders and ask: *so what?* The price of the medicine is well-known from many countries now and in a way was also paid in most of the other countries of the region: absolute poverty - according to World Bank *World Development Report* figures 1990 - increased in the crucial years between 1978 and 1987 from 17% of the population to 25% of the population, and earnings per employee fell by 1.4% annually from 1980 to 1987. Still, household income distribution (iv) was still relatively egalitarian, with the highest 20% controlling just 42.8% of total incomes, and thus not tying the rich closely enough to their political system, so that they would be prepared to fight and die for it, while at the same time impoverishing the poor in absolute terms. All the necessary preconditions for instability, as predicted by Karl Deutsch more than 30 years ago, were present: and to complete the checklist for an absolutely assured crash in the light of Deutsch's nation-building theory, the country had recorded a fairly rapid economic growth rate in the period preceding the stagnation and disaster course of the 1980s; GDP growth stood at 6.0% in the period between 1965 and 1980 and was again in fact the highest economic growth rate in Europe.

The present study on the basis of a sample of 99 countries with complete data on transfers and ethno-political violence includes countries of the periphery and the semi-periphery, and nearly all newly-formed states of the former world of communism. There, the Gurr-Index of ethno-political conflict (*EP*) is significantly

pushed upwards at the one hand by the degree of development of the productive forces. Lamentably enough, adjusted per capita income (*PCI*) increases, and not decreases ethno-political conflict in world society. This result confirms Deutsch's approach and rejects the still more optimistic vision of the trade-off between stability and development level, expressed by Huntington. The dialectic of the situation is further complicated by the fact that countries, in order to avoid the stability trap of ethno-political conflict, have to undergo an early demographic and/or social and cultural transition; without that, the tendency towards ethno-political conflict even more increases. High fertility is related to high income concentration, low fertility to low income concentration (Tausch and Prager, 1993). With high fertility rates (*FR*) - or plausibly, a poorly developed mass communication system -, no reductions in the level of ethno-political conflict can be achieved. Deutsch furthermore believed that especially in crisis government sector size increases stability. Huge per capita aggregate net transfers that is to say, inflows that are greater than outflows, decrease the level of ethno-political strife; while repressive states (*REPRESS*) are less prone to ethno-political conflict than full scale democracies. Thus stability-oriented 'Keynesianism' in the periphery is today being substituted by the 'Tiananmen formula': repression + capital inflows. There are some elements that further qualify Deutsch's theory further: social mobilization (alphabetization) has no visible effect on instability:

Table 6.2: The determination of the Gurr-Index of ethno-political conflict in the periphery and semi-periphery

Unstandardized regression t-value significant

coefficient at 5%-level

transfers per capita -0.74 -2.06 yes

political rights violations -0.60 -2.65 yes

human development index -0.51 -0.64 no

repressiveness of the security

apparatus +6.22 +0.59 no

population density^{0.50} +0.04 +0.02 no

adult literacy rate -0.03 -0.87 no

mean years of schooling +0.02 +0.16 no

ln PCI +0.91 +3.65 yes

ln PCI² 2.56 +0.25 no

historical fertility rate +0.34 +2.76 yes

failure of demographic

transition -0.00 -1.26 no

n = 99 countries with complete data; $R^2 = 32.5\%$; $F = 3.81$; 87 degrees of freedom. Legend: 32.5% of ethno-political strife is being determined by our model. n = 99 periphery and semi-periphery countries with complete World Bank data about aggregate net transfers that is to say, inflows that are greater than the outflows due to international exploitation, and Gurr data about ethno-political strife.

We should go back here once more to our Yugoslav example. Yugoslavia, by all its strenuous efforts to achieve a capitalist transformation, produced little in terms of real foreign capital inflows. Net private direct investments were 0 for the year 1988; while it relied - like Jordan and Egypt - to a heavy degree on the earnings of its labor force abroad. Although fertility rates were reasonably low by overall standards in the 1980s, Yugoslavia still was a relatively traditional society especially in terms of media exposure, thus still weakening the link between 'modernity' and the 'state' on the hand and 'the village' and later on the urban misery on the other hand, precisely at a time, when mass communication would have been necessary to hold society together. Again, Karl Wolfgang Deutsch predicted how important mass communication can become for stabilization, and how dangerous it is to neglect it. There were only 197 TV-sets per 1000 people in 1988-89; and only a daily newspaper circulation rate of 100 per 1000 people at the end of the old Yugoslavia in 1988-89 was achieved. Thus, only Albania had a lower television density in Europe; and only Spain and Portugal had a worse newspaper circulation on the European continent. Combined, Yugoslavia had the worst media density in Europe. And do not forget that the combined indices still hide the regional diversities between, say, Slovenia and the rural regions of Bosnia. Thus, traditional forms of communication were much stronger than the mass media, controlled by the party and the state, at a time, when great economic hardships hit the population and the state abandoned its role on the economic stage, thus unable to function politically in the end.

The frightening scenario emerging from this analysis is that indeed a 'Yugoslavia' could re-appear at least under the following conditions in ethnically heterogeneous former communist countries

- (i) a rapid urbanization process preceding transformation
- (ii) coupled with great efforts to redirect economic resources towards economic growth
- (iii) under the condition of a neo-liberal program to abolish large part of the former state economic influence on the economy
- (iv) with little real resource flows coming in from the capitalist centers
- (v) while at the same time, democracy only partially having been restored and
- (vi) modern patterns of social behavior and/or mass communication, typical for a Western developed democracy, not yet fully developed

To make perhaps matters worse still, Yugoslavia, by not being a member of the European Union, could not send entire families of guest workers abroad for residence; and hundreds of thousands of youngsters - including the fighting generation - were raised by the grandparents instead, who still kept alive the memories of the atrocities of the Second World War and the immediate post-war-periods, both characterized by repression and mass-murder. Yugoslavia again holds a European record - it was the European society with the highest worker remittances from abroad. The guest-worker generation, who in many ways could communicate much better with the other fellow Yugoslav nationalities than their parents, left their children to be raised in the villages, saving for private new homes later being bombarded and burnt systematically to ruins. The children, raised by their grandparents, must have missed their parents, who worked even in such far away countries as Sweden, the Netherlands or Belgium very much, and the children perhaps began to hate them for having them deserted. *'Our son always wept so terribly when we departed after the holidays', an unnamed Yugoslav mother told us once, standing here for hundreds of thousands of Yugoslav parents. But you hardly will hate your own parents, rather, you will project the hatred against others - 'them', the 'opponents', the Albanians, the Bosnian Muslim, the Croats, the Serbs (named alphabetically), et cetera, who stand in the way to fully grasp the fruits of modernization'*. The preconditions for the disaster were thus already present; to make matters worse, the reforms of the regime came too late and never stopped short of steering a middle-course between guided democracy and repression. Thus, condition (vii) for the repetition of the Yugoslav tragedy anywhere else in the region could be a future migration regime of the European Union that continues to separate migrants from their families and leaves children alone abroad.

This is the answer to the first question of 'country risk' analysis, the causes of instability. The lack of an early demographic transition (FAILURE DEM) and the degree of development (LN PCI) increase, while political rights violations and capital transfers significantly decrease the Gurr-Index of ethno-political conflict on a global level. Other indicators of social or political mobilization however fail to support other aspects of either Huntington's or Deutsch's theory. It should be noted that there are *insignificant* predictors whose direction of influence still cannot be explained by the conservative aspects of the Deutsch/Huntington tradition to explain instability and conflict: the human development index and adult literacy rate, *ceteris paribus*, even decrease the level of ethno-political conflict, while mean years of schooling slightly increase the level of ethno-political conflict. The velocity of change in fertility rates also has no significant influence on the Gurr index.

In order to stabilize the newly-formed countries of the semi-periphery and the periphery, whose instability increases with the level of development, and which initially makes, say, Laos less prone to such conflicts as Russia or the Ukraine, the following significant processes intervene then:

- * *the real transfers from the centers of the world-wide market economy*
- * *the continuing or newly formed power monopoly of a dictatorial group*
- * *an early demographic transition*

China received 11 thousand million \$ of net foreign direct investment in 1992 alone. In relation to the practically predetermined conditions of the historical fertility rate and the size of the per-capita-income, a government unfortunately seems to be able to respond to the threats of ethno-political conflict by only two processes nowadays: by trying to attract foreign capital inflows and by preventing a further political democratization. In one word, the '*Tiananmen strategy*'.

Aggregate **net transfers** that is to say, inflows that are greater than the outflows due to international exploitation, are **lowest** in countries with civil rights violations very much in excess of political rights violations and in countries with a **high human** development index; a *relatively* repressive state machinery in an environment of already begun political reforms and a high human development index are conducive to low inflows or even real outflows of capital.

*The trap for the countries of Eastern Europe and the former USSR could not be worse in this context: they are **low priority areas for transnational capital**, because political reform has begun decisively even in countries, where civil rights violations are much higher than political rights violations, and because human development and thus also social expectations to the investor are higher than in the communist rest of Asia and in other (non-communist) dictatorships. Nothing, what has been written by political scientists in the 1960s, 1970s and 1980s has to be revoked in this context: semi-repressive regimes are much more prone to instability than full democracies and full dictatorships; and international capital flows react accordingly.*

For the moment, the world economy seems to prefer the environment of low human development, where political repression is still high enough not to warrant any 'excess repressiveness' of the state security apparatus to control via infringements on the level of civil rights the destabilization, brought about by the lowering of the rate of political repression in heterogeneous countries. **Net transfers that is to say, inflows that are greater than the outflows due to international exploitation, in turn nowadays determine to a large extent the chances of a country in the semi-periphery and periphery for social development.** The empirical relationship is drastic enough to be mentioned here: life expectancy that single, best, and most reliable indicator of the social situation of a country, is being determined by the well-known e/pi-function on the basis of real income in purchasing power, introduced in Chapter 3, and net transfers. Almost 4/5 of life expectancy in the (semi)periphery is thus being determined; net transfers are the predictor of life expectancy, whose unstandardized regression coefficient is 5 times bigger than the standard error of the estimate.

Further support to our interpretations is given by the last two regression equations in Table 4.1. *Thus, the countries of the periphery and the semi-periphery today are at the mercy of transnational capital flows: they are at the mercy of transnational capital politically, because inflows of capital stabilize ethno-political conflict potential, and they are at the mercy of transnational capital socially, because inflows determine to a large extent and directly the life expectancy of the populations - from Wladiwostock to Hanoi, from Riga to Tirana.*

As far as these research results are concerned, they are rather in the tradition of the gloomy description of the conditions of democracy in the semi-periphery in

the 1920s, written by Karl Polanyi more than 50 years ago. Will - in contrast to then - the world-wide market economy save Eastern European democracy?

Transnational crime as a global actor

A cynic could say: an economically realistic staging of a G-7 conference would have to invite today the *cupolas* of transnational crime. In terms of world economic power, the international drug traffic alone is more powerful than states like Spain, Russia, or Canada (our own calculations from Raith, 1995, UNDP, 1994). International illegal flight capital prefers certain economic and social conditions; and in turn, it will contribute to changing the socio-economic conditions of its host countries. To investigate the effects of international capital flights on the host countries concerned, we have developed a simple macro-quantitative model. Using standard international economic indicators from Fischer Weltalmanach, we understand money laundering to be roughly the excess international currency reserves, which are unaccounted for by the following data in a multiple regression equation:

(6.1) money laundering =

	population	GNP per capita	growth 80-93	dyn food production	food imports	raw material exports	fertilizer consumption	curr account	debt service	terms of trade	dyn energy production	dyn energy consumption
prediction	687,85	1,38	-7,018	-6,349	-0,819	1,0837	1,7616	-12,26	1058,8	-98,17	1,6636	10,68
currency	335,4	107,28	56,63	37,213	0,2119	1,0991	34,449	127,9	536,44	447,15	0,4484	4,5276
reserves	0,7034	5130,4										
	9,8829	50										
	3E+09	1E+09										
t-test	2,051	0,0129	-0,124	-0,171	-3,86	0,986	0,0511	-0,096	1,974	-0,22	3,71	2,359

To assess, in turn, the effect of money laundering on growth, we worked with the following data matrix:

Table 6.3: Money-laundering and its destructive effects on the national economy:

	population	GNP per cap	growth 80-93	dyn food prod	food imp	raw mat exp	fertilizer cons	curr account	debt service	terms trade	money laund
Egypt	56,4	660	2,8	1,3	24	67	3392	1566	14,9	99	6873,6
Alger	26,7	1780	-0,8	1,2	29	97	123	361	76,9	95	-1638,2
Argen	33,8	7220	-0,5	-0,3	5	68	78	-7452	46	116	-1256,7
Ethio	53,6	100	-1,8	-1,2	6	96	95	-183	9	67	-1857
Bangla	115,2	220	2,1	-0,1	15	18	1032	243	13,5	94	-3065
Benin	5,1	430	-0,4	1,9	25	70	82	-52	5,9	133	1949,3
Boliv	7,1	760	-0,7	0,7	9	81	58	-495	59,4	78	-529
Braz	156,4	2930	0,3	1,2	10	40	608	-637	24,4	97	22358,5
Burun	6	180	0,9	-0,3	18	70	34	-26	36	52	-2734,3
Chile	13,8	3170	3,6	1,9	6	81	849	-2093	23,4	104	-524,2
China	1178,4	490	8,2	3	3	19	3005	-11609	11,1	101	-2670,6
Costa R	3,3	2150	1,1	0,7	8	67	2354	-470	18,1	94	-6627,4
Cote Iv	13,3	630	-4,6	-0,1	19	83	132	-1229	29,2	79	-790,3
Dom	7,5	1230	0,7	-0,9	16	47	694	161	12,1	130	381,3

Rep											
Ecuad	11	1200	0	0,6	5	92	380	-360	25,7	90	-1905,8
El Sal	5,5	1320	0,2	0,7	15	52	1073	-77	14,9	88	-3019,4
Gabon	1	4960	-1,6	-1,4	17	97	11	-269	6	106	-6344,3
Ghana	16,4	430	0,1	0,3	10	77	38	-572	22,8	65	-1217,9
Guatem	10	1100	-1,2	-0,5	11	70	833	-687	13,2	93	-1290,6
Hondu	5,3	600	-0,3	-1,3	11	86	210	-393	31,5	73	615,7
India	898,2	300	3	1,5	5	29	720	-315	28	96	-259,2
Indon	187,2	740	4,2	2,2	7	47	1147	-2016	31,8	90	1351
Jamaica	2,4	1440	-0,3	1	14	34	973	-182	20,1	109	-3438,7
Camer	12,5	820	-2,2	-1,9	15	86	30	-638	20,3	77	702,1
Kenya	25,3	270	0,3	-0,4	8	71	410	153	28	81	-200,5
Colom	35,7	1400	1,5	1	8	60	1032	-2220	29,4	68	246
Congo	2,4	950	-0,3	-1,5	19	97	118	-507	10,8	98	437,9
S-Korea	44,1	7660	8,2	0,5	6	7	4656	384	9,2	100	-693
Laos	4,6	280	2,1	-0,2	33	96	42	-13	9,6	90	387
Madag	13,9	220	-2,6	-1,5	11	81	25	-167	14,3	68	1371,7
Malaw	10,5	200	-1,2	-4,2	8	94	434	-143	22,3	86	4244,7
Malay	19	3140	3,5	4,3	7	35	1977	-2103	7,9	99	9940,5
Mali	10,1	270	-1	-0,9	20	92	103	-103	4,5	102	1200,2
Maroc	25,9	1040	1,2	2,3	17	43	326	-525	31,7	114	-1408,3
Mauri	1,1	3030	5,5	0	13	34	2512	-92	6,4	108	-6459,2
Mex	90	3610	-0,5	-0,9	8	47	653	-23393	31,5	99	-601,6
Nep	20,8	190	2	1,2	9	16	391	-195	9	97	-5203,7
Nica	4,1	340	-5,7	-2,7	23	93	246	-457	29,1	94	1695
Niger	8,6	270	-4,1	-1,8	17	98	4	-29	31	105	1819,7
Nigeria	105,3	300	-0,1	2,1	18	98	175	2268	28,9	99	311,2
Pak	122,8	430	3,1	1,2	14	14	1015	-3327	24,7	100	-7258,4
Pan	2,5	2600	-0,7	-1,2	10	84	476	70	3,1	87	-1382,5
Pap	4,1	1130	0,6	-0,2	17	89	308	495	30,2	91	-967,1
Para	4,7	1510	-0,7	1,3	11	83	96	-492	14,9	112	-5875,9
Peru	22,9	1490	-2,7	-0,4	20	83	216	-1768	58,7	90	2438,1
Philip	64,8	850	-0,6	-1,3	8	24	540	-3289	24,9	117	1732,6
Poland	38,3	2260	0,4	0,7	11	40	811	-3698	9,2	95	-1086,5
Port	9,8	9130	3,3	2,6	12	17	813	947	19,3	104	3197
Roman	22,8	1140	-2,4	-2,4	14	24	423	-1162	6,2	111	4733,1
Zambia	8,9	380	-3,1	-0,3	8	99	160	-471	32,8	98	2707,6
Zimb	10,7	520	-0,3	-3	18	64	481	-116	31,1	89	561,3
Sri Lank	17,9	600	2,7	-1,8	16	28	964	-381	10,1	86	2054,3
Sudan	26,6	400	-0,2	-2,2	19	99	72	-1446	5,4	91	-931,8
Tans	28	90	0,1	-1,3	6	85	137	-408	20,6	85	2134,4
Thai	58,1	2110	6,4	0	5	28	544	-6928	18,7	103	10516
Trinid	1,3	3830	-2,8	-0,6	15	66	801	122	23,8	92	-6794
Tunes	8,7	1720	1,2	1,5	8	25	223	-912	20,6	100	-5093,5
Turk	59,6	2970	2,4	0,3	6	29	702	-6380	28,3	109	-5097,7
Ugan	18	180	1,9	0,3	8	100	1	-107	143,6	49	-415,7
Hung	10,2	3350	1,2	-0,7	6	32	292	-4262	38,8	102	825,2
Urug	3,1	3830	-0,1	0,3	8	57	608	-227	27,7	114	-4631,9
Venez	20,9	2840	-0,7	0,2	11	86	874	-2223	22,8	93	6139,1
CAfriR	3,2	400	-1,6	-1	19	56	5	-21	4,8	91	0
	population	GNP per cap	growth 80-93	dyn food prod	food imp	raw mat exp	fertiliser cons	curr account	debt service	terms trade	money laund

This yielded the following results, explaining almost 65% of economic growth:

(6.2) money laundering and economic growth

dyn food prod	food imp	raw mat exp	fertilizer cons	curr account	debt service	terms trade	money laund	lnGNP	ln GNP^2	constant
0,160315	-2,43436	1,86E-06	-0,00958	0,004269	-4,6E-05	0,001343	-0,02796	-0,02825	0,513553	11,36795
0,172427	2,366866	4,77E-05	0,01811	0,012305	6,88E-05	0,000313	0,010356	0,042082	0,164342	7,91605
0,6475	1,728365									
9,552412	52									
285,354	155,3368									
0,929751	-1,02852	0,039072	-0,52907	0,346949	-0,66766	4,295231	-2,69961	-0,67126	3,124894	t-test

The Matthew's effect, terms of trade and money laundering explain significantly economic growth in the world periphery and semi-periphery from the 1980 onwards. 64.8% of total variance is accounted for by our model. Contrary to the myth that - however morally detestable, such a shadow economy is beneficial for economic growth, the opposite holds.

7) Problem number 4: Europe must come to terms with the contradictions between Europe, the developed centre, and its Eastern European periphery, and the problems of political instability, nationalism, and unequal development that the present form of interaction between the centre and the periphery bring about

For the Visegrad countries and Slovenia it will probably take about twenty more years at present growth rates to reach the average income levels of the European Union countries in 1994 (World Bank, WDR, 1996). Following the radical perspective, so brilliantly exposed by Claude Julien in *Le Monde Diplomatique* September 1996, the question cannot be how well countries like Poland adapted to a blueprint, (for example, contained in the famous White Paper of the *European Commission (1995)*), but what contradictions, cleavages and conflicts arose within Poland and between Poland and the old West European centers in the process of globalization and the expansion of the market order into Eastern Europe after 1989. To put the problem in Osvaldo Sunkel's terms again: Eastern Europe saw a slow rise in the share of the gross product of foreign affiliates as a ratio to home country GDP (from 0.0% in 1982 to 1.3% in 1991), while the market-power of the transnational corporations saw to it that the sales of foreign affiliates dominated an ever-growing share of the exports of goods and non-factor-services of the transition countries (the share went up from 0.9% in 1982 to 22.8% in 1993).

The famous Commission White Paper on the integration of the East European countries into the Union thus was an answer - **but what was the question?** **The global economy approach** is miles away from the current Union expansion optimism, prevailing in the debate about Poland. On the face of it, Poland has done remarkably well over recent years. But how often in history Poland saw spurts of growth, to be followed by conflict, stagnation and dependence from the Great Powers?

The gap between Poland and even the poorest European Union countries in many areas is still considerable. The following overview from UNDP HDR 1996 data (referring to 1993 for reasons of international comparison) about **the vulnerable position of Poland in world society** will quickly characterize the dimension of issues which are still at stake. The social and ecological tasks are simply enormous. And in addition, the expenditure of the state apparatus is more government-consumption oriented already than in the average EU countries, with too little emphasis on health and human capital formation:

social policy dimension PL 1993 EU average or Polish rank in world society in 1993

life expectancy 71.1 76.8

human development index 0.819 rank 56 from 174 countries

gender development index 0.802 rank 37 from 137 countries

gender empowerment index 0.431 rank 41 from 104 countries

maternal mortality rate 19 13

population per doctor 467 301

unemployment rate 16.4% 11.1%
 inflation rate 31.1% 3.5%
 prisoners per 100 000 inhab. 160 87
 male adults who smoke 63% 44%
 female adults who smoke 29% 25%
 total health expenditure as %
 of GDP 5.1% 7.5%
 total education expenditure
 as % of GDP 4.9% 5.4%
 annual growth rate of real
 earnings per employee 1980-
 1992 -0.8% +2.8%
 weekly real hours of work
 per person in manufacturing 34 39
 expenditure on labor market
 programmes as % of GDP 2.3% 3.3%
 female tertiary students per
 100 000 people 1680 2698
 share of the country in the
 total industrial country GNP
 world-wide 0.4% 37.0%
 terms of trade 1993 (1987=100) 95 103
 current account balance before
 official transfers in US\$ mill-
 ions -5927 +38860
 water resources per
 capita (1000m³ per year) 1.3 3.2
 GDP output per kg energy
 consumption in US\$ 0.9 5.4
 energy import dependence:
 commercial energy imports
 as % of merchandise exports 20% 8%
 thousands of tons of green-
 house gas emissions p.a. 343210 3303230
 hazardous waste production
 in 1000 metric tons, 1991-94 3444 48220
 population served by muni-
 cipal waste services in % 55% 98%
 percentage of people working
 in agriculture ... 27% 6%
 ... receiving the following share
 of total GDP 6% 3%
 government consumption 22% 19%
 gross domestic savings 13% 20%
 exports per GDP 16% 22%

Source. our own compilation from UNDP Human Development Report, 1996

For the Commission of the European Union, these dimensions at stake here were reduced to 13 questions in the field of *Justice and Home Affairs* and - apart from

statistical background-informations - to the following number of questions in the field of *Employment and Social Affairs*:

12 legal and institutional framework
19 employment and employment protection
19 conditions of work and pay
7 social dialogue
7 industrial disputes
15 equality of treatment
11 health and safety at work
26 immigration policy
5 social security for migrant workers
9 social protection
12 public health and health promotion

Important tasks were achieved, but others, like the *reform of the social security system*, the *migration law project*, an *efficient law against money laundering*, and a *law that would criminalize the possession of drugs*, are either not yet on the horizon (social security reform) or are threatened to be delayed by early elections. An inter-ministerial 100 person task force is currently drafting a national drug strategy and should develop additional legislation to comply with the 1988 UN Drugs Convention, but again, internal political squabbles pose at least a question mark behind the proposed timetable. The successive Governments of Poland have done a lot in the right directions, but the framework of a semi-periphery country in the world economy creates pressures and instabilities which largely co-determine the social policy outcomes. Published social scientific evidence (UNDP, 1996) suggests that the following basic conditions for Polish social policy still exist - the spurt of recent economic growth notwithstanding ((i) to (ix) all UNDP data):

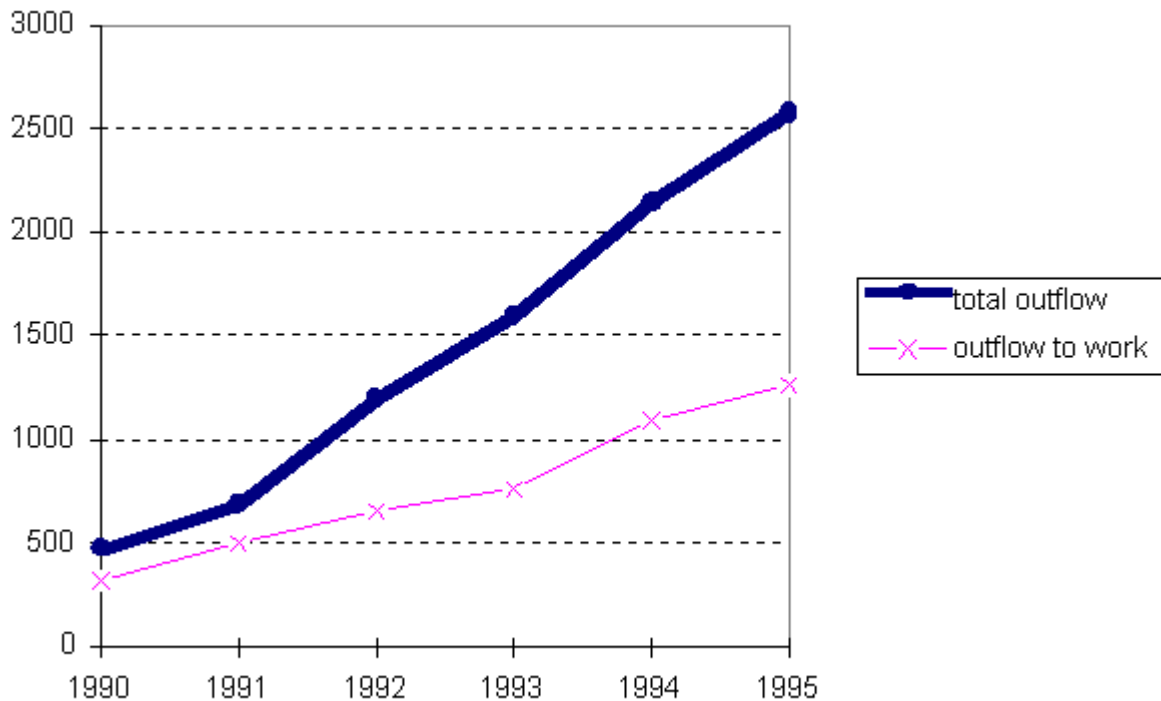
(i) the number of employed in Poland is still smaller by 2.4 million persons in comparison with the end of 1989

(ii) the growth of employment in the private sector did not yet fully compensate the job losses in the public sector after 1989

(iii) 800000 to 1.1 million Poles work in the 'hidden economy'

(iv) there is an alarming decline in the outflow from unemployment to official work in relation to the total outflow, suggesting that the hidden economy, illegal foreign labor, and other forms of existence compensate for the losses:

Graph 7.1: unemployment in Poland - total outflows and outflows to work, 1990-1995



(v) youth unemployment remains very high and is in fact over 30%

(vi) 280000 persons are totally discouraged from looking for any kind of work, a trend which is exacerbated by the ever more stringent requirements to receive unemployment benefits

(vii) hidden unemployment on the farms also amounts to a large number of affected people, in all 450000 to 690000 persons

(viii) both the Solidarity era and the post-communist governments are characterized by the 'equally marked absence' of a 'determined political will to reconstruct the social security system' (UNDP, 1996) social insurance benefits paid from the national budget consume now 1/6 of the total GDP. All three reform attempts - the one by the Senate in 1992 and 1993, the one by the Ministry of Labor between 1992 and 1993, and the Ministry of Finance Reform Project 1995 as yet did not become law, while the financial pressure on the state will increase with the upcoming changes in the age structure. With average pensions amounting to 75% of the average wage, the proposal of the Ministry of Labor to negotiate pension rises at the level in between pay rises (maximum) and price increases (minimum) does not sound convincing; rather, finance Minister Kolodko's proposal oriented on price increases sounded more logical. According to their own experts, the Ministry of Labor estimates that by 2000, in order to avoid a financial breakdown, the social security contribution level (paid in Poland exclusively by employers) should amount to 62.5% of gross wages, if

present trends continue. By 2020, the number of pensioners will increase by yet another 3 million from 9 million persons to 12 million beneficiaries. The failure to initiate the breakthrough in 1996 will mean - especially after the political shake-up in the finance-ministry away from Kolodko in direction of the more populist PSL - that the reform of social security will be on the agenda in Poland beyond the year 2000

(ix) recent studies suggest that the social policy frame of reference for the disabled persons in Poland is not satisfactory (UNDP, 1996). There are now 4376000 disabled persons in Poland. 60% of them only have the most basic educational level, making this group of people even more vulnerable on the labor market. The majority of disabled persons in Poland are professionally inactive. In 1995, the unemployment rate of disabled persons in the cities was 28.1%, while in the countryside it was only 6.2%. Young disabled male persons under 24 years of age have an unemployment rate of more than 50% (UNDP, 1996: 88). Almost 43% of the households of disabled persons assert that they can only afford the cheapest food and clothing. Over half are indebted and have difficulties with the repayment of debts. As many as 43% assert that they lack means for basic medicines and treatment. 85% of all disabled feel themselves excluded from the means of public transportation. The fund, created by the Polish government to care for the disabled, has often been quoted in the context of mismanagement. Pollution and low access to medical care in the countryside determine that 39% of all disabled persons live in the villages. Alarmingly, the Polish press recently suggested that the country's main fund-institution for the disabled, PFRON, was a hotbed of corruption and mismanagement.

Let us be realistic: with or without Union membership, Eastern Europe will be faced by the aftermaths of its transformation crisis for many years to come. Poverty and dependence have emerged as one of the most basic issues of post-communist reconstruction. The true extent of poverty is contested in the various countries of East and Central Europe, with the fairest estimates being based perhaps on recent research by the UN, the ILO and the World Bank:

Table 7.1: Poverty and peripherization in (Eastern) Europe

a) social data

	% poor (EU-criteria)	life expectancy	PPP (purchasing power)	share of lowest 20% in total incomes	PPP\$-income of lowest 20%
Portugal	24,50%	74	43,8	9,20%	4658,2176
Italy	21,10%	77	76,7	6,80%	6029,2336
Greece	18,70%	77	34,6		
Spain	16,90%	77	57	8,30%	5469,036
Ireland	15,70%	75	52,2		
NL	14,80%	77	76	8,20%	7204,192
UK	14,80%	76	72,4	4,60%	3849,9424
France	14,70%	77	83	5,60%	5373,088

Poland	12,80%	70	21,1	9,20%	2244,0272
Luxembourg	11,10%				
FRG	9,10%	76	89,1	7,00%	7209,972
Belgium	8,60%	76	78,5	7,90%	7168,934

b) world economic position

	trade balance.92- 95	debt 95	FDI	current account 94-97
Czech R	-5813	14000	5275	-6650
Hungary	-10562	32491	8361	-9611
Poland	-17696	44244	2098	-10944
Slovakia	-931	4800	681	542
Slovenia	-854	2685	504	809
Bulgaria	-1742	10363	332	-225
Romania	-6084	4727	884	-3728
Croatia	-4495	3152	224	-2397
8 reform states	-48177	116462	18359	-32204

Source: OMRI Economic Digest, 21. week., 1996 (Poland, column 1); World Bank World Development Report 1995 (column 2-5), Stiftung Entwicklung und Frieden, 1996 (column 1, all values except Poland); Vienna Institute for International Economic Comparisons, February 1996

On a world level, the available data show that Eastern Europe very much belongs to the countries of the periphery and the semi-periphery:

Table 7.2: Poverty on a world scale

country	real GDP PPP	share of lowest 40%	HDI	PPP\$ income of the poorest 40%	trend value, calculated from HDI
CND	20520	17,5	0,95	8977,5	13000,14113
USA	23760	15,7	0,937	9325,8	9748,340977
Jap	20520	21,9	0,937	11234,7	9748,340977
NL	17780	21,3	0,936	9467,85	9547,701142
SF	16270	18,4	0,934	7484,2	9163,773431
NOR	18580	19	0,932	8825,5	8801,656129
F	19510	17,4	0,93	8486,85	8459,867797
SP	13400	22	0,93	7370	8459,867797
SWE	18320	21,2	0,929	9709,6	8296,165775
AUSL	18220	15,5	0,927	7060,25	7982,342057
BLG	18630	21,6	0,926	10060,2	7831,917437
CH	22580	16,9	0,925	9540,05	7685,625428
GER	21120	18,8	0,921	9926,4	7139,116224

DK	19080	17,4	0,92	8299,8	7011,530461
NZ	14990	15,9	0,919	5958,525	6887,32833
UK	17160	14,6	0,916	6263,4	6533,954863
ITA	18090	18,8	0,912	8502,3	6103,997561
ISR	14700	18,1	0,907	6651,75	5624,92576
HUN	6580	25,7	0,856	4227,65	2921,305573
POL	4830	23	0,855	2777,25	2891,893373
BUL	4250	24,3	0,796	2581,875	1813,602592
HONG	20340	16,2	0,905	8237,7	5449,488888
CRIC	5480	13,1	0,883	1794,7	3982,388689
SKOR	9250	19,7	0,882	4555,625	3931,55495
CHIL	8410	10,5	0,88	2207,625	3833,129873
SING	18330	15	0,878	6873,75	3738,838794
VEN	8520	14,3	0,859	3045,9	3012,969789
PAN	5600	8,3	0,856	1162	2921,305573
MEX	7300	11,9	0,842	2171,75	2555,102336
COLO	5480	11,2	0,836	1534,4	2424,160023
THAI	5950	15,5	0,827	2305,625	2251,235007
MALA	7790	12,9	0,822	2512,275	2165,701829
BRAZ	5240	7	0,804	917	1907,79939
BOTSW	5120	10,5	0,763	1344	1517,011192
TUNI	5160	16,3	0,763	2102,7	1517,011192
JOR	4270	16,8	0,758	1793,4	1481,838888
ALG	4870	17,9	0,732	2179,325	1327,452726
JAM	3200	15,9	0,721	1272	1273,580079
PERU	3300	14,1	0,709	1163,25	1220,745498
DOMR	3280	12,1	0,705	992,2	1204,32718
SRIL	2850	22	0,704	1567,5	1200,307847
PHIL	2550	16,6	0,677	1058,25	1102,78266
INDNS	2950	20,8	0,637	1534	986,4808145
CHINA	1950	17,4	0,594	848,25	883,6034386
GUAT	3300	7,9	0,591	651,75	876,9849307
BOL	2410	15,3	0,588	921,825	870,4239262
HOND	2000	8,7	0,578	435	848,9405082
MORO	3370	17,1	0,554	1440,675	799,4488133
ZIMB	1970	10,3	0,539	507,275	769,7212024
PAK	2890	21,3	0,483	1538,925	664,4802797
GHAN	2110	18,3	0,482	965,325	662,6656565
KENYA	1400	10,1	0,481	353,5	660,8529474
LESO	1060	9,3	0,473	246,45	646,4186041
INDIA	1230	21,3	0,439	654,975	586,2995811
ZAMB	1230	15,2	0,425	467,4	562,0730941
COTE	1710	19,2	0,369	820,8	467,9859332
BANGLA	1230	22,9	0,364	704,175	459,799976
MAUR	1650	14,2	0,359	585,75	451,6492905
NEPAL	1170	22	0,343	643,5	425,8058487
SEN	1750	10,5	0,34	459,375	421,0010423
RWA	710	22,8	0,332	404,7	408,2519759
UGA	860	20,6	0,329	442,9	403,4951384
GUINB	820	8,6	0,293	176,3	347,4633236
ETHIO	330	21,3	0,227	175,725	250,151321

Column 1: GDP per capita in real PPP (UNDP, World Bank, 1994, 1995)

Column 2: income share poorest 40% (see above)

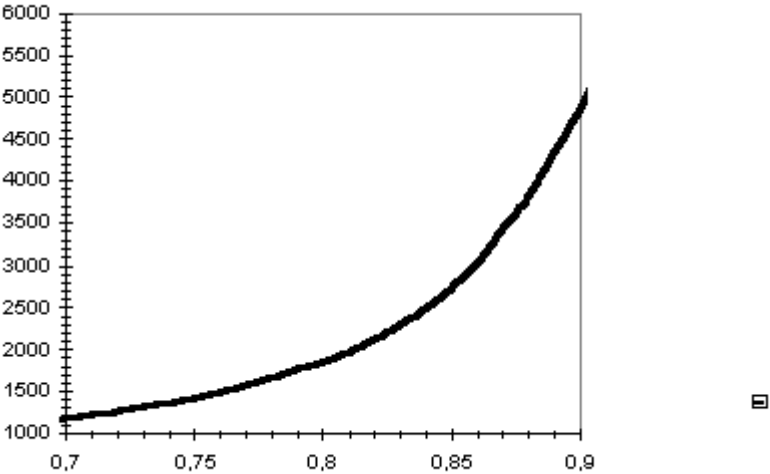
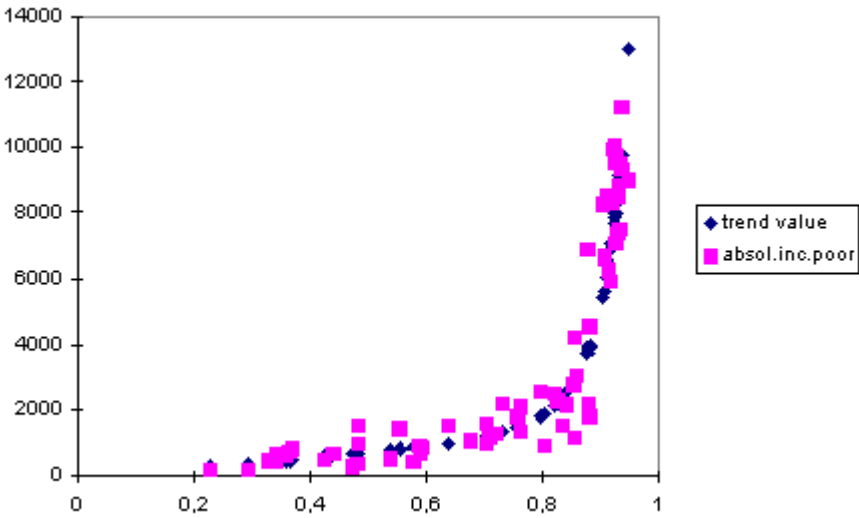
Column 3: human development index, UNDP, 1995 (see above)

Column 4: real income of the poorest 40% (column 1 * (column 2/40))

Column 5: trend value for column 4 on the basis of a non-linear regression, explaining the real incomes of the poorest 40% by the human development index

There is a clear trade-off between the size of the UNDP Human Development Index and the absolute income of the poorest sections in society:

Graph 7.2: human development and human poverty



Our calculations were based on 65 countries of the world with complete data about real purchasing power, the income share of the poorest 40% and the human development index. The rectangular dots correspond to the estimated

real income of the poor in international standards (income in PPP * (income shares of the poorest 40%/40)), the trend line is the **non-linear trend estimate**, according to VARIATION in the EXCEL program, using as variables the human development index $\wedge 10$ and the human development index $\wedge 0,10$. The trend line corresponds to an equation that explains **89 % of total variance**. The lower graph shows the results for countries, which are the transformation countries or which are on a similar or higher level of achieved human development.

The values of the UNDP Human Development Index in the region are, by international comparison:

NL 0.936 (world rank 4.)
SF 0.934
F 0.930
Spain 0.930
SWE 0.929
B 0.926
AUT 0.925
GER (incl. new B.) 0.921
DK 0.920
UK 0.916
IRE 0.915
ITA 0.912
GRE 0.907
LUX 0.893
PORT 0.874 (world rank 36.)
CZECH 0.872 (world rank 38.)
ESTON 0.862
LATV 0.857
HUNG 0.856
POL 0.855
BUL 0.796
LITHU 0.769
ALB 0.739
ROM 0.703 (world rank 98.)

Although few would challenge the diagnosis, there is of course a wide and ample debate about how to cure the ills of the region. In terms of hard cross-national evidence, the World Bank (WDR, 1996) has proposed economic liberalization, foreign direct investment inflows, savings mobilization, wage flexibility, government credibility and privatization as the main pillars of its strategy.

But the debate about Eastern European reconstruction seems to be dominated by several fallacies. The **first fallacy** would concern the famous hypothesis about the 'market economy without adjective nouns' as an engine of a successful transformation process. Following the logic, already proposed by Adamczyk, 1992; Angresano, 1994 and Jenkins, 1987, a de-facto policy of mass demand maintenance might be better adapted to survive the transformation shocks and might - in the end - even prove more profitable for large-scale TNC investment than the real 'shock therapy strategies'. The Czech Republic, whose prime minister - as a brilliant academic - is the most outspoken champion of the idea about 'markets without adjective nouns', is not only one of the most successful

cases of liberal transformation, but also has the aspect of a bureaucratic, almost Keynesian welfare-state that survived the ups and downs of politics in the 20th century and was already practicing that system before the breakdown of the Hapsburg Empire in 1918. We have for a long time advanced this point; M. Orenstein has taken up the issue in transnational research as well (Orenstein, 1996). It is certain that the Czech Republic, even on an aggregate level before partition from its poorer cousin, Slovakia, verbally the most radical proponent of neo-conservative economic strategies in Central Eastern Europe, had a very high share of social security benefits per GDP; the level of health expenditures was way above the other reform countries; and even before partition, the human development index - in marked contrast to Poland, Albania, Romania, and Bulgaria, - was more acceptable to international standards of human capital policy. The Czech government did even intervene in less than neo-conservative economic sainthood into the workings of the labor markets. The intervention, worth 1% of GDP, was targeted to a much smaller number of unemployed persons than in Poland, Hungary and other reform nations with high unemployment. The Czech Republic, even before partition from its poorer Slovak cousin, was practically the uncontested overall social policy record holder in Eastern Europe.

The **second fallacy** concerns the workings of foreign capital in the region and in the development process. Simple macro-economic reasoning would already demonstrate that a sound economy, based on dynamic export-growth and huge positive trade and service balances, tends to be an overall capital exporter and not a capital importer. The macro-economic need for high net foreign investment, hence the predominance of foreigners investing at home as compared to the investments of nationals abroad on the enterprise level precisely arises, when either export-led growth is insufficient or import-substitution strategies are in force or both. Everything that has been said over the last thirty years about globalization can also be interpreted in terms of a radical neo-classic critique of import-substitution policies and insufficient export-oriented strategies (Ernst, 1973). In terms of the effects of *globalization* on the South and the East, it should be stressed that there is a growing competition between the East and the South in terms of the 'world market for capital'. This competition makes studies that look into the determinants of growth and development for the present time period all the more important. International development aid for the South amounted to 0.33% of OECD-countries in 1991, while funds for the East were 0.04% of OECD GNP. Accumulated foreign direct investments from the 7 biggest investors in the developed countries (US, Japan, UK, FRG, NL, France, Canada), which, in turn, control about 80% of all FDI, now amount to 1395 thousand million \$, with a dramatic doubling having taken place since around 1985. In 1976, the 7 biggest investors had just invested 239 thousand million \$ abroad, i.e. their foreign capital increased almost 5.8-fold since 1976. 80% of this capital is being invested in the countries of the developed hemispheres. This also says something in terms of the old debate about stability versus low labor costs as the prime determinants for the site of transnational investments. The East, hoping to attract foreign capital to the detriment of the relative share of the developed countries must ask itself, whether or not low labor costs are a necessary let alone sufficient condition to attract foreign capital.

The new debts incurred in the region (without the CIS) after the transformation were 5 thousand million \$ just in 1993 alone. The right wing in Poland contends

that the left which governs Poland since 1993, has incurred a trade balance deficit to the tune of 22 billion \$ since taking power. In fact, one could even argue that there was no such thing as Western aid to the East at the early stages of the transformation, especially to some transformation economies in Europe. Regimes that received real net transfers were the (former) 'real socialist' regimes of various Marxist or 'real socialist' denominations in the South and in the (former) USSR, but not all the transformation economies of Eastern Europe. Western protectionism and monopoly practices are to be held partially responsible for the fact that aggregate net transfers to the East (after due consideration of interests paid for Western Banks, donors and profits, paid out to investors) were sometimes negative, as the following table shows in the context of the precarious social conditions, governing the lives of hundreds of millions of human beings in the former or continuously communist nations of the world and in the other (former) left-wing oriented countries in the South.

Table 7.3: the position of the East and the (former) 'de-linking' South in the new world system

a) savings mobilization, investment, export performance and growth in Eastern Europe according to Vienna Institute for International Economic Comparisons data

savings/GDP	I/GDP	E/GDP	GDP 1989=100		Year
26	30,4	0,5	90,9	Bulgaria	1990
26,9	22,6	4,3	80,3		1991
14,1	19,9	-5,8	74,4		1992
7,7	15,3	-7,6	73,3		1993
12,5	13,1	-0,6	74,6		1994
29,9	28,6	1,3	98,9	Czech	1990
36,7	29,9	6,8	84,7		1991
27,4	27,1	0,4	79,3		1992
20,2	18	2,2	78,6		1993
20,1	20,5	-0,4	80,6		1994
28	25,4	2,6	96,5	Hungary	1990
19,5	20,5	-1	85		1991
15,8	16,1	-0,3	82,4		1992
11,8	20	-8,2	81,9		1993
15,7	22,2	-6,5	84,3		1994
32,8	25,6	7,1	88,4	Poland	1990
18	19,9	-1,9	82,3		1991
16,7	15,2	1,5	84,4		1992
16,5	15,6	1	87,6		1993
16,9	15,9	1	92,1		1994
20,8	30,3	-9,5	94,4	Romania	1990
24,1	28	-3,9	82,2		1991
23	31,4	-8,4	75,1		1992

24	29	-5	76,1		1993
24,9	26,9	-2,1	79,1		1994
23,3	26,5	-4,5	77,9	Slovak R	1992
16,4	21,9	-6	75,1		1993
19,4	17,1	6,1	78,7		1994
34	16,8	15,7	95,3	Slovenia	1990
29,5	15,6	12,2	87,6		1991
27,5	17,1	9,1	82,9		1992
24,1	19,1	3	83,9		1993
27,8	20,7	5	88,4		1994

b) aggregate net transfers received in b \$ in 1992

Mozambique 1.060
Ethiopia 1.033
Lao PDR 0.104
Nicaragua 0.718
China 19.783
Tajikistan 0.010
Myanmar 0.087
Armenia 0.002
Kyrgyz R. 0.022
Georgia 0.0
Uzbekistan 0.056
Romania 1.056
Moldova 0.012
Lithuania 0.121
Bulgaria 0.062
Kazakstan 0.116
Ukraine 0.221
Poland -0.027
Latvia 0.114
Russian Fed. 13.895
Albania 0.375
Mongolia 0.149
Estonia 0.178
Belarus 0.182
Hungary -0.392

Source: our own compilations from Vienna Institute for International Economic Comparisons; World Bank, WDR (1994) and HDR UNDP, 1994

Although most recent data (World Bank, WDR, 1996) seem to suggest a certain reversal in the trends of the international division of labor within Europe, it is pretty certain that the whole region, from 1990 to 1995, received only 15% of all total inflows to the developing and transition countries to the tune of \$1640 thousand million in the entire world economy (World Bank, WDR, 1996). The World Development Report 1996 clearly states:

'One might have expected huge imports of capital, both private and official, to participate in financing the costly economic and political transformation (...) However, except for the former East Germany (i.e. \$700 thousand million), CEE and the NIS have not absorbed a great deal of foreign capital - either private investment flows or official external assistance (...) Between them the countries of CEE and the NIS absorbed 15 percent of total capital flows to developing and transition countries (...) Net resource inflows are much lower and even negative to some countries, once debt service and capital flight are taken into account. Capital flight from Russia alone has been estimated at some \$50 billion (i.e. thousand million) for 1992-95, although part of this represented capital exported through Russia from other NIS (...) In 1994, FDI to CEE and the NIS was only \$6.5 billion (i.e. thousand million), equivalent to the total received by Malaysia and Thailand (...) The Visegrad countries received fully three-quarters of the total, whereas many other countries in the region are still all but untouched by foreign investment (...) All in all, then, transition has not absorbed a large slice of global capital flows (...) Aid under the Marshall Plan after World War II averaged 2.5 percent of the incomes of the recipient countries at the time. Total official disbursements to the CEE economies, which have generally progressed furthest in their reforms, accounted on average for about 2.7 of their combined GDP in 1991-93. Under-recording of GDP in these economies may bias this ratio upward, but on this measure Marshall Plan disbursements were not materially larger (...) The Marshall Plan did, however, embody a larger grant element, and it was much more generous relative to the donor economy's income, at 1.5 percent of U.S. GDP.' (World Bank, World Development Report, 1996: 136 and 10)

With the opening-up of Eastern Europe to transnational capital, a very interesting social scientific experiment got underway. What are the effects of foreign direct investment on a newly penetrated economy? The UNDP HDR 1995 for Poland, drawing upon the knowledge of the Polish Central Statistical Office, mentions even a human development index of 0.801 for the whole country for 1992, which would mean world rank 53 - together with Armenia. The poorest Polish provinces in terms of the HDI - like Suwalki in the far Northeast of the country with a value of 0.707 - would be ranking 78th on the world scale - in the vicinity of countries like Albania, Grenada, Tunisia and Surinam. Little is known about the social effects of transnational penetration in Eastern Europe as yet: the penetration of Eastern Europe by direct foreign investments is a relatively new phenomenon. Although earlier studies, among them Chase-Dunn, 1982, Szlajfer, 1977 and Tausch, 1985, already stressed the world-market dependent character of 'real socialism', the flow of direct foreign investments increased significantly only after the fall of the Berlin Wall in 1989. Russia and Hungary received the lion's share of western capital flows to the East. Foreign capital in the Polish economy that perennial testing ground for beliefs of all sorts over the last millennium, is now estimated to amount to **\$ 7.389 thousand million** (UNCTAD, 1996); the inflows are small however, compared to the massive flows of TNC capital to countries like China. The FDI stock as percentage of GDP in 1994 was already 5.1%, while in Brazil it was 8.0%. In 1992, Poland received new investments to the tune of only 678 million \$, while 11 thousand million \$ went to China in the same year (World Bank, WDR, 1994). **Poland even paid aggregate net transfers to the West during the Solidarity years.** And here, the **third fallacy** about post-1989 reconstruction arises: **some Eastern countries were at the crucial time of the political transition in an increasingly precarious position vis-à-vis the centers of the transnational economy**, just like the

predecessor regimes in the region in the 1920s and 1930s and the countries of the periphery today. Aggregate net transfers are understood as aggregate net resource flows minus interest payments on long-term loans and remittance of all profits. Aggregate net resource flows are the sum of net flows on long-term debt (excluding use of IMF credit), plus official grants (excluding technical assistance) and net foreign direct investment. That is to say, Poland (just as Hungary), in reality, were **de-capitalized by the world economy, when the new elites in power would have needed Western support most urgently** (World Bank, WDR, 1994). As we will show below, the workings of the transnational economy did probably contribute to the political cleavages and to the downfall of the Solidarity government in 1993. The yearly de-capitalization amounted to 27 million \$. The share of foreign investment per total GDP, i.e. the value of the index, what Bornschier and Mueller (1988) call *'foreign property'*, is now 8.5% for the overall Polish economy. In terms of the employment effects, one finds that transnational capital now controls the most important modern, dynamic consumer goods sectors; 2.7% of the total labor force and 6.8% of all workers and employees in industry work for international firms. The private sector is dominated to a still larger degree by foreign firms; 16% of the labor force in private industry in fact works for foreign firms.

The **fourth fallacy** concerns the effects of 'dependent development' on the host countries. **The employment effects of transnational investments were over- the socially polarizing effects of transnational investments underestimated.** Regional concentration of development increases, and with that the political cleavages of a basically still semi-peripheral society. Even for the case of China, the World Bank WDR 1996 states:

'FDI to China was \$33.8 billion (i.e. thousand million) in 1994, second only to flows to the United States. However, a substantial portion consisted of domestic funds recycled as foreign investment to take advantage of fiscal concessions' (World Bank, WDR, 1996: 136)

A Polish case study

Poland's position in the world is first of all confronted by the fact that *since 1989 all her neighbors have changed* - only the Baltic seacoast has remained the same. East Germany to the East has disappeared and has been reunited with West Germany, Czechoslovakia to the South has separated into the Czech and the Slovak Republics, and to the East, the USSR dissolved - leaving the Ukraine, Belarus, Lithuania, and Kaliningrad oblast, still pertaining to Russia, behind. The development effort of the West in such a world politically highly sensitive region - and especially TNC investment - is concentrated around the rich centers of Poland, like Warsaw, Gdansk, Katowice, Krakow, Poznan and Wroclaw. A similar picture arises from the other transformation countries. The poor rural regions of Poland are almost totally neglected by foreign capital; some run-away industries are growing up in the western regions, bordering the Federal Republic of Germany.

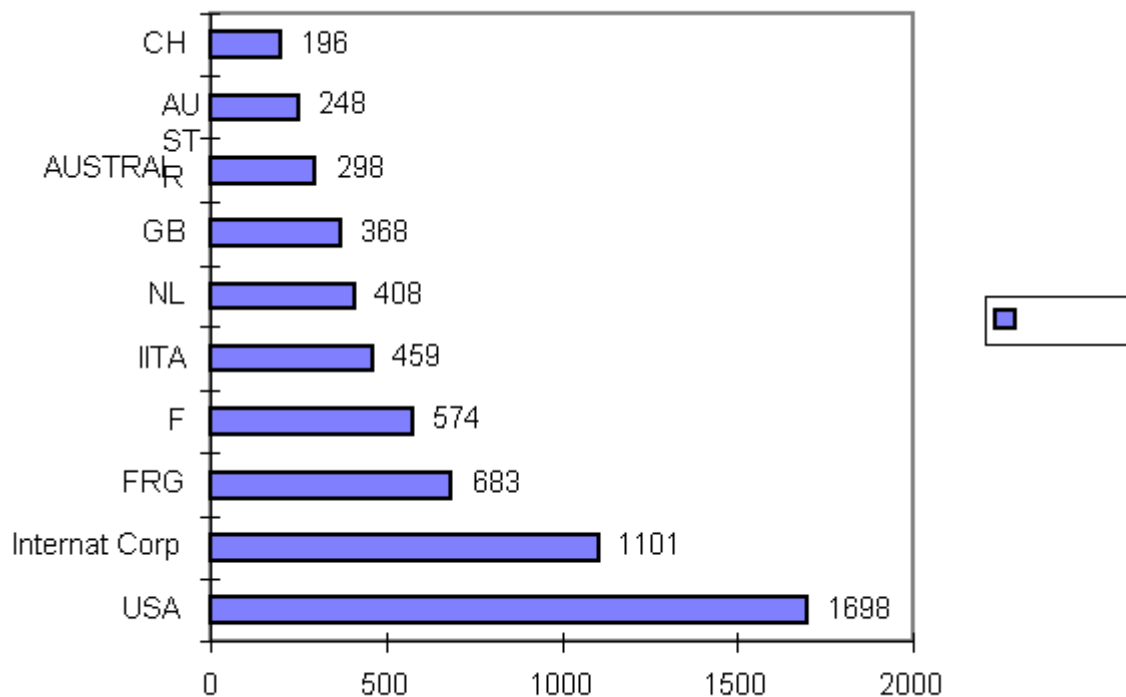
The transformation after 1989 destroyed more than 3 million jobs in the public sector and more than 150 000 jobs in private agriculture; in comparison to that, the performance of private national and or foreign capital in creating jobs has been more than modest:

	1989	1994	growth/decl.
public sector	9277,8	5878,4	-3399,4
private agric.	3898,7	3744,9	-153,8
foreign cap.	130,4	228,1	97,7
other priv sec.	4082,5	4881,8	799,3

Source: our own calculations from G.U.S. Rocznik Statystyczny Pracy 1995

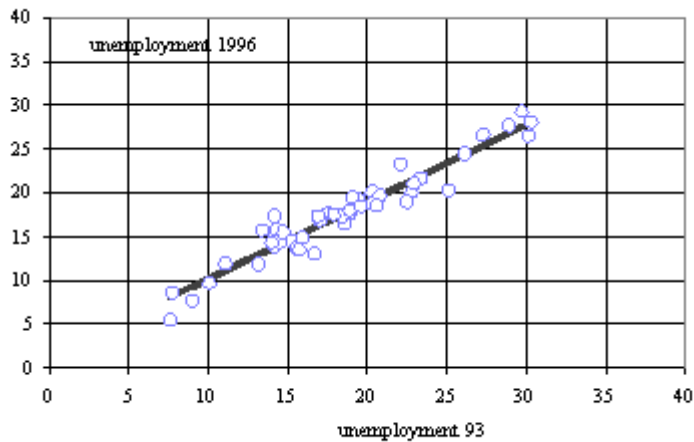
Latest statistics from the current Polish press indicate the following distribution of foreign direct investment in Poland:

Graph 7.3: MNC investments in the Polish economy



In April 1996, 2 million and 726 000 people were out of work. Foreign capital penetration did not significantly contribute to alleviating unemployment on a regional basis. It is also noteworthy that political influence of the SLD and PSL parties biased the unemployment record of Polish regions 1993 - 1995, just as - *ceteris paribus* - the 'Walesa' and right-wing regions seemed to have been castigated by post-1993 regional development. Regional human capital formation, measured by the Human Development Index, contributed towards a better employment record over time of a region:

Graph 7.4: unemployment in Poland - regional aspects



The multiple regression to explain the residuals from the above Graph works with the following variables:

- religious practice
- external migration per total population
- voting for the Peasant Party PSL in 1993
- private land per total land
- big estates per total land
- voting for the post-communist SLD in 1993
- real GDP per capita
- human development index
- employment in foreign capital enterprises per total employment
- employment in mixed enterprises per total employment
- voting for Lech Walesa in the second round of the 1995 presidential election

(7.1) the rise or fall of unemployment in Poland 1993/96 (regression residuals, Graph 7.4):

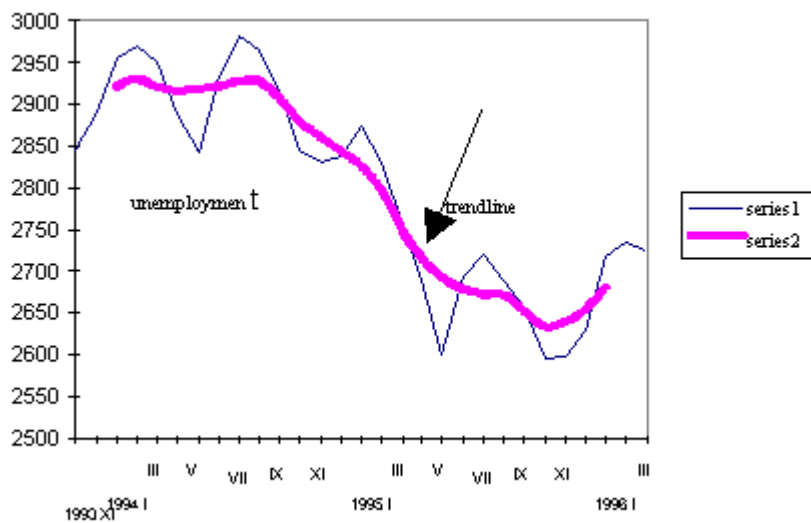
-0,005	0,33	-2,422	0,649	4E-05	0,126	-0,097	0,05	-0,033	-0,083	-0,002	0,076	-0,501
0,047	0,603	0,979	10,43	5E-04	0,088	0,036	0,048	0,018	0,067	0,006	0,043	8,071
0,45	1,177											
2,453	36											
40,82	49,91											T-test
-0,105	0,547	-2,47	0,062	0,079	1,429	-2,71	1,04	-1,91	-1,244	-0,378	1,756	constant
religious pract	ext migr/pop	PSL	private land	peasants	big estates	SLD	real gdp pc	HDI-index	for cap pen	mixed cap pen	2tour Walesa	Lech

Note: as in all EXCEL 5.0 outprints, first rows are unstandardized regression coefficients, second rows are standard errors of the estimate, the third row shows the value for R² of the whole equation and the standard deviation of the estimate for y; the fourth row are the F-value and the degrees of freedom of the

whole equation; the fifth row shows the sum of squares of the regression and the sum of square of the residuals.

Among the major problems of future Polish future development are the unemployment situation (see Graph below) and the huge influx of foreign currency reserve (already over \$20 thousand million, although the balance on current account officially is still negative). The current monthly unemployment figures are compared here with the 5 - month trend line

Graph 7.5: unemployment in Poland - the time series



The percentage of women in the industrial labor-force is higher in foreign-owned firms than in national private or state firms, and exceeds also the percentage in joint-venture firms. This process might be a two-fold process: exploitation of low-paid and low-skilled female labor in typical 'sweat-shops', and the recruitment of clerical and bureaucratic staff for the command, control and communications branches of multinational corporations in Poland.

The distribution of the labor force in the industrial sector is as follows:

57.3% state capital

35.9% national private capital

2.6% foreign capital

4.2% *joint ventures*

The employment statistics, published by the Polish Central Statistical Office (*Zatrudnienia w Gospodarce Narodowej 1994*), also allow an assessment about the more indirect effects of TNC investment in Poland on the social system, especially on employment at the voivodship level. The multivariate data about regional development, which were analyzed for this work, are all Central Statistical Office of the Polish Republic data, the list of variables is mentioned in

the variable list at the end of this contribution. Our analysis determines the effects of foreign capital penetration on four societal variables: sexist discrimination, political cleavages, employment and life expectancy.

The following sources were used: C.S.O. '*Rocznik Statystyczny Wojewodztw*', 1993 and UNDP, 1995; upward residuals from the regression line are interpreted as *excess mortality* for girls. The electoral performance for the political parties in Poland, autumn 1993 (SLD, PSL, UD, KPN, UP, BBW and parties not represented in the Sejm), was calculated from *East European Politics and Society* data, based on *Monitor Polski*. In addition, see the quoted sources of C.S.O. statistical data about Poland after the transformation. Some of our variables must be explained here in greater detail: by excess mortality we understand the simple residual values from the bivariate regression of female infant mortality rates on male infant mortality rates (C.S.O. '*Rocznik Statystyczny Wojewodztw*', 1993; upward residuals from the regression line are interpreted as *excess mortality* for girls). This process of female excess infant mortality is significantly related in our multivariate equations with only one variable: religious practice as an indicator of religious traditionalism.

Under inclusion of party preference, our equation explains around 1/3 of the excess mortality rates in Poland. The regions with a preference for the liberal Freedom Union are relatively immune from the phenomenon. Regions with a high vote for the former communists and their peasant allies also perform badly on this indicator. Foreign capital penetration - *ceteris paribus* - even slightly increases excess mortality rates. The totalitarian heritage and the Catholic counterpart to what Benazir Bhutto once called '*this backwardness of women (which is) rooted in male prejudice and non-religious cultural taboos*' seem to be related with traditional social patterns that neglect girls and their nutritional and health needs during their first year of life.

It is also interesting to see, how foreign capital penetration and structural variables pattern the political landscape in Poland, 1993. The following matrix of significant influences of foreign capital on the political process in Poland (elections of fall 1993) is to be observed:

Table 7.4a: The 1993 elections in Poland

Explanatory variable

of/for the explains *ceteris paribus* the electoral performance for the following political parties in Poland, 14th of September, 1993:

explanatory				
variable	SLD	PSL	UW	KPN
Catholicism	-	+		
migration	-			
ecological crisis	-			
private land	+	+		
traditional				
employment in				
agriculture	+	-		
big landholding	+	-	-	

patriarchal
 structures + - - -
 real GDP
 human development i. +
 foreign capital
 penetration -
 mixed capital
 penetration - -
 R^2 68% 92% 68% 59%

Source: Our own calculations (EXCEL 4.0 multiple regression IBM PS 2 notebook N51 SX) from C.S.O. and *East European Politics and Society* data, based on *Monitor Polski; election results 1995: Rzeczpospolita*. The following abbreviations are used: SLD (post-communists), PSL (Polish Peasant Party, former ally of the communists), UW (Freedom Union, the main post-Solidarity party), KPN (Confederation for an Independent Poland, right wing-nationalist), UP (Union of Labor, the left wing of the former Solidarity movement), BBW (non-partisan Block for Reform, a party formed by former President Lech Walesa), others (right-wing parties not represented in the Sejm)

Only by including the control variable '*foreign capital penetration*' into the empirical regression equations, we can show the character of the Peasant Party as a typical agrarian party, characteristic of regions with high private agriculture and low urbanization. The post-communist SLD clearly emerged in the period 1993-95 as a party in regions with a high amount of environmental damage, in rural regions with low industrialization and excessive sexist patterns of mortality. **The post-communists clearly lost in terms of electoral support from a higher penetration of a region by foreign capital.** *The Unia Wolnoscy* (UW) and *the Unia Pracy* (UP) as the liberal middle and the democratic left among the Post-Solidarnosc parties are especially weak in the regions with run-away factories owned by *joint ventures*. That is to say: **the promises of western-induced modernization could not be delivered; the liberal and the left sectors of Solidarity had to bear the brunt.** The Freedom Alliance was still especially successful in regions with a stable and wealthier - and culturally more progressive catholic - peasantry, and was especially weak in regions with a *minifundio*-type of small-scale agriculture. The abyss between the town and the city, cultivated on both sides of the great divide, bodes ill for the chances of the UW to win back in 1997 at the elections the flat countryside, especially in the regions without a richer private peasantry; the '*urban and or Poznan*' character of the Freedom Alliance emerges very clearly from the multivariate analysis. Thus, the democratic middle might be losing politically in a long-term perspective.

The radical right, not represented in parliament, is especially strong in regions of low urbanization, industrialization and high external, poverty-driven migration. In 1997, this potential certainly will still increase. Both the left and the right were, in 1993-95, the parties of the losers of the modernization process, while the modernization winners voted for the laic wing of the post-solidarity movement. In addition, both main post-Solidarity parties, UW and UP, were especially weak in regions with the typical run-away-industries dominated by mixed capital. The nationalistic, right-wing KPN had all the characteristics of a middle-class, far-right wing movement, associated with the urbanized regions of the country. The rise of the right-wing ROP, substituting the

KPN, and *Solidarity* as a right-wing worker movement for the elections in 1997 as a protest movement of the workers in declining industries clearly are characterized again by this political cleavage between the modernization winners and losers, already present in 1993-95.

The clear drifting-apart of the country and the loss of a middle-centre has indeed something to do with the kind of dependent development that is so typical of the world-wide market economy in the periphery: the economic power of the transnational corporation in a country like Poland interacts with the unequal structure of a typical semi-periphery, and in turn leads to the 'creative destruction' of national capital on the existing markets. The share of women in total manufacturing employment is much higher in the 100% foreign-owned firms (54.4%), while national private capital, mixed enterprises and national state capital all employ only from 30% to 40% women. The high female share in foreign-dominated manufacturing mainly seems to be connected with the high percentage of investments in the textile industry.

Our analysis also shows the dilemmas that do exist for the self-declared pro-Western, pro-market oriented leadership of the post-communists. Increases in the power of the transnationals in the country will increase the polarization between the haves and the have-nots, and with it, the electoral acceptance of the post-communists as a typical protest party will shrink. The SLD is the only major political party in Poland that showed a significant negative regression coefficient with foreign capital penetration. **Paradoxically, today, it is the leadership of the SLD and the Unia Wolnosci, which are most favorably inclined towards foreign capital.**

Our analysis also can show, which regions in Poland - in the end - prove sufficiently attractive enough to attract a significant amount of foreign investment. The traditionally poor regions of the country are even not able to attract run-away industries of the joint venture type to any significant degree. The Polish presidential elections of November 5 and November 19 repeated the tendencies analyzed above, and show, how the political cleavages interacted with the world economic penetration mechanisms:

Table 7.4b: The 5th of November 1995 elections in Poland

Explanatory variable

of/for the explains *ceteris paribus* the electoral performance for the following political parties in Poland, fall 1993:

explanatory variable Kwas Walesa Lead Kwasn. Increase niewski over Walesa Kwasn./SLD 1993/95

Catholicism - + - -
 migration
 ecological crisis
 private land +
 traditional
 employment in
 agriculture +
 big landholding + - +
 patriarchal
 structures
 real GDP -
 human development i. + - +
 foreign capital
 penetration - + - -
 mixed capital
 penetration - + - -
 R^2 71.7% 72.3% 72.5% 71.2%

Source: Our own calculations (EXCEL 4.0 multiple regression IBM PS 2 notebook N51 SX) from C.S.O. and *East European Politics and Society* data, based on *Monitor Polski; election results 1995: Rzeczpospolita*. The following abbreviations are used: SLD (post-communists), PSL (Polish Peasant Party, former ally of the communists), UW (Freedom Union, the main post-Solidarity party), KPN (Confederation for an Independent Poland, right wing-nationalist), UP (Union of Labor, the left wing of the former Solidarity movement), BBW (non-partisan Block for Reform, a party formed by former President Lech Walesa), others (right-wing parties not represented in the Sejm)

Urban, less traditionally catholic, and less private-peasantry and less big landholding areas are far more attractive to transnational capital than the traditional Polish countryside, while joint ventures prefer urban low-wage areas of Poland, also characterized by the absence of a numerically strong private (and conservative) peasantry. President Walesa lost the election of 1995 mainly due to the following two effects (i) the weakness of the Catholic Church under the present circumstances in Poland and (ii) the geography of transnational capital penetration:

Table 7.4c: The 19th of November 1995 elections in Poland

Explanatory variable

of/for the explains *ceteris paribus* the electoral performance for the following presidential candidates in Poland, 19th of November 1995:

explanatory variable Kwas Walesa niewski
 Catholicism - +
 migration
 ecological crisis
 private land
 traditional
 employment in
 agriculture
 big landholding

patriarchal
structures
real GDP
human development i. + -
foreign capital
penetration - +
mixed capital
penetration - +
R² 72.4% 72.4%

Source: Our own calculations (EXCEL 4.0 multiple regression IBM PS 2 notebook N51 SX) from C.S.O. and *East European Politics and Society* data, based on *Monitor Polski; election results 1995: Rzeczpospolita*.

71% of TNC employment and 38% of joint venture employment per total employment is explained by our equations:

Table 7.5: the political ecology of foreign capital attraction to the different regions in Poland, 1993

Explan. Var. employment for multinat. Joint ventures

corporations

of/ explains (*ceteris paribus*)

region 1993:

employment in TNCs joint ventures
wage level -
Catholicism -
migration
ecological crisis
private land - -
traditional
employment in
agriculture
big landholding -
patriarchal
structures
industrial
employment
urbanization + +
R² 71% 38%

Source: Our own calculations (EXCEL 4.0 multiple regression IBM PS 2 notebook N51 SX) from C.S.O. data

Unemployment, on the other hand, is a typical phenomenon of low-wage regions with either high pollution or high agricultural employment. Foreign capital does contribute to a somewhat better employment record, but the effect is not significant. The effect on life expectancy is even negative, although not significant. We again use the standard functions for life expectancy determination, used in Chapter 3.

Thus, the societal expectations created by globalization are not met:

(7.2a) **unemployment in Poland** = 26.02 - **4.18** * **wage level** - 1.50 * religious practice - 0.06 * outward migration + **0.24** * **industrial waste** - 0.00 private land + **0.58** * **employment in agriculture** - 0.08 * big estates + 0.04 * excess mortality + 0.00 * industrial employment - 0.02 urbanization - 0.15 * foreign capital employment (*t*-value 1.5911) - 0.003 mixed capital employment

$R^2 = 73.39\%$; $F = 8.27$; $df. = 36$; α (one-tailed) $5\% > 1.69$

Life expectancy is being negatively determined by foreign capital penetration. The negative trade-off, so well known from cross-national policy planning and development research, is shown to be existing for the transformation country Poland, although the long-term negative effects of mass foreign migration on the health situation of the population in the 'guest worker export periphery' Poland are stronger than those of the direct foreign capital penetration. Here we should recall how a guest-worker economy, in the end, can destroy the social fabric of the sender-country.

Environmental decay is related to the general life expectancy situation in Poland, but the directly observable statistical effect is weak and below the usual significance levels, because the other intervening variables, like the social and biological stress of a guest-worker economy, are stronger. It will be expected that especially cardio-vascular diseases increase under the pressure of migration and family separation. The typical urban/rural cleavages, so well-known from policy planning and development research about the capitalist periphery (Lipton, 1977); again emerge to be relevant also for the post-communist capitalist periphery. Urbanization is a positive significant determinant of life expectancy; the functions, introduced in Chapter 3 for the purpose of this contribution, hold again.

At the time of the writing of this analysis - July 1996 - a coalition between the right-wing political parties and the peasants might well be the most probable final outcome for Poland in 1977, making the business of the westward integration of Poland - in the economic sense - certainly harder, because these groupings will have to take into account the economic interests of the Polish periphery.

Again, it is being confirmed that the world-wide market economy creates growth and employment only to some extent, but that its effects on the social sphere are contradictory. *Ceteris paribus*, the control of foreign capital over overall employment is even slightly negatively related to life expectancy at the voivodship level. Our results about Poland should also be seen in the more general context of our results about the transformation dynamic of Eastern Europe.

Up to now, the leading elites did not question the basic principles of Western integration of the country. Constellations might arise now, which will be more nationalistic in orientation, reflecting the peripheral role that Poland still plays in the world economy.

The Eastern part of Europe and the long Kondratieff wave: historical and macro-quantitative evidence

Just as during the world depression of the 1930s, democracy could not survive in the region (Polanyi, 1944), today we are confronted with the danger 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 as well, 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 admitted. The *decisive-kairos*-years are:

- 1509
- 1539
- 1575
- 1621
- 1689
- 1756
- 1835/42
- 1884
- 1933
- 1982

The logic of the Kondratieff waves from 1756 onwards is given as follows:

social process	cycle 1756-1835/41
-----------------------	---------------------------

basic project	<i>defeudalization</i>
---------------	------------------------

prosperity reform	compulsory education,
	conscription; American and
	French Revolution;
	Joseph II (Austria)

mid-cycle conflict	wars of the French Revolution,
	Napoleonic wars
	Poland: 1807 Duchy of Warsaw

technological change

basic industrial projects	steam engine (end 18 th century)
new technologies	'Spinning Jenny' (J. Stargreave, 1770)
emerging during	steam locomotive 'Puffing Billy'
prosperity re-cession	(W. Hadley, 1813)

Unresolved problem freedom of association

crisis of the model	revolution 1830
	Poland: rebellion 1830/31

international regime

A-phase	British naval
	dominance (George III)

B-phase	'congress of Vienna'-regime
---------	-----------------------------

dominant economic	
Theory	A. Smith, 1776
Political economy of	
world system	D. Ricardo, 1817

social process	cycle 1835/42-83	1884-1932	1933-75/81
basic project	<i>freedom of market</i>	<i>enlargement</i>	<i>welfare</i>
<i>and enterprise</i>		<i>of participa-</i>	<i>state,</i>
		<i>tion</i>	<i>corporatism</i>

prosperity reform	freedom of asso-	social secu-		Educational reform
	ciation	rity, parlia-		
		mentarism	civil	
			rights,	
			emancipation	
			of women	

mid-cycle conflict	wars and civil	Eastern Europe:	Vietnam war,
	wars	Revolution	world student
	Poland: revolution	1905	rebellion
	1863/64	1968	
			strikes,
			terrorism
			Polish
			Winter 1970

technological change

basic industrial	railway,	steel,	oil,
inputs and	steamship	electricity,	synthetics,
technological		electric	automobile
projects		motor	

new technologies steel petrochemicals chips
 emerging during
 prosperity re-
 cession

unresolved problem	enlargement of participation	relationship capital, la bour, state	basic income environment unequal exchange
crisis of the model	Revolution 1871 Poland: Socialist Movement 1880s	Revolution 1917 Poland: Strikes peasant uprisings 1936/37	Contestation of the model from 1968 onwards Poland: Summer 1980

international regime

A-phase	liberal	mercantilism	Bretton
	world trade		Woods
B-phase	-"-	hypermercantilism	neo-protectionism
dominant economic theory	J. St. Mill,	A. Marshall,	J.M. Keynes,
	1848	1890	1936
political economy of world system	K. Marx, 1867	R. Hilferding,	K. Polanyi,
		1910	1944

The danger is of course that the Cold-War structure will be substituted by a new power rivalry between the former members of the winning coalition of World War II:

Hegemonic wars in the world system from 1495 onwards

Table 9.7: hegemonic cycles in the world economy since 1450

Role in War	Thirty Years War	Napoleonic	WW I+II
losing hegemonic			
contender	Hapsburgs	France	Germany
new hegemony	Netherlands	Britain	USA
newly emerging			
challenger: eco-			
nomically deci-			
mated member of			
winning coalition	France	Germany	China+
			Russia
Past			
contender for			
systemic hegemony,			
joining the war			
effort of the			
winning coalition	Sweden	Hapsburgs	France
		Portugal	

The former hegemonic contenders slowly slide into an 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. 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, when, especially during waning hegemonies, conflicts over spheres of influence set it (Amin, 1997, partially based on Bergesen):

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 Kondratieff and Kuznets cycles with Russian history is the following:

Table 9.8: world economic cycles and internal instability in Russia since Ivan the Terrible

	Reforms
KONDRATIEFF	Perestroika, Lenin's NEP,
OR KUZNETS	Great Reforms 1861,
DOWNSWING	Katharina's Assembly 1775
	Nobility's Victory 1730,
	Split of the State Church 1653,
	Boris Godunow 1598-1605
	Repressive Modernization
KONDRATIEFF	Joseph Stalin,
OR KUZNETS	Imperialistic Expansion
UPSWING	and Repressive Industria-
	lization at the end of 19. th century
	Nikolas the
	Gendarme of Europe,
	Elisabeth's expansionist
	policy,
	Peter the Great,
	Michael III,
	Iwan the Terrible

Reform		Repression
1985 'Gorbi'	<----->	1928 Stalin
	57 Years	
64 Years		47 Years
1921 NEP	<----->	Alexander III
	40 Years	
60 Years		56 Years
1861 Great Reforms	<----->	Nikolas I 1825
	36 Years	
86 Years		84 Years
1775 Constituent	<----->	Elisabeth's expansionist rule
Assembly	34 Years	1741
45 Years		52 Years
1730 Victory of	<----->	Peter I 1689
Nobility	41 Years	
77 Years		76 Years
Church Split 1653	<----->	Michael III 1613
	40 Years	

55 Years		48 Years
Boris Godunow 1598	<----->	Iwan's 'Oprichina' 1565
	33 Years	
Average periods of Russian history:		
Perestroika	<----->	authoritarian modernization
	40 Years	
64.5 Years		60.5 Years

Seen in such a way, there is little that the West seems to be able to do to stabilize democracy in Russia. However, the return of East Central Europe towards a 'middle of the road' and sensible philosophy - whatever the color of the government (Orenstein, 1996) - seems to be an urgent necessity, after the ups and downs of central planning and 'the central market principle'.

It is now time to look at the transformation success or failure using methods of cross-national development research. Such studies are relatively scarce and are only now just beginning to emerge, with the World Bank World Development Report (1996) leading the field. Our data selection from the world of transformation shows that a rapid privatization is not in itself a precondition of a more rapid socio-economic development, and that a policy oriented towards human development and democracy will be successful, while extreme egalitarianism has certain growth limits in the region:

Table 7.6: The transformation success or failure 1989-95

	gdp(1989=100)	privatization	Pol Rights Violations 1991	urbanization	ln (GNP)	ln(GNP) ^2	HDI
CS	85	70	2	65	7,9047039	62,484344	0,872
SLOK	84	60	2	57	7,5755847	57,389483	0,872
H	86	60	2	63	8,1167156	65,881073	0,856
PL	97	60	2	63	7,7231201	59,646584	0,855
RU	81	40	5	54	7,0387835	49,544474	0,703
BUL	75	45	2	69	7,0387835	49,544474	0,796
ALB	75	60	4	36	5,8289456	33,976607	0,739
EST	74	65	2	72	8,0326849	64,524026	0,862

LAT	54	60	2	72	7,60589	57,849563	0,857
LIT	42	55	2	70	7,185387	51,629787	0,769
ARM	37	45	5	68	6,4922398	42,149178	0,715
AZE	35	25	5	55	6,5930445	43,468236	0,696
BRU	54	15	4	68	7,9620673	63,394516	0,866
GEO	17	30	6	57	6,3630281	40,488127	0,709
KAZ	44	25	5	58	7,3524411	54,05839	0,798
KYR	43	40	5	39	6,7452363	45,498213	0,717
MOL	42	30	5	49	6,9660242	48,525493	0,755
RUS	49	55	3	75	7,7579062	60,185109	0,849
TAD	40	15	5	32	6,1527327	37,85612	0,643
TUR	63	15	6	45	7,237059	52,375023	0,731
UKR	43	35	3	69	7,7007478	59,301517	0,842
UZB	82	30	6	41	6,8772961	47,297201	0,706
		privatization	Pol Rights	urbanization	ln (GNP)	ln(GNP) ^2	HDI

Sources: Osteuropa-Institute Munich, Working Paper 186 (GDP growth, privatization); Stiftung Entwicklung und Frieden (Political Rights Violations, based on Freedom House); UNDP, 1995 (urbanization, Human Development Index); Fischer Weltalmanach (GNP per capita)

The multiple regression results from the above Table are given in Table 6.2:

Table 7.7: The determinants of economic growth in the transformation countries

	privatization	Pol Rights	urbanization	ln (GNP)	ln(GNP) ^2	HDI	Constant
econ growth	-23,53855	-2,007199	51,691191	-1,265286	-2,739098	0,6255463	-132,3854
	145,43797	10,124597	139,62757	0,4348674	5,155963	0,346291	514,0504
	0,594606	16,348397					
	3,666841	15					
	5880,2214	4009,0513					
t-test	-0,161846	-0,19825	0,3702076	-2,90959	-0,531249	1,806418	

Note: as in all EXCEL 5.0 outprints, first rows are unstandardized regression coefficients, second rows are standard errors of the estimate, the third row shows the value for R² of the whole equation and the standard deviation of the estimate for y; the fourth row are the F-value and the degrees of freedom of the whole equation; the fifth row shows the sum of squares of the regression and the sum of square of the residuals. The sixth row is the t-test, calculated from row (1) and (2)

59.5% of growth is explained by our equation. **Thus, it emerges that the best strategy to avoid stagnation is a policy of thorough-going reform that assures a high human development index and a fair amount of political and civil liberties.** However, the region seems to be beset by an excessive amount of egalitarianism that becomes a stumbling block against long-run economic growth, when the share of the top income earners in total incomes falls below 35%, when taxes - compared to development level - are very high, and when the social services consume a percentage of total expenditures that is comparable to the most advanced welfare states in the world. The share of the

richest 20% in total incomes in the region, with the notable exception of Russia, is even lower than the respective share in most developed welfare democracies, like Sweden, Finland, the Netherlands, Denmark, and Norway, or - for that matter - in the market 'tiger economies' of Asia. Tax rates per total income in Eastern Europe skyrocket and savings are generally low, as the following materials from the World Bank WDR, 1996 for the former or continuously communist countries show by international comparison. Up to a certain point, social security expenditures of the state stabilize mass demand and contribute to economic growth. High inequality rates, like in Brazil, where the top income earners received 67.5% of total incomes in 1989, are certainly growth-inhibiting as well (Tausch/Prager, 1993). But when income differentiation is below a certain limit - as in some countries of Eastern Europe and the former USSR - also negative consequences arise:

Table 7.8a: Inequality, savings, taxes, and social expenditure. Evidence from Eastern Europe by cross-national comparison

Share of the top 20% dom. savings rate tax revenue % expenditures

in total incomes per GDP per GNP social services

transformation countries:

Lao PDR 40.2% - - -

China 43.9% 44% 2.6% 3.3%

Moldova 41.5% 0% - -

Kazakhstan 40.4% 20% - -

Bulgaria 39.3% 21% 29.3% 36.3%

Romania 34.8% 25% 26.5% 46.9%

Lithuania 42.1% 11% 18.3% -

Ukraine 35.4% - - -

Belarus 32.9% 27% 30.8% 57.2%

Slovak R 31.4% 23% - -

Latvia 36.7% 25% 25.3% 52.8%

Poland 36.6% 17% 37.9% -

Russia 53.8% 29% 19.1% 54.1%

Estonia 46.3% 28% 29.1% 56.4%

Czech R. 37.4% 20% 38.0% 60.6%

Hungary 36.6% 15% - -

Slovenia 37.9% 25% - -

by comparison:

Austria - 26% 33.7% 70.1%

Finland 37.6% 20% 29.6% 59.3%

Netherlands 36.9% 24% 44.7% 69.3%

Sweden 36.9% 17% 31.7% 56.8%

Norway 36.7% 26% 37.0% 55.6%

Denmark 38.6% 21% 33.3% 53.5%

Japan 37.5% 32% 17.8% 59.2%

Indonesia 40.7% 30% 16.3% 14.4%

Thailand 52.7% 35% 17.0% 35.4%

Hong Kong 47.0% 33% - -

Singapore 48.9% 51% 17.1% 35.9%

Source: our compilations from World Bank, 1996, WDR

Graph 7.6 shows furthermore materials based on recent World Bank (WDR, 1996) research on the Gini-Index of inequality and economic growth. Table 7.8 lists the raw data, together with background data on political and civil rights violations. Equation 7.3 again shows that political repression is incompatible with transformation, while Graph 7.6 analyses the bivariate relationship between inequality and growth:

Table 7.8b: Gini-Index of income inequality in the formerly socialist or quasi-socialist countries

Country	GINI inequality	pol violations rights	civil violations rights	GNP per capita	growth 85-94
Tanzania	0,381	6	5	140	0,8
Vietnam	0,357	7	7	200	
G-Bissau	0,562	6	5	240	2,2
Lao PDR	0,304	7	6	320	
Nicaragua	0,503	4	5	340	-6,1
China	0,376	7	7	530	7,8
Moldova	0,344	5	5	870	
Kazakhstan	0,327	6	4	1160	-6,5
Bulgaria	0,308	2	2	1250	-2,7
Romania	0,255	4	4	1270	-4,5

Lithuania	0,336	1	3	1350	-8		
Algeria	0,387	7	6	1650	-2,5		
Ukraine	0,257	4	4	1910	-8		
Belarus	0,216	5	4	2160	-1,9		
Slovak R	0,195	3	4	2250	-3		
Latvia	0,27	3	3	2320	-6		
Poland	0,272	2	2	2410	0,8		
Russia	0,496	3	4	2650	-4,1		
Estonia	0,395	3	2	2820	-6,1		
Turkmenistan	0,358	7	7				
Czech R	0,266	1	2	3200	-2,1		
Hungary	0,27	1	2	3840	-1,2		
Slovenia	0,282	1	2	7040			
Country	GINI inequality	pol violations	rights violations	civil violations	rights violations	GNP per capita	growth 85-94

Country	GINI inequality	pol violations	rights violations	civil violations	rights violations	FCAPPen
Tanzania	0,381	6		5		1,3
Vietnam	0,357	7		7		1,9
G-Bissau	0,562	6		5		6
Lao PDR	0,304	7		6		12,1
Nicaragua	0,503	4		5		10,8
China	0,376	7		7		17,9
Kazakhstan	0,327	6		4		3
Bulgaria	0,308	2		2		0,6
Romania	0,255	4		4		1,8
Lithuania	0,336	1		3		1,7
Algeria	0,387	7		6		2,9
Slovak R	0,195	3		4		3,2
Latvia	0,27	3		3		8,5
Poland	0,272	2		2		5,3
Estonia	0,395	3		2		26,5
Czech R	0,266	1		2		9,9
Hungary	0,27	1		2		15,6

Country	GINI inequality	pol violations	rights violations	civil violations	rights violations	GNP per capita	FCAPPen	Unemployment
Bulgaria	0,308	2		2		1250	0,6	10,4
Romania	0,255	4		4		1270	1,8	7,1
Lithuania	0,336	1		3		1350	1,7	7
Moldova	0,344	5		5		870	1,5	1,6
Ukraine	0,257	4		4		1910	0,7	1
Belarus	0,216	5		4		2160	0,2	3,7
Slovak R	0,195	3		4		2250	3,2	12,1
Latvia	0,27	3		3		2320	8,5	7
Poland	0,272	2		2		2410	5,3	14,3
Russia	0,496	3		4		2650	0,9	3,6
Estonia	0,395	3		2		2820	26,5	2,2
Slovenia	0,282	1		2		7040	2,2	13,2

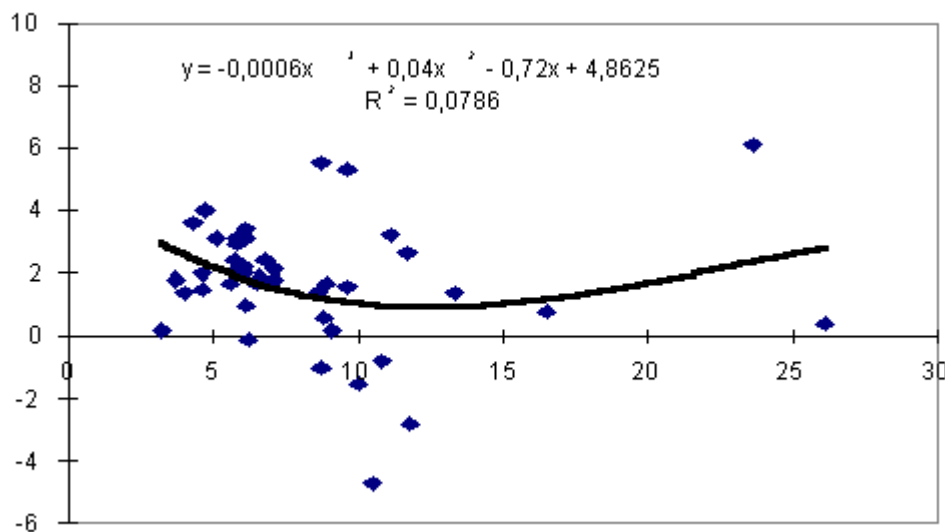
Czech R	0,266	1	2	3200	9,9	2,8
Hungary	0,27	1	2	3840	15,6	10,6
Slovenia	0,282	1	2	7040	2,2	13,2

Source: our own compilations from UNDP, 1996; World Bank, WDR, 1996; UNCTAD, 1996; Stiftung (1996, for the Freedom House data series); Polish Central Statistical Office, Poland Quarterly Statistics, 4, 2, 1996: 52 (unemployment figures)

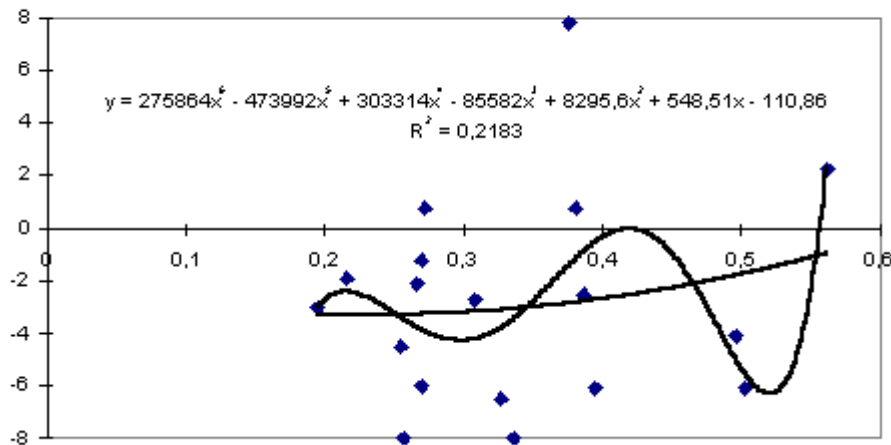
Our analysis now shows that on the world level, even assuming a polynomial expression of the third order, inequality - especially at the lower and middle stages - does not benefit economic growth, and only some outlying cases push the curve upward again at the extremes. On the level of the transformation countries, the story is different, though:

Graph 7.6: inequality and economic transformation on a world level and in the transformation countries

a) UNDP data on the difference between the top and the bottom 20% income earners and economic growth on the world level, 1980-92



b) data on the transformation countries



For the countries with complete data, the following equations emerge. It shows that the egalitarianism of such movements as *Solidarnosc* might have its deep roots in East European history, but that economically, it is counter-productive. Inequality is positively related to economic growth in the transformation regions, and it lowers unemployment; while transnational investment dependence brings about higher inequality and - ceteris paribus - it does not alleviate unemployment due to the capital intensity of most investments. For Eastern Europe, the choice is not the one between Latin American inequality rates (towards which Russia seems to be heading) and the former communist egalitarianism; rather the choice is the one between continuing present rates of egalitarianism (like in Belarus) at the price of stagnation or to opt for distribution and growth patterns like in the more egalitarian developing countries of East Asia.

Equation (7.3a): economic growth =

Gini inequality political repr. civil rights ln (GNP) (ln(GNP))^2 constant

violations

10,91358546	-162,8188826	-0,722897795	0,116576987	-11,0941545	607,4708743
2,711016139	39,90219401	0,98220757	0,764921232	10,11245772	148,4162944
0,6951136	2,732458439				
4,103838325	9				
153,2030379	67,19696207				
4,025643853	-4,080449376	-0,735992897	0,152403911	-1,097077962	t-test

Gini inequality political repr. civil rights ln (GNP) (ln(GNP))^2 constant

violations

Equation (7.3b): GINI income inequality =

pol rights violations	civil rights violations	FCAPPen	lnGNPpc	lnGNP^2	constant
-0,018992718	0,176971676	0,004611249	-0,020469912	0,006726173	0,061751233

0,025122747	0,324494352	0,002916141	0,028052902	0,020223575	1,016901378
0,504766872	0,0779586				
2,24235225	11				
0,068139965	0,066852977				
-0,755996872	0,545376754	1,581284635	-0,729689648	0,332590687	
pol rights violations	civil rights violations	FCAPPen	lnGNPpc	lnGNP^2	

Equation (7.3c): unemployment rate =

GINI inequality	pol rights violations	civil rights violations	GNP per capita	FCAPPen	constant
-0,218971053	0,000392913	-1,528791364	-0,907559915	-17,56078807	19,53812103
0,183471851	0,000686046	2,166180602	1,418759587	14,50565314	6,935047266
0,56989396	3,83321918				
2,385014466	9				
175,2218765	132,2421235				
-1,193485827	0,572720543	-0,705754341	-0,639685485	-1,210616847	T-test
GINI inequality	pol rights violations	civil rights violations	GNP per capita	FCAPPen	

Source: our own calculations from the above Tables with EXCEL 5.0 multiple regression routine.

There is little that foreign aid will be able to do to maintain growth in the more advanced countries of the region or to shorten the transformation recession in the laggard countries of Eastern Europe. Aid dependence - beyond a certain point - rather seems to contribute to the stagnation path of the laggard countries. However surprising this might sound, the empirical evidence from the World Bank WDR, 1996, is the following:

Table 7.9: foreign aid, aggregate resource flows per GNP and economic growth in the transformation countries

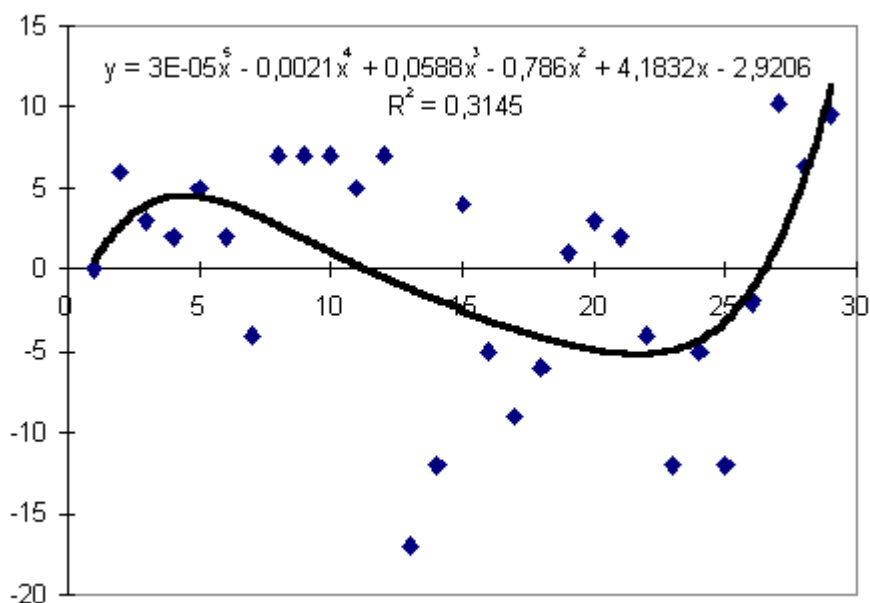
	Aid 94	Growth 95	Resource flow
Albania	7,8	6	9,1
Bulgaria	1,6	3	0,1
Croatia		2	0,3
Czech R.	0,4	5	7,8
Hungary	0,5	2	7,3
Macedonia		-4	-2,4
Poland	2	7	3,8
Romania	0,5	7	4,3
Slovak R	0,6	7	6,6
Slovenia		5	2,4
Armenia	6,9	7	7
Azerbaijan	4	-17	3,7
Belarus	0,6	-12	1,6
Estonia	0,9	4	5,5

Georgia	8,4	-5	9
Kazakhstan	0,3	-9	4,4
Kyrgyz R	5,8	-6	5,9
Latvia	0,9	1	5,2
Lithuania	1,4	3	1,8
Moldova	1,4	2	5,1
Russia	0,5	-4	0,8
Tajikistan	3,2	-12	11,5
Turkmenistan	0,1	-5	1
Ukraine	0,4	-12	0,9
Uzbekistan	0,1	-2	0,2
China	0,6	10,2	9,6
Mongolia	22,5	6,3	14,4
Vietnam	5,2	9,5	6,5

Legend: our own compilations from World Bank, WDR, 1996

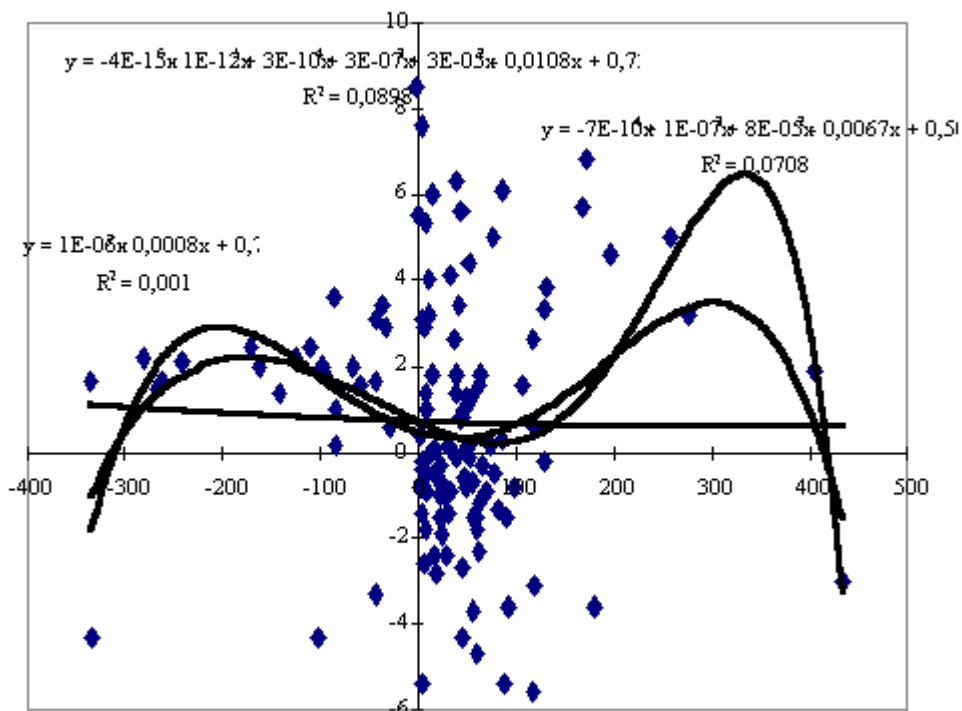
These results in the following scatter plots with the trend lines:

Graph 7.7a: foreign aid and economic growth in the transformation countries



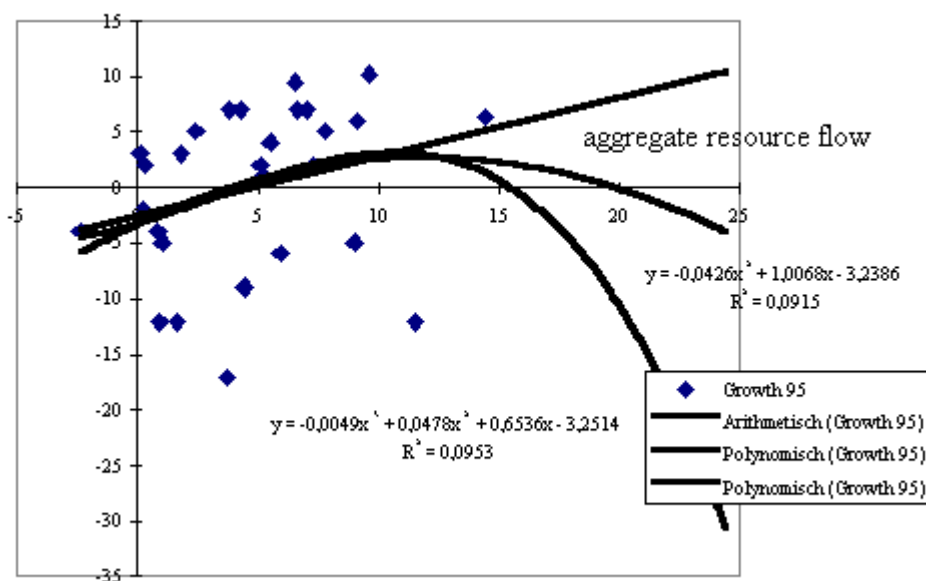
Legend: economic growth (y-axis) depending on official development assistance in % of the GNP

Graph 7.7b: foreign aid per capita and economic growth on a world level



Legend: UNDP, HDR, 1994 and 1995 data on aid per capita and economic growth 1980-92. The countries with a negative aid per capita are the donors.

Graph 7.7c: resource flows and economic growth in the transformation countries



Legend: economic growth (y-axis) depending on aggregate net resource flows in % of the GNP. The graph shows three possible scenarios for the bivariate effects of resource flows on growth in the region of CEE and the former USSR.

Eastern Europe cannot be 'saved' by external means or by external means alone. The mobilization of savings and exports, a clear-cut policy of human capital formation and technology, and various other reforms would achieve much more lasting effects than transfers even on a scale like in East Germany. Our cross-national evidence, up to now, did not take into consideration the influence of 'internal' reform policy variables *vis-à-vis* the workings of the other variables. The World Bank has developed a *liberalization index*, which measures the extent to which policies supporting liberalized markets and entry of new firms prevailed. The index is a weighted average of estimates of liberalization of domestic transactions (price liberalization and abolition of state trading monopolies), external transactions (elimination of export controls and taxes, substitution of low to moderate import duties for import quotas and high tariffs, current account convertibility), and the entry of new firms (World Bank, WDR, 1996). The weights on these components are 0.3, 0.3, and 0.4, respectively.

Table 7.10 now summarizes our data base, which we used - in addition to Table 7.6 - to determine the transformation success or failure of Central and Eastern Europe and the former Soviet Union:

Table 7.10: The external conditions of the transformation and the World Bank's liberalization index:

net flows per GNP	development assistance per GNP	present value of external debt per GNP	liberalization Index	
7,8	0,4	28	9,3	CS
6,6	0,6	30	8,5	SLOK
7,3	0,5	66	9	H
3,8	2	37	9	PL
4,3	0,5	17	7,1	RU
0,1	1,6	100	6	BUL
9,1	7,8	45	7,5	ALB
5,5	0,9	4	9,3	EST
5,2	0,9	6	8,2	LAT
1,8	1,4	7	8,5	LIT
7	6,9	8	6	ARM
3,7	4	3	4,5	AZE
1,6	0,6	5	4,8	BRU

9	8,4	56	6	GEO
4,4	0,3	14	5,9	KAZ
5,9	5,8	13	8,3	KYR
5,1	1,4	12	6,8	MOL
0,8	0,5	23	6,9	RUS
11,5	3,2	25	3,8	TAD
1	0,1	1	2,1	TUR
0,9	0,4	6	5,9	UKR
0,2	0,1	5	5,3	UZB
NET FLOWS	DEV ASS	NET DEBT	Liberalization	

Source: our own compilations from World Bank, WDR, 1996

Equation (7.4) now summarizes our final research results about the transformation success/failure in Eastern Europe and the former USSR:

(7.4) economic recovery in Eastern Europe and the former USSR:

privatization	Pol Rights Violations	ln (GNP)	ln(GNP)^2	HDI	NET FLOWS	DEV ASS	<i>Liberalization</i>	Constant
0,536737	-6,757594	-0,988263	-4,253716	18,634372	-274,6279	4,6616276	0,932771	1024,9646
5,2836872	2,9991756	1,9402744	167,95219	13,84864	197,52304	5,844472	0,6182559	727,345
0,5709663	18,06576							
2,1625809	13							
5646,4411	4242,8317							
privatization	Pol Rights Violations	ln (GNP)	ln(GNP)^2	HDI	NET FLOWS	DEV ASS	Liberalization	
0,1015838	-2,253151	-0,509342	-0,025327	1,3455741	-1,390359	0,7976131	1,5087134	

Source: our calculations from the above Tables on the basis of the EXCEL 5.0 multiple regression program

The indicators, which affect transformation in a significant and positive direction (10% error probability), are liberalization and the freedom from political repression. Thus it has been established again, how important it is for the transformation countries to carry on with political transformation and reform. Our results, by and large, confirm the conventional UNDP wisdom on the transformation process, already expressed in the UNDP 1992 and 1993 *Human Development Report*. The '*constitution of liberty*' in the economic sphere demands *the constitution of liberty in the political sphere*. Confronted with the '**market frenzy**' of the early transformation years, our results do not explicitly contradict, but they do correct much of the conventional neo-conservative wisdom prevailing at that time. Measures aimed at maintaining and building up democracy and human development are just as important as the fight against local monopolies, expressed in the liberalization index. Privatization, external development assistance and capital inflows, under due consideration of these

factors, are not **so** important as these, more immediate goals, which find their ultimate aim, above all, in the rule of law.

Our analysis of the trajectory of the transformation countries should be concluded by an assessment of the realistic possibilities for EU-eastward expansion. At the one hand, Western Europe should avoid illusions about its own weak position in the world economy, especially regarding the European Southern periphery. Extending the Union eastward would mean first and foremost adding another group of countries whose official current account balance is structurally negative. In 1994, the only European Union countries with a very favorable current account balance were the Netherlands, Italy and France, while Germany's balance was only +\$2.3 thousand million.

Germany's tragedy always seems to be a 'sandwich' position between the dominant centers of maritime capitalist accumulation and the temptation to squeeze the East European 'hinterland' in order to be able to challenge the world hegemonic leaders (Arrighi, 1995). Germany's current account balance after German unification can only increase at the expense of the East European current account balance - a potential of economic nationalism and conflict in the new European house after 1989.

Secondly, the environmental strains, already existing in the Union, will increase. But thirdly, and above all, eastward expansion of the Union will be first and foremost a test of Europe's ability to stand by its commitment towards democracy on the European continent. A well-designed policy of Eastern European integration into the Union that stresses the elements of democracy, savings mobilization, liquidation of local monopolies (also for the sake of the environment!) and early market access for the East Europeans in all labor intensive and in the agricultural sectors, could be successful; **however, this policy would imply that the European centre itself adapts rapidly to the contemporary challenges**. Seen in such a way, the overall picture, emerging from our comparison, is not too negative for the East Europeans:

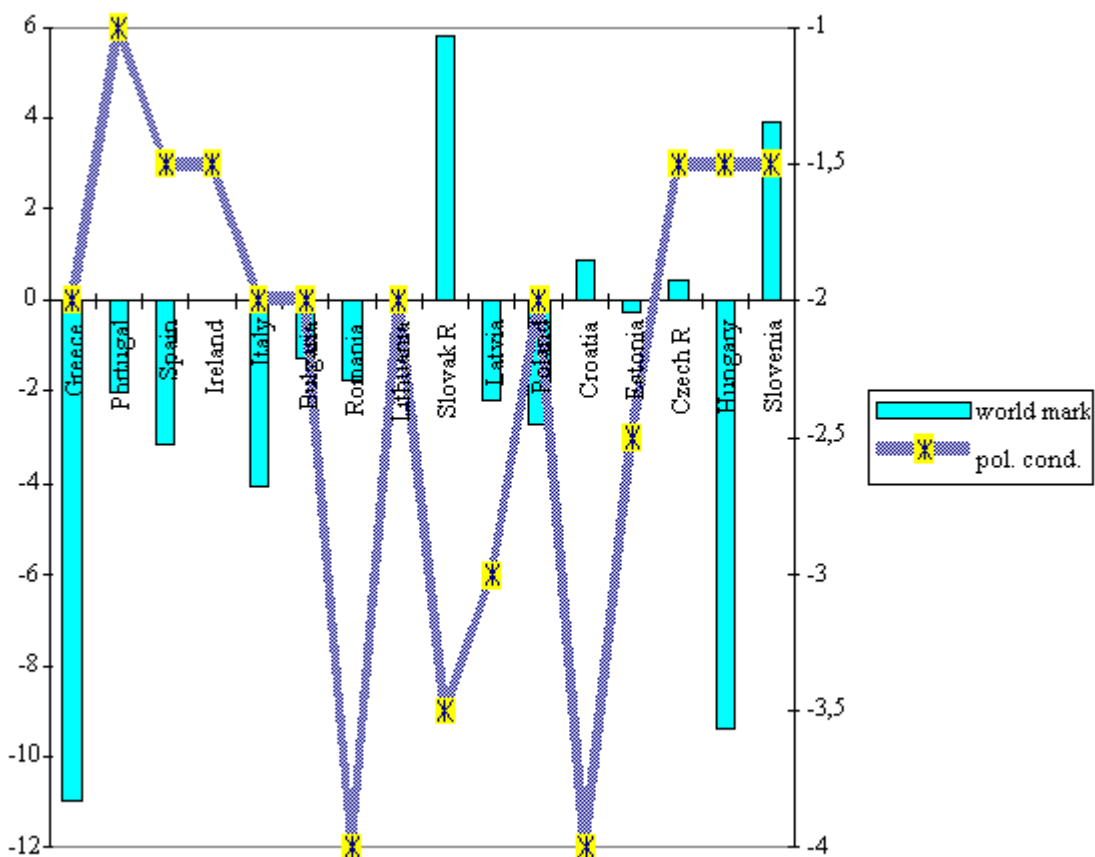
Table 7.11: EU-eastward expansion - a synopsis of the conditions, prevailing in the European periphery:

	current account balance per GNP 1994	CO2 emissions in millions of tons 1994	government surplus or deficit per GNP 1994	political repression 1993	civil rights violations 1993
Greece	-6,3	73,9	-15,6	1	3
Portugal	-1,9	47,2	-2,2	1	1
Spain	-1,5	223,2	-4,8	1	2
Ireland	2,3	25,1	-2,3	1	2
Italy	2,5	407,7	-10,6	1	3
Bulgaria	1,9	54,4	-4,5	2	2
Romania	-1	122,1	-2,5	4	4
Lithuania		22		1	3

Slovak R	5,8	37		3	4
Latvia		14,8	-4,4	3	3
Poland	-3,1	341,9	-2,4	2	2
Croatia	0	16,2	1,7	4	4
Estonia	-1,7	20,9	1,2	3	2
Czech R	0	135,6	0,9	1	2
Hungary	-9,4	59,9		1	2
Slovenia	3,9	5,5		1	2

Sources: (1), (2), (3) World Bank, WDR, 1996; (4) and (5) Stiftung Entwicklung und Frieden, 1996, based exclusively on Freedom House

Graph 7.8: the weighted averages of the economic and political indicators of European periphery countries



Legend: columns, left-hand scale: average of the 'double deficits' in the current account and in the budget; right-hand scale, dotted line: average of political and civil rights violations. Best value: - 1; worst value: - 7.

Eastern Europe's case during the negotiations with Brussels will be that at present, its performance is not worse than that of the European Union periphery. Poland, the Czech Republic and Slovenia have still both a relatively favorable economic record, and the democracy scores in 1993 were as good as those in Italy and Greece. The question is, however, how many more European peripheries the Union can reasonably afford.

8) Problem number 5: Europe must come to terms with the contradictions of the process of the ageing of democracies, especially phenomena which one might term sclerosis bruxelliana and sclerosis Europea

The political project of transformation from communism in Europe is not only endangered by the contradictions, globalization creates in its host countries, and it is also threatened by negative developments in the European 'anchor economy'. It would be a fatal conceit to try to disconnect the trajectory of the centers from the tendencies of globalization and destabilization, which we have discussed above. Up to now, we studied the logic of world and East European development after 1980 on the level of global society, on the level of the less developed countries and on the level of the transformation countries. It is now time to turn our attention to the logic of development on the level of the developed capitalist democracies. Why is there a real danger of a European failure? In terms of the foreign policy choices on the European continent, there is no alternative to the Union of western democracies, now comprising 15 historically relatively stable Western democracies. The process of the unification of the European continent gathered momentum with the recent expansion of membership to Austria, Finland and Sweden, three countries, characterized by traditional world political neutrality and a social welfare state system. Among the Western European countries, only neutral Switzerland, the NATO-countries Iceland and Norway, and the small-states Andorra, Monaco, San Marino, the Vatican, Malta and Cyprus are now still left out from the Union. But with the upcoming European Union Government Conference in 1996, important decisions not only on the international political role of Europe in the world, but on the socio-economic future of the European Union itself will have to be taken. The problem is of course *which Union*. We concentrate here on these issues, which have a long-term strategic and theoretical relevance for the policy formulation in the new Europe. In order to provide a valid strategy to its member countries, the Union has to be an association of world economic ascent and not a club for joint world economic decline. The fundamental question, why some nations are performing differently from the others, is applied here to the Western industrialized democracies.

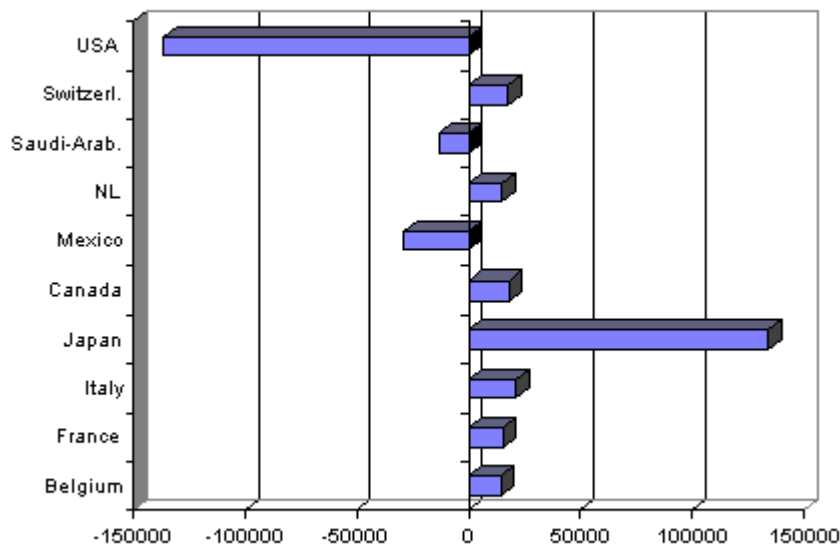
Very early on, a group of European policy planning and development researchers, headed by the late Dudley Seers, challenged head-on the reigning visions of the development strategy of the Commission in Brussels towards the Third World and towards the European periphery (Seers, 1978; de Bandt *et al.*, 1980). This theoretical challenge, still worthwhile reading today, was the first *real and systematic question mark* behind the policies of the Commission since 1958. The authors of that critique were a European-wide group of committed students of development and committed Europeans at the same time. Its leader, Dudley Seers, as one of the doyen of development and distribution theory among the world-wide profession of economists, having influenced the course of Keynesian economics over the whole post-war years in Britain, took up the issue of the centre-periphery relationship that characterizes the South, Northwest and eastbound relationship of the Union (Seers, 1978). Several authors, most notably Inotai and Malcolm, developed these arguments from a later, liberal perspective. With its emphasis on structural protection, Inotai maintains, the Union increases rather than decreases the long-term cleavages between the centers and the peripheries inside and outside the boundaries of Europe. Today, it is no secret

that 90% of all EU expenditure, union-wide, must be categorized as subventions. With each expansion to semi-peripheral regions, the protective element increases. Simple, as the diagnosis might sound, it strikes at the very heart of the conventional Union wisdom on matters of external economic relations. A good part of professional economists the world over, liberal and radical social scientists alike; have later taken up this theme. They maintain that the Union, by its market protecting arrangements with the outer rim of its orbit of influence leads to a secular negative balance of trade of the periphery regions with the Union, and thus prolongs structural underdevelopment (amongst others such divergent authors as Hickman, 1994; Inotai, 1993; Kennedy, 1993; Amin, 1994). The arguments of such Union critics cannot be dismissed *a-priori* and out of hand. Western Europe loses in terms of world market shares *vis-à-vis* the countries of the Pacific; the dynamics of growth in the world economy seem to work to the detriment of the old European centers. The European Union shortcomings *vis-à-vis* the Pacific in terms of world export markets for manufactured goods, in terms of comparative labor costs, in terms of technological and scientific development and in terms of employment are all too obvious and were described in recent literature in all detail (Inotai, 1993; Kennedy, 1993; Tausch and Prager, 1993). The fundamentals of the European Union still reflect the realities of the late 1950s and still comprise the following sectors (i) the coal and steel community (ii) agricultural self-sufficiency (iii) the customs union. The new international division of labor that characterizes the world economy since the late 1960s, is the prime challenge to the logic of the Union, built around and evolving from the Franco-German alliance of the late 1950s (Inotai, 1993). Precisely these sectors are most seriously affected by world economic and technological changes. The annual cost of the common agricultural policy of the Union is now estimated to be \$ 45 thousand million; more than 10% of this is believed to be paid to criminal channels (Malcolm, 1995: 57). It dominates the Union's external trade policy, distorting the world market and preventing the poor countries from exporting.

Our dire prediction in the context of the theory of globalization is that the Union, as it is now structured, is not a strategy of world capitalist ascent, but rather a strategy for the acceleration of world economic decline of the European countries. A major problem, which has to be resolved first and foremost, is Germany's apparent inability to comprehend and play its role as a highly developed Mexico in the world economy. Similar in population size to that of Mexico, and with a share of roughly only 8% of world GNP, Germany's first and foremost role would be that of a highly specialized trade and current account surplus economy in the heart of a Europe, oriented towards the West and towards the Atlantic and the Pacific, still and increasingly the major centers of the world economy. But Germany is estimated to have spent \$ 14 thousand million alone to prop up in vain the Italian Lira recently. In 1993 alone, Germany poured another 9.1 thousand million \$ down another sink - this time German aid to Russia. Insiders estimate that only 10% of Western aid to Russia reaches its targets. How Germany projected (once again in history) in vain her dreams to become a '*Weltmacht*' (world power) is to be judged from the fact that a country with the mere population size of Mexico and a share in world GNP of only 8.1% took over 43.7% of the burden of reconstruction of former communism - from Frankfurt at the Oder to Wladiwostock during the period 1990-1993. Germany's official and private flows amounted to 32.7 thousand million \$, out of a total of 74.8 thousand million \$ (our own compilations from OECD, GD (95) 41: '*Aid and other resource flows to the Central and Eastern European countries and the new*

independent states of the former Soviet Union in 1992 and 1993', Paris 1995). But the foundations of Germany's dreams to become a *Weltmacht* are shaky indeed, as the meager position of Germany's transnational corporations *vis-à-vis* their international competitors, and the losses of even companies like Mercedes-Daimler-Benz to the tune of more than 1 thousand million \$ and the recent strikes at Volkswagen, Wolfsburg, all too clearly show. For the transformation countries nearer to the European centre, such economic mismanagement means lost opportunities to stabilize democracy at a vital moment of world history: the Polish GNP amounted to just 75 thousand million \$ in 1992 (UNDP, 1995; Malcolm, 1995). Germany with its current account balance of just + 2327 million \$ in 1994 is in a too weak position to be the European 'growth engine' anymore:

Graph 8.1: current account balances in the world system, 1994, in millions of \$



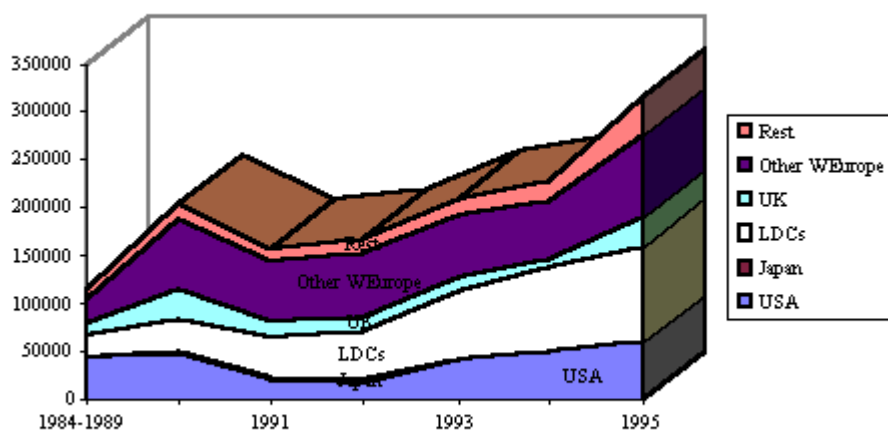
Current Account Balances above + 10000 million \$ and below - 10000 million \$, 1994. Compiled from Fischer Weltalmanach, 1996

Regional concentration in the West of Eastern Europe should have been the aim of G-24-aid to Eastern Europe from the outset. Limited resources allow only limited aid activities. **Economic stagnation and unemployment will significantly rise due to rent-seeking that is enhanced by the way European institutions are built at the present. In terms of the environment, government subventions to declining productive branches will increase technological backwardness and preserve transport intensity, and hence, pollution.** Economic inequalities threaten to increase with such a structure, and in turn will form a block of its own against world economic ascent. The expenditure for research and development in the Union budget 1994 was just 3.6%; general and professional education received only 0.8% of the total Union expenditures; the energy sector, EURATOM and the environment another meager 0.2%; while expenditure for agricultural subventions consumes 53.5%, and structural policies for regions, for agriculture,

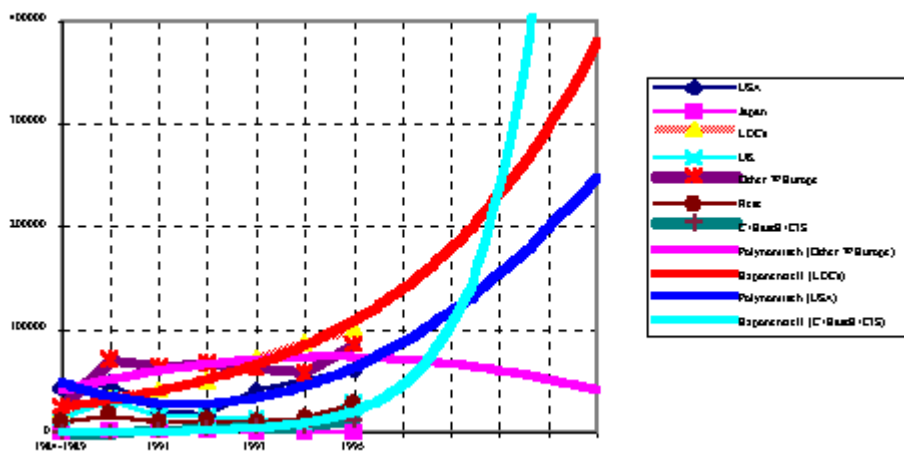
traffic systems and fisheries another 30.7% of the total budget (our own compilations from Fischer Weltalmanach, 1995). Not only the internal problematic needs urgent reform, also the relationship to the outside world.

Inexorably, the centers of gravity of the world economy are shifting towards the LDCs, here most notably the countries of the Pacific. Graph 8.2 shows the tendencies of world-wide investment from the end of the last Kondratieff cycle onwards, while Graph 8.3 projects these data up to the year 2000:

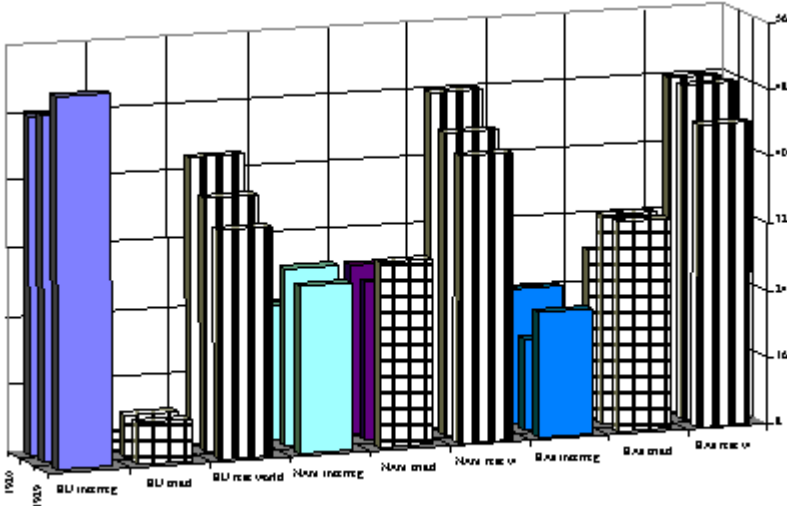
Graph 8.2: the world-wide recipients of transnational investment, 1984 - 1995



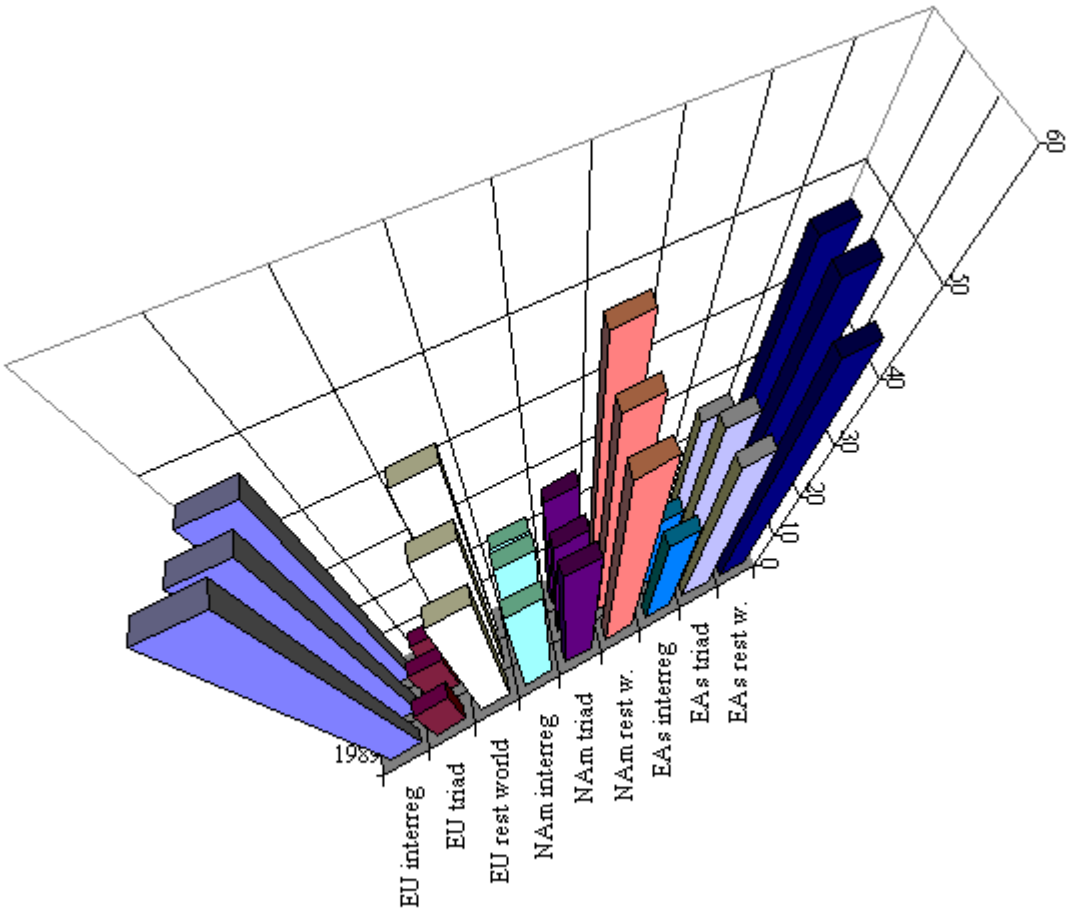
Graph 8.3: projections of the inflows of world-wide investments until 2000



Graph 8.4: Triad fortresses? The share of intra-regional trade, trade with the other parts of the triad and with the rest of the world in a time-perspective



Graph 8.4: for the world economy, triad protectionism indeed might be an abyss...



Legend: our own calculations and projections from Stiftung Entwicklung, 1996, and Hallett, 1994

The effect of the *Europe-agreements* between the EU and the countries of Eastern Europe seem to repeat the experience of Lomé and can be summarized in one word: a massive positive balance of trade in favor of the Union and to the detriment of the partners in the East that leads to political and economic friction (Hickman, 1994; Inotai, 1993). It is shown in this chapter that Lomé indeed is such a negative experience on the level of the LDCs. A growing number of academic critics of present Union economic policy maintain that the EU-approach to foreign trade and relations with the semi-periphery and the periphery is based on two fatally erroneous assumptions. **First, the gradualism of trade liberalization; second, the protectionist answer to the current economic malaise in Western Europe.** The transformation process of the East would be supported efficiently only, if the East could expand **rapidly** its exports in those areas where the East has a comparative advantage - agriculture, steel, textiles and clothing. But precisely such sectors are protected by the EU. The agreements reached up to now reflect the outdated and orthodox EU trade policy, designed in the late 1950s. The situation of the East is made all the more difficult, because there is no Western European willingness to make major concessions in other areas, most notably migration, partly a consequence of deteriorating external economic relations, partly a consequence of rising internal inequalities.

Samir Amin (1994) puts a heavy blame on the Europeans for prolonging the underdevelopment and stagnation of their own 'backyards'. A look at the UNDP 1996 data about the European inner and outer periphery in comparison to the European leading economy Germany confirms this dire hypothesis. Germany is under a desperate pressure to redress the negative current account balance, and to have high export surpluses again:

Sub-Saharan Africa - Arab States Eastern Europe Germany

life expectancy 50.9 62.1 69.2 76.1

real GDP in \$ PPP 1288 4513 4164 18840

human development index 0.379 0.633 0.773 0.920

gender related devel. index 0.366 0.513 - 0.883

gender empowerment index 0.366 0.513 - 0.654

millions without health s. 205 36 - -

illiterate adults in millions 121 59 2 -

million malnourished chil-

dren under 5 years 22,5 3,1 0,475 -

% low birth-weight infants 16% 12% 7% -

terms of trade 90 98 99 100

current account balance be-

fore official transfers in

millions of \$ -8022 -10937 -12413 -1222

arms exports/imports in

millions of \$ - -3844 -59 +462

government consumption 18% 25% 18% 20%

Source: our own compilations from UNDP, 1996

But what, then, Eastern Europeans should do? Western Europe's barriers to Eastern trade will only increase the pressure towards migration, towards the '*second economy*' and towards political instability in the East.

The experience of East and Southeast Asia has precisely shown that *ceteris paribus* three conditions for successful capitalist development now hold (i) the existence of a reliable anchor economy (ii) substantial net transfers (iii) free market access to exports (Inotai, 1993). The failure to realize such a strategy *vis-à-vis* the CEFTA-countries results in the growing trade balance problems of the transformation region (Hickman, 1994). By enlarging the Union to the South, the protective tendencies precisely in those sectors, which are also important for the semi-periphery and the periphery, have grown. The effect of this is a growing world economic inefficiency (Nuscheler, 1993). The most visible result of this is the high unemployment in many Union countries at the beginning of the 1990s: in 1993, France had an 11.6% unemployment rate; Finland 17.7%; Denmark 12.4%; Ireland 15.6%; Italy 11.5%; Spain 22.6%. The entire European Union now has over 17.3 million people out of work (10.9% unemployment rate); in Eastern Europe, willing to join the Union early on, another 6.6 million unemployed persons would have to be provided with jobs, if the foreign policy objective of the eastward expansion of the Union should become in any way realistic. The recent new Union members, Austria, Finland and Sweden, which joined the Union on January 1st 1995, are not free from employment problems themselves and have to adapt to the new Europe with a stock of 932000 unemployed persons that is to say, almost another million, within their own borders. Most notably, unemployment in Finland is very high and reaches 17.7%. To put the proportions of unemployment in even more drastic words: the unemployed workers of the EU - *excluding* their families - would already be the 6th biggest state in the Union - bigger than the 10 smaller European Union countries. The unemployed workforce in the former GDR is still excluded from most international statistics, so that in reality, the country of the EU-unemployed would be still having more inhabitants.

Including the GDR-unemployed, and including the families of the unemployed workers, the up to 40 million persons, affected by unemployment, probably would form the 5th biggest state in Western Europe, only surpassed in size by Germany, the UK, France, and Italy.

With around 40 million inhabitants like Spain, this 'country' should play a major role in the EU and should one day be in a position to take up at least the EU-Presidency...

To expect that a further rapid expansion of the European Union would solve even only half the problems that it will create, is already an illusion: the developing world made important headway in social performance over the last 30 years and some countries have now absolutely overtaken Eastern Europe regarding the human development index. Israel, Hong Kong, South Korea, Uruguay, Trinidad, Bahamas, Argentina, Costa Rica, and Malta have a better human development index value than Portugal, the poorest European Union country in terms of human development; these Third World countries together with Singapore, Brunei, Venezuela, and Panama are socially more advanced than Bulgaria and Poland according to the HDI-index. Colombia, Kuwait, Mexico, Thailand, Antigua, Qatar, Malaysia, Bahrain, Fiji, Mauritius, the United Arab Emirates, Brazil, Dominica, Jamaica, Saudi Arabia, Saint Vincent, Saint Kitts could claim to become a member of the European Union with pretty much the same human development index justification - or even a superior one - than Romania; and Syria and Ecuador rank higher on the HDI-index than Albania, number 76 in the 173 nation list, calculated by the UNDP in 1994. Thus, the poverty curtain, now separating Europe, is as high in terms of the human development index as in the case of other pairs of developed and developing contiguous countries in the world system. *San Diego* is everywhere, *San Diego* is the future of Europe, and especially Frankfurt at the Oder, Goerlitz and Drasenhofen will become the European *San Diego*, once the Schengen accords become full reality.

Globalization affects to a differing degree the 20 most developed and still relatively stable long-term democracies of the world, Sweden, Israel, Iceland, Finland, Belgium, Denmark, Ireland, Austria, New Zealand, Norway, Australia, Italy, the UK, Germany, the Netherlands, Switzerland, Canada, Japan, France, and the United States of America. Of course, the term 'stable democracy' is only relative, since the increase of new populist or neo-fascist parties in Europe is a significant phenomenon, while old parties disappear. On average, populists drum up 7.4% of West European votes; neo-fascists 2.2%. Countries with well-known populist phenomena are Austria (23%), Denmark (16%), Italy (21%) and Norway and France (both at 12%), while neo-fascists are strongest in Italy (14%) (Taggart, 1995: 45).

The efficiency of the European Union at the level of 20 stable western democracies

We now start our multivariate analysis of the basic problems of the European Union (as to the variables used, see Appendix, Variable List). The basic equation, already described in Chapter 2 of this study, can be expanded in the following fashion:

(7.1) **stagnation and development blocks in western democracies** (lack of economic growth; inflation; lack of human development; unemployment) = constant + b1 * **age of democracy** + b2 * **state sector influence** (like state sector expenditures per GDP) + b3 * **years of European Union membership** (like state sector expenditures per GDP)

The empirical results show the **alarming and significant effects of years of European membership on growth, inflation, human development and unemployment**. Results, which are significant at the level of 10% (one-tailed t-test), are printed in bold type. The reform needs of the Union are omnipresent in the light of these politometric results for the 1980s and beyond. Each important economic performance indicator, growth, inflation, human development and unemployment, is influenced in a fatal and significant way by years of membership in the European Union. The longer you stay inside, the more rent-seeking, stagnant, inflation and unemployment-prone and the more lacking in terms of human development your economy and society could become in comparison to the other Western democracies:

(7.2) Growth, inflation, human development and unemployment. The effects of years of European Union membership, age of democracy and central government expenditures

Dependent variable

Independent Variable growth inflation HDI unemployment

years of European *-0.022 +0.68 -0.00 +0.16*

Union membership *(1.55) (1.59) (2.25) (1.91)*

age of democracy *-0.013 -0.22 +0.00 +0.06*

(2.20) (1.25) (0.18) (1.69)

central government *+0.003 -0.68 +0.00 +0.03*

expenditures *(0.35) (2.20) (0.13) (0.53)*

constant 3.29 2.53 0.94 -0.52

statistical

indicators

R² 29.4% 27.5% 30.9% 29.3%

F 2.22 2.03 2.39 2.21

df. 16 16 16 16

df. = 16; p < .05 = 1.746; p < .10 = 1.337. Significant coefficients at the 5% level are printed in bold type; significant coefficients at the 10% level are printed in bold indented type. Cells in parenthesis are t-values. UNDP data 1994

Government expenditures lose their significant negative effect on development indicators, once we introduce years of European Union membership into the equations. Years of Union membership significantly affect all four vital development indicators in a clear-cut and detrimental way. They decrease growth, human development, and they increase inflation and unemployment. The basic reason for such unpleasant results is the **emergency support philosophy of the Commission that strengthens Euro-wide a rent-seeking mentality**. The most important reason, why the North America-Pacific triangle is gaining ground in the world market is the pattern of specialization based on co-

operation with less-developed partners that significantly cuts production costs (Inotai, 1993).

Globalization, East European reconstruction and the fatal conceit of Eurocentrism

The most basic process of change in our time is the shift of gravity in the world economy away from the old industrial regions of Europe towards the Pacific. 29 countries with a Pacific coast now already control over 53% of the world GNP, and the Pacific rim-lands tend to be the countries with the highest growth-rates in the world economy.

This 'earthquake' has set free powerful forces of change on the European landmass, both East and west of the Iron Curtain, while the power of the world depression during the 1980s and beyond brought new centers of gravity of the world economy to the fore. At the same time and by the very same process, the new international division of labor restructures the old industrial centers and creates new conflicts. The share of the industrial labor force in total employment in East Asia (excluding China) is now 34% and is thus higher than in the established industrial countries.

The moment of victory over communism in Europe becomes the moment of the fundamental weakness of both Europe and North America in a changing world economy. The current account balance of the European Union in 1992 was - 42.9 thousand million \$ that of Canada and the United States - 70.4 thousand million \$, while Japan, Hong Kong, Singapore and China achieved a joint surplus of + 132.6 thousand million \$ during the same year (our own compilations from UNDP, 1995). Faced with a growing trilateral competition between economic power blocs (Japan + Pacific/USA/Europe) that could even one day become a bilateral competition between the Pacific and an expanded Europe, the danger arises that the losers in the trilateral economic power struggle are unable to provide their 'spheres of influence' with the kind of advantageous economic relationships that would be necessary to be able to break the deadlock of semi-peripherization and partial underdevelopment in regions like Latin America, Africa and Eastern Europe. Mexico and Argentina alone now have a joint negative current account balance of 31.3 thousand million \$, while Sub-Saharan Africa *and* Eastern Europe and the former USSR, the main peripheries and semi-peripheries in the European orbit, had to suffer a *combined* negative current balance of 17.9 thousand million \$. For Europe, faced with the danger to fall behind, the temptation is great to increase unequal exchange with its own 'backyard' in Africa and Eastern Europe (Amin, 1994). Even Germany, the biggest economy in Europe, had a negative current account balance to the tune of - 1.2 thousand million \$ in 1992, a far shot away from 1988, the year before the Berlin Wall fell, when the then old Federal Germany had still a surplus of 60.3 thousand million \$. These data also testify to the economic decline of Europe in general, whose leading economy should be expected at least to have large current account balance surplus, if the project of a future strong role of Europe in the world economy were to be realistic in any way.

If we roughly divide the world market into the following zones with available UNDP data for 1992 (UNDP, 1995):

European Union

NAFTA (USA, Canada, Mexico)

Central Eastern Europe (Poland, Czech Republic, Slovakia, Hungary, Slovenia)

Russia

Japanese co-prosperity zone (Japan, China, Singapore, Hong Kong, South Korea)

Rest of the world economy

we again grasp the total uselessness of an exclusively 'Eastern' option for the new democracies of Eastern Europe. Even an *exclusively* West European option is doomed to failure, because in between them, NAFTA and the Japanese co-prosperity zone partition already more than half of the world market. To this we must add the march of the Japanese multinational corporations and multinational banks towards control of large sections of the most dynamic industries around the globe and their success in those 14% of the 'rest' of the world economy that comprises huge markets like Brazil (432.2 thousand million \$, thus greater than Russia's 418 thousand million \$), Argentina (205.9 thousand million \$), and India (274.2 thousand million \$). Germany, the main anchor economy of Eastern European transformation, has an approximate share of only 8% in total world product.

In the transformation countries themselves, Poland, Romania and Russia were among the main losers of international exchange. The negative trends in the current account balance continued after 1992 especially in Poland and in Hungary. In the Czech Republic, too, the world economic tide of current account development seems to have turned definitely against the new democracy. According to our calculations on the basis of recent estimates and projections by the country risk department of Austria's largest bank, Bank Austria (*East-West-Report*, August 1995), Poland, Slovenia, Slovakia, the Czech Republic and Hungary, the most hopeful candidates for European Union membership and democratic stabilization, will have lost 12.9 thousand million \$ on their current account balance from 1992 onwards through to the end of 1995.

In studies published as far back as 1991, it could be shown that for the political project of a united Europe that is economically under the leadership of Germany, many dangers could arise out of such a constellation (Balibar, 1991; Tausch, 1991a). The capitalist world economy, we have already remarked above, is seen to be of a cyclical nature, and in the depressive B-phases of the world economy, under the weight of the world depressions, there have always been reform attempts in Russia and in Eastern Europe going all the way back to the times of Boris Godunow. Since the Nordic War of 1700 such periods always were German-Russian alliances. But whenever there was an upswing in the world economy, and the Russian regimes hardened - as could be observed in all world economic upswings - these alliances between Russia and Germany that were a result of the depression, broke apart, with Germany and Russia clashing over their respective spheres of influence in Eastern Europe.

Secular negative trends in the current account balances of nations are seen to be very strong motivations for international conflict. The rise of nationalism, anti-Westernism and anti-Germanism could receive powerful ammunition by the ongoing post-transformation economic performance of the reform countries of

Eastern Europe, dominated by the inability to find a (legal) export-oriented growth model, which is the underlying cause of the official negative current account balance. The balance of trade of the reform countries will be by the end of 1995:

Table 7.1: trade balances in Eastern Europe

a) 1995

Poland - 4000 million \$

Slovakia - 800 million \$

Slovenia - 500 million \$

Czech Republic - 4000 million \$

Hungary - 3270 million \$

Total - 12570 million \$

All too often, the shadow economy balances such trends. From 1992 onwards through to the end of 1995, these 5 transformation countries will have a cumulative trade balance of 33.5 thousand million \$. No tigers are thus in sight in this part of the world.

The present author agrees with the general perspective, provided by students of the present international political economy, like Joshua Goldstein: the underlying logic of the capitalist world economy is a logic of conflict, intrinsically linked to the mechanisms of unequal exchange between the power centers of the world economy, and if the next 25 years are not being used for the creation of durable peace on earth, we could be threatened by a repetition of the same long-term cataclysms that already led to the Thirty Years War, the Napoleonic Wars and the World Wars of this century.

Even the integration of the 'Near European East' - that is to say, the Czech Republic, Poland, Slovakia, Hungary and Slovenia, will be a painful process. For a long time to come, the balance of trade and the balance on current account will be negative, a powerful force in the motivation of economic and political nationalism against the West. The '*extractive economy*' (Tausch and Prager, 1993) is a term used to describe a situation, when exorbitant energy consumption is used to produce a shrinking or stagnating, or at least not very rapidly growing amount of welfare. Our hypothesis is that Poland and other former or continuously communist countries play precisely such an 'extractive role' in the emerging cycle of the world economy.

The East, unable to reap the benefits of technical progress and being forced to export what there is, is thrown back to the old patterns of the extractive economy. No major advances in the energy/income balance are in sight. We witness a heavy or even increased reliance of the export sector on the extractive branches of the economy, and the inability to change the price mechanism, partially because losses in the terms of trade and the 'scissors' of lagging (legal)

exports and rising imports dictate that the urban and rural poor cannot pay higher energy bills. The result is one more reason for the rising tide of nationalism:

Table 7.2: The extractive economy on a world scale. Poland by international comparison

Economic region Energy consumption in kg oil

equivalent per 100 \$ GDP

1965 1991

World - 36

All developing countries 142 80

among them:

Sub-Saharan Africa 166 59

Latin America + Car. 119 43

China 195 187

Algeria - 154

Industrial Countries - 27

among them:

North America 180 36

Japan 145 13

EU 165 19

Poland - 155

Bulgaria - 403

Romania - 254

Source: our own compilations from UNDP, 1995

Research and technology should be at the centre of the development path, **together** with savings creation and (legal) exports. Savings and (legal) exports in Eastern Europe are small compared to the 'tigers' of Asia. Poland, whose struggle contributed so much to the downfall of communism, found itself left alone in a peripheral position in the hour of victory. This is at least, what nationalists will assert, and hard economic and social data about societal development in the post-1989 world unfortunately have to support their lamentable assertion.

9) Transnational Integration and National Disintegration - A Synthesis (1998)

Arrighi wrote in (1995):

'Partial as the current revival of a self-regulating world market has actually been, it has already issued unbearable verdicts. Entire communities, countries, even continents, as in the case of sub-Saharan Africa, have been declared 'redundant', superfluous to the changing economy of capital accumulation on a world scale. Combined with the collapse of the world power and territorial empire of the USSR, the unplugging of these 'redundant' communities and locales from the world supply system has triggered innumerable, mostly violent feuds over 'who is more superfluous than whom', or, more simply, over the appropriation of resources that were made absolutely scarce by the unplugging' (Arrighi, 1995: 330)

On the other hand, it is clear that nations like

Cyprus, South Korea, Singapore, Antigua, Thailand, Malaysia, Mauritius,
Botswana, Saint Vincent, Suriname, Turkey, Indonesia, China, the Solomon
Islands, Pakistan, India, Bhutan, and Chad

had a GNP growth rate of 5% or more per annum during 1980-93. What tendencies, then, do emerge from the multivariate analysis of international development in the post-1980/1989 world in 134 countries with fairly consistent and complete data?

First, we mention our database:

Final model: the database

% labor force participation ratio (UNDP, 1996)

% of the labor force in agriculture (UNDP, 1996; Fischer Weltalmanach, 1996)

% of the labor force in industry (see: labor force agriculture)

absolute GNP (UNDP, 1996)

agricultural share in GDP (UNDP, 1996; Fischer Weltalmanach, 1996)

average population growth (UNDP, 1996)

economic growth 80-93, p.c. and year (UNDP, 1996)

EU membership years (Fischer Weltalmanach, 1995, 1996)

FDI per GDP (UNCTAD, 1996; Business Central Europe, 1996)

human development index (UNDP)

inflation 93 (UNDP, 1996)

main telephone lines per 100 population (UNDP, 1996)

mean years of schooling, population aged >25y

military expenditures per GDP (UNDP, 1996)

state sector size (government expenditures per GDP; UNDP 1996; Weltalmanach, 1995, 1996; World Resources Institute)

structural heterogeneity (labor force share in agriculture divided by product share of agriculture; see labor force data)

total fertility rate (UNDP, 1996)

UN membership years (Weltalmanach, 1996, 1995)

violation of political rights (1, democracy, to 7, dictatorship) (Stiftung Entwicklung und Frieden, 1996, based on Freedom House)

violations of civil rights (see political rights)

years of communist rule (Autorenkollektiv; Weltalmanach)

The variables of the final model:

absolute GNP			
growth 80-93			
inflation 93			
FDI per GDP			
UN membership years			
mean years of schooling			
absolute GNP			
FDI per GDP			
Years of Communist Rule			
population growth			
state sector size			
% labor force participation			
% labor force agric.			
% If industry			
agr. share in			

GNP			
MILEX			
HDI			
violation of political rights			
violation of human rights			

Is Arrighi's hypothesis about the '*deregulatory logic*' of post-1980 capitalism confirmed by the data? Under inclusion of the world of former 'real' socialism, the curve-linear effect of the development level on subsequent **economic growth** is partially taken over by variables, pertaining to the employment structure. Again, only the statistically significant effects that cannot be explained by simple random are being taken into account. Countries with a large labor force participation ratio, and hence, a relatively smaller industrial de-facto **reserve army** of employment, grow **slower** than countries at the middle income level with a still larger industrial reserve army outside agriculture and a relatively abundant supply of labor on the labor market. Our results from Chapter 4 about the (female) reserve army are again confirmed here, now on a more general level. One plausible reason for this shift in predictive power away from the Matthew's effect to the employment structure is the still preliminary character of income data from Eastern Europe. Wage flexibility in the urban sector seems to be another of the main underlying processes here. But on the other hand, **predominantly rural societies** at the present stage of globalization are being negatively affected by the ongoing **urban bias in world development**. Hence also the negative effect of agricultural employment on growth. The **international system** indeed seems to work like a single, huge, **distribution coalition**. Economic **growth disproportionately favors** countries with a **long-established record of UN-membership**. Participation in the distribution coalition allows for a better access to the distributed goods, while the predominantly rural societies of the 'Fourth' and 'Fifth' World are being excluded from the benefits.

The **human capital effort** indeed pays off in terms of economic growth, and also **state sector size** affects growth in a way, as predicted by conventional economic theory. The **size of the military sector** significantly and negative affects economic growth. Again, our results from Chapter 4 are confirmed here.

Former communist countries often stagnate, because their human capital effort is too low, because their state is still too big, because their wage flexibility is too low, because their military burden rate is still too high, and because their rural populations are being discriminated against. But *per se*, the tendencies of world society after 1980 during the new cyclical set-up seem to suggest that a world political experience as a **former communist** nation does not block against subsequent economic growth. Also, the argument that **smaller nations** with a low absolute GNP find it more difficult in world society, does not apply anymore, when we look into the whole set of determining conditions for 134 capitalist and post-communist societies in the world. By contrast: absolute market size is not a precondition of subsequent economic growth anymore, as successful island nations like Mauritius, show impressively. Our equation determines **46.6% of economic growth** from 1980 onwards; the F-statistic for the whole equation is 8.05, with 120 degrees of freedom.

-0,4828	-4,78	-0,0435	-4,383	-1,3488	-0,3169	-1,4343	0,59058	1,29988	-0,6638	4,691	-0,2103	
UN memb.y	mean y scho	absoluteGNP	FDI per GDP	Years of Comm	population gr	state sector	%labor force	%lf agric.	%lf industry	agr.shareGP	MILEX	
	mean y scho	absoluteGNP	FDI per GDP	Years of Comm	population gr	state sector	Viol hum rites	%lf agric.	%lf industry	agr.shareGP	MILEX	
employ	-0,9723	-0,2063	0,06753	0,13692	2,14696	0,05062	1,33109	-0,2628	-0,2096	4,1E-05	2,07067	18,7369
	0,63941	0,14877	0,2391	0,11011	1,10838	0,10571	1,61876	0,07624	0,06768	0,00188	0,73014	12,7789
	0,293											
	4,60169	122										
	-1,5206	-1,387	0,28244	1,2435	1,93703	0,47887	0,82229	-3,4465	-3,0963	0,02195	2,836	
	mean y scho	absoluteGNP	FDI per GDP	Years of Comm	population gr	state sector	Viol hum rites	%lf agric.	%lf industry	agr.shareGP	MILEX	

Source: our EXCEL 5.0 calculations from UNDP and other data sources, quoted above. As to the footnotes about the outprint, see Chapter 4.

In terms of employment policy and labor force participation rates, Europe is not in a very lucky constellation right now: low population growth, high overall educational levels, combined with a high employment share of industry and a run-down of military expenditures all would suggest a still future lowering of the labor force participation rates, while in some European countries there is still a high agricultural employment share, which works as an additional constraint against a higher labor force participation ratio.

Europe thus faces three very important decisions about the future: east-ward expansion of the European Union, European monetary union, and the structural internal reform of the Union. Faced with these decisions, an intellectual battle rages across the continent between Euro-skeptics and integrationists, between federalists and nationalists, between centralists and regionalists. World systems research and development research provides radical, fascinating and novel answers to these old controversies.

What is the evidence of cross-national quantitative research?

(i) The process of globalization did not level-off the differences in wealth and well-being between the different regions of the world, especially between Europe and the Mediterranean southern periphery of Europe. Far from granting a real free trade regime, Europe has petrified existing patterns of the division of labor between the centers and the peripheries. Poverty, unemployment, homelessness and other negative social phenomena become more and more relevant, not just for periphery and semi-periphery countries, but for the former centers in Europe themselves. We are evidencing a peripherization of the European landmass, while the countries of the Western Pacific and the Eastern Indian Ocean are the future centers of world capitalist development.

(ii) Europe is characterized by the very mix of conditions, which, on a world-wide scale, block against rapid economic growth. Too little national savings, privileged home-markets for idle and saturated European transnational corporations and

the European continental powerful banks, migration instead of innovation, excessive government consumption, political distribution coalitions - also regarding gender conflict lines - which try to get via political means what they cannot achieve on the world markets anymore, the continued practicing of traditional patterns of national defense, based on conscription, are precisely the mix that explains 44.2% of stagnation from 1980 world-wide, without resorting to capital investments and other intra-economic explanations of growth. The 134 nation study on growth in world society, mentioned above, again underlines these points. What would be the answer against this process what in the Dutch languages has been so aptly termed as *Verluderung*?

A slim, socially just state, which enhances savings, deters distribution coalitions, subjects the European transnationals to the discipline of the market, instead of pouring down the sink billions of ECU's in terms of subvention money, ending up more often than not in the pockets of the shadow economists of our times, would be among the pre-requisites of a real reform of the European Union member states and an adequate answer to the question about the place of Europe in the world. 15 of the most important 19 development dimensions in the world system are being negatively determined nowadays by MNC penetration. The capitalist world economy is in addition characterized by strong 20 year cycles (Kuznets cycles) and 50-60 year longer waves (Kondratieff waves), which again are shown to be relevant in this work on the basis of new calculations, based on Joshua Goldstein's previous research. They, and not so much grand designs of conference diplomacy, will determine the future place of Europe in the world economy. Precisely, because the Union is presently a protective club shielding away market influences from European transnationals, banks, and distribution coalitionists, Europe's upswing is belated, and the Maastricht-induced stagflation threatening to coincide with the next major Kuznets cycle trough, to be expected in 2002 or 2003, will make our stagnation even worse. Political stability, under such circumstances, in the Mediterranean and in other countries becomes a question mark. European foreign policy, blinded by the fall of the Berlin Wall in 1989, overlooks the intrinsic conflict structure of the world economy that is shaped like a 'W' and that threatens future intensified conflicts on the borderlines of world instability.

(iii) Subventions, mass migration and distribution coalitions mean structural conservation and environmental decay at the same time. Since environmental strain cycles coincide with world economic swings, it is to be expected that any real future European recovery will increase the environmental problems on the European continent, still increased by the transport-intensity of EU-development patterns, connected with the subvention system. Physical mobility of labor is the key de-facto concept of the past policies of the Commission in Brussels, while information mobility is being hindered by local and national telephone monopolies, and the absence of privatization in transport, especially roads.

(iv) The eastward expansion of the Union will have to face up to the dilemmas of modernization in the environment of past rapid urbanization (what world system scholars have termed the urban bias in world development), little efficient state-directed mass communication and belated demographic transitions in much of the Balkans and the former Soviet Union, if not the former Warsaw Pact in general. Modernization and structural adjustment in the post-1989 set-up is bound to fail in the East if it is not accompanied by a massive real inflow of foreign resources. The semi-democratization in much of the region that set in

after 1989, from the viewpoint of political stability, is much more dangerous than the full rule dictatorship or full democracy. Money laundering and fluctuations in the terms of trade are additional important determinants of the growth prospects of the reform countries.

(v) Modernization, globalization, and East-ward expansion of the Union might increase existing cleavages in the countries of the East, if they are not accompanied by a deep structural change in favor of the up to now underprivileged sectors and strata. Many of the lessons of neo-classical economists about Southeast-Asia can be repeated here in an East European context. The discrimination against exports by import substitution strategies, effective currency overvaluations, privileges and wage inflexibility in the monopolistic sectors, and finally and overarching all these phenomena, a conspicuous contempt of urban elites against the countryside and a deep urban bias of development have created a structure, where the political and social divisions between the different parts of countries have increased. It is shown in this study with regional multivariate analyses from Polish election data 1993 and 1995 that electoral results are heavily determined by these regional and world economic aspects, while other theories fail to capture the dynamics of socio-political cleavages in the new democracies of the East.

(vi) Euro-sclerosis at the heart of the Union of presently 15 nations is a reality. Take any indicator of economic illness in the relatively stable Western democracies today - unemployment, lack of economic growth, insufficient human development: it will be neatly determined by just three variables:

- age of democracy within world politically guaranteed boundaries
- size of the state sector, like central government expenditures per GDP
- years of membership in the European Union

Instead of causing stable long-term economic growth, the Union rather causes what might be termed '*the Belgium syndrome*'. Relatively young democracies, like Poland or the Czech Republic, Hungary or Slovenia, will still benefit for a few years from the positive effects of early membership; but the positive initial effects will disappear with the workings of the *really existing Union* in the long run.

So, what then is the prescription? For Arrighi (1995), there seems to emerge the imperative of organizing the international community anew around the dynamic axis of the East Asian/North American archipelago, implicitly hoping for democratization spin-offs along this dynamic axis. The Japanese transnational bank and the Japanese transnational corporation *overseas* seem to be the most dynamic element of world capitalism nowadays. Arrighi seems to advance the viewpoint that such '*world community*' controlled capitalism would still be better than the rule of chaos and war. For us, Europeans, the lectures of the empirical study of contemporary changes in world capitalism are twofold: one is more medium-term, the other long-term: the upgrading of the European Parliament ('*no taxation without representation*'), a more slender and socially just state in the member countries, free trade, again and again, and also more decisive efforts in human capital formation (in the framework of privatization of Universities and other institutions of higher learning) would be a proper

European step in the right direction in the short-and medium term. To learn from the *East Asian Space-of Flows* (Arrighi, 1995) above all suggests that heeding the advice of contemporary economics, learning its lessons from East Asia in such areas as corporate strategy, labor market organization, international trade and migration, would be more advantageous than to be trapped again by the fatal conceit of a thinking along the lines of the territorial control, the *Lebensraum*. And Germany, in particular, at the decisive time, seems to forget that the main imperatives of world system ascent are economic and not territorial - now in the wider, European Union sense. Such advice unheeded, eastward European Union expansion could dismally fail, made all the worse by the negative effects of ongoing Maastricht austerity. Thus the time is ripe for a socio-liberal alternative to orthodox etatism and neo-conservatism alike.

On a long-term basis, though, only a socio-liberal world state will be able to overcome the intrinsic instabilities of the capitalist nation system that has (un)governed the world since 1450. Today's problems are too global to be left to a (supra)national state. And at any rate, transnational capitalism rings the bell to all attempts at national regulation for the next 50 or 100 years. So, our predictions for Europe are dire: Sunkel's scenario, at least in part, offers a key to our future. Capitalist globalization can only be answered by global democratization strategy.

10. Osvaldo Sunkel was right: transnational integration and national disintegration – the case of Europe. A synthesis, March 2007

Re-analyzing existing ILO data for the 1990s also clearly shows that the winners and losers of globalization were indeed distributed very unevenly around the globe, as correctly foreseen by Osvaldo Sunkel 40 years ago:

Table 10.1: The social effects of globalization, 1990 – 1999

<u>absolute and relative values</u>	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
Middle East and North Africa	5	2, 1	6	2, 2
Sub-Saharan Africa	241	47, 4	315	49
Total	1292	29, 6	1169	23, 2
<u>absolute and relative values</u>	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
Middle East and North Africa	50	21	68	23, 3
Sub-Saharan Africa	386	76	480	74, 7
Total	2712	62, 1	2802	55, 6
<u>1990 = 100</u>	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
Middle East and North Africa	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
<u>changes since 1990</u>	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
Middle East and North Africa	+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. 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, Their indices of inequality, based on wages in 21 economic sectors).

Table 10.2: 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 ¹	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	states that fulfilled the criterion	states that did not fulfill the criterion	total number of EU-25 states with	% of states meeting the
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¹ always defined here as 1/ERDI (ERDI is the exchange rate deviation index, being equal to GDP PPP/ GDP exchange rate)

sample with complete data			complete data	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

We also can 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.

On all accounts, the EU-25 is the most important formalized regional bloc in the world economy:

Table 10.3: 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. But the time-perspective tells us another and very different story.

Table 10.4: changes in shares of world GDP, measured in real purchasing power parities, 1980 – 2003 according to ECOFIN 14954/05 of November 25th, 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

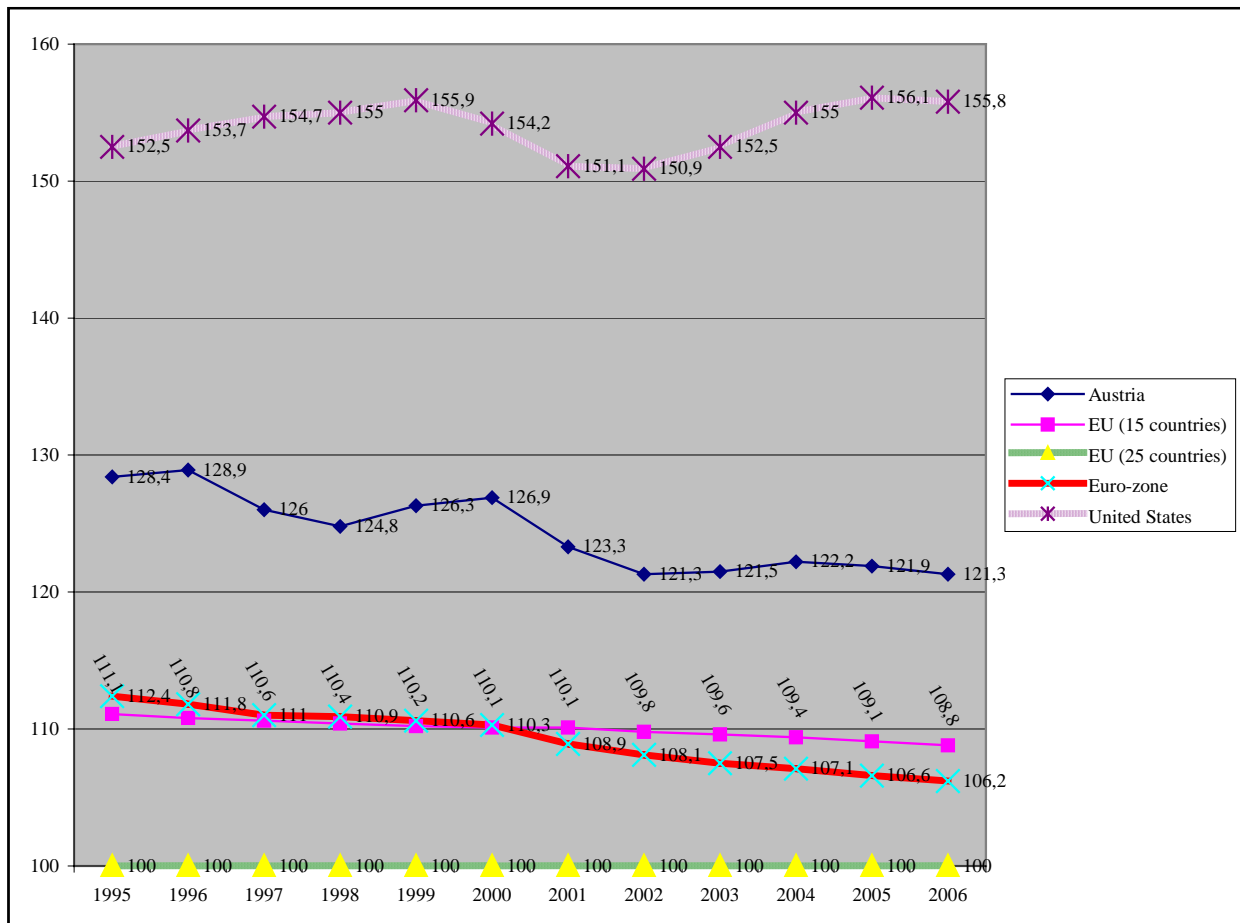
Over the last quarter of a Century, the EU-25, together with Russia and a great number of smaller and medium powers in Latin America, Africa, and West Asia lost shares of world GDP in the global race, while China, India, and the United States were on the winning side, and Japan and Brazil kept their 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 "Lisbon process" 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.

Graph 4.1 shows the results of this lost race as measured by real purchasing power:

Graph 10.1: 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)

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 re-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.

Our combined measure of the velocity of the globalization process, presented for the first time in Tausch, 2006, is 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:

$$(1) \text{ dimension index} = \frac{\text{Actual value} - \text{minimum value}}{\text{Maximum value} - \text{minimum value}}$$

$$(2) \text{ globalization index} = 1/3 * (\text{DYN capital penetration index}) + 1/3 * (\text{DYN openness index}) + 1/3 (\text{DYN Price Level index})$$

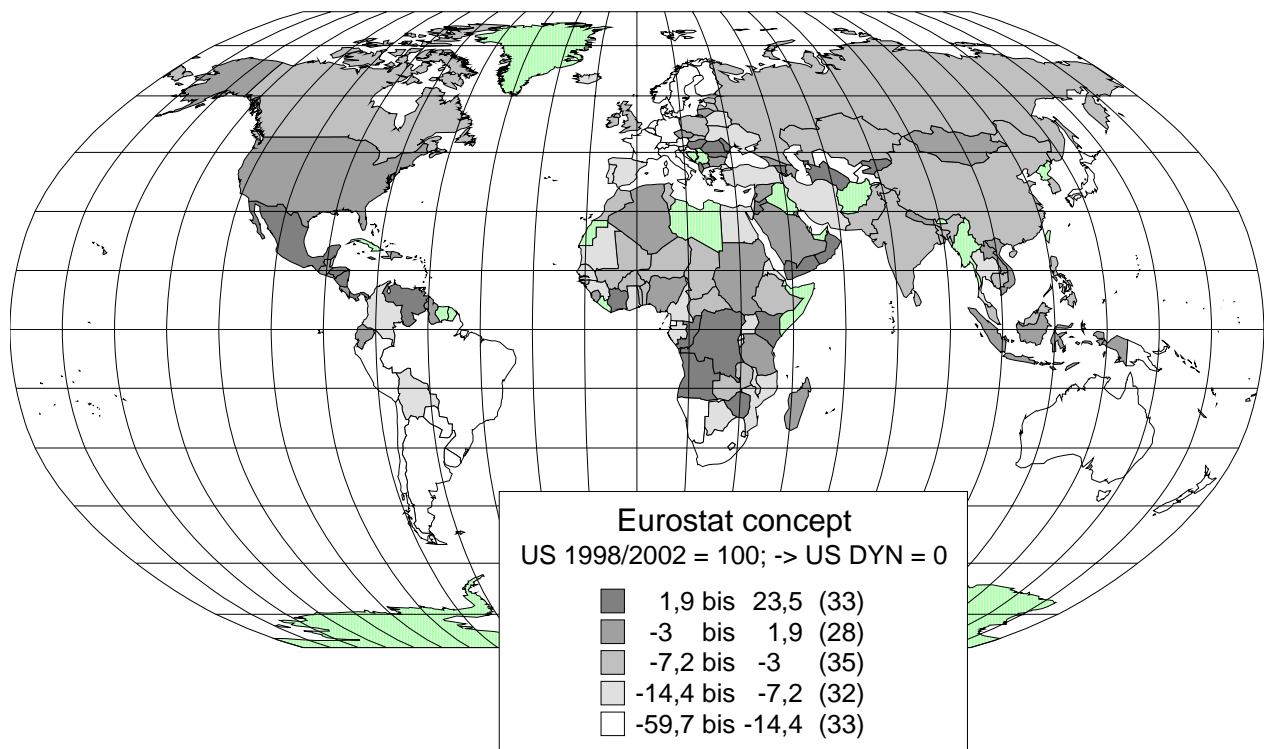
In Tausch, 2006, the **Dyn Capital Penetration Index** is based on the **residuals** of the standard OLS linear regression of the UNCTAD shares of cumulated foreign direct investment per GDP in 2000 on those in 1995; the **Dyn Openness Index** is based on the **residuals** of the standard OLS linear 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. 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).

The following 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**.

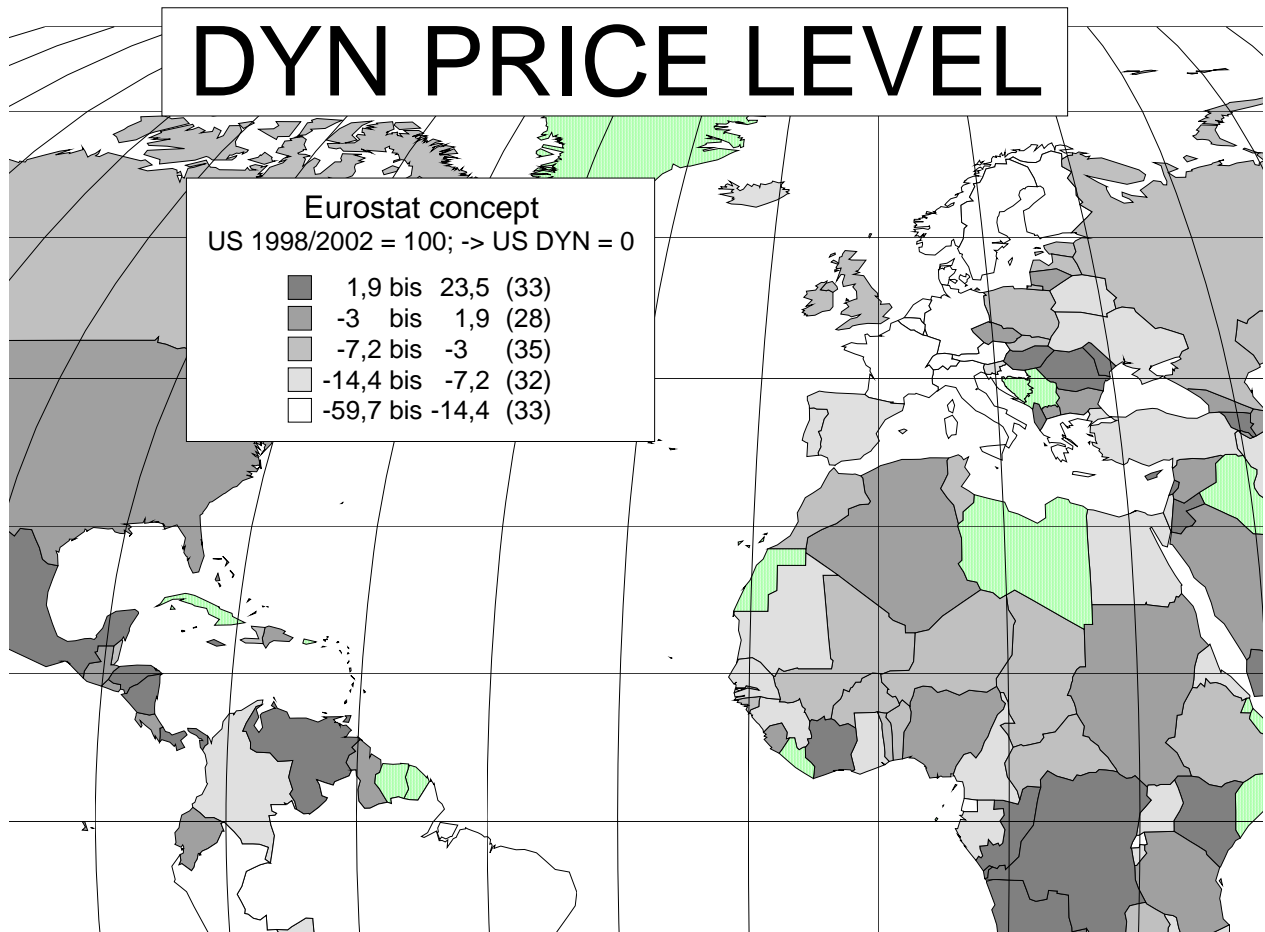
Map 10.1: movements in comparative price levels, 1998 – 2002. The Europeans, Latin Americans, Australians, Japanese and South Africans were the “best pupils” in the “globalization classroom”

DYN PRICE LEVEL



Legend: countries with missing values are marked in green colors

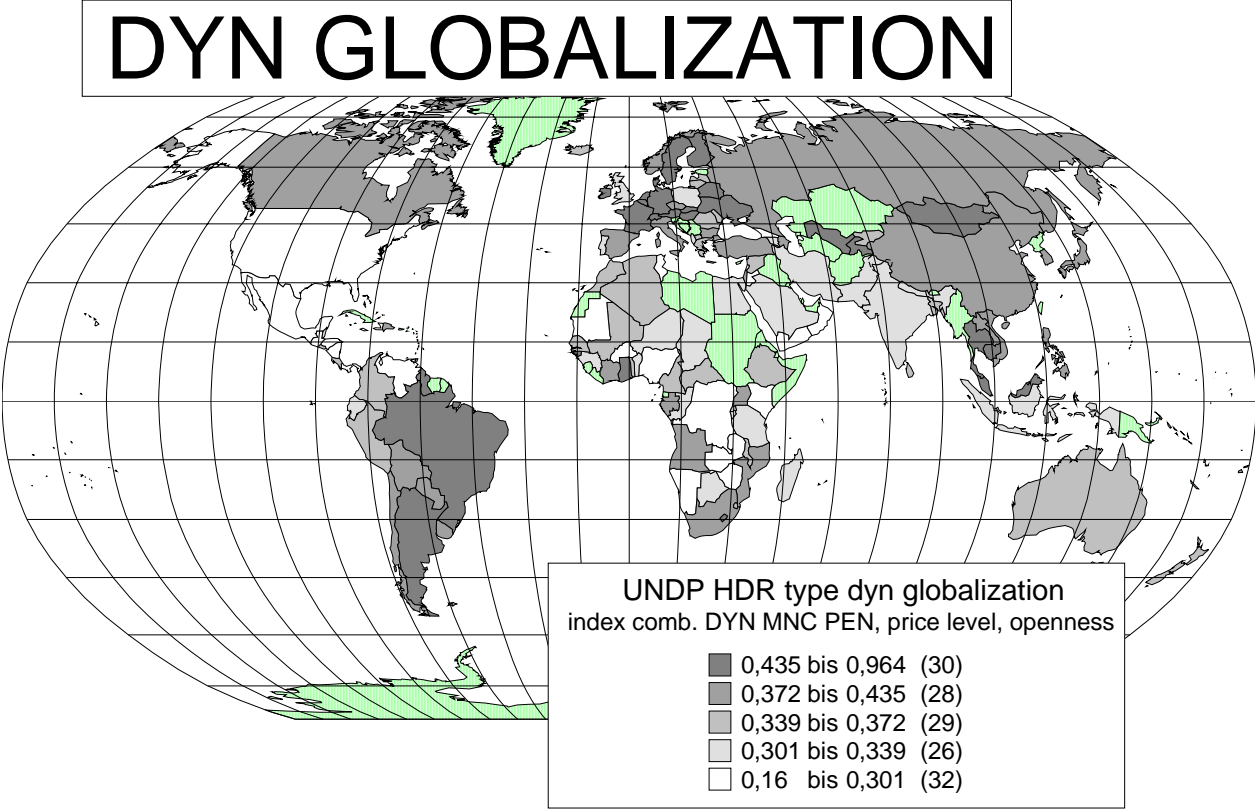
Map 10.1 (continued): movements in comparative price levels, 1998 – 2002. The Europeans, Latin Americans, Australians, Japanese and South Africans were the “best pupils” in the “globalization classroom”



Legend: see maps above

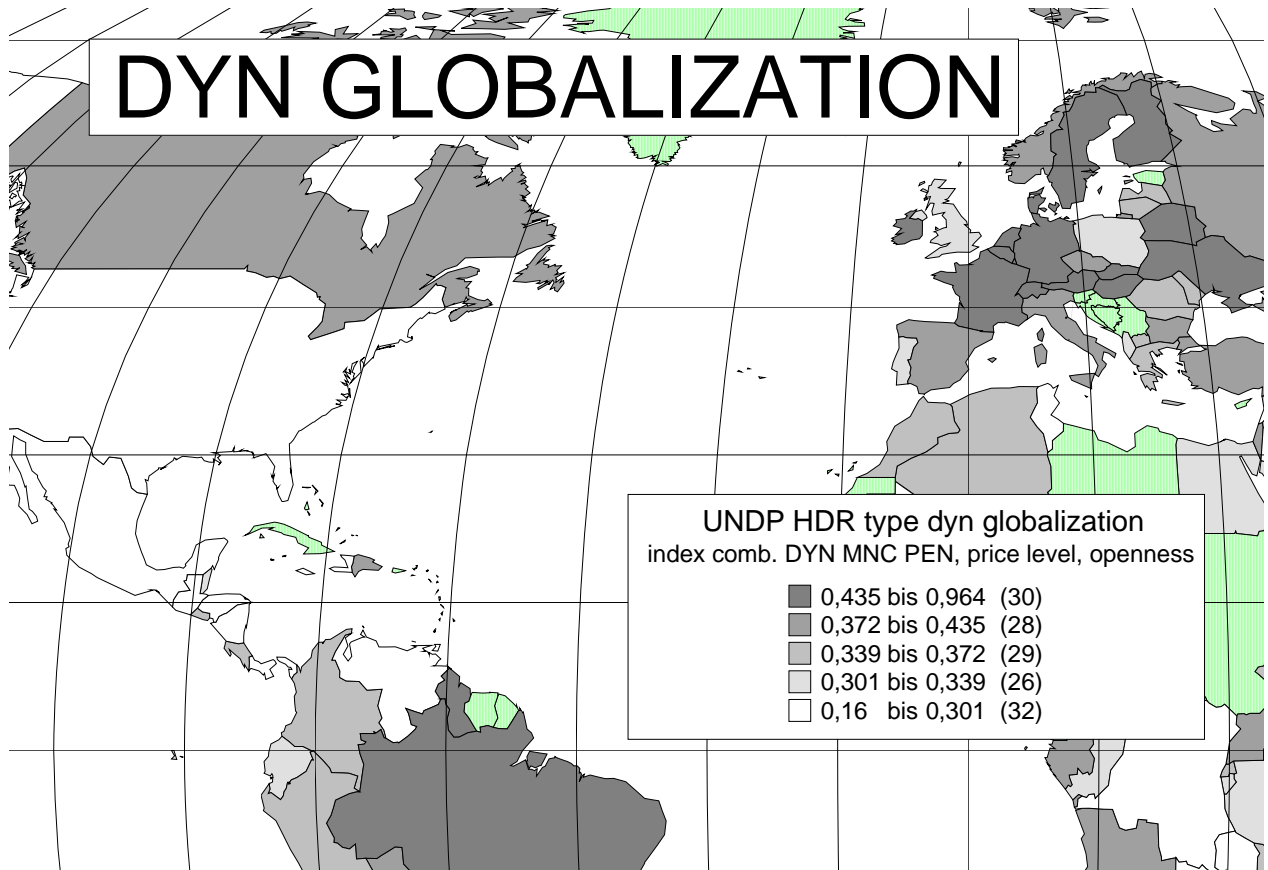
Properly taking into account that rises in the price level are a movement away from globalization, and falling price levels are a movement towards globalization, Tausch (2006) finally interprets the combined indicator results about the velocity of globalization in the following way: the United States, 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 10.22: 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



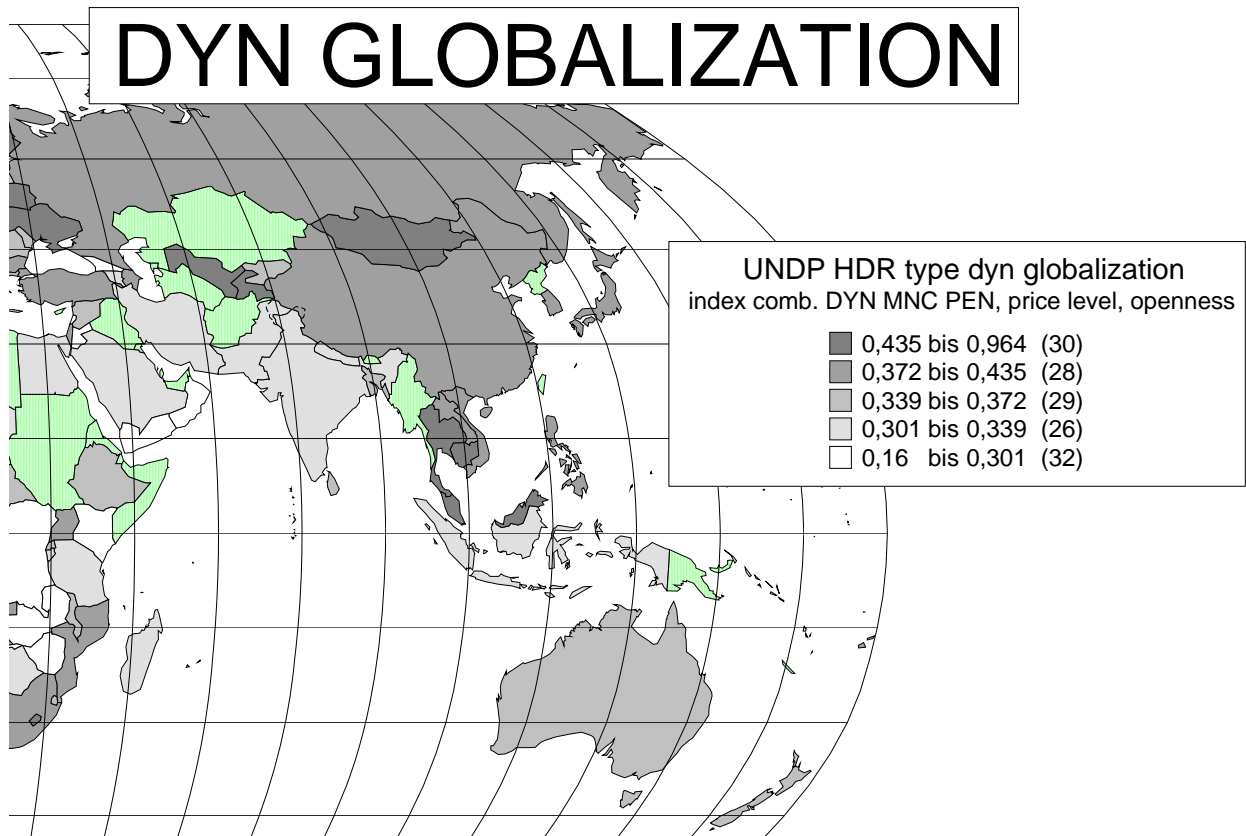
Countries with missing values are marked in green colors

Map 10.2 (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 10.2 (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. To quote the Social Affairs Minister of the Council Presidency nation during the first part of the second half of 2005, United Kingdom, David Blunkett²:

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

² 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.

*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))*

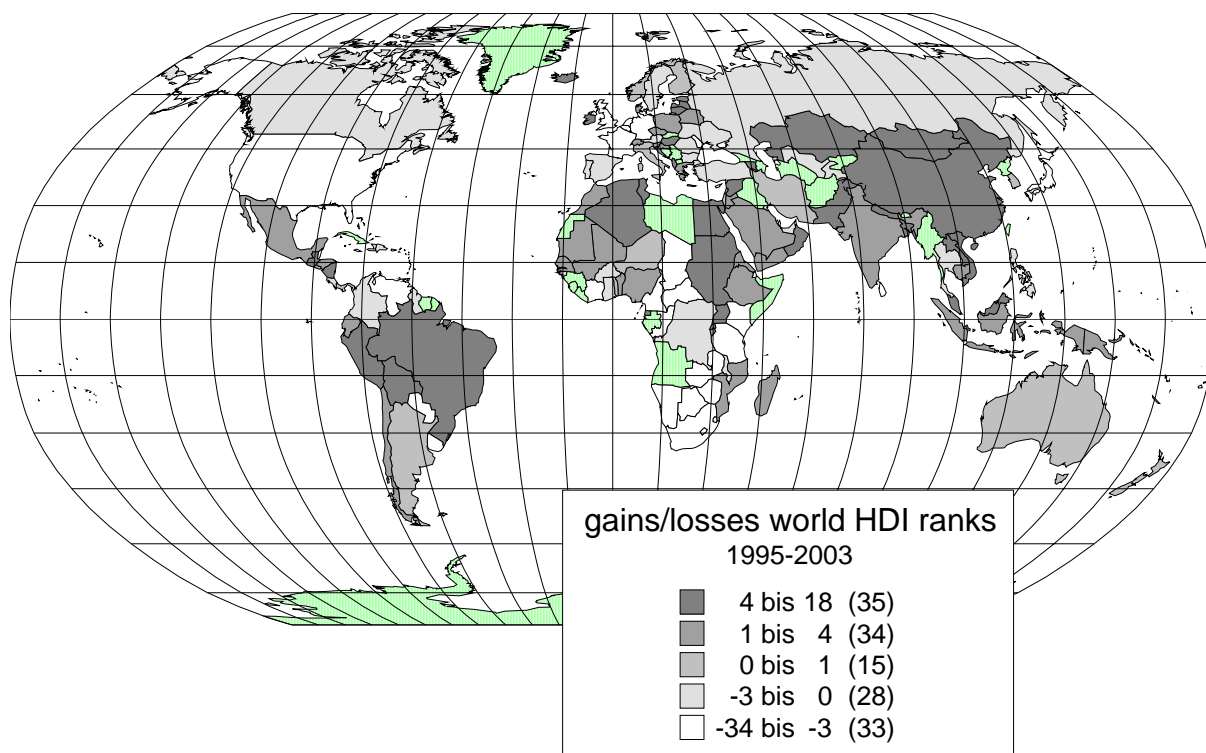
Although many different attempts to quantify social developments have been published in the past, no single, globally available measure is as common today as the United Nations "Human Development Index" (HDI). The last data series with far reaching implications for the European social policy debate was released in the global "*Human Development Report*", 2005. 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 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, Tausch (2006) compared the performances of the nations of the world from 1995 to 2003. Map 10.3 presents the results about 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 10.3: gains in world human development ranks, 1995 - 2003

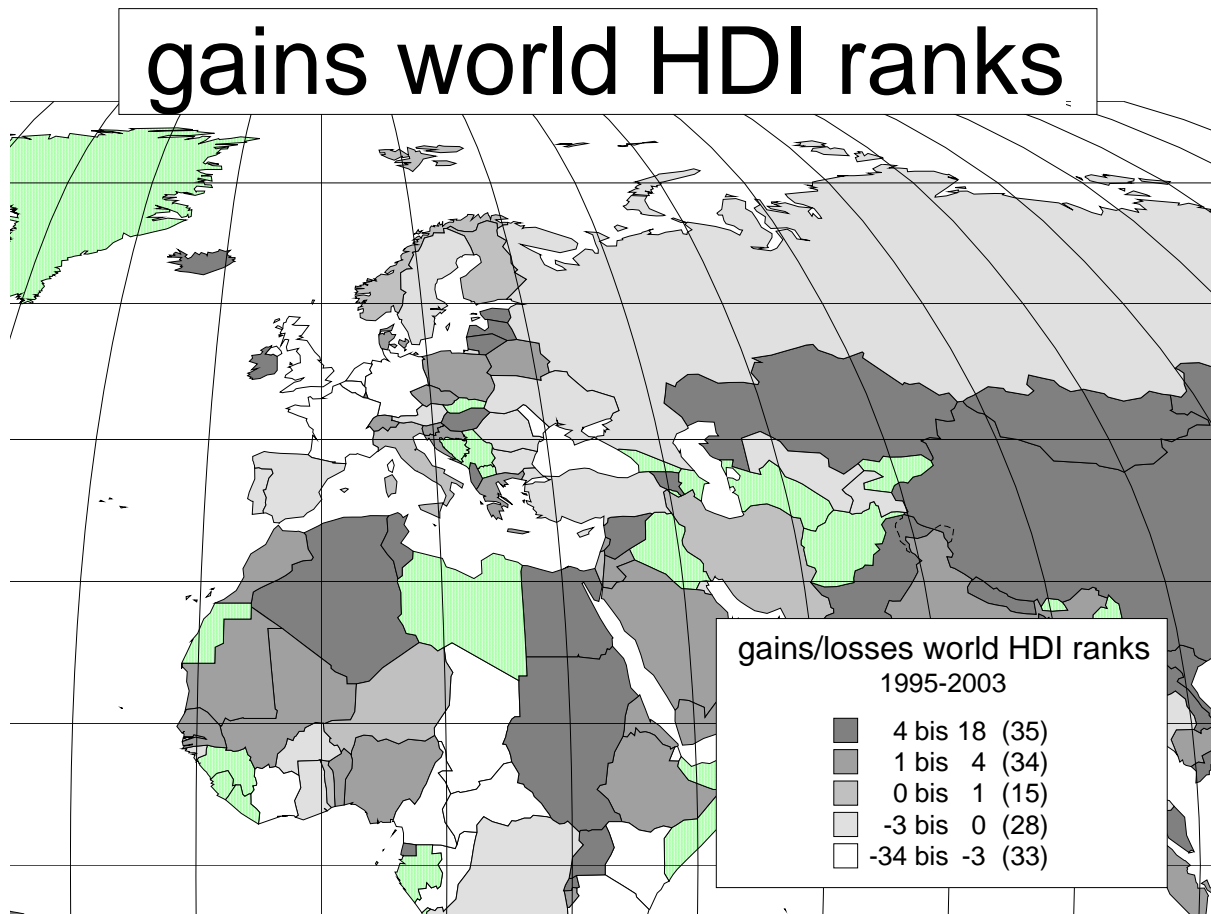
gains world HDI ranks



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 10.3 (continued): gains in world human development ranks, 1995 – 2003 (gains in world human development ranks in the “wider Europe”, 1995 – 2003)

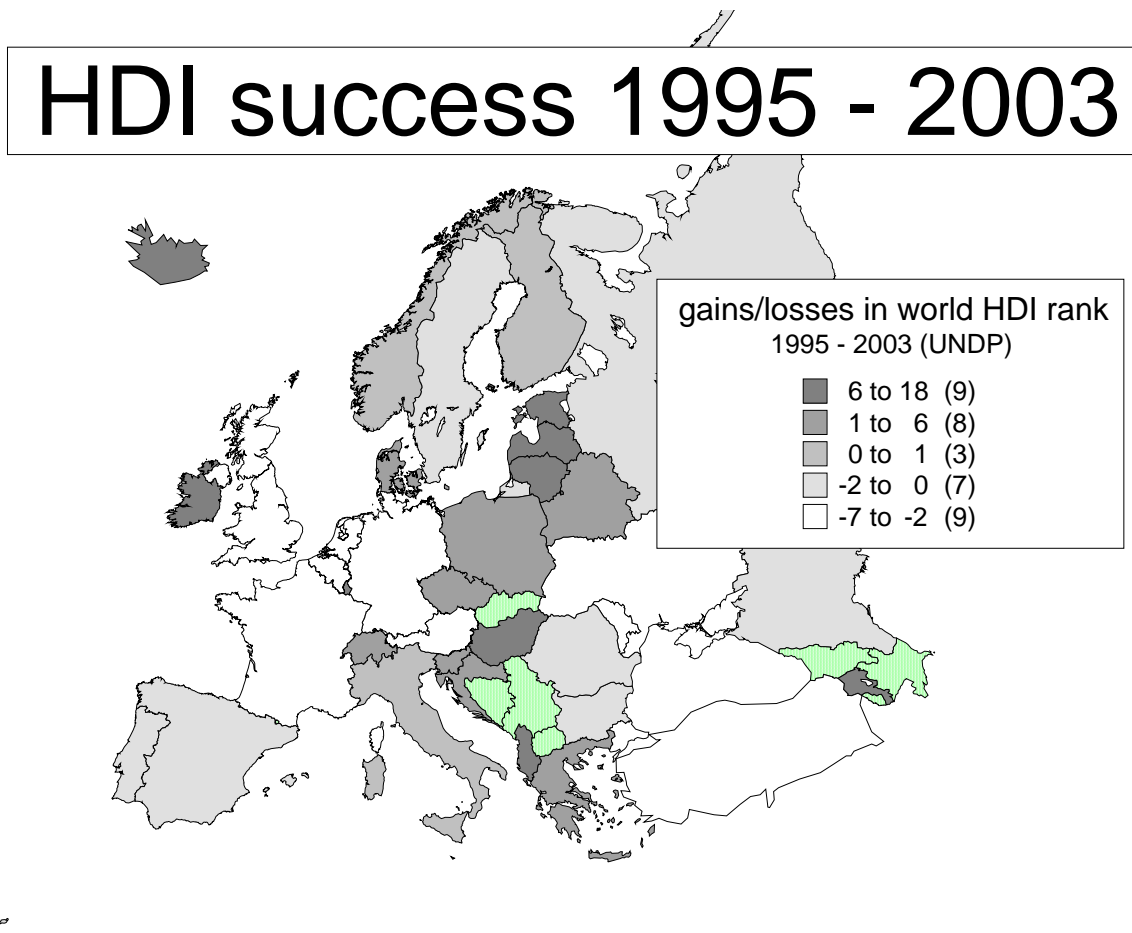


Legend: see map above. Dark shades indicate a good performance. “bis” shorthand for “ranging from ... to”.

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.

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 10.3 in a new map that was drawn only at the level of European states:

Map 10.4: gains in world human development ranks in Europe, 1995 - 2003



Legend: see maps above. Dark shades indicate a good performance.

4.3. 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 10.3 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 10.3: 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		Latvia	0, 836	0, 944
inequality between richest 20 % and poorest 20 %	Jamaica	Egypt, Jordan, Algeria, Morocco, Tunisia	Portugal	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	Latvia	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	Latvia	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	Estonia	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	Austria	0, 35	0, 62
real income of the poorest 20 % in purchasing power parities	none		Latvia	3749	10142
gender development index	Barbados, Argentina, Chile, Uruguay		Latvia	0, 834	0, 942
gender empowerment measure	Bahamas, Costa Rica, Argentina, Trinidad and Tobago, Barbados, Mexico, Panama, Dominican Republic, Bolivia, Peru, Uruguay, Colombia, Ecuador		Malta	0, 486	0, 793

Pretty much the sample results emerge from a systematic comparison of the data contained in the **University of Texas Inequality Project (UTIP)**³. 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

³ <http://utip.gov.utexas.edu/>

data set EH12 has 3, 179 observations, while the data set EH14 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.

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)

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 10.4: 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 ⁴

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,	Eritrea, Nicaragua, Swaziland, India, Morocco, Chile, Tonga, Haiti, Fiji, Jordan, Thailand, Malaysia, Afghanistan, Costa Rica, Nepal, Kenya, Sri Lanka, Mauritius, Indonesia

⁴ the discontinued data series for the two parts of Germany were not interpreted here

	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.	
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 10.5: unemployment - tendencies in the world system

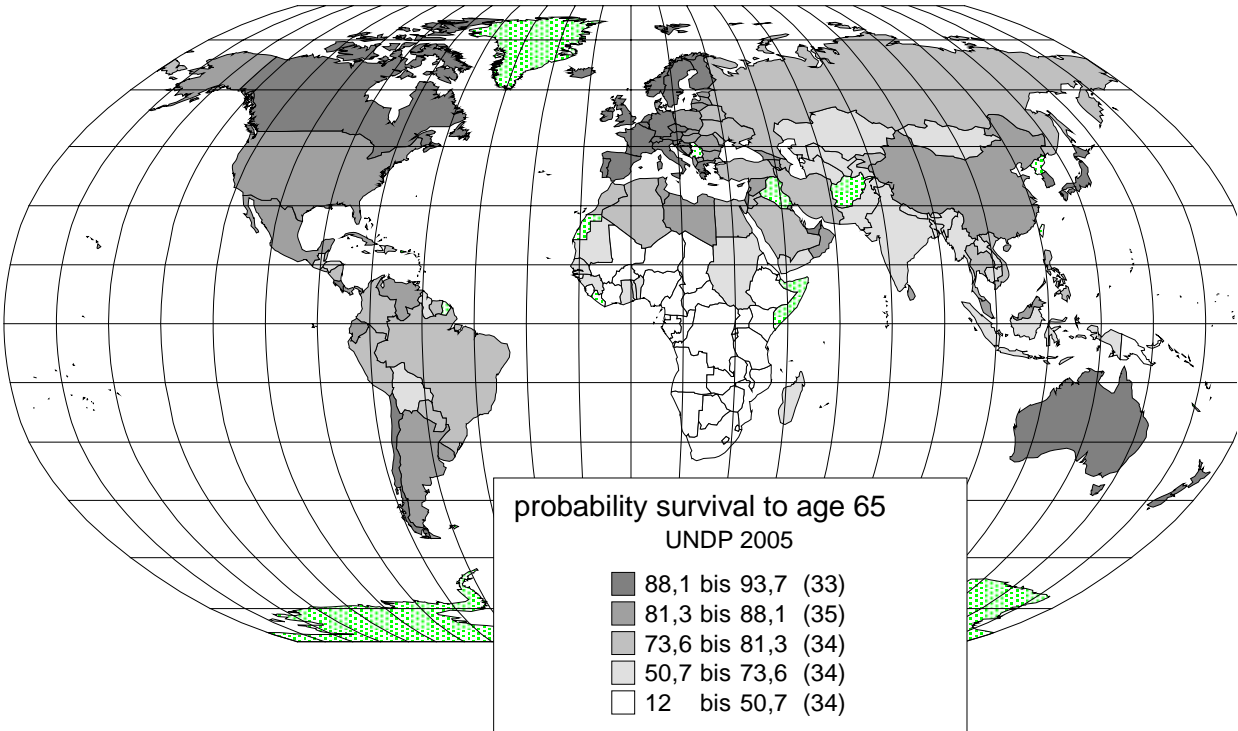
EU-29 unemployment	unemployment rising over time, 1980-2001	unemployment falling over time, 1980 - 2001
below 5 %	Austria, Sweden, Luxembourg	Cyprus, Denmark, Netherlands, Ireland, United Kingdom, Portugal
5 % to 10 %	France, Germany, Italy, Finland, Czech Republic	Hungary, Turkey, Slovenia, Belgium, Romania
10 % to 15 %	Spain, Greece, Estonia	Latvia
15 % to 20 %	Poland, Slovakia, Croatia	Bulgaria, Lithuania
> 20 %	none	none
LAC 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
European Neighbors 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
other countries 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

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 20th Century, and which interrupted the millennia of Chinese dominance in the world economy]:

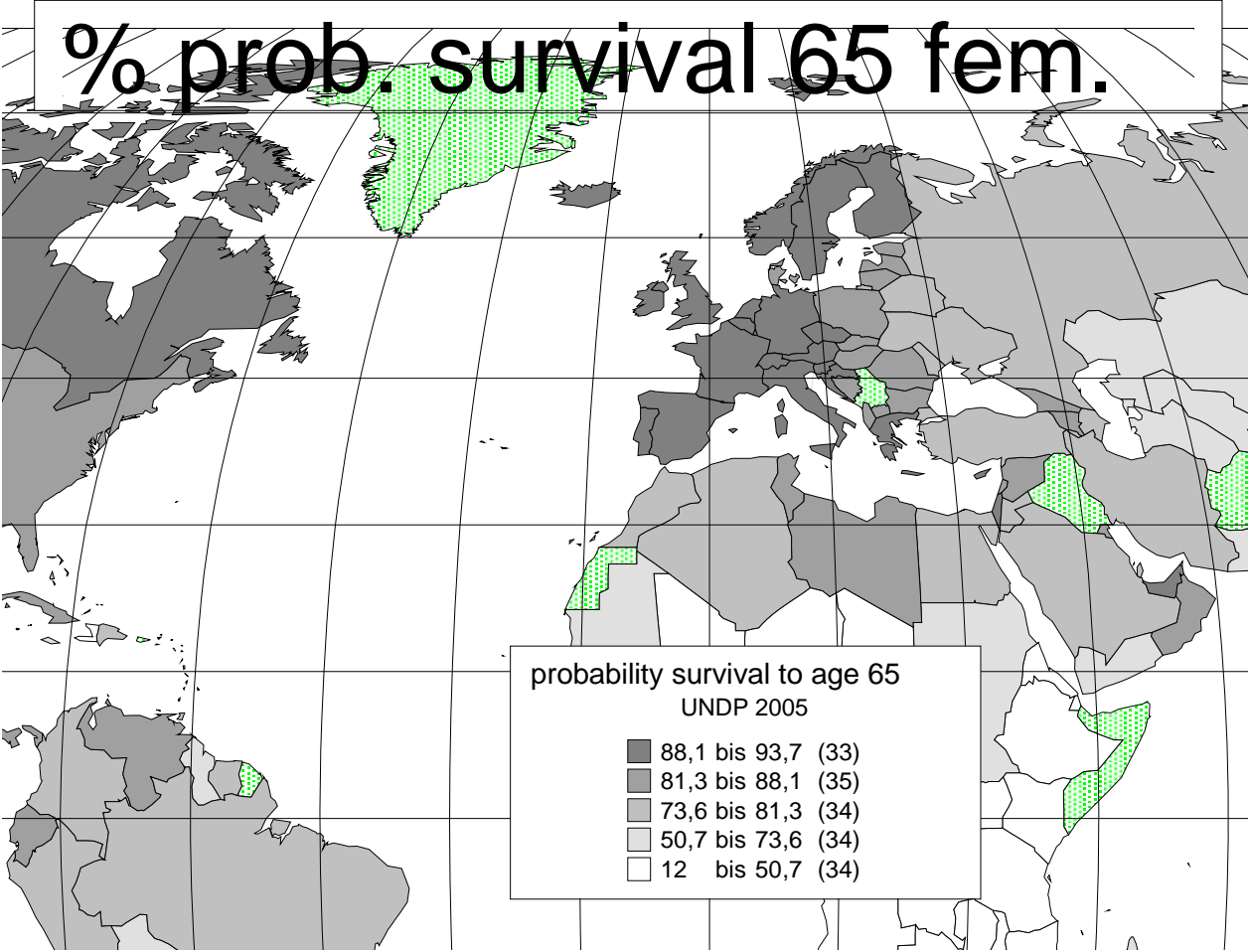
Map 10.5: female survival probability to age 65

% prob. survival 65 fem.



Legend: dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

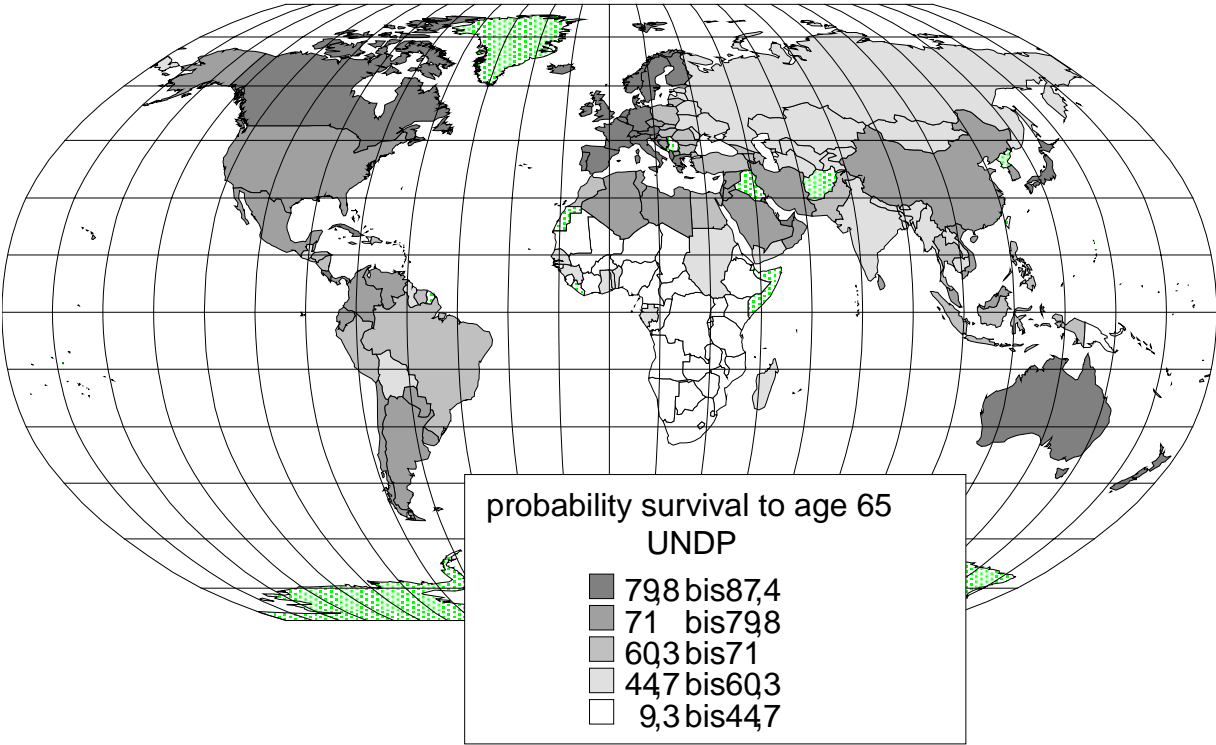
Map 10.5 (continued): female survival probability to age 65



Legend: dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

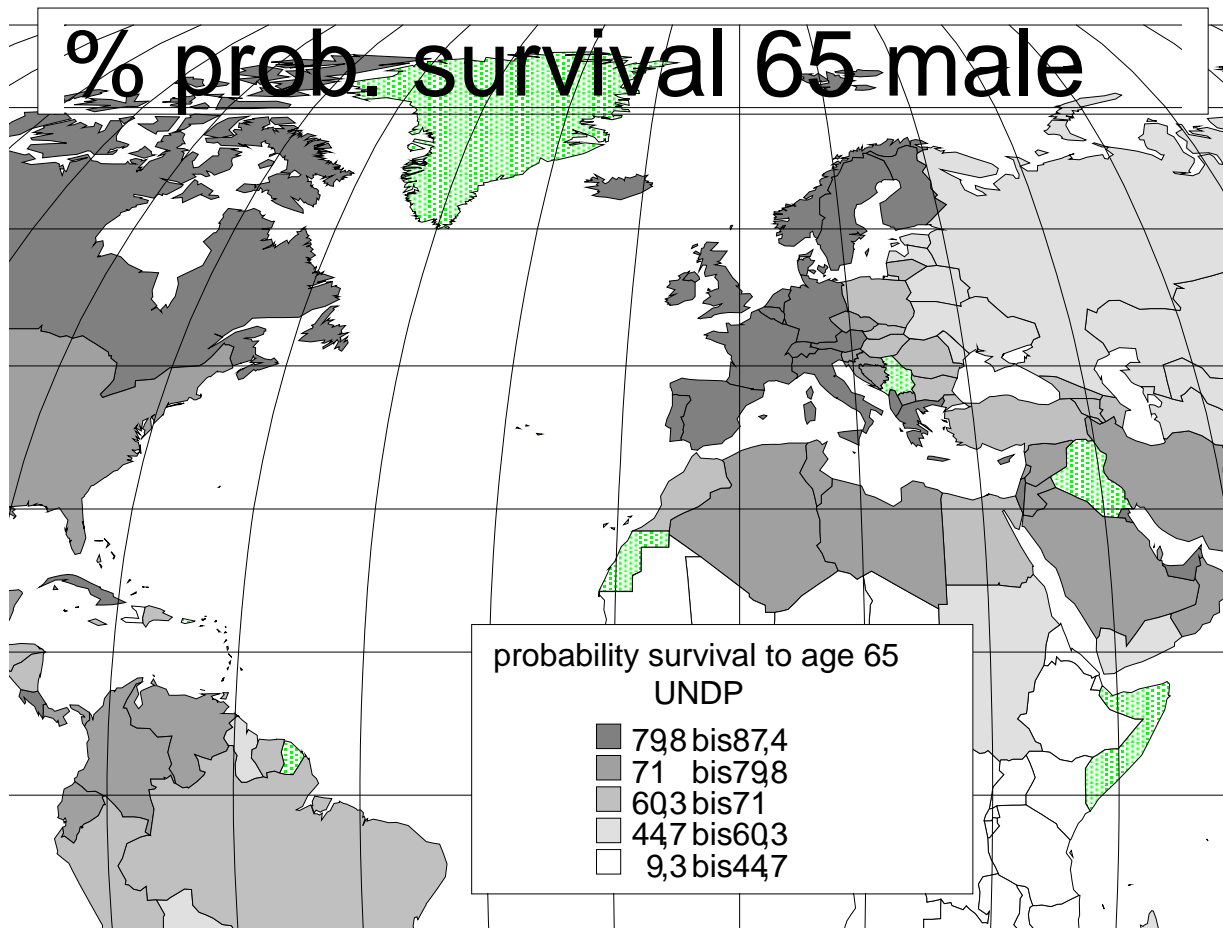
Map 10.6: male survival probability to age 65

% prob. survival 65 male



Legend: dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

Map 10.6 (continued): male survival probability to age 65



Legend: dark shades indicate a good performance. "bis" shorthand for "ranging from ... to".

The most visible and clear-cut indicators of mass poverty 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/>). 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 35th of world society, and the worst ranked EU-25 country, Estonia, is only placed 116th 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, **Estonia**, just as the Mediterranean partner countries Israel, Syria, Tunisia, Algeria, Lebanon, Jordan, Morocco, and Egypt outperform Estonia.

If our 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. Materials, presented in Tausch, 2006, show that

- **combined ratios of trends towards human misery** (unemployment, inequality, stagnation) are very **strong in most European countries**
- **absolute poverty rates in the US and in Europe are comparable**
- **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

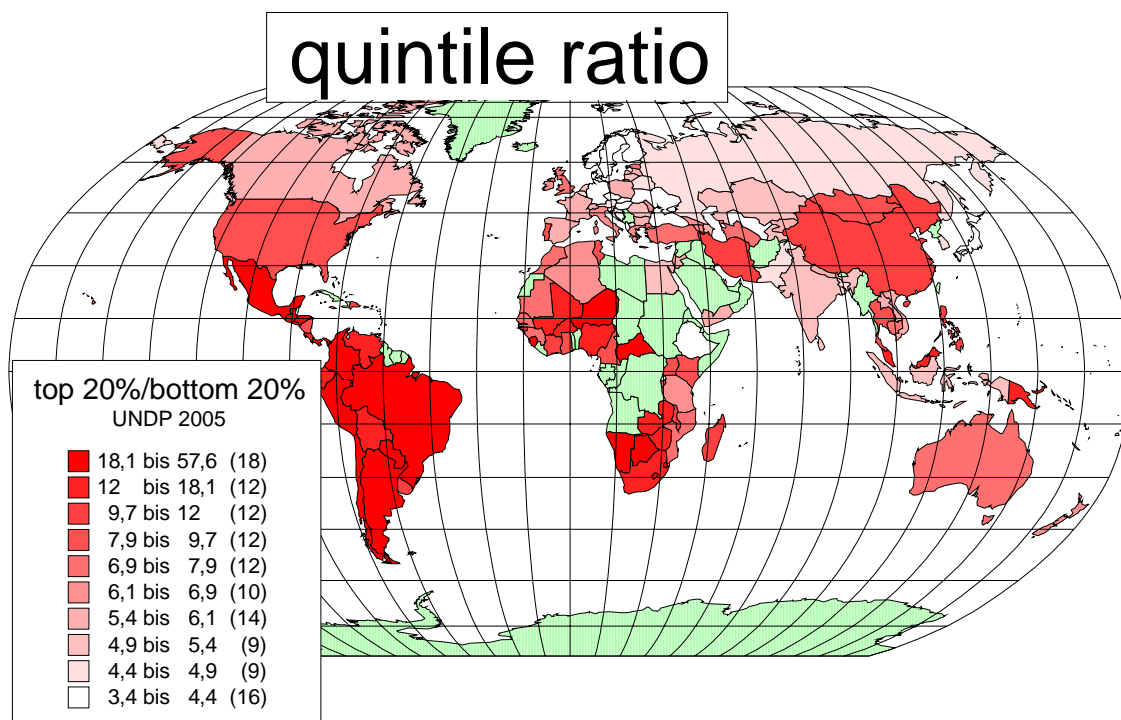
The next question, which arises in such a context then is the question as to whether figures on income inequality and economic growth do support the arguments, just explained. Is there a tendency towards stagnation, and towards inequality, which supports the argument put forward by Andre Gunder Frank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

4.4. 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**⁵, 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.

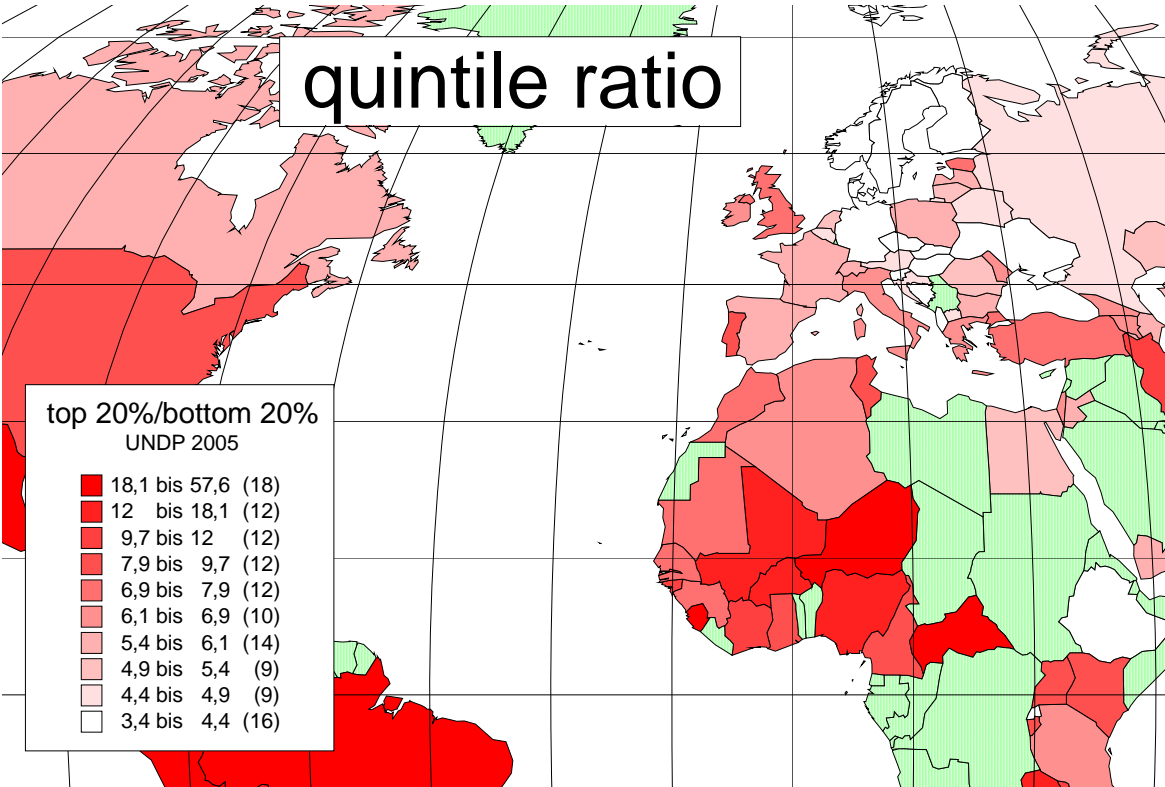
Map 10.7: quintile ratios in the world system



Legend: dark shades indicate a bad performance. “bis” shorthand for “ranging from ... to”.

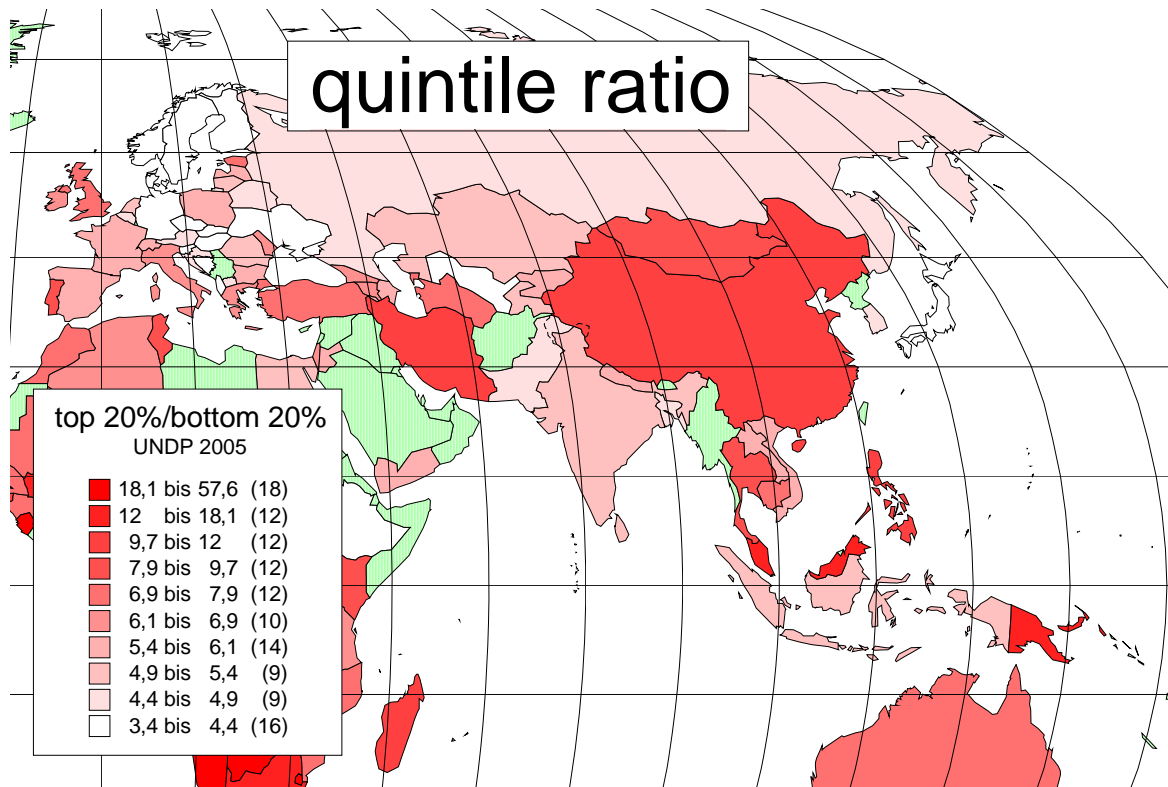
⁵ Portugal is the country of origin of the actual President of the European Commission, José Manuel Durao Barroso. Before becoming Commission President, he was the Prime Minister of his home country. Generally, his policies as Prime Minister were associated with neo-liberal economic reforms.

Map 10.7. (continued): quintile ratios in the world system



Legend: dark shades indicate a bad performance. "bis" shorthand for "ranging from ... to".

Map 10.7 (continued): quintile ratios in the world system



Legend: dark shades indicate a bad performance. "bis" shorthand for "ranging from ... to".

It is evident that the very essence of the "European social model" that meant a high living standard, and high prices in the tradable and non-tradable sector, is increasingly at risk. 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

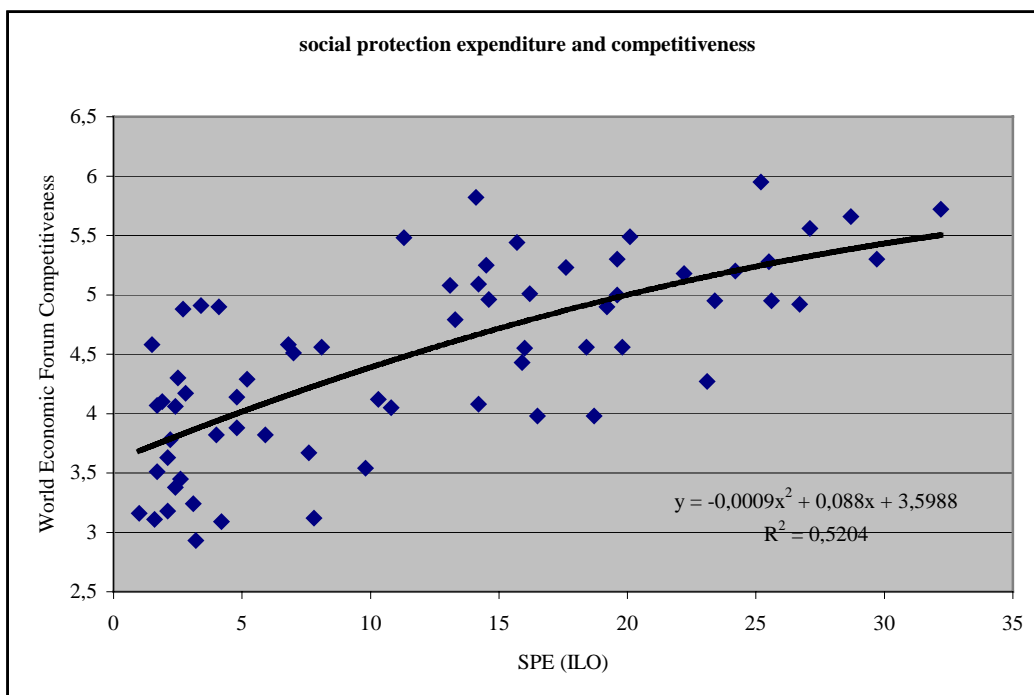
- Europe's current account surplus at that time was a sign of economic strength; while America has a secular current account deficit
- high gross social expenditures provide an ideal framework for subsequent high productivity growth rates; i.e. Europe with its strong social safety nets has ideal chances 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 (Tausch, 2006). Critics might say that this does not take into account global changes in productivity that disproportionately favor the Asian economies. Social Keynesians would now argue that these relationships also hold on a global level (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 and <http://www.ilo.org/public/english/protection/socfas/research/stat/table14.htm>).

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 4.2: social protection levels and world economic competitiveness



The empirical realities suggest that Europe, more and more, leaves behind these preconditions of successful economic development. 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.

Table 10.7: 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)

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

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

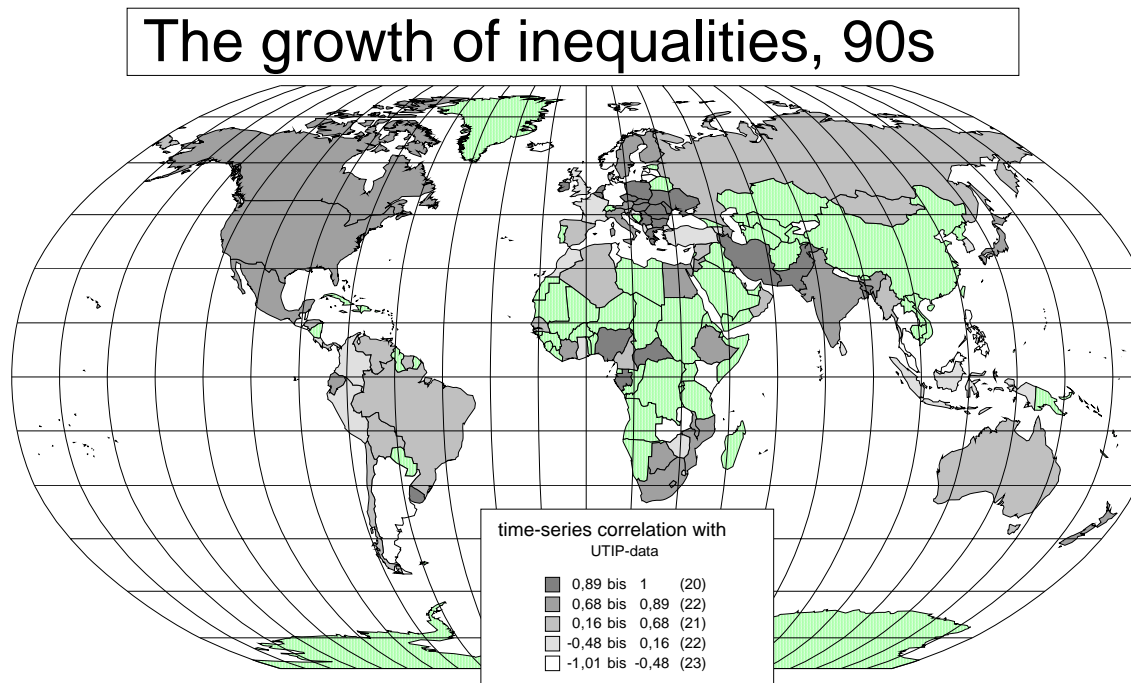
Pakistan; Burundi; Japan; Moldova; Russian Federation; Bulgaria; Egypt; Arab Rep.; Romania; Indonesia; Mongolia; Zimbabwe; Kenya; Thailand; Jordan; Italy; Cyprus; Colombia; Latvia; Malaysia; Algeria; South Africa; Gambia; The; Kyrgyz Republic; Singapore; Brazil; Zambia; Lithuania; Turkey; New Zealand; 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)

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

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**:

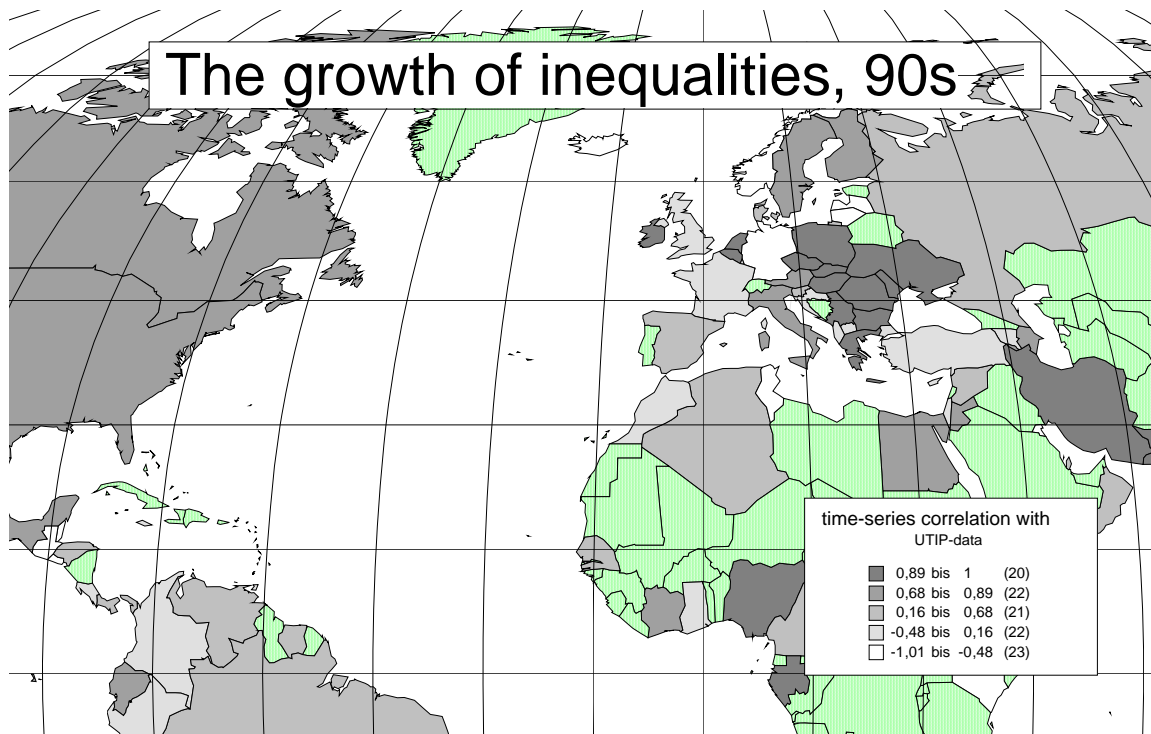
Map 10.8: the growth of inequalities in the 1990s in the world system and in the wider Europe



Source: our own calculations from UTIP⁶. 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

⁶ <http://utip.gov.utexas.edu/>

Map 10.8 cont.: the growth of inequalities in the 1990s in the world system and in the wider Europe



Source: our own calculations from UTIP⁷. 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. As we already mentioned, 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 entire EU-15, we already are confronted with the following staggering poverty rates on the outer rims of the EU-15:

⁷ <http://utip.gov.utexas.edu/>

Table 10.8: poverty in Europe (EU-15)**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	7	50	16	14	14	17
2000	18	8	5	7	41	32	14	25	24	1	8	6	49	16	14	15	17
1999	18	7	4	7	43	36	11	23	25	2	8	8	49	14	11	16	17
1998	19	8	4	8	44	38	11	23	27	1	8	8	52	11	12	15	18
1997	20	8	3	8	45	39	13	27	28	1	9	8	51	10	10	14	18
1996	20	8	4	8	46	39	12	27	28	1	11	7	51	9	:	15	19
1995	21	9	4	11	46	39	12	29	28	2	10	7	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

	2001	1997	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
A	7	8	-1
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 materials all confirm the broader picture – 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 10.9: World poverty (n = 124 countries with complete UNDP 2005 data)

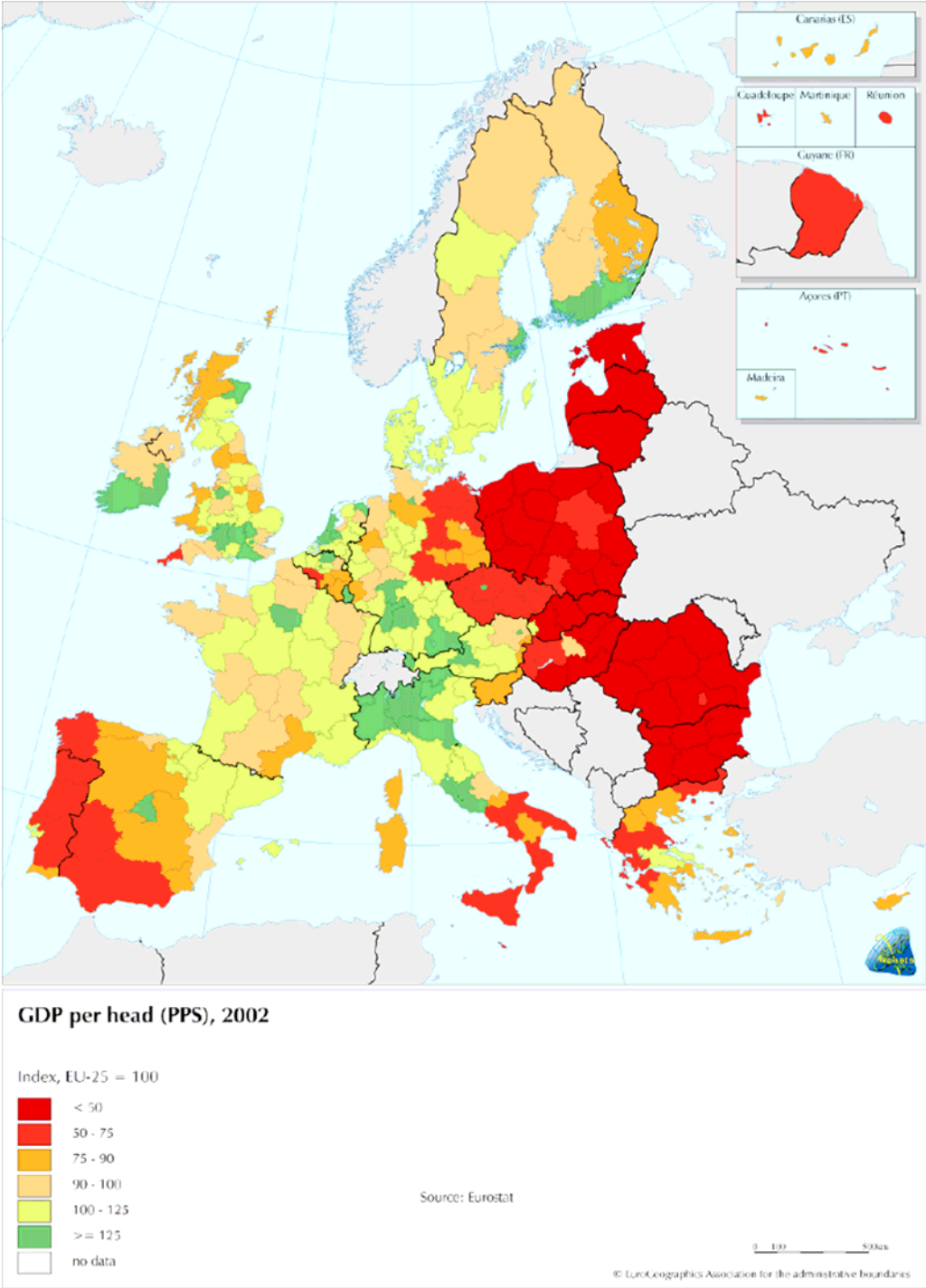
real per capita income, poorest 20 % in \$ and PPP in 2003	EU-29	European Neighborhood Program	Balkan	LAC	Western democracies	other countries
< 1000 \$		Georgia, Uzbekistan, Kyrgyzstan, Moldova, Rep. of, Tajikistan		Brazil, Nicaragua, Colombia, Panama, Peru, Venezuela, El Salvador, Ecuador, Guatemala, 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, Germany, Belgium, Netherlands, France, Italy, Slovenia, Czech Republic, Spain, United Kingdom				Norway, Japan, Canada, Switzerland, United States, Australia	

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

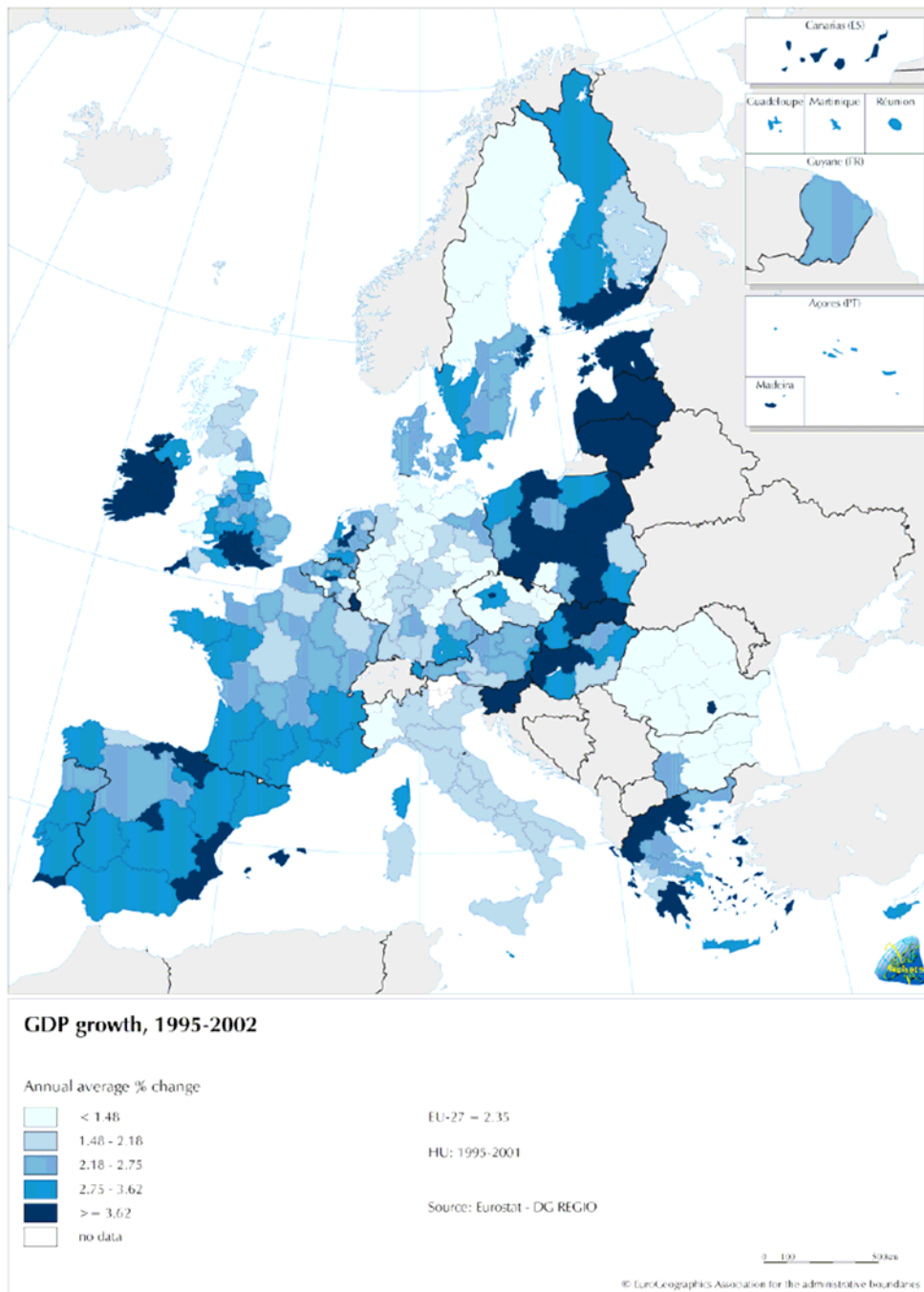
These differences in real purchasing power of the poorest 20 % in the different groups of countries deserve our further attention – with the integration of the European Periphery into the larger European “whole”, Europe becomes more and more similar to the developing regions, especially in Latin America 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”.

Our following maps, all based on InfoRegio, portray the dynamics of regional underdevelopment in Europe after the accession and enlargement process already took place. There were certain shifts in economic growth, to be sure that corrected the initial center-periphery structure, but these shifts were not general, and they were accompanied by a tremendous employment problem and by a very considerable marginalization among young people, negatively shaping the life perspectives of parts of an entire generation:

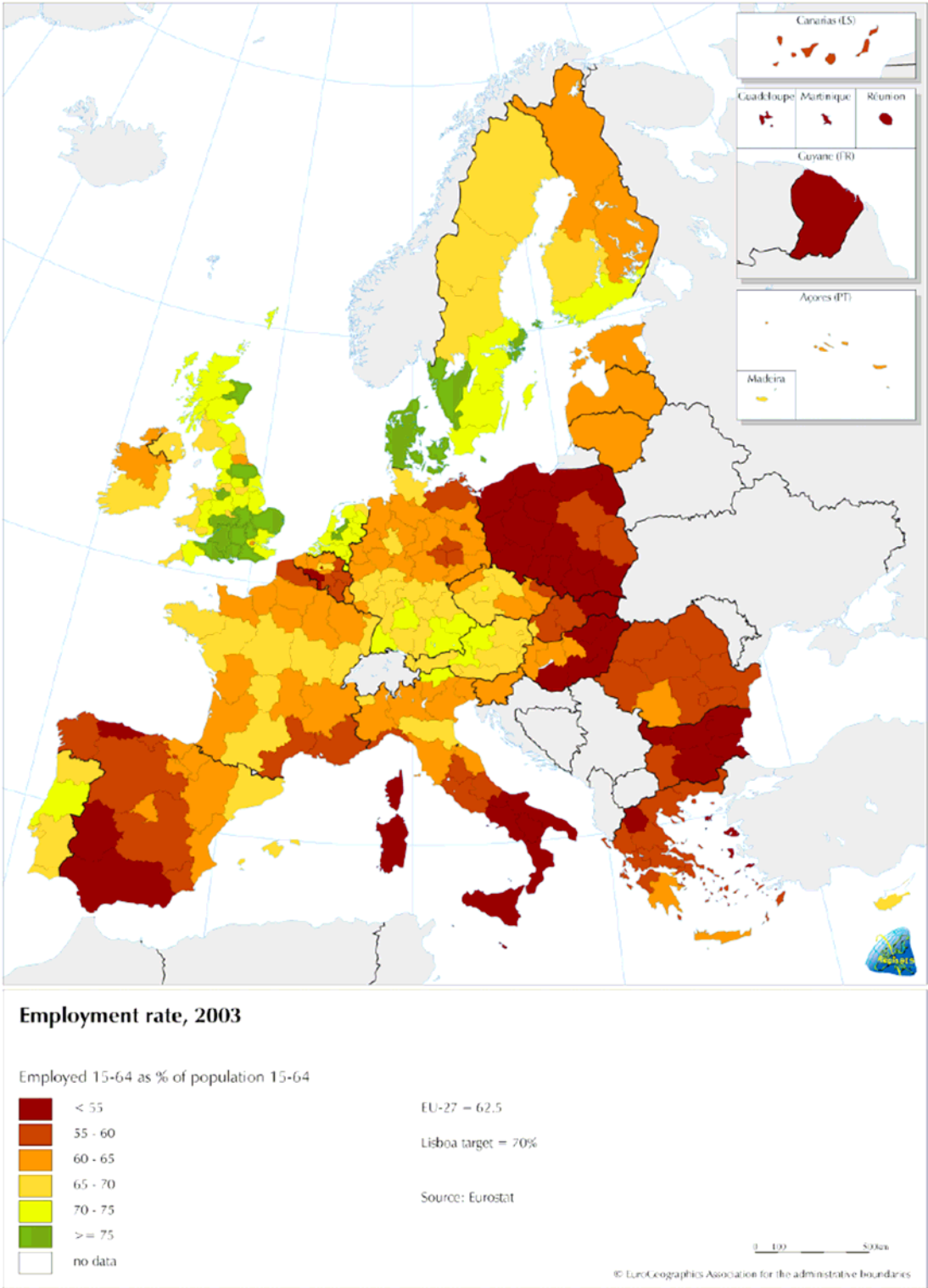
Map 10.9: Huge differences in real purchasing power



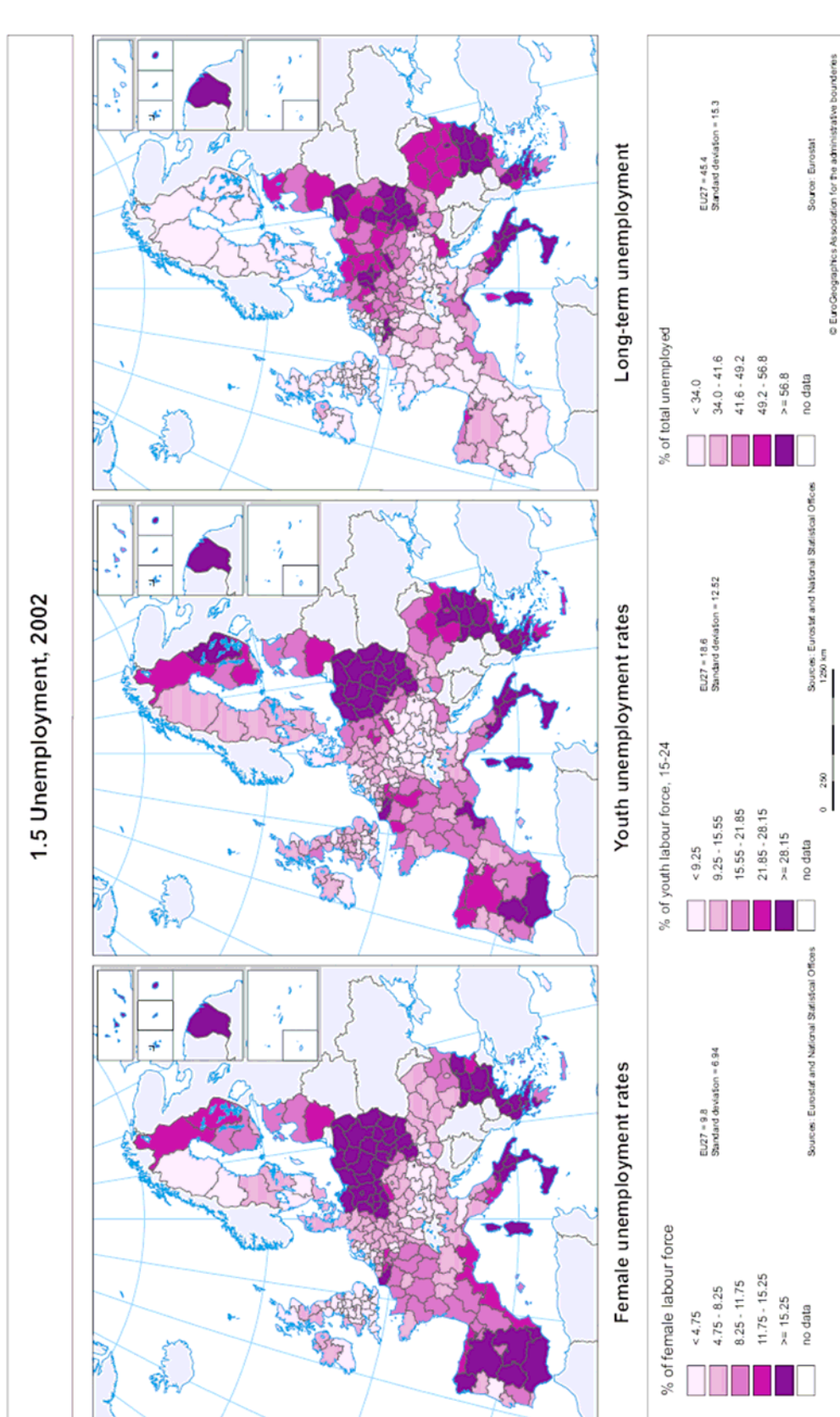
Map 10.10: Apart from the centers Ireland, S-England, Stockholm, Helsinki, Amsterdam, Brussels, Madrid and the Basque Country: economic growth clearly shifts to the some dynamic centers in the European semi-periphery



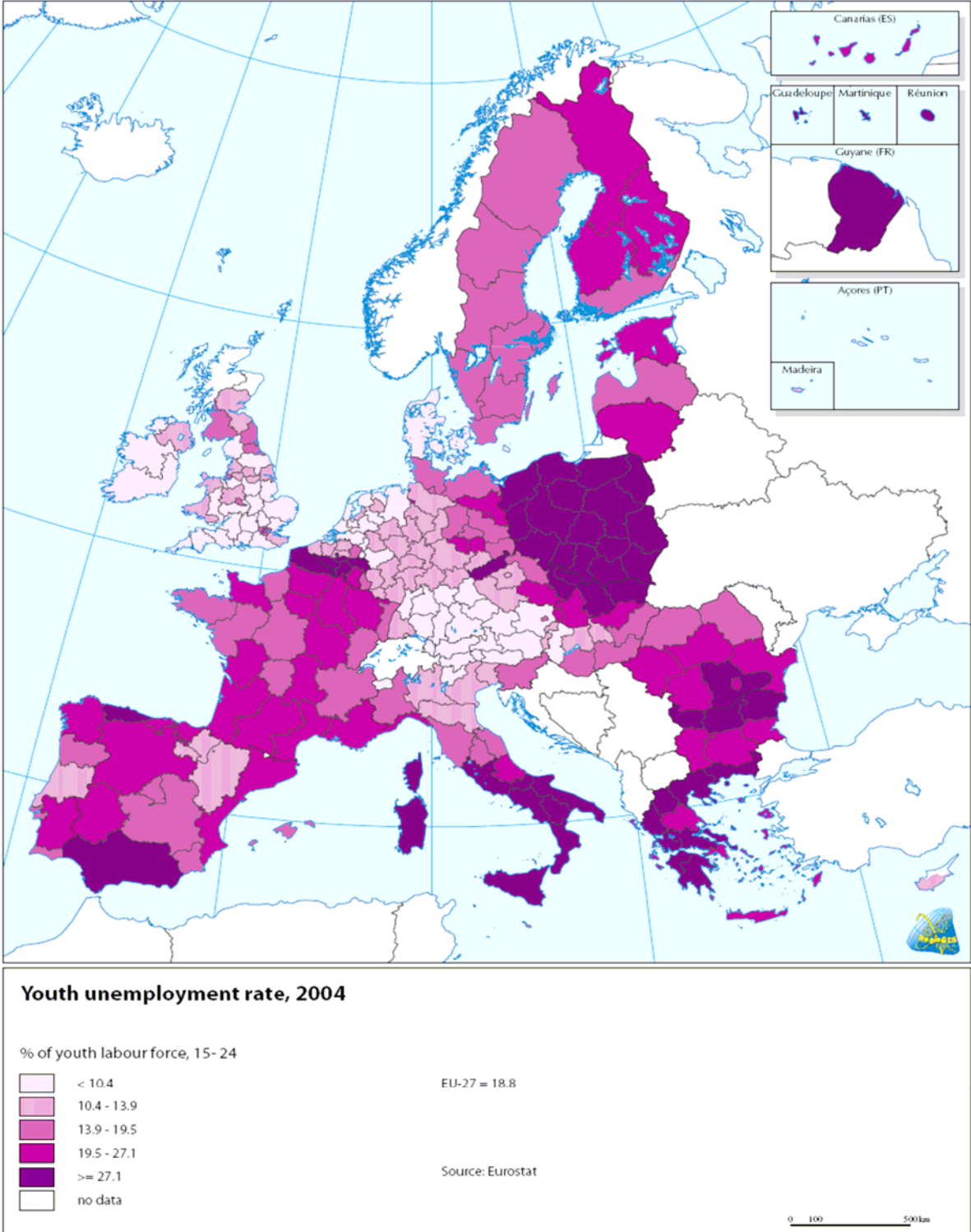
Map 10.11: There is no real convergence between rich and poor regions - The Lisbon employment targets – far away



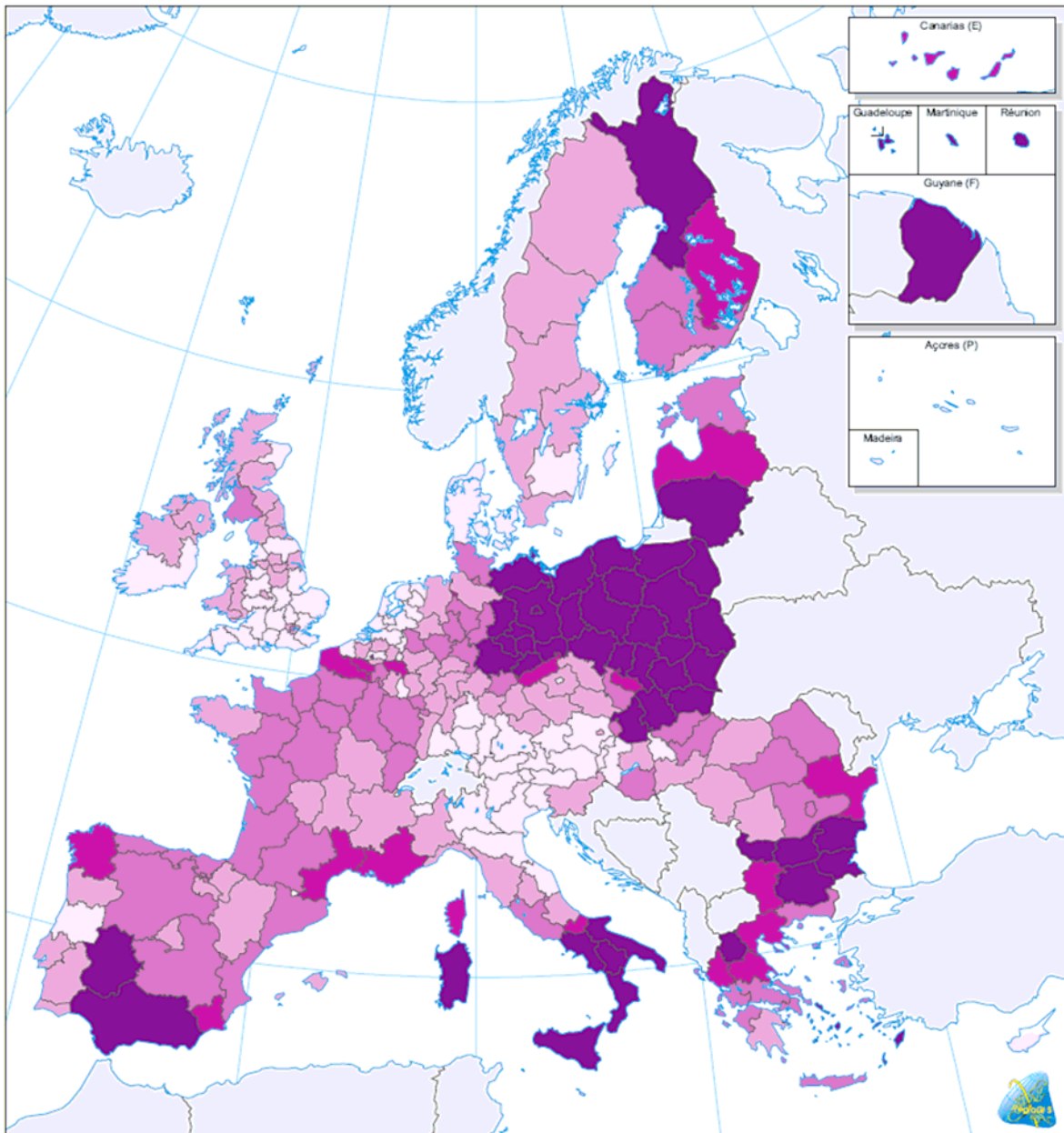
Map 10.12: Unemployment – the biggest challenge to the European social model



Map 10.13: Youth unemployment in Europe



Map 10.14: Unemployment rates



1.4 Unemployment rates, 2002

% of labour force

- < 4.75
- 4.75 - 7.65
- 7.65 - 10.55
- 10.55 - 13.45
- >= 13.45
- no data

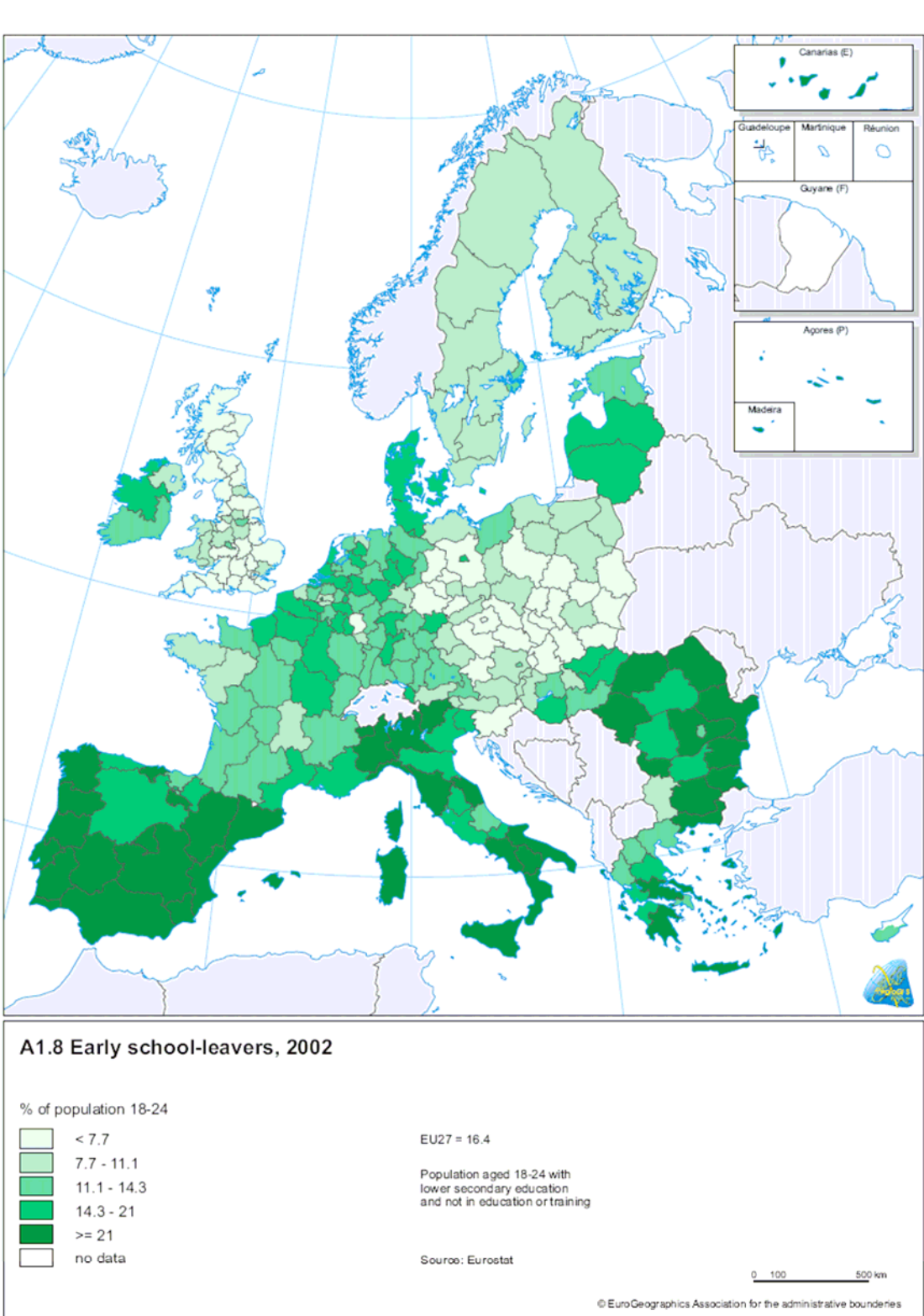
EU27 = 9.1
Standard deviation = 5.86

Sources: Eurostat and National Statistical Offices

0 100 500 km

© EuroGeographics Association for the administrative boundaries

Map 10.15: Early school leavers



Appendix

Samples and data

List of variables

The general modelIndicators of globalization:

aid dependency (UNDP, 1994) net per capita aid in \$. Donor countries are listed according to their donations per capita and are recorded as (-)

export processing zones (Bailey et al., 1993). The variable codes the number of export processing zones per country at the beginning of the 1990s

migration dependency (UNDP, 1993) net worker remittances per GNP/GDP at the beginning of the 1990s

MNC penetration index: penetration by transnational capital, weighted by population and capital stock, mid-1970s (Bornschieer/Heintz, 1979, based on OECD)

share of outward FDI stock in gross domestic product in 1985 (UNCTAD, 1996. For a very small number of countries, regional averages had to be taken to substitute for the few, missing values)

terms of trade index 1987-90 (UNDP, 1994, Weltalmanach, 1994, based on UN)

trade dependency index: exports plus imports as % of GDP 1990 (UNDP, 1993/94)

vulnerability of a nation in terms of the expansion of the new international division of labor, 1990 (**share of women in the national labor force**) (UNDP, 1993/94)

Indicators for the institutional environment:

ethno-linguistic fractionalisation index, mid-1960s (Bornschieer/Heintz, 1979, based on Taylor/Hudson). Ethnic discrimination is thought to be the purest form of a 'distribution coalition'

government consumption per GDP, 1990 (UNDP, 1993/94)

government expenditures per GNP, 1991 (UNDP, 1993/94; UNICEF, Regional Monitoring Report, 1, 11, 1993, see Cornia, 1993; World Resources Research Institute)

public investment in the preceding Kondratieff cycle (Bornschieer/Heintz)

total area in thousands of square kilometres (World Bank, WDR, 1994. This variable measures the role that territory and resources could play for attracting foreign capital)

violation of civil rights, 1991 (Stiftung, 1993/94, based on Freedom House, combining freedom of religion, the press, freedom of assembly and association, freedom of trade unions, the right to property and equality before the law)

violation of political rights index, 1991 (Stiftung, 1993/94, based on Freedom House, combining free elections, role of the elected parliament in political decision making, party competition, protection of minorities)

world political threats to a country, to be measured by the percentage of **armed forces per population**. Some neo-liberals maintain that world political threats increase the growth potential of a nation. Due to the skewness of the indicator, the natural logarithm $\ln(MPR+1)$ has to be taken (calculated from UNDP, 1993/94; see also: Weede, 1985)

years of membership in the United Nations (coded from Weltalmanach, 1995)

Indicators for the social policy approach:

human development index (UNDP, 1994) as an indicator for the quality of past social policy

increase/decrease of fertility rates 1960-90 (UNDP, 1993/94)

life expectancy at birth as an indicator for the quality of past social policy, 1990 (UNDP, 1993/94 and World Bank, WDR, 1994)

share of women in the membership of national legislature (lower house) (UNDP, 1993/94)

social security benefits expenditure as % of GDP in the era of the evolving contemporary Kondratieff cycle, 1985-90 (UNDP, 1994). Social security benefits expenditures include here the compensations for the loss of income for the sick and the temporarily disabled; payments to the elderly, the permanently disabled and the unemployed; they also include family, maternity and child allowances and the cost of welfare services. The UNDP data collection is based on ILO sources

total fertility rate (most recent estimate) (UNDP, 1993/94)

total number of inhabitants, divided by the surface area of a country (**population density**). Due to the skewness of the indicator, the squared root ($\text{population density}^{\wedge}.50$) had to be taken (calculated from UNDP, 1993/94)

violation of civil rights, 1991 (Stiftung, 1993/94, based on Freedom House)

violation of political rights index, 1991 (Stiftung, 1993/94, based on Freedom House)

The dependent variables of the general model

adjustment 1965/80-90/93(calculated from UNDP, 1993/94/96) - dimension growth

capability poverty measure (CPM-value) (UNDP, 1996. The measure weights unattended births, underweight children, and female illiteracy. It is regarded by the UNDP as a direct measure of absolute poverty)

deforestation rate (UNDP, 1993-95; World Bank, 1995; World Resources Research Institute). The index measures annual rates of deforestation in the 1980s in %. Because of missing data, a number of countries had to be coded by the LDC average or the OECD average

destabilisation index (coded according to Weltalmanach, 1995. The indicator codes all those countries as '1' (destabilised) that have entries about serious armed internal or external conflict in 1994. The rest is coded as '0')

employment (UNDP, 1994) labor force as % of total population

ethno-warfare (Gurr, 1994) magnitude of ethno-political conflict. The scores are country sums of the squared roots of the deaths (in 10s of thousands) from ethno-political conflict 1993-94 plus refugees (in 100s of thousands). Countries with no entries according to Gurr's main research results, 1994, are coded as '0'

forest area per total land area (UNDP, 1993-95). In contrast to the above indicator that measures flows, this measure rather captures stocks of already existent forest destruction. Agricultural land per total land area has to be taken into consideration as an independent variable, because else the regression equations would be biased by a desert-factor

gender empowerment measure (UNDP, 1995. The index weights seats held by women in parliament, the percentage share of women and managers, the share of women in the professional and technical workforce, and the share of women in total earned income

gender-related development index (GDI) (UNDP, 1995) - dimension female life chances. This index was developed by the UNDP especially for the 1995 women's conference in Beijing. The index weights the share of earned income for females and males, the gender-specific life expectancies, the gender-specific adult literacy rates, and the gross primary, secondary and tertiary enrolment ratios. It ranges theoretically from 0.0 to 0.999, with Sweden (0.919) at the top of the international scale, and Afghanistan (0.169) at the bottom. Since there unfortunately no were no data for Dominica, Grenada, Antigua, Seychelles, Saint Lucia, Saint Vincent, Saint Kits, Belize, South Africa, Oman, Jordan, Gabon, Solomon Islands, Sao Tome, Congo, Rwanda, Bhutan, Angola, Mauritania, Somalia, Gambia, Germany and Israel, we had to substitute these missing values with averages for the socio-economic groups concerned: a) the industrialised democracies (gender development index average 0.87) b) developing countries with a Human Development Index above 0.6 (in our 123 nations analysis: Barbados to Tunisia, gender development index average 0.721) c) developing countries with a Human Development Index from 0.599 to 0.389 (Oman to Egypt, gender development index average 0,542) d) developing countries with a Human Development Index under 0.388 (except for the very least developed countries; Kenya to Sierra Leone; gender development index average 0.33) and e) the very least developed countries Benin, Guinea Bissau, Chad, Mali, Niger, Burkina Faso and Sierra Leone with a gender development index of 0.2. This procedure can be regarded only as a first approximation and should be substituted in future research

GNP per capita growth (1965-1980 and 1980-90/1980-92, 1980-93) (UNDP, 1993/94/95/96; Fischer Weltalmanach) - dimension growth

greenhouse index, 1989 (greenhouse index per 10 million people, UNDP, 1994. The greenhouse index measures the net emissions of three major greenhouse gases: carbon dioxide, methane and chlorofluorocarbons. The index weights each gas according to its heattrapping quality in carbon dioxide equivalents and expresses them in metric tonnes of carbon per capita) - dimension environmental quality/degradation

human development index (HDI) (UNDP, 1994)

income distribution (Moaddel, 1994. The measure focuses on the share of the top 20% in total incomes in over 80 countries. Wherever possible, Moaddel's data were updated by World Bank WDR, 1994 and 1995)

increase in life expectancy 1960-90 (calculated from UNDP, 1993/94 via a regression procedure, predicting 1990 life expectancy on 1960 life expectancy, and then taking the residuals as growth rates) - dimension redistribution and human development

mean years of schooling of the population aged 25 and > (UNDP, 1993 and 1994)

violation of civil rights, 1991 (Stiftung, 1993/94, based on Freedom House) - dimension democracy

violation of political rights index, 1991 (Stiftung, 1993/94, based on Freedom House) - dimension democracy

The _____ final _____ model

% labor force participation ratio (UNDP, 1996)

% of the labor force in agriculture (UNDP, 1996; Fischer Weltalmanach, 1996)

% of the labor force in industry (see: labor force agriculture)

absolute GNP (UNDP, 1996)

agricultural share in GDP (UNDP, 1996; Fischer Weltalmanach, 1996)

average population growth (UNDP, 1996)

economic growth 80-93, pc. and year (UNDP, 1996)

EU membership years (Fischer Weltalmanach, 1995, 1996)

FDI per GDP (UNCTAD, 1996; Business Central Europe, 1996)

human development index (UNDP)

inflation 93 (UNDP, 1996)

main telephone lines per 100 population (UNDP, 1996)

mean years of schooling, population aged >25y

military expenditures per GDP (UNDP, 1996)

state sector size (gov. expenditures per GDP; UNDP 1996; Weltalmanach, 1995, 1996; World Resources Institute)

structural heterogeneity (labor force share in agriculture divided by product share of agriculture; see labor force data)

total fertility rate (UNDP, 1996)

UN membership years (Weltalmanach, 1996, 1995)

violation of political rights (1, democracy, to 7, dictatorship) (Stiftung Entwicklung und Frieden, 1996, based on Freedom House)

violations of civil rights (see political rights)

years of Communist Rule (Autorenkollektiv; Weltalmanach)

Data about the position of societies in the world system

	Adjustment	GNP gro80-92	Viol Pol Rits	Viol Civ Rits	PopDens*0,5	Terms Trade	MNC PEN73	Govcons	Trade Dep	social sec	UNmemby.	Women Parl
Barb	0,35898	1	1	1	77,4597	107	115,4	10	63	0,9	29	4
Hong	3,29846	5,5	3,6	3,5	241,083	100	208,91	8	187	2,7	0	8
Urug	-1,5112	-1	1	2	13,3417	104	30,35	13	38	7,5	50	6
Trinid	-6,8691	-2,6	1	1	49,3862	110	565,39	16	70	2,1	33	17
Baham	1,73353	1	2	3	16,1245	107	115,4	10	63	0,5	22	4
Korea	6,22566	8,5	2	3	66,5958	108	20,7	10	57	2,7	4	2
Costa	-0,3551	0,8	1	1	24,6982	114	174,71	18	61	6,3	50	12
Sing	2,59584	5,3	4	4	211,901	100	295,3	11	327	7,1	30	5
Arg	-2,0673	-0,9	1	3	10,9545	112	72,62	5	18	2,7	50	5
Ven	-2,5252	-0,8	1	3	14,9666	164	198,6	9	49	1,1	50	10
Domi	3,8072	4,6	2	1	30,9839	107	115,4	10	63	3,3	17	17
Kuw	-1,9945	-4,3	6	5	34,2199	77	115,4	10	56	2,7	32	8
Mex	-1,984	-0,2	4	4	21,2603	110	48,59	11	23	1,5	50	12
Maurit	4,27301	5,6	1	2	76,6159	114	115,4	12	134	5,6	27	7
Malay	0,94319	3,2	5	4	23,6854	94	167,94	13	138	0,5	38	5
Gren	5,52036	3,8	1	2	51,7301	101	115,4	12	38	3,3	21	8
Antig	5,76509	5	3	3	38,7298	101	115,4	12	38	3,3	14	8
Colom	-0,027	1,4	2	4	17,7764	92	51,96	10	30	1,5	50	8
Seych	0,98617	3,2	6	6	51,2835	101	115,4	12	38	1,7	19	16
Sur	-6,9007	-3,6	4	4	5,2915	101	115,4	12	38	0,6	20	16
UAE	-6,9945	-4,3	6	5	13,9642	101	115,4	12	38	3,3	24	0,4
Pan	-2,7402	-1,2	4	2	18,0278	138	1289,73	22	39	9,4	50	8
Jamai	0,10633	0,2	2	2	47,4974	88	478,22	15	76	1,2	33	5
Braz	-1,6445	0,4	2	3	13,3791	123	97,11	16	13	4,6	50	6
Fiji	-1,7419	0,3	6	4	20,025	101	115,4	12	38	0,6	25	8
Saint L	3,50283	4,4	1	2	47,0425	101	115,4	12	38	3,3	16	0,4
TRK	1,91599	2,9	2	4	27,258	98	14,19	14	37	4,5	50	1
Thai	4,17214	6	6	4	32,9242	99	24,45	10	70	3,3	49	4
Saint V	6,07738	5	1	2	52,6213	101	115,4	12	38	3,3	15	8
Saint K	4,74407	5,7	1	1	34,1614	101	115,4	12	38	3,3	12	7
Syria	-3,8287	0	7	7	26,3818	87	7,49	14	45	3,3	50	8
Belize	1,50196	2,6	1	1	9,21954	101	115,4	12	38	3,3	14	0,4
Saudi	-5,3945	-3,3	7	6	8,48528	95	129,48	12	68	1,4	50	0
South A	-1,8121	0,1	5	4	17,8326	93	94,05	19	46	3,3	50	8
Sri L	1,65985	2,6	4	5	51,9423	90	30,89	9	64	2	40	5
Liby	-8,9945	-5,4	7	7	5,19615	97	268,04	12	38	3,3	40	8
Ecu	-2,6577	-0,3	2	3	19,7484	109	106,26	8	42	1,6	50	6
Para	-2,5989	-0,7	3	3	10,5357	110	52,72	6	39	3,3	50	6
Phil	-2,4121	-1	3	3	46,2601	93	41,99	9	50	0,7	50	9
Tune	-0,6568	1,3	5	5	23,0217	99	78,61	16	81	3,6	39	4
Oman	3,69497	4,1	6	6	8,60233	101	115,4	12	40	3,3	24	0
Peru	-1,8805	-2,8	3	5	13,1149	78	84,71	6	18	3,3	50	6
Domin	-1,57	-0,5	2	3	38,8973	98	156,4	7	38	0,5	50	8
Jord	-5,9296	-5,4	4	4	21,587	112	17,1	24	114	0,4	40	0,4
China	6,60108	7,6	7	7	35,426	111	0	8	32	3,4	50	21
Iran	-1,5831	-1,4	6	5	19,1311	72	35,63	11	24	3,3	50	2
Botsw	2,50813	6,1	1	2	4,69042	101	115,4	12	38	3,3	29	5
Guya	-3,0375	-5,6	5	4	6,40312	101	115,4	12	38	0,8	29	37

Alger	-1,6419	-0,5	4	4	10,3923	99	28,01	18	61	3,3	33	2
Indon	2,32828	4	6	5	32,187	111	35,21	9	44	3,3	45	12
Gabon	-4,5436	-3,7	4	3	6,78233	96	115,4	20	68	2	35	8
El Sal	-0,7814	0,2	3	4	50,4876	114	62,6	11	32	1	50	8
Mald	6,28967	6,8	6	5	85,6329	97	115,4	13	40	3,3	30	4
Guat	-2,9261	-1,5	3	5	29,5466	102	77,37	7	37	0,8	50	7
Hond	-1,2095	-0,3	2	3	21,7715	104	157,11	15	82	3,3	50	12
Swaz	-0,027	1,6	6	5	21,166	97	115,4	13	40	3,3	27	7
Solom	1,71425	3,3	1	1	10,8628	97	115,4	13	40	0,6	17	0,4
Moroc	0,90283	1,4	5	5	24	86	36,01	16	44	1,5	39	0,4
Lesoth	-3,3594	-0,5	6	4	24,2899	97	115,4	24	40	0,6	29	7
Zimbab	-1,0673	-0,9	5	4	16,2788	97	73,1	26	40	0,1	15	12
Boliv	-2,8673	-1,5	2	3	8,24621	97	35,21	15	37	2,3	50	7
Egypt	1,35985	1,8	5	5	23,2164	76	5,19	10	40	1,1	50	2
Sao T	-5,1551	-3	2	3	35,4965	97	115,4	13	40	0,6	20	11
Congo	-0,8972	-0,8	6	4	8,18535	99	115,4	19	59	0,6	35	7
Kenya	-0,5691	0,2	6	6	20,6882	103	53,34	18	42	0,6	32	1
Madag	-1,6647	-2,4	4	4	14,5945	102	67,82	9	30	0,6	35	7
Papua	-0,2945	0,6	2	3	9,38083	75	495,73	24	74	0,6	20	0,4
Zambia	-1,9209	-3,1	2	3	10,6301	97	92,75	15	40	0,6	31	5
Ghana	0,2072	-0,1	6	6	25,9422	75	111,95	8	31	0,6	38	7
Pak	2,58967	3,1	4	5	39,6989	95	19,61	15	37	0,6	48	1
Camer	-0,8682	-1,5	6	6	15,9687	91	125,1	12	22	0,6	35	14
India	3,01862	3,1	3	4	53,8702	96	7,13	12	16	0,5	50	7
Cote	-4,4402	-4,7	6	4	19,7737	80	142,33	18	62	0,5	35	5
Haiti	-2,2235	-2,4	7	7	49,0102	97	72,68	9	15	0,6	50	7
Tanz	-0,5805	0,1	6	5	17,4356	108	20,62	10	60	0,6	34	11
Comor	-0,5945	-1,3	4	3	50,2892	97	115,4	13	40	0,6	20	0,4
Zaire	-0,4779	-1,8	6	5	13,0384	163	97,26	13	25	0,6	35	5
Lao	0,90545	1,8	6	7	13,7113	97	11,53	12	40	0,6	40	9
Nigeria	-4,3419	-0,4	5	4	35,0856	100	156,15	11	56	0,6	35	7
Togo	-1,9673	-1,8	6	5	25,8844	114	133,85	19	62	0,8	35	4
Ugan	0,60895	1,8	6	6	30,133	88	7,03	7	22	0,6	33	12
Bangl	1,59229	1,8	2	3	94,5833	95	6,5	9	23	2,1	21	10
Rwanda	-2,4244	-0,6	6	6	54,2863	98	44,97	18	18	0,3	33	17
Ethi	-0,9086	-1,9	6	5	21,6102	84	16,12	26	25	1,4	50	7
Malaw	-1,0121	-0,1	7	6	32,573	93	66,37	15	60	0,6	31	10
Burun	0,73178	1,3	7	6	46,9574	70	53,02	15	31	0,7	33	7
CAfricR	-1,1805	-1,5	6	5	7,07107	109	140,57	14	25	0,6	35	4
Mozam	-3,8945	-3,6	6	4	13,6015	97	38,9	20	40	0,6	20	16
Bhut	7,60545	6,3	6	5	18,303	97	115,4	20	40	0,6	24	0,4
Angol	6,30545	-0,9	6	4	4,47214	97	118,94	13	55	0,6	19	15
Maure	-1,2937	-0,8	7	6	4,47214	107	443,05	10	75	0,6	34	7
Benin	-0,4077	-0,7	2	3	20,7605	97	58,93	11	32	0,6	35	6
GuiBis	3,32386	1,6	6	5	18,7083	97	115,4	13	40	0,6	21	7
Chad	4,58	3,4	6	6	6,7082	97	39,94	23	59	0,6	35	7
Somal	-1,2937	-2,3	7	7	11,9164	111	31,14	13	55	0,6	35	7
Gamb	-0,8252	-0,2	2	2	29,7321	97	115,4	13	40	0,6	30	8
Mali	0,76072	-2,7	6	4	8,83176	97	11,21	10	40	0,5	35	7
Niger	-2,9621	-4,3	6	5	7,93725	77	48,68	13	26	0,3	35	5
Burki	1,13265	1	6	5	18,3848	100	31,64	13	21	0,4	35	7
Sierr	-1,3375	-1,4	6	5	24,3926	80	79,49	10	34	0,6	34	7
Jap	1,77126	3,6	1	2	57,3934	91	6,08	9	18	11	39	2
Can	1,44494	1,8	1	1	5,38516	109	388,5	20	42	18,8	50	13

Norw	1,61599	2,2	1	1	11,7898	91	91,53	21	58	17,6	50	36
Switz	1,51862	1,4	1	1	41,2432	100	168,03	13	59	13,3	0	14
Swe	1,40371	1,5	1	1	14,4568	101	47,09	27	49	33,7	49	38
USA	1,88967	1,7	1	1	16,5831	100	25,19	18	16	12,6	50	6
Austral	1,21774	1,6	1	1	4,79583	115	180,39	18	26	8	50	7
Fran	0,57301	1,7	1	2	32,187	102	62,41	18	37	26,1	50	6
NL	0,70283	1,7	1	1	66,6108	102	130,26	15	92	28,7	50	21
UK	2,10371	2,4	1	2	48,8057	105	91,01	20	42	17	50	6
Ger	1,37389	2,4	1	2	47,8121	97	74,69	18	50	23	22	20
DK	1,61774	2,1	1	1	34,8569	104	114,62	25	51	27,8	50	33
SF	2,01599	2	1	1	12,8062	98	22,77	27	51	22,2	40	39
Aus	0,74407	2	1	1	30,5941	92	52,61	18	58	22,5	40	22
Blg	0,11599	2	1	1	57,28	96	138,15	14	43	19,8	50	9
NZ	0,33265	0,6	1	1	11,3137	99	99,27	17	43	14,3	50	17
Israel	0,37301	1,9	2	2	48,949	103	40,78	29	51	13,2	46	7
Ire	0,35985	3,4	1	1	22,5167	95	142,63	16	105	19,9	40	8
Ital	1,28792	2,2	1	1	44,3058	97	76,59	17	32	21,6	40	13
Spa	1,40108	2,9	1	1	27,9464	106	60,98	15	29	13,4	40	15
Gree	-0,7998	1	1	2	27,8568	105	54,75	21	48	11,9	50	5
Hun	-0,2287	0,2	2	2	33,7787	87	0	11	42	18,2	40	7
Port	0,88617	3,1	1	1	32,7567	105	88,05	13	73	10,4	40	8
	Adjustment	GNP gro80-92	Viol Pol Rits	Viol Civ Rits	PopDens*0,5	Terms Trade	MNC PEN73	Govcons	Trade Dep	social sec	UNmemby.	Women Parl

continuation

Women %LF	ln PCI	ln PCI^2	ln(MPR+1)	Fertility Rate	pub invest	Dyn Fert6091	ethno-fract	UN entry	UN memby	country
48	8,1441	66,3263	0,33647	1,7	41,6	39	0,4	1966	29	Barb
36	7,75061	60,072	0,33647	1,4	41,6	28	0,02		0	Hong
31	8,38959	70,3852	0,63127	2,4	23,7	82	0,2	1945	50	Urug
27	8,46674	71,6857	0,14842	2,8	22,5	54	0,56	1962	33	Trinid
47	6,85646	47,0111	0,33647	2,1	41,6	54	0,4	1973	22	Baham
34	6,85646	47,0111	0,91228	1,7	25,8	30	0,4	1991	4	Korea
29	7,67786	58,9496	0	3,2	21,7	46	0,07	1945	50	Costa
39	7,78697	60,6369	1,14422	1,7	47,3	32	0,42	1965	30	Sing
21	8,12593	66,0307	0,22314	2,8	35,3	91	0,31	1945	50	Arg
22	8,26848	68,3677	0,23902	3,2	41,6	50	0,11	1945	50	Ven
42	6,85646	47,0111	0,33647	2,5	41,6	53	0,4	1978	17	Domi
14	6,85646	47,0111	0,59333	3,8	41,6	52	0,4	1963	32	Kuw
31	7,96207	63,3945	0,14842	3,3	37,5	49	0,3	1945	50	Mex
35	7,65586	58,6123	0,33647	2	41,6	35	0,4	1968	27	Maurit
31	7,48605	56,041	0,53063	3,7	39,1	55	0,72	1957	38	Malay
49	6,85646	47,0111	0,33647	4,9	41,6	47	0,4	1974	21	Gren
39	6,85646	47,0111	0,33647	1,7	41,6	47	0,4	1981	14	Antig
41	7,53583	56,7887	0,19885	2,7	21,9	41	0,06	1945	50	Colom
42	6,85646	47,0111	0,33647	2,6	41,6	47	0,4	1976	19	Seych
39	7,71155	59,468	0,33647	2,8	41,6	42	0,4	1975	20	Sur
6	6,85646	47,0111	1,37624	4,6	41,6	66	0,4	1971	24	UAE
27	7,33498	53,802	0,19885	3	23,9	50	0,28	1945	50	Pan
31	7,51152	56,423	0,07696	2,5	41,6	46	0,05	1962	33	Jamai
35	7,24708	52,5202	0,19062	2,9	26,5	47	0,07	1945	50	Braz

19	7,76387	60,2777	0,35066	3	41,6	48	0,4	1970	25	Fiji
39	6,85646	47,0111	0,33647	3,3	41,6	47	0,4	1979	16	Saint L
33	7,41998	55,0561	0,81093	3,6	52,5	56	0,25	1945	50	TRK
47	6,89264	47,5085	0,39204	2,3	32,5	36	0,66	1946	49	Thai
39	6,85646	47,0111	0,33647	2,6	41,6	47	0,4	1980	15	Saint V
39	6,85646	47,0111	0,33647	2,5	41,6	47	0,4	1983	12	Saint K
15	7,48829	56,0745	1,53256	6,3	37,5	87	0,22	1945	50	Syria
33	6,85646	47,0111	0,33647	4,5	41,6	47	0,4	1981	14	Belize
7	8,93748	79,8786	0,46373	6,5	46,4	90	0,06	1945	50	Saudi
33	8,00102	64,0163	0,25464	4,2	42	64	0,88	1945	50	South A
37	7,23634	52,3646	0,12222	2,5	33,9	48	0,47	1955	40	Sri L
9	6,85646	47,0111	1,05082	6,5	33,6	92	0,23	1955	40	Liby
30	7,28688	53,0986	0,31481	3,8	39,8	55	0,53	1945	50	Ecu
41	7,09008	50,2692	0,35767	4,4	22,9	65	0,14	1945	50	Para
37	7,07581	50,0671	0,16551	4	13,4	59	0,74	1945	50	Phil
13	7,23993	52,4166	0,43825	3,6	73,8	50	0,16	1956	39	Tune
8	6,85646	47,0111	0,97456	6,8	41,6	96	0,4	1971	24	Oman
33	7,66388	58,735	0,43825	3,7	17,8	54	0,59	1945	50	Peru
15	7,11233	50,5852	0,27003	3,5	32,8	47	0,04	1945	50	Domin
10	7,19143	51,7167	1,13462	5,8	38,5	76	0,05	1955	40	Jord
43	6,58341	43,3413	0,26236	2,3	41,6	40	0,12	1945	50	China
18	7,59337	57,6593	0,81978	6,1	38,2	85	0,76	1945	50	Iran
35	6,16121	37,9605	0,23111	5,2	41,6	76	0,4	1966	29	Botsw
21	7,39634	54,7058	0,41211	2,6	41,6	41	0,4	1966	29	Guya
4	7,42417	55,1182	0,54812	5	65,7	69	0,43	1962	33	Alger
40	6,85646	47,0111	0,14842	3,2	38,9	58	0,76	1950	45	Indon
38	7,22475	52,1971	0,24686	5,2	41,6	129	0,4	1960	35	Gabon
45	7,17396	51,4657	0,66783	4,2	24,1	61	0,17	1945	50	El Sal
20	6,85646	47,0111	0,33647	6,3	41,6	90	0,4	1965	30	Mald
26	7,41878	55,0383	0,38526	5,5	23,1	80	0,64	1945	50	Guat
18	6,80351	46,2877	0,30748	5,1	21	71	0,16	1945	50	Hond
40	7,07496	50,0551	0,33647	5	41,6	77	0,4	1968	27	Swaz
26	6,85646	47,0111	0,33647	5,5	41,6	86	0,4	1978	17	Solom
20	6,74993	45,5616	0,63127	4,5	63,2	63	0,53	1956	39	Moroc
44	5,84644	34,1808	0,33647	4,8	41,6	82	0,4	1966	29	Lesoth
35	6,84268	46,8223	0,42527	5,5	44,4	73	0,54	1980	15	Zimbab
24	7,04054	49,5692	0,35066	4,7	50,5	70	0,68	1945	50	Boliv
11	6,32257	39,9748	0,63658	4,2	91,8	60	0,04	1945	50	Egypt
26	6,36303	40,4881	0,18232	5,4	41,6	87	0,4	1975	20	Sao T
39	6,99577	48,9407	0,39878	6,3	41,6	107	0,4	1960	35	Congo
40	6,45362	41,6493	0,05827	6,4	28,6	81	0,83	1963	32	Kenya
40	6,92067	47,8957	0,17395	6,6	39,4	100	0,06	1960	35	Madag
39	7,03527	49,495	0,10436	5	69,2	79	0,42	1975	20	Papua
29	7,06647	49,935	0,19062	6,5	39,8	98	0,82	1964	31	Zambia
40	6,95559	48,3803	0,07696	6,1	41,6	88	0,71	1957	38	Ghana
11	6,7093	45,0148	0,35767	6,3	49,4	92	0,64	1947	48	Pak
30	6,60123	43,5762	0,11333	5,8	34,4	101	0,89	1960	35	Camer
26	6,42487	41,2789	0,14842	4	43,9	67	0,89	1945	50	India
34	6,92854	48,0046	0,05827	7,4	38,3	103	0,86	1960	35	Cote
40	6,82546	46,5869	0,12222	4,9	41,6	77	0,01	1945	50	Haiti
48	5,6058	31,425	0,14842	6,8	38,2	100	0,93	1961	34	Tanz
41	6,36303	40,4881	0,18232	7,1	41,6	104	0,4	1975	20	Comor
36	5,93754	35,2543	0,07696	6,7	31,6	112	0,9	1960	35	Zaire
45	6,36303	40,4881	0,90826	6,7	41,6	109	0,6	1955	40	Lao

20	7,03262	49,4578	0,08618	6,6	37,4	96	0,87	1960	35	Nigeria
37	6,01859	36,2235	0,17395	6,6	39,4	100	0,71	1960	35	Togo
41	5,9162	35,0014	0,11333	7,3	36,9	106	0,9	1962	33	Ugan
7	6,43133	41,362	0,09531	4,8	65,8	73	0,4	1974	21	Bangl
48	6,28786	39,5372	0,07696	8,5	49,6	113	0,14	1962	33	Rwanda
42	5,56834	31,0065	0,54812	7	41,6	104	0,69	1945	50	Ethi
42	6,04737	36,5707	0,06766	7,6	66,9	110	0,62	1964	31	Malaw
26	6,1591	37,9345	0,13103	6,8	79,4	100	0,04	1962	33	Burun
46	6,69208	44,784	0,13976	6,2	30,3	110	0,69	1960	35	CAfricR
48	7,22111	52,1444	0,19885	6,5	41,6	103	0,65	1975	20	Mozam
32	6,36303	40,4881	0,26236	5,9	41,6	98	0,4	1971	24	Bhut
39	7,17625	51,4986	0,45108	6,5	41,6	100	0,78	1976	19	Angol
22	6,83518	46,7197	0,58779	6,5	35	100	0,33	1961	34	Maure
24	6,98008	48,7215	0,08618	7,1	62,7	103	0,62	1960	35	Benin
42	6,36303	40,4881	0,18232	5,8	41,6	114	0,4	1974	21	GuiBis
17	6,66568	44,4313	0,27763	5,9	74,5	99	0,83	1960	35	Chad
39	6,79234	46,1359	0,66783	7	41,6	100	0,08	1960	35	Somal
41	6,01859	36,2235	0,12222	6,2	41,6	97	0,4	1965	30	Gamb
16	6,29342	39,6071	0,18232	7,1	41,6	100	0,78	1960	35	Mali
47	6,40357	41,0058	0,04879	7,1	41,6	100	0,73	1960	35	Niger
49	6,36303	40,4881	0,10436	6,5	52,4	102	0,68	1960	35	Burki
33	6,76964	45,8281	0,07696	6,5	35,2	104	0,77	1961	34	Sierr
40	7,90138	62,4318	0,18232	1,7	25,6	81	0,01	1956	39	Jap
40	8,95648	80,2185	0,28518	1,8	29,6	47	0,75	1945	50	Can
43	8,60209	73,9959	0,63658	1,9	28,6	68	0,04	1945	50	Norw
37	9,13917	83,5244	0,27003	1,6	41,6	67	0,5		0	Switz
47	8,77694	77,0347	0,58779	2	40,7	89	0,08	1946	49	Swe
42	9,20864	84,799	0,63658	2	18,3	58	0,5	1945	50	USA
38	8,88239	78,8969	0,35767	1,9	35,9	57	0,32	1945	50	Austral
37	8,58373	73,6804	0,6831	1,8	33,5	65	0,26	1945	50	Fran
35	8,6282	74,4458	0,55389	1,7	35	53	0,1	1945	50	NL
40	8,75935	76,7263	0,44469	1,9	44,2	70	0,32	1945	50	UK
38	8,70583	75,7914	0,58779	1,5	16,5	62	0,03	1973	22	Ger
40	8,68271	75,3894	0,45108	1,7	24,9	64	0,05	1945	50	DK
44	8,45914	71,5571	0,52473	1,8	37,5	66	0,16	1955	40	SF
39	8,40649	70,669	0,54812	1,5	37,2	56	0,13	1955	40	Aus
37	8,55776	73,2352	0,65233	1,6	12,3	63	0,55	1945	50	Blg
39	8,88489	78,9412	0,3293	2,1	39,1	55	0,37	1945	50	NZ
35	8,28349	68,6163	1,4422	2,9	32,2	75	0,2	1949	46	Israel
27	8,07527	65,21	0,3293	2,2	21,3	56	0,04	1955	40	Ire
31	8,38366	70,2858	0,51879	1,3	12,7	54	0,04	1955	40	Ital
27	7,90138	62,4318	0,60977	1,4	25,5	50	0,44	1955	40	Spa
31	7,5438	56,909	1,12817	1,5	28,1	67	0,1	1945	50	Gree
42	6,85646	47,0111	0,69315	1,8	89	91	0,1	1955	40	Hun
41	7,38895	54,5965	0,50078	1,5	20,6	49	0,01	1955	40	Port
Women %LF	In PCI	In PCI^2	In(MPR+1)	Fertility Rate	pub invest	Dyn Fert6091	ethno-fract	UN entry	UN memby	country

continuation

		DYN LEX	LEX 1960	1 der e-funct	1 der pi-func	Viol Pol Rits	Viol Civ Rits	PopDens*0,5	Terms Trade	MNC PEN73	Govcons
Barb		6,7	64,3	0,01007	2,1591	1	1	77,4597	107	115,4	10
Hong		6,7	66,2	0,00405	2,5141	3,6	3,5	241,083	100	208,91	8

Urug		2,8	67,7	0,00321	2,61428	1	2	13,3417	104	30,35	13
Trinid		5,2	63,5	0,00069	3,37767	1	1	49,3862	110	565,39	16
Baham		5,4	63,2	0,01007	2,1591	2	3	16,1245	107	115,4	10
Korea		11,4	53,9	0,00881	2,20781	2	3	66,5958	108	20,7	10
Costa		8,5	61,6	0,00798	2,24486	1	1	24,6982	114	174,71	18
Sing		6	64,5	0,00128	3,04893	4	4	211,901	100	295,3	11
Arg		3,9	64,9	0,0026	2,70769	1	3	10,9545	112	72,62	5
Ven		7,1	59,5	0,00123	3,06944	1	3	14,9666	164	198,6	9
Domi		14,3	51,8	0,01007	2,1591	2	1	30,9839	107	115,4	10
Kuw		9,1	59,5	0,00022	4,0875	6	5	34,2199	77	115,4	10
Mex		8,7	57	0,00393	2,52699	4	4	21,2603	110	48,59	11
Maurit		7,1	59,1	0,01242	2,0845	1	2	76,6159	114	115,4	12
Malay		11,4	53,9	0,00695	2,2971	5	4	23,6854	94	167,94	13
Gren		13,1	51,8	0,01007	2,1591	1	2	51,7301	101	115,4	12
Antig		15,5	51,8	0,01007	2,1591	3	3	38,7298	101	115,4	12
Colom		8,6	56,5	0,00548	2,39031	2	4	17,7764	92	51,96	10
Seych		13,7	51,8	0,01007	2,1591	6	6	51,2835	101	115,4	12
Sur		6,2	60,2	0,01007	2,1591	4	4	5,2915	101	115,4	12
UAE		12,4	53	0,01527	2,01366	6	5	13,9642	101	115,4	12
Pan		7,7	60,7	0,00097	3,19588	4	2	18,0278	138	1289,73	22
Jamai		6,7	62,7	0,00345	2,5825	2	2	47,4974	88	478,22	15
Braz		8	54,6	0,00752	2,2673	2	3	13,3791	123	97,11	16
Fiji		4,1	59	0,01007	2,1591	6	4	20,025	101	115,4	12
Saint L		14,3	51,8	0,01007	2,1591	1	2	47,0425	101	115,4	12
TRK		11,4	50,1	0,00822	2,23374	2	4	27,258	98	14,19	14
Thai		10,2	52,3	0,02214	1,89228	6	4	32,9242	99	24,45	10
Saint V		13,7	51,8	0,01007	2,1591	1	2	52,6213	101	115,4	12
Saint K		13,1	51,8	0,01007	2,1591	1	1	34,1614	101	115,4	12
Syria		12,4	49,7	0,00974	2,17115	7	7	26,3818	87	7,49	14
Belize		11,8	51,8	0,01007	2,1591	1	1	9,21954	101	115,4	12
Saudi		16,9	44,4	0,00156	2,94908	7	6	8,48528	95	129,48	12
South A		10	49	0,00157	2,94543	5	4	17,8326	93	94,05	19
Sri L		5,8	62	0,01773	1,96391	4	5	51,9423	90	30,89	9
Liby		12,2	46,7	0,00936	2,18568	7	7	5,19615	97	268,04	12
Ecu		9,4	53,1	0,01229	2,08825	2	3	19,7484	109	106,26	8
Para		2,2	63,8	0,02168	1,89889	3	3	10,5357	110	52,72	6
Phil		8,5	52,8	0,01256	2,08071	3	3	46,2601	93	41,99	9
Tune		14	48,3	0,01179	2,10287	5	5	23,0217	99	78,61	16
Oman		21,6	40,1	0,10209	1,46514	6	6	8,60233	101	115,4	12
Peru		12,1	47,7	0,00569	2,37577	3	5	13,1149	78	84,71	6
Domin		11	51,8	0,01517	2,01597	2	3	38,8973	98	156,4	7
Jord		15,4	46,9	0,00571	2,37403	4	4	21,587	112	17,1	24
China		17,3	47,1	0,01133	2,11691	7	7	35,426	111	0	8
Iran		12,6	49,5	0,00445	2,47496	6	5	19,1311	72	35,63	11
Botsw		11,9	45,5	0,01066	2,13862	1	2	4,69042	101	115,4	12
Guya		5,9	56,1	0,01007	2,1591	5	4	6,40312	101	115,4	12
Alger		14,1	47	0,00921	2,19134	4	4	10,3923	99	28,01	18
Indon		17,4	41,2	0,02023	1,92102	6	5	32,187	111	35,21	9
Gabon		10,9	40,8	0,01291	2,07105	4	3	6,78233	96	115,4	20
El Sal		10,6	50,5	0,01394	2,0446	3	4	50,4876	114	62,6	11

Mald		15,6	43,6	0,03949	1,71764	6	5	85,6329	97	115,4	13
Guat		14,3	45,6	0,01313	2,06512	3	5	29,5466	102	77,37	7
Hond		14,5	46,5	0,01704	1,97706	2	3	21,7715	104	157,11	15
Swaz		15	40,2	0,01007	2,1591	6	5	21,166	97	115,4	13
Solom		14	50,3	0,01007	2,1591	1	1	10,8628	97	115,4	13
Moroc		12,3	46,7	0,01548	2,009	5	5	24	86	36,01	16
Lesoth		12,6	42,9	0,03949	1,71764	6	4	24,2899	97	115,4	24
Zimbab		11,9	45,3	0,00517	2,41396	5	4	16,2788	97	73,1	26
Boliv		10,6	42,7	0,0127	2,07688	2	3	8,24621	97	35,21	15
Egypt		11,7	46,1	0,00695	2,2971	5	5	23,2164	76	5,19	10
Sao T		11,2	51,8	0,03949	1,71764	2	3	35,4965	97	115,4	13
Congo		11,1	41,6	0,02043	1,91795	6	4	8,18535	99	115,4	19
Kenya		12,6	44,7	0,01717	1,97447	6	6	20,6882	103	53,34	18
Madag		12,7	40,7	0,0474	1,66591	4	4	14,5945	102	67,82	9
Papua		13,1	40,6	0,03079	1,79067	2	3	9,38083	75	495,73	24
Zambia		11,7	41,6	0,00495	2,43178	2	3	10,6301	97	92,75	15
Ghana		8,7	45	0,02364	1,87159	6	6	25,9422	75	111,95	8
Pak		12,7	43,1	0,01439	2,03387	4	5	39,6989	95	19,61	15
Camer		13,7	39,2	0,02637	1,83775	6	6	15,9687	91	125,1	12
India		12,8	44	0,01865	1,94742	3	4	53,8702	96	7,13	12
Cote		13,4	39,2	0,01849	1,95023	6	4	19,7737	80	142,33	18
Haiti		12,1	42,2	0,06646	1,57428	7	7	49,0102	97	72,68	9
Tanz		12,5	40,5	0,04406	1,68642	6	5	17,4356	108	20,62	10
Comor		11,2	42,5	0,03949	1,71764	4	3	50,2892	97	115,4	13
Zaire		10,8	41,3	0,02392	1,868	6	5	13,0384	163	97,26	13
Lao		9	40,4	0,06406	1,58401	6	7	13,7113	97	11,53	12
Nigeria		11,5	39,5	0,0474	1,66591	5	4	35,0856	100	156,15	11
Togo		13,8	39,3	0,05786	1,61124	6	5	25,8844	114	133,85	19
Ugan		8,3	43	0,04511	1,67975	6	6	30,133	88	7,03	7
Bangl		11,7	39,6	0,03949	1,71764	2	3	94,5833	95	6,5	9
Rwanda		6,8	42,3	0,16563	1,35115	6	6	54,2863	98	44,97	18
Ethi		10,2	36	0,13656	1,3955	6	5	21,6102	84	16,12	26
Malaw		10,5	37,8	0,06184	1,5934	7	6	32,573	93	66,37	15
Burun		7	41,3	0,24867	1,2623	7	6	46,9574	70	53,02	15
CAfricR		10,9	38,5	0,06906	1,56419	6	5	7,07107	109	140,57	14
Mozam		10,5	37,3	0,02238	1,88893	6	4	13,6015	97	38,9	20
Bhut		11,8	38,7	0,02637	1,83775	6	5	18,303	97	115,4	20
Angol		11,8	37,3	0,01665	1,9847	6	4	4,47214	97	118,94	13
Maure		12,4	35,3	0,03518	1,75116	7	6	4,47214	107	443,05	10
Benin		12,8	35	0,0719	1,55369	2	3	20,7605	97	58,93	11
GuiBis		9,7	34	0,03949	1,71764	6	5	18,7083	97	115,4	13
Chad		12,6	34,8	0,11665	1,43281	6	6	6,7082	97	39,94	23
Somal		10,7	36	0,12576	1,41488	7	7	11,9164	111	31,14	13
Gamb		13,4	32,3	0,03949	1,71764	2	2	29,7321	97	115,4	13
Mali		11,2	34,8	0,10209	1,46514	6	4	8,83176	97	11,21	10
Niger		11	35,3	0,16563	1,35115	6	5	7,93725	77	48,68	13
Burki		12,4	36,2	0,1859	1,32529	6	5	18,3848	100	31,64	13
Sierr		12,5	31,5	0,01731	1,97186	6	5	24,3926	80	79,49	10
Jap		6,4	67,9	0,00182	2,87459	1	2	57,3934	91	6,08	9
Can		3,5	71	0,00054	3,52277	1	1	5,38516	109	388,5	20

Norw		2,1	73,4	0,00067	3,39461	1	1	11,7898	91	91,53	21
Switz		3,6	71,2	0,00115	3,10319	1	1	41,2432	100	168,03	13
Swe		2,5	73,1	0,00074	3,34057	1	1	14,4568	101	47,09	27
USA		3,6	69,9	0,0005	3,56599	1	1	16,5831	100	25,19	18
Austral		3,4	70,7	0,00091	3,22839	1	1	4,79583	115	180,39	18
Fran		3,6	70,3	0,00117	3,09723	1	2	32,187	102	62,41	18
NL		2,3	73,2	0,00095	3,2062	1	1	66,6108	102	130,26	15
UK		3	70,6	0,00087	3,25557	1	2	48,8057	105	91,01	20
Ger		3,3	69,7	0,00116	3,09905	1	2	47,8121	97	74,69	18
DK		2,2	72,1	0,00101	3,17213	1	1	34,8569	104	114,62	25
SF		4,3	68,4	0,00127	3,0527	1	1	12,8062	98	22,77	27
Aus		3,8	68,6	0,00136	3,01728	1	1	30,5941	92	52,61	18
Blg		3	70,2	0,00127	3,05468	1	1	57,28	96	138,15	14
NZ		2,6	70,9	0,00111	3,12448	1	1	11,3137	99	99,27	17
Israel		4,4	68,6	0,00172	2,90203	2	2	48,949	103	40,78	29
Ire		3	69,6	0,00179	2,88299	1	1	22,5167	95	142,63	16
Ital		4,1	69,2	0,00173	2,89936	1	1	44,3058	97	76,59	17
Spa		4,8	69	0,00279	2,67693	1	1	27,9464	106	60,98	15
Gree		4,4	68,7	0,00388	2,53299	1	2	27,8568	105	54,75	21
Hun		1,7	68,1	0,00151	2,96485	2	2	33,7787	87	0	11
Port		6,8	63,3	0,00459	2,46247	1	1	32,7567	105	88,05	13
		DYN LEX	LEX 1960	1 der e-funct	1 der pi-func	Viol Pol Rits	Viol Civ Rits	PopDens*0,5	Terms Trade	MNC PEN73	Govcons

continuation

	Growth 65-80	Growth 80-90	Predicted Growth	Adjustment	gender development index	Life Expectancy 1990	SIPE-Index	gender power index	human development index	gender development index	mean yearsof schooling
Barb	3,5	1,4	1,04102	0,35898	0,878	75,1	101	0,545	0,928	0,878	8,9
Hong	6,2	5,5	2,20154	3,29846	0,854	77,3	101	0,391	0,913	0,854	7
Urug	2,5	-0,9	0,6112	-1,5112	0,802	72,2	157	0,361	0,881	0,802	7,8
Trinid	3,1	-6	0,8691	-6,8691	0,786	71,6	101	0,533	0,877	0,786	8
Baham	1	1,7	-0,0335	1,73353	0,828	71,5	101	0,533	0,875	0,828	6,2
Korea	7,3	8,9	2,67434	6,22566	0,78	70,1	32	0,255	0,872	0,78	8,8
Costa	3,3	0,6	0,95506	-0,3551	0,763	74,9	101	0,474	0,852	0,763	5,7
Sing	8,3	5,7	3,10416	2,59584	0,822	74	61	0,424	0,849	0,822	3,9
Arg	1,7	-1,8	0,26735	-2,0673	0,768	71	140	0,415	0,832	0,768	8,7
Ven	2,3	-2	0,52524	-2,5252	0,765	70	82	0,391	0,824	0,765	6,3
Domi	-0,8	3	-0,8072	3,8072	0,721	72	101	0,391	0,819	0,721	4,7
Kuw	0,6	-2,2	-0,2055	-1,9945	0,716	73,4	101	0,241	0,815	0,716	5,4
Mex	3,6	-0,9	1,08401	-1,984	0,741	69,7	104	0,399	0,805	0,741	4,7
Maurit	3,7	5,4	1,12699	4,27301	0,722	69,6	101	0,35	0,794	0,722	4,1
Malay	4,7	2,5	1,55681	0,94319	0,768	70,1	63	0,384	0,79	0,768	5,3
Gren	0,1	5,1	-0,4204	5,52036	0,721	70	101	0,391	0,787	0,721	4,7
Antig	-1,4	4,7	-1,0651	5,76509	0,721	74	101	0,391	0,785	0,721	4,6
Colom	3,7	1,1	1,12699	-0,027	0,72	68,8	98	0,435	0,77	0,72	7,1
Seych	4,6	2,5	1,51383	0,98617	0,721	71	101	0,391	0,761	0,721	4,6
Sur	5,5	-5	1,90066	-6,9007	0,699	69,5	101	0,348	0,751	0,699	4,2
UAE	0,6	-7,2	-0,2055	-6,9945	0,674	70,5	101	0,239	0,738	0,674	5,1
Pan	2,8	-2	0,74015	-2,7402	0,765	72,4	106	0,43	0,738	0,765	6,7
Jamai	-0,1	-0,4	-0,5063	0,10633	0,71	73,1	53	0,391	0,736	0,71	5,3

Braz	6,3	0,6	2,24452	-1,6445	0,709	65,6	162	0,358	0,73	0,709	3,9
Fiji	4,2	-0,4	1,3419	-1,7419	0,722	64,8	101	0,314	0,73	0,722	5,1
Saint L	2,7	4,2	0,69717	3,50283	0,721	72	101	0,391	0,72	0,721	3,9
TRK	3,6	3	1,08401	1,91599	0,744	65,1	83	0,234	0,717	0,744	3,5
Thai	4,4	5,6	1,42786	4,17214	0,798	66,1	18	0,373	0,715	0,798	3,8
Saint V	0,2	5,7	-0,3774	6,07738	0,721	71	101	0,347	0,709	0,721	4,6
Saint K	4	6	1,25593	4,74407	0,721	70	101	0,347	0,697	0,721	6
Syria	5,1	-2,1	1,72874	-3,8287	0,571	66,1	48	0,285	0,694	0,571	4,2
Belize	3,4	2,5	0,99804	1,50196	0,721	68	101	0,369	0,689	0,721	4,6
Saudi	0,6	-5,6	-0,2055	-5,3945	0,514	65,5	39	0,347	0,688	0,514	3,7
South A	3,2	-0,9	0,91208	-1,8121	0,721	61,7	144	0,347	0,673	0,721	3,9
Sri L	2,8	2,4	0,74015	1,65985	0,66	70,9	56	0,288	0,663	0,66	6,9
Liby	0,6	-9,2	-0,2055	-8,9945	0,534	61,8	51	0,347	0,658	0,534	3,4
Ecu	5,4	-0,8	1,85768	-2,6577	0,641	66	138	0,375	0,646	0,641	5,6
Para	4,1	-1,3	1,29892	-2,5989	0,628	67,1	102	0,343	0,641	0,628	4,9
Phil	3,2	-1,5	0,91208	-2,4121	0,625	64,2	79	0,435	0,603	0,625	7,4
Tune	4,7	0,9	1,55681	-0,6568	0,641	66,7	98	0,254	0,6	0,641	2,1
Oman	9	7,1	3,40503	3,69497	0,542	65,9	101	0,347	0,598	0,542	0,9
Peru	0,8	-2	-0,1195	-1,8805	0,631	63	117	0,4	0,592	0,631	6,4
Domin	3,8	-0,4	1,16997	-1,57	0,59	66,7	94	0,412	0,586	0,59	4,3
Jord	5,8	-3,9	2,02961	-5,9296	0,542	66,9	40	0,23	0,582	0,542	5
China	4,1	7,9	1,29892	6,60108	0,578	70,1	86	0,474	0,566	0,578	4,8
Iran	2,9	-0,8	0,78313	-1,5831	0,611	66,2	92	0,237	0,557	0,611	3,9
Botsw	9,9	6,3	3,79187	2,50813	0,696	59,8	101	0,407	0,552	0,696	2,4
Guya	0,7	-3,2	-0,1625	-3,0375	0,584	64,2	101	0,461	0,541	0,584	5,1
Alger	4,2	-0,3	1,3419	-1,6419	0,508	65,1	143	0,266	0,528	0,508	2,6
Indon	5,2	4,1	1,77172	2,32828	0,591	61,5	52	0,362	0,515	0,591	3,9
Gabon	5,6	-2,6	1,94365	-4,5436	0,542	52,5	101	0,347	0,503	0,542	2,9
El Sal	1,5	-0,6	0,18138	-0,7814	0,533	64,4	86	0,397	0,503	0,533	4,1
Mald	1,8	6,6	0,31033	6,28967	0,522	62,5	101	0,294	0,497	0,522	4,5
Guat	3	-2,1	0,82611	-2,9261	0,481	63,4	61	0,39	0,489	0,481	4,1
Hond	1,1	-1,2	0,00946	-1,2095	0,524	64,9	47	0,406	0,472	0,524	3,9
Swaz	3,7	1,1	1,12699	-0,027	0,508	56,8	101	0,357	0,458	0,508	3,7
Solom	5	3,4	1,68575	1,71425	0,542	69,5	101	0,198	0,439	0,542	1
Moroc	2,7	1,6	0,69717	0,90283	0,45	62	102	0,271	0,433	0,45	2,8
Lesoth	6,8	-0,9	2,45943	-3,3594	0,466	57,3	101	0,339	0,431	0,466	3,4
Zimbab	1,7	-0,8	0,26735	-1,0673	0,512	59,6	101	0,398	0,398	0,512	2,9
Boliv	1,7	-2,6	0,26735	-2,8673	0,519	54,5	106	0,344	0,398	0,519	4
Egypt	2,8	2,1	0,74015	1,35985	0,453	60,3	90	0,237	0,389	0,453	2,8
Sao T	3,3	-4,2	0,95506	-5,1551	0,33	67	101	0,27	0,374	0,33	2,3
Congo	2,7	-0,2	0,69717	-0,8972	0,33	53,7	101	0,206	0,372	0,33	2,1
Kenya	3,1	0,3	0,8691	-0,5691	0,471	59,7	45	0,27	0,369	0,471	2,3
Madag	-0,4	-2,3	-0,6353	-1,6647	0,432	54,5	85	0,27	0,327	0,432	2,2
Papua	0,6	-0,5	-0,2055	-0,2945	0,487	54,9	101	0,228	0,318	0,487	0,9
Zambia	-1,2	-2,9	-0,9791	-1,9209	0,403	54,4	49	0,271	0,314	0,403	2,7
Ghana	-0,8	-0,6	-0,8072	0,2072	0,46	55	54	0,313	0,311	0,46	3,5
Pak	1,8	2,9	0,31033	2,58967	0,36	57,7	49	0,153	0,311	0,36	1,9
Camer	2,4	-0,3	0,56822	-0,8682	0,462	53,7	75	0,339	0,31	0,462	1,6
India	1,5	3,2	0,18138	3,01862	0,401	59,1	88	0,226	0,309	0,401	2,4
Cote	2,8	-3,7	0,74015	-4,4402	0,341	53,4	95	0,157	0,286	0,341	1,9
Haiti	0,9	-2,3	-0,0765	-2,2235	0,354	55,7	39	0,349	0,275	0,354	1,7
Tanz	0,8	-0,7	-0,1195	-0,5805	0,359	54	46	0,27	0,27	0,359	2
Comor	0,6	-0,8	-0,2055	-0,5945	0,402	55	101	0,157	0,269	0,402	1
Zaire	-1,3	-1,5	-1,0221	-0,4779	0,372	53	66	0,201	0,262	0,372	1,6

Lao	0,6	0,7	-0,2055	0,90545	0,405	49,7	30	0,27	0,246	0,405	2,9
Nigeria	4,2	-3	1,3419	-4,3419	0,383	51,5	58	0,198	0,246	0,383	1,2
Togo	1,7	-1,7	0,26735	-1,9673	0,38	54	63	0,182	0,218	0,38	1,6
Ugan	-2,2	-0,8	-1,409	0,60895	0,316	52	35	0,27	0,194	0,316	1,1
Bangl	-0,3	1	-0,5923	1,59229	0,334	51,8	101	0,287	0,189	0,334	2
Rwanda	1,6	-2,2	0,22437	-2,4244	0,33	49,5	43	0,27	0,186	0,33	1,1
Ethi	0,4	-1,2	-0,2914	-0,9086	0,217	45,5	14	0,205	0,172	0,217	1,1
Malaw	3,2	-0,1	0,91208	-1,0121	0,315	48,1	30	0,255	0,168	0,315	1,7
Burun	2,4	1,3	0,56822	0,73178	0,274	48,5	46	0,337	0,167	0,274	0,3
CAfricR	0,8	-1,3	-0,1195	-1,1805	0,35	49,5	90	0,205	0,159	0,35	1,1
Mozam	0,6	-4,1	-0,2055	-3,8945	0,229	47,5	101	0,35	0,154	0,229	1,6
Bhut	0,6	7,4	-0,2055	7,60545	0,33	50,8	101	0,27	0,15	0,33	0,2
Angol	0,6	6,1	-0,2055	6,30545	0,33	48,9	101	0,278	0,143	0,33	1,5
Maure	-0,1	-1,8	-0,5063	-1,2937	0,33	47	90	0,163	0,14	0,33	0,3
Benin	-0,3	-1	-0,5923	-0,4077	0,314	47	84	0,271	0,113	0,314	0,7
GuiBis	-2,7	1,7	-1,6239	3,32386	0,276	42,5	101	0,327	0,09	0,276	0,3
Chad	-1,9	3,3	-1,28	4,58	0,26	46,5	79	0,27	0,088	0,26	0,2
Somal	-0,1	-1,8	-0,5063	-1,2937	0,2	46,1	39	0,27	0,087	0,2	0,2
Gamb	2,3	-0,3	0,52524	-0,8252	0,2	44	101	0,315	0,086	0,2	0,6
Mali	2,1	1,2	0,43928	0,76072	0,195	45	94	0,237	0,082	0,195	0,3
Niger	-2,5	-4,5	-1,5379	-2,9621	0,196	45,5	64	0,27	0,08	0,196	0,1
Burki	1,7	1,4	0,26735	1,13265	0,214	48,2	95	0,28	0,074	0,214	0,1
Sierr	0,7	-1,5	-0,1625	-1,3375	0,195	42	35	0,27	0,065	0,195	0,9
Jap	5,1	3,5	1,72874	1,77126	0,896	78,6	143	0,442	0,983	0,896	10,7
Can	3,3	2,4	0,95506	1,44494	0,891	77	131	0,655	0,982	0,891	12,1
Norw	3,6	2,7	1,08401	1,61599	0,911	77,1	186	0,752	0,979	0,911	11,6
Switz	1,5	1,7	0,18138	1,51862	0,852	77,4	169	0,513	0,978	0,852	11,1
Swe	2	1,8	0,39629	1,40371	0,919	77,4	187	0,757	0,977	0,919	11,1
USA	1,8	2,2	0,31033	1,88967	0,901	75,9	127	0,623	0,976	0,901	12,3
Austral	2,2	1,7	0,48226	1,21774	0,901	76,5	183	0,568	0,972	0,901	11,5
Fran	3,7	1,7	1,12699	0,57301	0,898	76,4	200	0,433	0,971	0,898	11,6
NL	2,7	1,4	0,69717	0,70283	0,851	77,2	195	0,625	0,97	0,851	10,6
UK	2	2,5	0,39629	2,10371	0,862	75,7	189	0,483	0,964	0,862	11,5
Ger	3	2,2	0,82611	1,37389	0,87	75,2	180	0,561	0,957	0,87	11,1
DK	2,2	2,1	0,48226	1,61774	0,904	75,8	182	0,683	0,955	0,904	10,4
SF	3,6	3,1	1,08401	2,01599	0,918	75,5	159	0,722	0,954	0,918	10,6
Aus	4	2	1,25593	0,74407	0,882	74,8	186	0,61	0,952	0,882	11,1
Blg	3,6	1,2	1,08401	0,11599	0,852	75,2	200	0,479	0,952	0,852	10,7
NZ	1,7	0,6	0,26735	0,33265	0,868	75,2	196	0,637	0,947	0,868	10,4
Israel	3,7	1,5	1,12699	0,37301	0,87	75,9	101	0,561	0,938	0,87	10
Ire	2,8	1,1	0,74015	0,35985	0,813	74,6	190	0,469	0,925	0,813	8,7
Ital	3,2	2,2	0,91208	1,28792	0,861	76	198	0,585	0,924	0,861	7,3
Spa	4,1	2,7	1,29892	1,40108	0,795	77	196	0,452	0,923	0,795	6,8
Gree	4,8	0,8	1,59979	-0,7998	0,825	76,1	165	0,343	0,902	0,825	6,9
Hun	5,1	1,5	1,72874	-0,2287	0,836	70,9	169	0,506	0,887	0,836	9,6
Port	4,6	2,4	1,51383	0,88617	0,832	74	152	0,435	0,853	0,832	6
	Growth 65-80	Growth 80-90	Predicted Growth	Adjustment	gender development index	Life Expectancy 1990	SIPE-Index	gender power index	human development index	gender development index	mean yearsof schooling

the state sector and the issue of privatization

Country code %public investment government expenditure per GDP

Barb	41,6	34
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Hong	41,6	18
Urug	23,7	24,8
Trinid	22,5	33,4
Baham	41,6	18
Korea	25,8	16,7
Costa	21,7	24,5
Sing	47,3	34,5
Arg	35,3	15,3
Ven	41,6	21,5
Domi	41,6	30
Kuw	41,6	51,3
Mex	37,5	19,8
Maurit	41,6	26,7
Malay	39,1	29
Gren	41,6	30
Antig	41,6	30
Colom	21,9	15,2
Seych	41,6	30
Sur	41,6	51,7
UAE	41,6	13,3
Pan	23,9	28,7
Jamai	41,6	32,2
Braz	26,5	24,1
Fiji	41,6	25,8
Saint L	41,6	30
TRK	52,5	22,8
Thai	32,5	15,5
Saint V	41,6	30
Saint K	41,6	30
Syria	37,5	27,8
Belize	41,6	29,3
Saudi	46,4	30
South A	42	30,2
Sri L	33,9	29,5
Liby	33,6	54,8
Ecu	39,8	13,3
Para	22,9	9
Phil	13,4	15,6
Tune	73,8	35,2
Oman	41,6	46,7
Peru	17,8	16,6
Domin	32,8	18,9
Jord	38,5	37
China	41,6	30
Iran	38,2	17,5
Botsw	41,6	36,4
Guya	41,6	65,7
Alger	65,7	40,7
Indon	38,9	19,6
Gabon	41,6	38,7
El Sal	24,1	10,3
Mald	41,6	30
Guat	23,1	11,6
Hond	21	19,4

Swaz	41,6	25,4
Solom	41,6	37,7
Moroc	63,2	28
Lesoth	41,6	54,4
Zimbab	44,4	46,6
Boliv	50,5	14,5
Egypt	91,8	40
Sao T	41,6	23
Congo	41,6	26,1
Kenya	28,6	28,6
Madag	39,4	14,4
Papua	69,2	28,3
Zambia	39,8	38,1
Ghana	41,6	13,6
Pak	49,4	23,3
Camer	34,4	27,5
India	43,9	17,6
Cote	38,3	31,6
Haiti	41,6	18,2
Tanz	38,2	28,7
Comor	41,6	43,7
Zaire	31,6	34,2
Lao	41,6	23
Nigeria	37,4	23,6
Togo	39,4	31,3
Ugan	36,9	12,7
Bangl	65,8	12,5
Rwanda	49,6	22,7
Ethi	41,6	34,9
Malaw	66,9	26,7
Burun	79,4	21,5
CAfricR	30,3	27,6
Mozam	41,6	14,9
Bhut	41,6	41
Angol	41,6	23
Maure	35	33,4
Benin	62,7	21,7
GuiBis	41,6	72,5
Chad	74,5	9,4
Somal	41,6	25,4
Gamb	41,6	30,6
Mali	41,6	29,8
Niger	41,6	21,3
Burki	52,4	15,7
Sierr	35,2	16,5
Jap	25,6	16,3
Can	29,6	22,2
Norw	28,6	43,4
Switz	41,6	21
Swe	40,7	41,3
USA	18,3	23,5
Austral	35,9	27,5
Fran	33,5	43,7
NL	35	53,9

UK	44,2	35,6
Ger	16,5	30,4
DK	24,9	38,3
SF	37,5	30
Aus	37,2	39,1
Blg	12,3	50,1
NZ	39,1	44,7
Israel	32,2	48
Ire	21,3	52,4
Ital	12,7	46,8
Spa	25,5	33,6
Gree	28,1	40,1
Hun	89	56,1
Port	20,6	41,9
	public investments in the preceeding Kondratieff cycle	Government expenditures

economic growth and the environment

growth greenhouse index

1980-92

Barb	1	0
Hong	5,5	0,14
Urug	-1	0,16
Trinid	-2,6	0,63
Baham	1	0
Korea	8,5	0,17
Costa	0,8	0,25
Sing	5,3	0,4
Arg	-0,9	0,18
Ven	-0,8	0,27
Domi	4,6	0
Kuw	-4,3	0,57
Mex	-0,2	0,23
Maurit	5,6	0
Malay	3,2	0,39
Gren	3,8	0
Antig	5	0
Colom	1,4	0,42
Seych	3,2	0
Sur	-3,6	0,23
UAE	-4,3	1,08
Pan	-1,2	0,24
Jamai	0,2	0,12
Braz	0,4	0,26
Fiji	0,3	0,14
Saint L	4,4	0
TRK	2,9	0,07
Thai	6	0,27
Saint V	5	0
Saint K	5,7	0
Syria	0	0,08

Belize	2,6	0
Saudi	-3,3	0,37
South A	0,1	0,27
Sri L	2,6	0,06
Liby	-5,4	0,25
Ecu	-0,3	0,44
Para	-0,7	0,42
Phil	-1	0,12
Tune	1,3	0,06
Oman	4,1	0,24
Peru	-2,8	0,21
Domin	-0,5	0,05
Jord	-5,4	0,09
China	7,6	0,08
Iran	-1,4	0,1
Botsw	6,1	0,15
Guya	-5,6	0,12
Alger	-0,5	0,08
Indon	4	0,09
Gabon	-3,7	0,4
El Sal	0,2	0,04
Mald	6,8	0
Guat	-1,5	0,15
Hond	-0,3	0,24
Swaz	1,6	0,1
Solom	3,3	0
Moroc	1,4	0,04
Lesoth	-0,5	0
Zimbab	-0,9	0,1
Boliv	-1,5	0,19
Egypt	1,8	0,06
Sao T	-3	0
Congo	-0,8	0,17
Kenya	0,2	0,04
Madag	-2,4	0,31
Papua	0,6	0,05
Zambia	-3,1	0,1
Ghana	-0,1	0,07
Pak	3,1	0,04
Camer	-1,5	0,25
India	3,1	0,05
Cote	-4,7	0,73
Haiti	-2,4	0,01
Tanz	0,1	0,04
Comor	-1,3	0
Zaire	-1,8	0,09
Lao	1,8	1,5
Nigeria	-0,4	0,12
Togo	-1,8	0,03
Ugan	1,8	0,02
Bangl	1,8	0,04
Rwanda	-0,6	0,01
Ethi	-1,9	0,03
Malaw	-0,1	0,17

Burun	1,3	0
CAfricR	-1,5	0,13
Mozam	-3,6	0,06
Bhut	6,3	0
Angol	-0,9	0,12
Maure	-0,8	0,09
Benin	-0,7	0,06
GuiBis	1,6	0,5
Chad	3,4	0,1
Somal	-2,3	0,06
Gamb	-0,2	0,11
Mali	-2,7	0,04
Niger	-4,3	0,05
Burki	1	0,06
Sierr	-1,4	0,05
Jap	3,6	0,38
Can	1,8	0,61
Norw	2,2	0,49
Switz	1,4	0,23
Swe	1,5	0,25
USA	1,7	0,7
Austral	1,6	0,64
Fran	1,7	0,27
NL	1,7	0,34
UK	2,4	0,38
Ger	2,4	0,55
DK	2,1	0,35
SF	2	0,36
Aus	2	0,28
Blg	2	0,37
NZ	0,6	0,43
Israel	1,9	0,27
Ire	3,4	0,37
Ital	2,2	0,28
Spa	2,9	0,24
Gree	1	0,29
Hun	0,2	0,24
Port	3,1	0,21
country code	GNP gro80-92	greenhouse

data for the final model

Country Code	absolute GNP (UNDP, 1996)	economic growth 80-93, pc. and year (UNDP, 1996)	inflation 93 (UNDP, 1996)	FDI per GDP (UNCTAD, 1996; Business Central Europe, 1996)	UN membership years (Weltalmanach, 1996, 1995)
Canada	575	1,4	1,2	18,5	1945
USA	6388	1,7	2	4,6	1945
Japan	3903	3,4	0,8	0,4	1956
NL	320	1,7	1,6	19,5	1945
NOR	112	2,2	1	13,8	1945
SF	98	1,5	2,3	2,5	1955
France	1293	1,6	2,2	6,4	1945

Iceland	7	1,2	2,9	7,8	1945
Swed	215	1,3	2,6	5	1946
Spain	536	2,7	4,4	5,4	1955
Australia	308	1,6	1,1	15,6	1945
Belgium	218	1,9	4,4	10,6	1945
Austria	185	2	3,6	9,4	1955
NZ	44	0,7	0,9	9	1945
CH	252	1,1	2,1	10,8	1997
UK	1046	2,3	3,4	14	1945
DK	137	2	1,2	6,2	1945
GER	1903	2,1	3,9	6	1973
IRE	46	3,6	3,6	24,5	1955
ITA	1133	2,1	4,4	4,5	1955
GRE	78	0,9	12,6	24,9	1945
ISR	73	2	11	4,7	1949
LUX	15	2,8	6,2	10,6	1945
MAL	3	3,2	3,3	28,2	1964
POR	88	3,3	7,4	6,5	1955
HUNG	36	1,2	21,5	15,6	1955
LATV	6	-0,6	74,2	8,5	1991
POL	86	0,4	31,1	5,3	1945
RUS	346	-1	873,5	1,70520231	1945
BELR	29	2,4	1428,7	0,29310345	1945
BULG	10	0,5	57,5	0,6	1955
EST	4	-2,2	81,2	26,5	1991
KAZ	24	-1,6	1255,5	3	1992
ROM	26	-2,4	225,9	1,8	1955
UKR	114	0,2	3691,2	0,96491228	1945
LITH	5	-2,8	342,7	1,7	1991
ARM	3	-4,2	1480,7	0,73333333	1992
UZB	22	-0,2	914,5	1,30454545	1992
AZER	5	-3,5	714,5	5,52	1992
KYR	4	0,1	792,2	0,3	1992
GEO	3	-6,6	45	3,06666667	1992
ALB	1	-3,2	105,7	10	1955
TAJ	2	-3,6	1251,7	1,45	1992
Hong Kong	110,3	5,4	8,8	10,5	1997
Cyprus	7,5	4,9	2,9	21,5	1960
Barbados	1,6	0,5	1,9	10,3	1966
Bahamas	3,1	1,4	-1,8	12,7	1973
S-Korea	337,9	8,2	4,6	1,9	1991
Argentina	245,5	-0,5	7,2	7,4	1945
Costa Rica	7	1,1	11,6	24,4	1945
Uruguay	12,5	-0,1	45,2	16,2	1945
Chile	43,8	3,6	12,1	14,1	1945
Singapore	56,2	6,1	4	73,6	1965
Trinidad	4,9	-2,8	9,9	23,3	1962
Bahrein	4,3	-2,9	-1,1	7,7	1971
Antigua	0,4	5,2	1,5	54,2	1981
Panama	6,6	-0,7	3,5	10,8	1945
Venezuela	59,3	-0,7	32,4	2,6	1945
Saint Kitts	0,2	5,4	2,3	40,5	1983
Fiji	1,7	0,5	8,8	34,4	1970
Mexico	335,8	-0,5	9,7	10,5	1945

Colombia	49,5	1,5	21,9	6,4	1945
Thailand	122,7	6,4	3,4	5,1	1946
Malaysia	59,9	3,5	1,8	27,2	1957
Mauritius	3,3	5,5	9	3,5	1968
Brazil	458	0,3	2207,9	11,3	1945
Seychelles	0,5	3,4	-0,1	51,7	1976
Dominica	0,2	4,6	1,6	5,7	1978
Belize	0,5	2,9	5,2	5	1981
Algeria	47,4	-0,8	13,9	2,2	1962
Botswana	3,9	6,2	9	45,3	1966
Saint Vincent	0,2	5	-0,7	7,5	1980
Suriname	0,4	-2	136,3	10,7	1975
Saint Lucia	0,5	4,4	0	105,5	1979
Grenada	0,2	3,8	1,6	11	1974
Tunesia	15	1,2	4,5	17,2	1956
Oman	10,6	3,4	-7,1	9,9	1971
Turkey	177,1	2,4	67,7	0,7	1945
Paraguay	7,1	-0,7	18,7	6,5	1945
Jamaica	3,5	-0,3	34,6	22,7	1962
Dominican R	9,3	0,7	4,2	5,2	1945
Sri Lanka	10,7	2,7	8,2	8,6	1955
Peru	34	-2,7	46,5	6,7	1945
Philippines	55,2	-0,6	6,8	4,2	1945
South Africa	118,2	-0,2	11,3	19,8	1945
Indonesia	140,2	4,2	19,3	28,6	1950
Guyana	0,4	-3	16,8	3,1	1966
Egypt	37,2	2,8	10,4	12	1945
Maldives	0,2	7,2	14,9	3,8	1965
China	577,4	8,2	12,3	1,2	1945
Swaziland	1	2,3	11,7	55	1968
Bolivia	5,4	-0,7	7,6	14,7	1945
Guatemala	11	-1,2	13,8	0,6	1945
Mongolia	0,7	0,2	332,4	2,5	1961
Honduras	3,2	-0,3	8,9	4,7	1945
El Salvador	7,3	0,2	14,1	3,2	1945
Namibia	2,8	0,7	7,4	151,7	1990
Nicaragua	1,4	-5,7	20,2	4,1	1945
Gabon	5	-1,6	1	22,7	1960
Cape Verde	0,3	3	5,9	0,8	1975
Morocco	26,6	1,2	3,8	4,3	1956
Zimbabwe	5,6	-0,3	36,2	66,6	1980
Congo	2,4	-0,3	-4,3	22,1	1960
Papua NG	4,9	0,6	3,2	31,1	1975
Cameroon	10,3	-2,2	1,1	13,8	1960
Kenya	6,6	0,3	24,5	6	1963
Ghana	7	0,1	25,2	4,9	1957
Lesotho	1,3	-0,5	10,6	6,2	1966
Equatorial G	0,2	1,2	-1,5	6,4	1968
Pakistan	54	3,1	8,6	3,3	1947
India	263	3	8,1	0,5	1945
Zambia	3,3	-3,1	180	4,4	1964
Nigeria	29	-0,1	24,9	5,4	1960
Comoros	0,3	-0,4	1,4	0,2	1975
Togo	1,4	-2,1	-2,8	28,7	1960

Bangladesh	25,6	2,1	0,2	0,7	1974
Tanzania	2,5	0,1	22,5	1,1	1961
Cote d'Ivoire	8,4	-4,6	-0,4	7,9	1960
C African R	1,3	-1,6	1,5	11	1960
Mauritania	1,1	-0,8	4,9	4,8	1961
Madagascar	3	-2,6	13	1,7	1960
Nepal	4	2	10,3	0,1	1955
Rwanda	1,6	-1,2	9,7	7,8	1962
Benin	2,2	-0,4	1,6	3,1	1960
Malawi	2,1	-1,2	21,8	12,2	1964
Guinea-Biss.	0,2	2,8	53,5	0,8	1974
Gambia	0,4	-0,2	-1,5	9,4	1965
Chad	1,3	3,2	0,6	27,9	1960
Burundi	1,1	0,9	7,7	2	1962
Mozambique	1,4	-1,5	46,5	0,7	1975
Burkina F.	2,9	0,8	2	2,4	1960
Mali	2,7	-1	3	2,8	1960
Sierra L.	0,7	-1,5	32,9	5	1961
Niger	2,3	-4,1	-0,1	14,1	1960
Country Code	absolute GNP (UNDP, 1996)	economic growth 80-93, pc. and year (UNDP, 1996)	inflation (UNDP, 1996)	FDI per GDP (UNCTAD, 1996; Business Central Europe, 1996)	UN membership years (Weltalmanach, 1996, 1995)
Pearson correlation with economic grow	0,12927925		-0,17644324	0,20367008	-0,0549929
Pearson correlation with human development	0,25746013		0,04035197	0,09799263	-0,13877401
Country Code	Years of Communist Rule (Autorenkollektiv; Weltalmanach)	average population growth (UNDP, 1996)	mean years of schooling, population aged >25y	state sector size (gov. expenditures per GDP; UNDP 1996; Weltalmanach, 1995, 1996; World Resources Institute)	
Canada	0	1,5	12,2	26	
USA	0	1,1	12,4	24	
Japan	0	0,9	10,8	16	
NL	0	0,9	11,1	54	
NOR	0	0,6	12,1	46	
SF	0	0,4	10,9	45	
France	0	0,7	12	46	
Iceland	0	1,2	9,2	33,4	
Swed	0	0,5	11,4	54	
Spain	0	0,8	6,9	35	
Australia	0	1,6	12	28	
Belgium	0	0,3	11,2	51	
Austria	0	0,3	11,4	40	
NZ	0	1,2	10,7	37	
CH	0	0,8	11,6	35	
UK	0	0,3	11,7	43	
DK	0	0,4	11	46	
GER	0	0,3	11,6	34	
IRE	0	0,7	8,9	47	

ITA	0	0,4	7,5	53
GRE	0	0,7	7	43
ISR	0	2,8	10,2	44
LUX	0	0,7	10,5	45
MAL	0	0,4	6,1	37,9
POR	0	0,3	6,4	42
HUNG	44	0,1	9,8	55
LATV	46	0,6	9	43
POL	44	0,8	8,2	38,7
RUS	74	0,6	9	47
BELR	74	0,7	7	33
BULG	44	0,4	7	48
EST	46	0,7	9	27
KAZ	74	1,6	5	37
ROM	44	0,7	7,1	40
UKR	74	0,6	6	38
LITH	46	0,9	9	20
ARM	74	1,9	5	36
UZB	74	2,9	5	46
AZER	74	2	5	32
KYR	74	2,3	5	38
GEO	74	0,8	5	32
ALB	46	2,3	6,2	60,5
TAJ	74	3,1	5	44
Hong Kong	0	1,9	7,2	20
Cyprus	0	0,7	7	29,8
Barbados	0	0,4	9,4	34
Bahamas	0	2,7	6,2	20
S-Korea	0	1,7	9,3	17
Argentina	0	1,5	9,2	15,3
Costa Rica	0	3	5,7	27
Uruguay	0	0,7	8,1	29
Chile	0	1,8	7,8	23
Singapore	0	1,6	4	20
Trinidad	0	1,3	8,4	33,4
Bahrein	0	3,8	4,3	36,4
Antigua	0	0,5	4,6	20
Panama	0	2,5	6,8	32
Venezuela	0	3,1	6,5	19
Saint Kitts	0	-0,6	6	20
Fiji	0	2	5,1	25,8
Mexico	0	2,7	4,9	19,8
Colombia	0	2,3	7,5	15,2
Thailand	0	2,4	3,9	16
Malaysia	0	2,6	5,6	27
Mauritius	0	1,5	4,1	22
Brazil	0	2,4	4	26
Seychelles	0	1,6	4,6	25
Dominica	0	-1	4,7	25
Belize	0	2,4	4,6	29,3
Algeria	0	2,8	2,8	40,7
Botswana	0	3,3	2,5	40
Saint Vincent	0	1	4,6	25
Suriname	0	1,1	4,2	51,7

Saint Lucia	0	1	3,9	25
Grenada	0	0,1	4,7	25
Tunesia	0	2,2	2,1	33
Oman	0	3,9	0,9	64
Turkey	0	2,4	3,6	26
Paraguay	0	3	4,9	13
Jamaica	0	1,2	5,3	32,2
Dominican R	0	2,6	4,3	18,9
Sri Lanka	0	1,8	7,2	27
Peru	0	2,6	6,5	14
Philippines	0	2,6	7,6	18
South Africa	0	2,5	3,9	33
Indonesia	0	2,1	4,1	19
Guyana	0	1,1	5,1	65,7
Egypt	0	2,4	3	47
Maldives	0	2,7	4,5	25
China	48	1,8	5	9
Swaziland	0	2,8	3,8	25,4
Bolivia	0	2,3	4	27
Guatemala	0	2,9	4,1	11,6
Mongolia	68	2,7	7,2	25
Honduras	0	3,2	4	19,4
El Salvador	0	2,3	4,2	11
Namibia	0	2,6	1,7	40
Nicaragua	0	3,1	4,5	40
Gabon	0	2,9	2,6	34
Cape Verde	0	1,9	2,2	33,1
Morocco	0	2,5	3	28
Zimbabwe	0	3,2	3,1	36
Congo	0	2,8	2,1	26,1
Papua NG	0	2,3	1	36
Cameroon	0	2,6	1,6	18
Kenya	0	3,6	2,3	29
Ghana	0	2,7	3,5	21
Lesotho	0	2,5	3,5	32
Equatorial G	0	1,2	0,8	21,1
Pakistan	0	3	1,9	24
India	0	2,2	2,4	17
Zambia	0	3,2	2,7	38,1
Nigeria	0	2,8	1,2	23,6
Comoros	0	3,2	1	43,7
Togo	0	2,9	1,6	31,3
Bangladesh	0	2,5	2	12,5
Tanzania	0	3,1	2	28,7
Cote d'Ivoire	0	3,9	1,9	31,6
C African R	0	2,2	1,1	27,6
Mauritania	0	2,4	0,4	33,4
Madagascar	0	2,9	2,2	16
Nepal	0	2,4	2,1	19
Rwanda	0	3,1	1,1	32
Benin	0	2,5	0,7	21,7
Malawi	0	3,4	1,7	26,7
Guinea-Biss.	0	2	0,4	72,5
Gambia	0	3,3	0,6	30,6

Chad	0	2,1	0,3	32
Burundi	0	2,2	0,4	21,5
Mozambique	0	2,2	1,6	14,9
Burkina F.	0	2,4	0,2	15,7
Mali	0	2,6	0,4	29,8
Sierra L.	0	2	0,9	23
Niger	0	3,2	0,2	21,3
Country Code	Years of Communist Rule (Autorenkollektiv; Weltalmanach)	average population growth (UNDP, 1996)	mean years of schooling, population aged >25y	state sector size (gov. expenditures per GDP; UNDP 1996; Weltalmanach, 1995, 1996; World Resources Institute)
	-0,294956926	-0,297536668	0,163301612	-0,133291605
	0,05070824	-0,586665524	0,839484599	0,219984663

Country Code	% labor force participation ratio (UNDP, 1996)	% of the labor force in agriculture (UNDP, 1996; Fischer Weltalmanach, 1996)	% of the labor force in industry (see: labor force agriculture)	agricultural share in GDP (UNDP, 1996; Fischer Weltalmanach, 1996)	structural heterogeneity (labor force share in agriculture divided by product share of agriculture; see labor force data)
Canada	53	3	25	2	1,5
USA	50	3	26	1,4	2,14
Japan	52	7	34	2	3,5
NL	46	5	26	4	1,25
NOR	50	6	25	3	2
SF	52	8	31	5	1,6
France	44	5	29	3	1,67
Iceland	56	11	27	12	0,92
Swed	54	4	30	2	2
Spain	41	12	33	4	3
Australia	50	6	26	3	2
Belgium	41	3	28	2	1,5
Austria	46	8	38	2	4
NZ	48	10	25	9	1,11
CH	53	6	35	3	2
UK	50	2	29	2	1
DK	57	6	28	4	1,5
GER	50	4	38	1	4
IRE	37	14	29	8	1,75
ITA	43	9	31	3	3
GRE	42	23	27	18	1,28
ISR	39	4	29	3	1,33
LUX	43	4	27	1	4
MAL	37	3	35	3	1
POR	49	18	34	6	3
HUNG	46	15	38	6	2,5
LATV	55	16	40	15	1,07
POL	49	27	36	6	4,5
RUS	52	14	42	9	1,56
BELR	52	20	40	17	1,18
BULG	51	13	48	13	1

EST	54	14	41	8	1,75
KAZ	47	22	32	29	0,76
ROM	46	24	47	21	1,14
UKR	50	20	40	35	0,57
LITH	52	18	41	21	0,86
ARM	48	18	43	48	0,38
UZB	39	35	25	23	1,52
AZER	42	31	29	22	1,41
KYR	41	32	27	43	0,74
GEO	49	26	31	58	0,45
ALB	48	55	23	40	1,38
TAJ	36	41	23	33	1,24
Hong Kong	51	1	37	1	1
Cyprus	48	14	30	6	2,33
Barbados	51	6	23	6	1
Bahamas	50	7	15	5	1,4
S-Korea	46	18	35	7	2,57
Argentina	38	12	32	6	2
Costa Rica	38	26	27	15	1,73
Uruguay	44	14	27	9	1,56
Chile	38	17	25	7	2,43
Singapore	49	0	36	0	1
Trinidad	39	11	32	3	3,67
Bahrein	45	2	30	1	2
Antigua	47	75	8	4	18,75
Panama	39	26	16	10	2,6
Venezuela	37	12	27	5	2,4
Saint Kitts	43	30	24	6	5
Fiji	34	37	15	20	1,85
Mexico	37	28	24	8	3,5
Colombia	40	27	23	16	1,69
Thailand	57	64	14	10	6,4
Malaysia	39	21	23	14	1,5
Mauritius	41	17	43	10	1,7
Brazil	44	23	23	11	2,09
Seychelles	40	9	18	4	2,25
Dominica	40	26	21	26	1
Belize	31	27	21	19	1,42
Algeria	28	26	31	13	2
Botswana	44	46	20	6	7,67
Saint Vincent	40	42	10	18	2,33
Suriname	34	15	18	14	1,07
Saint Lucia	40	30	20	11	2,73
Grenada	40	20	19	14	1,43
Tunesia	35	28	33	18	1,56
Oman	26	45	24	3	15
Turkey	45	53	18	15	3,53
Paraguay	37	39	22	26	1,5
Jamaica	49	25	23	8	3,13
Dominican R	40	25	29	15	1,67
Sri Lanka	40	48	21	25	1,92
Peru	35	36	18	11	3,27
Philippines	40	46	15	22	2,09
South Africa	39	14	32	5	2,8

Indonesia	44	55	14	19	2,89
Guyana	40	21	21	41	0,51
Egypt	35	40	22	18	2,22
Maldives	41	25	22	24	1,04
China	59	72	15	19	3,79
Swaziland	34	64	10	12	5,33
Bolivia	40	40	13	16	2,5
Guatemala	35	52	17	25	2,08
Mongolia	47	32	23	21	1,52
Honduras	34	41	20	20	2,05
El Salvador	36	36	21	9	4
Namibia	42	49	15	10	4,9
Nicaragua	34	28	26	30	0,93
Gabon	49	52	16	8	6,5
Cape Verde	37	41	25	27	1,52
Morocco	38	45	25	14	3,21
Zimbabwe	46	68	8	15	4,53
Congo	42	49	15	11	4,45
Papua NG	49	79	7	26	3,04
Cameroon	40	70	9	29	2,41
Kenya	48	80	7	29	2,76
Ghana	47	59	13	48	1,23
Lesotho	40	40	28	10	4
Equatorial G	45	52	10	47	1,11
Pakistan	35	52	19	25	2,08
India	43	64	16	31	2,06
Zambia	42	75	8	34	2,21
Nigeria	40	43	7	34	1,26
Comoros	44	78	9	39	2
Togo	42	66	10	49	1,35
Bangladesh	49	65	16	30	2,17
Tanzania	52	84	5	56	1,5
Cote d'Ivoire	37	60	10	37	1,62
C African R	49	80	4	50	1,6
Mauritania	46	55	10	28	1,96
Madagascar	48	78	7	34	2,29
Nepal	47	94	0	43	2,19
Rwanda	52	92	3	41	2,24
Benin	46	64	8	36	1,78
Malawi	45	87	5	39	2,23
Guinea-Biss.	48	85	2	45	1,89
Gambia	50	82	8	28	2,93
Chad	49	83	4	44	1,89
Burundi	54	92	3	52	1,77
Mozambique	53	83	8	33	2,52
Burkina F.	54	92	2	44	2,09
Mali	50	86	2	42	2,05
Sierra L.	37	67	15	38	1,76
Niger	49	90	4	39	2,31
Country Code	% labor force participation ratio (UNDP, 1996)	% of the labor force in agriculture (UNDP, 1996; Fischer Weltalmanach, 1996)	% of the labor force in industry (see: labor force agriculture)	agricultural share in GDP (UNDP, 1996; Fischer Weltalmanach, 1996)	structural heterogeneity (labor force share in agriculture divided by product share of agriculture: see

					labor force data)
Pearson correlation with economic growth	0,078049962	-0,164035815	0,080401522	-0,419000724	0,267753459
Pearson correlation with human development	0,003201627	-0,887533097	0,727801195	-0,805915475	0,04077444
human development index (UNDP)	main telephone lines per 100 population (UNDP, 1996)	violation of political rights (1, democracy, to dictatorship) (Stiftung Entwicklung und Frieden, 1996, based on Freedom House)		violations of civil rights (see political rights)	
0,951	58,6	1	1	Canada	
0,94	55,3	1	1	USA	
0,938	45,4	2	2	Japan	
0,938	47,7	1	1	NL	
0,937	51,5	1	1	NOR	
0,935	54,4	1	1	SF	
0,935	51,1	1	2	France	
0,933	52,7	1	1	Iceland	
0,933	68,7	1	1	Swed	
0,933	34	1	2	Spain	
0,929	46,4	1	1	Australia	
0,929	41	1	1	Belgium	
0,928	43,2	1	1	Austria	
0,927	43,6	1	1	NZ	
0,926	60,3	1	1	CH	
0,924	44,5	1	2	UK	
0,924	57,7	1	1	DK	
0,92	42	1	2	GER	
0,919	30	1	2	IRE	
0,914	40	1	3	ITA	
0,909	41,3	1	3	GRE	
0,908	34,9	1	3	ISR	
0,895	51,1	1	1	LUX	
0,886	39	1	1	MAL	
0,878	27,3	1	1	POR	
0,855	10,7	1	2	HUNG	
0,82	23,9	3	3	LATV	
0,819	9,3	2	2	POL	
0,804	15	3	4	RUS	
0,787	16,3	5	4	BELR	
0,773	24,6	2	2	BULG	
0,749	21	3	2	EST	
0,74	11,1	6	4	KAZ	
0,738	10,5	4	4	ROM	
0,719	15,6	4	4	UKR	
0,719	21,6	1	3	LITH	
0,68	17,7	3	4	ARM	
0,679	7,1	7	7	UZB	
0,665	9	6	6	AZER	
0,663	7,3	5	3	KYR	

0,645	10,3	5	5	GEO
0,633	1,3	2	4	ALB
0,616	4,8	7	7	TAJ
0,909	45,9	5	2	Hong Kong
0,909	39,2	1	1	Cyprus
0,906	30,2	1	1	Barbados
0,895	23,8	1	2	Bahamas
0,886	33,3	2	2	S-Korea
0,885	9,8	2	3	Argentina
0,884	9,8	1	2	Costa Rica
0,883	14,5	2	2	Uruguay
0,882	7,4	2	2	Chile
0,881	40,2	5	5	Singapore
0,872	14,1	1	1	Trinidad
0,866	19,4	6	6	Bahrein
0,866	28,8	4	3	Antigua
0,859	9,3	3	3	Panama
0,859	8,1	3	3	Venezuela
0,858	11,7	1	1	Saint Kitts
0,853	6,2	4	3	Fiji
0,845	7	4	4	Mexico
0,84	8	2	4	Colombia
0,832	2,8	3	5	Thailand
0,826	9,9	4	5	Malaysia
0,825	6	1	2	Mauritius
0,796	6,6	3	4	Brazil
0,792	11,8	3	4	Seychelles
0,764	19,4	2	1	Dominica
0,754	10,4	1	1	Belize
0,746	3,4	7	6	Algeria
0,741	2,6	2	3	Botswana
0,738	13,9	1	1	Saint Vincent
0,737	9,4	3	3	Suriname
0,733	12,7	1	2	Saint Lucia
0,729	17,8	1	2	Grenada
0,727	4,1	6	5	Tunesia
0,716	7,6	6	6	Oman
0,711	14,3	4	4	Turkey
0,704	2,7	3	3	Paraguay
0,702	4,7	2	3	Jamaica
0,701	5,6	3	3	Dominican R
0,698	0,7	4	5	Sri Lanka
0,694	2,6	5	5	Peru
0,665	11,1	3	4	Philippines
0,649	8,8	5	4	South Africa
0,641	0,7	7	6	Indonesia
0,633	2	2	2	Guyana
0,611	3,6	6	6	Egypt
0,61	3,5	6	6	Maldives
0,609	0,7	7	7	China
0,586	1,9	6	5	Swaziland
0,584	2,5	2	3	Bolivia
0,58	2,1	4	5	Guatemala
0,578	3	2	3	Mongolia

0,576	1,8	3	3	Honduras
0,576	2,5	3	3	El Salvador
0,573	3,8	2	3	Namibia
0,568	1,3	4	5	Nicaragua
0,557	1,8	5	4	Gabon
0,539	2,3	1	2	Cape Verde
0,534	1,9	5	5	Morocco
0,534	1,2	5	5	Zimbabwe
0,517	0,7	3	3	Congo
0,504	0,9	2	4	Papua NG
0,481	0,3	6	5	Cameroon
0,473	0,8	5	6	Kenya
0,467	0,3	5	4	Ghana
0,464	0,6	3	4	Lesotho
0,461	0,4	7	7	Equatorial G
0,442	0,9	3	5	Pakistan
0,436	0,7	4	4	India
0,411	0,8	3	4	Zambia
0,4	0,2	7	5	Nigeria
0,399	0,7	4	4	Comoros
0,385	0,3	7	5	Togo
0,365	0,2	2	4	Bangladesh
0,364	0,3	6	5	Tanzania
0,357	0,6	6	5	Cote d'Ivoire
0,355	0,2	3	4	C African R
0,353	0,4	7	6	Mauritania
0,349	0,3	2	4	Madagascar
0,332	0,3	3	4	Nepal
0,332	0,2	6	5	Rwanda
0,327	0,3	2	3	Benin
0,321	0,3	6	5	Malawi
0,297	0,6	6	5	Guinea-Biss.
0,292	1,6	2	2	Gambia
0,291	0,1	6	5	Chad
0,282	0,2	7	7	Burundi
0,261	0,4	6	5	Mozambique
0,225	0,2	5	4	Burkina F.
0,223	0,1	2	3	Mali
0,219	0,4	7	6	Sierra L.
0,204	0,1	3	4	Niger
human development index (UNDP)	main telephone lines per 100 population (UNDP, 1996)	violation of political rights (1, democracy, to 7, dictatorship) (Stiftung Entwicklung und Frieden, 1996, based on Freedom House)	violations of civil rights (see political rights)	Country Code
0,346752081	0,288899818	-0,212719009	-0,241147216	Pearson correlation with economic growth
	0,737399726	-0,553989633	-0,593538789	Pearson correlation with human development
country code	total fertility rate (UNDP, 1996)	military expenditures per	EU membership years (Fischer	

		GDP (UNDP, 1996)	Weltalmanach, 1995, 1996
Canada	1,9	1,7	0
USA	2,1	4,3	0
Japan	1,5	1	0
NL	1,6	2,1	39
NOR	1,9	3,1	0
SF	1,9	2	2
France	1,7	3,3	39
Iceland	2,2	0	0
Swed	2,1	2,5	2
Spain	1,2	1,6	11
Australia	1,9	2,3	0
Belgium	1,6	1,7	39
Austria	1,5	0,9	2
NZ	2,2	1,1	0
CH	1,6	1,6	0
UK	1,8	3,4	24
DK	1,7	1,9	24
GER	1,3	2	39
IRE	2,1	1,2	24
ITA	1,3	2,1	39
GRE	1,4	5,7	16
ISR	2,9	9,5	0
LUX	1,7	1,2	39
MAL	2,1	1	0
POR	1,6	2,6	11
HUNG	1,7	1,6	0
LATV	1,6	3,8	0
POL	1,9	2,5	0
RUS	1,5	9,6	0
BELR	1,7	2,2	0
BULG	1,5	2,5	0
EST	1,6	3,8	0
KAZ	2,5	3,5	0
ROM	1,5	2,9	0
UKR	1,6	2,1	0
LITH	1,8	3,9	0
ARM	2,6	3,1	0
UZB	3,9	2,4	0
AZER	2,5	8,7	0
KYR	3,7	1,4	0
GEO	2,1	2,4	0
ALB	2,9	2,7	0
TAJ	4,9	4	0
Hong Kong	1,2	2,8	0
Cyprus	2,5	5,4	0
Barbados	1,8	0,8	0
Bahamas	2	0,5	0
S-Korea	1,7	3,6	0
Argentina	2,8	1,7	0
Costa Rica	3,1	0,5	0
Uruguay	2,3	2,5	0
Chile	2,5	3,5	0

Singapore	1,7	4,8	0
Trinidad	2,4	1,4	0
Bahrein	3,8	5,5	0
Antigua	2,6	0,8	0
Panama	2,9	1,2	0
Venezuela	3,3	1,6	0
Saint Kitts	2,6	2,8	0
Fiji	3	1,5	0
Mexico	3,2	0,7	0
Colombia	2,7	2,3	0
Thailand	2,1	2,6	0
Malaysia	3,6	3,9	0
Mauritius	2,4	0,4	0
Brazil	2,9	1,6	0
Seychelles	3,6	2,9	0
Dominica	3,6	3,8	0
Belize	4,2	1,9	0
Algeria	3,9	2,7	0
Botswana	4,9	4,6	0
Saint Vincent	3,6	3,8	0
Suriname	2,7	2,8	0
Saint Lucia	3,6	3,8	0
Grenada	3,6	3,8	0
Tunesia	3,2	1,4	0
Oman	7,2	15,9	0
Turkey	3,4	3,2	0
Paraguay	4,3	1,4	0
Jamaica	2,4	0,9	0
Dominican R	3,1	1,1	0
Sri Lanka	2,5	4,7	0
Peru	3,4	1,8	0
Philippines	3,9	1,4	0
South Africa	4,1	3,3	0
Indonesia	2,9	1,4	0
Guyana	2,6	1,4	0
Egypt	3,9	5,9	0
Maldives	6,8	3,8	0
China	2	5,6	0
Swaziland	4,9	3,8	0
Bolivia	4,8	1,4	0
Guatemala	5,4	1,1	0
Mongolia	3,6	2,8	0
Honduras	4,9	1,3	0
El Salvador	4	1,9	0
Namibia	5,3	2,2	0
Nicaragua	5	2	0
Gabon	5,3	2,3	0
Cape Verde	4,3	0,9	0
Morocco	3,8	4,3	0
Zimbabwe	5	3,5	0
Congo	6,3	1,7	0
Papua NG	5,1	1,1	0
Cameroon	5,7	1,4	0
Kenya	6,3	2,2	0

Ghana	6	0,9	0
Lesotho	5,2	3,2	0
Equatorial G	5,9	1,4	0
Pakistan	6,2	6,9	0
India	3,8	2,8	0
Zambia	6	1	0
Nigeria	6,5	3,1	0
Comoros	7,1	3,5	0
Togo	6,6	2,7	0
Bangladesh	4,4	1,8	0
Tanzania	5,9	3,5	0
Cote d'Ivoire	7,4	0,8	0
C African R	5,7	2	0
Mauritania	5,4	2,7	0
Madagascar	6,1	0,8	0
Nepal	5,4	1,1	0
Rwanda	6,6	7,7	0
Benin	7,1	1,5	0
Malawi	7,2	1,1	0
Guinea-Biss.	5,8	3,3	0
Gambia	5,6	3,7	0
Chad	5,9	2,6	0
Burundi	6,8	3	0
Mozambique	6,5	7,1	0
Burkina F.	6,5	1,6	0
Mali	7,1	3	0
Sierra L.	6,5	4,4	0
Niger	7,4	0,9	0
country code	total fertility rate (UNDP, 1996)	military expenditures per GDP (UNDP, 1996)	EU membership years (Fischer Weltalmanach, 1995, 1996)
Pearson correlation with economic growth	-0,265786013	0,116464865	0,141044203
Pearson correlation with human development	-0,874976956	-0,040516766	0,330662276

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Sources provided by the ILO, the UTIP project at the University of Texas, and the World Bank were used in this essay. 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) since 1980.

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BACK COVER

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