Eighth Edition

Social Stratification and Inequality

Class Conflict in Historical, Comparative, and Global Perspective

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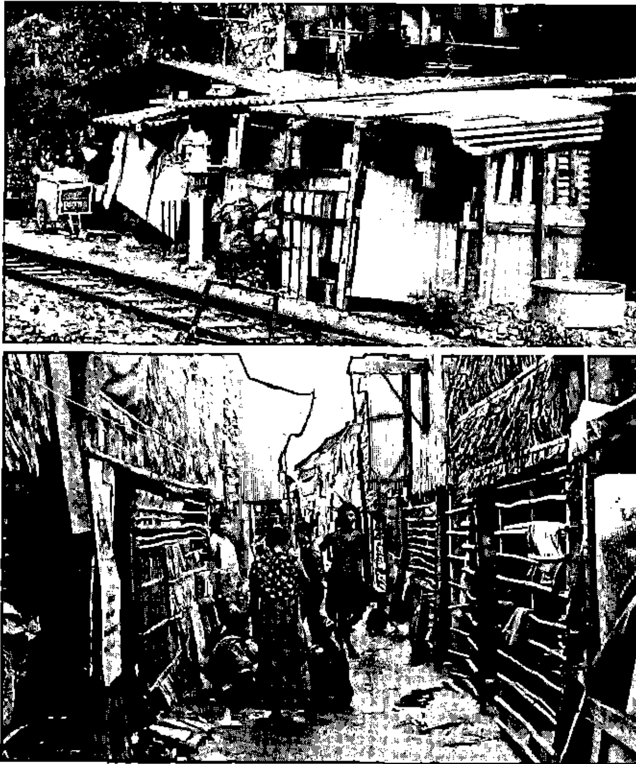
C H A P T E R **16**

World Stratification and Globalization: The Poor of This Earth



Squatter slums like these in Bangkok, Thailand (*top*), and near Phnom Penh, Cambodia (*bottom*) are found throughout the developing world. They are much more numerous and harsh in some developing countries than in others. Most of the people living in these scrap wood and metal shacks in Bangkok have village homes to return to and live in Bangkok only temporarily to make extra money. In Cambodia, though, rates of poverty are much higher, and poor people are increasingly losing their land because of corrupt deals between government officials and foreign companies, mainly from South Korea and China. I first interviewed some of these Cambodian poor in a slum in the middle of the capital, Phnom Penh. Their land was later stolen, and these people were dumped in a field about 30 miles away with only these straw huts they made themselves. Some 3,000 people live in this one-square-mile area today. Amnesty International estimates 150,000 additional poor people in Cambodia will have their land stolen in coming years.

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Chapter Outline

- The Extent of World Poverty
- The World System and Economic Development in Periphery Nations: Why Some of the World's Poor Remain Poor
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The largest and most dire of Bangkok's slums, Klong Toey, which I described in the beginning of Chapter 9, a slum with some 100,000 poor people crammed into one neighborhood, pales in comparison to "world class" slums in several other countries around the world. In India, for example, the Bombay-Dharavi slum is claimed to be the biggest in the world, with people far more desperate than most people in slums like Klong Toey. It is estimated that 58 percent of the 6.7 million residents of Bombay, India, live in slums such as Dharavi, which itself has perhaps as many as one million people. Then there is the slum located in the Philippines, contained within Manila's huge garbage dump. Thousands of people live there and try to make a living by searching through garbage for anything they can sell. From time to time, as happened in the summer of 2000, parts of the garbage dump explode into flames, killing hundreds of people and injuring many more. There is also, for example, the famous Kibera slum in Nairobi, where all world leaders seem to be taken to show them how bad things can really become. Although it is hard to imagine while walking through the Klong Toey slum in Thailand, those like Kibera are far worse, with people who have much less hope, far fewer options in life, and almost no aid from the national government where they live.

To a far greater extent than Klong Toey, these slums like Dharavi are crime ridden and dangerous, not only for the crime but also because of the extremely unsanitary conditions: There is, for instance, one toilet for every 800 people in the Dharavi slum. In Cambodia conditions for the urban poor are even more desperate, and getting worse. While doing fieldwork on poverty conditions in Southeast Asia between 2006 and 2009, I watched the slums of Phnom Penh (Cambodia's capital city) become fewer and fewer. But the reduction is not because thousands of people have gotten better jobs and homes. The extremely corrupt government in Cambodia is allowing foreign corporations, mainly from China and South Korea, to take over the slum land in the capital to build tourist hotels, condos, and casinos (Kerbo 2011). I located four sites where many of these displaced people now live in "relocation camps." They are miles from the city, and there is no work nor farmland to grow food. They were simply arrested, taken from

their slum homes in the city, and dumped in a field. Amnesty International estimates there will be 150,000 people like this in Cambodia (www.amnestyusa.org; also see, http://www.licadho-cambodia.org/, and CHRAC 2009) by 2012. In one of these forced relocation camps, some 3,000 people were living in straw huts all crammed together in a square mile area. I did find one exception, however. A few hundred of these former urban slum people were given small houses about 25 miles from Phnom Penh, right next to a garment sweatshop owned by the South Korean company that had taken their land in the city. But several girls and their parents in this relocation camp told me the sweatshop would only hire teenagers, mostly young girls.

Another way to consider the desperate condition of almost half of the world's population is to contemplate the existence of the now notorious sweatshops around the world (Rosen 2002). But it is not simply that these sweatshops exist with wages sometimes below $1 per day, requiring 10- to 12-hour working days in extremely unhealthy environments. What is even more troubling to consider is that with almost half of the world's population living on less than what $2 per day will buy in the United States, *landing such sweatshop jobs is a big step up for hundreds of millions of people in this world!* American middle-class and working-class parents hope their children will get into a good university and eventually land a good professional position. As many as one or two billion people in the world dream of their children being able to improve their lives through landing a sweatshop job (Kristof and WuDunn 2000). As *New York Times* journalist Nicholas Kristof tried to explain in a purposely shocking opinion article titled "Let's Hear It for Third World Sweatshops," a sad commentary on world inequality is that when international agencies are successful in shutting some of these sweatshops, people end up in greater hunger because sweatshops are their only options (*International Herald Tribune*, June 26, 2002). This is a reality far removed from anything comfortable people in rich countries can imagine.

The Extent of World Poverty

We have already seen some of the figures on poverty in beginning this final Part Five of our look at social stratification worldwide. But a bit more detail is important. Using the Purchasing Power Parity (PPP) measure to make comparisons of world currencies more accurate, agencies such as the World Bank and United Nations estimate that approximately 1.1 to 1.3 billion people in the world today are living on what less than $1 would buy them each day in the United States.* This is about 20 percent of the

*It is perhaps useful to make clear what the World Bank and other agencies imply with this new $1 per person per day measure. This $1 per day is estimated using Purchasing Power Parity (PPP), meaning the estimate begins with what goods $1 per day would buy in the United States, then approximates the cost of the same goods in the actual currency of each country. It might be useful to use what a friend of mine came up with—the "sandwich index." Given that $1 in the United States could buy a sandwich (well, a cheap one anyway), we can say that the World Bank estimates that 1.3 billion people in the world do not have enough money to buy one sandwich per day. There are, of course, many factors making this $1 per day only a rough estimate, as the World Bank admits. For example, while in one country the one sandwich per day means the person must go without a place to sleep because all of the daily wage has gone for the sandwich, another country has a tradition of families taking other family members under their roof. Thus, in this other country the person has a sandwich *and* a place to sleep. It seems, nonetheless, that this $1 per day rough indicator of economic means for people in the world gives us a reasonable idea of comparative levels of poverty. For more details see the World Bank, *Technical Notes*, 2000:320.

world's population. Almost 30 percent more of the world's population live on less than $2 per day (United Nations, *A Better World for All,* 2000); United Nations Development Program, *Overcoming Human Poverty,* 2000; World Bank, *Progress in the Fight Against Poverty,* 2004). The PPP measure of the value of different currencies around the world (which the $1 per day estimate is based on) was first done in the early 1990s. The World Bank published its updated report in 2008. Worldwide the World Bank found the percentage and number of people living on less than $1 per day had not changed much, though the percentage was pushed higher in a few countries such as China and Cambodia (also see Haughton and Khandker 2009).

The income and wealth inequalities we have seen are not the only inequalities of importance; we also see extreme inequalities in how the world's food supply is distributed. In 2008 the United Nations World Food Programme estimated almost 1 billion of the world's population were undernourished, an increase of over 100 million people compared to the previous year (United Nations World Food Programme 2009). Part of this increase was due to a jump in world food prices in 2008. No doubt when new reports are published, we will find a big jump in world hunger again because of the global economic crisis during 2009 and 2010.

For the millions of poor living in urban areas in the least-developed countries, this poverty also means only about half of these people have "access to sanitary living conditions" such as clean water and toilets. It means that an average of 107 out of 1,000 babies die by the time they are 5 years old compared to only 6 in richer nations. It means very little education, if any, and almost half the population is illiterate. It means that an average of about 20 percent of the children 10 to 14 years old in low-income nations must be employed for long hours a day, and a much higher percentage in many of these countries (World Bank 2000:276–285; 2004). Poverty also means dying at an earlier age than people in richer countries simply because there is no money for medical treatment. One of the worst examples of this is the spread of AIDS in developing countries. While the disease is still not curable, people infected with HIV that leads to AIDS can expect to live to a normal age with drug treatment. But in poor countries there is no money; in African countries alone some 5,000 people die each day of AIDS, there are 13.2 million children orphaned by AIDS, and in 10 years the deaths from AIDS in Africa alone will exceed all of those killed in World War I and World War II combined. There are African countries that will experience population declines of 30 to 40 percent in coming years because of deaths from AIDS. And in countries such as Namibia, Zimbabwe, Swaziland, and Botswana, one estimate is that in 10 years the life expectancy will be reduced to around 30 years of age instead of 70 (World Bank, *Aid and Reform in* Africa, 2002; United Nations 2004).

It is also important to recognize that in many countries these poverty and inequality figures have been getting worse as globalization proceeds (United Nations, *A Better World for All,* 2000; United Nations Development Program, *Overcoming Human Poverty,* 2000). But many people in low-income countries are experiencing improved conditions compared to people in other countries where conditions are getting worse. These less-well-known statistics are among the most important to consider because, as we will do later in this chapter, understanding why people in some poor countries are experiencing improved conditions can be a key to understanding, and hopefully helping, the people in countries where conditions are worsening.

Table 16-1 shows that the percentage of people living on less than $1 per day varies dramatically in less-developed nations, and the variation in prospects for improvement are even more dramatic. For people living in East Asia and the Pacific (in countries such as China, Thailand, Vietnam, Malaysia, Indonesia, and South Korea), the percentage of people living in extreme poverty (less than $1 per day) has dropped extensively since 1990, and is estimated to drop to 0.9 percent in 2015. (However, many of the countries in the region, such as Laos, Burma, and Cambodia, continue with high levels of extreme poverty.) In other regions, such as south Asia (primarily India), there has been little improvement in rates of extreme poverty in recent years, but conditions are expected to improve. In Latin America there was much less of a drop in extreme poverty up to 2002, though the World Bank expects the drop to increase by 2015 (World Bank 2006b, 2008; also see Firebaugh and Goesling 2004). In sub-Saharan Africa the rate of extreme poverty has been increasing rather than decreasing, with almost half the population living on less than $1 per day in 2002. In a new optimistic forecast, however, the World Bank now thinks there is a chance for enough poverty reduction in a few African nations such as South Africa to bring down the overall rate of extreme poverty in sub-Saharan African slightly by 2015.

Another way in which to consider the extent of world poverty is to compare rates of gross national product (GNP) or income on a per capita basis. Especially now that we have the new Purchasing Power Parity measure of currencies and incomes, comparing rates of GNP per capita gives us a rough idea of the level of poverty, or the general standard of living in countries around the world. Table 16-2 presents such data for a selection of countries around the world for 2008. The differences, of course, are huge. As

TABLE 16-1

Percentage of the Population Living on Less Than $1 and $2 a Day by World Region, 1990 to 2015

	Percent of population living on					
	less than $1 per day			less than $2 per day		
Region	**1990**	**2002**	**2015**	**1990**	**2002**	**2015**
East Asia and the Pacific	29.6	14.9	0.9	69.9	40.7	12.7
China	33.0	16.6	1.2	72.6	41.6	13.1
Rest of East Asia and the Pacific	21.1	10.8	0.4	63.2	38.6	11.9
Europe and Central Asia	0.5	3.6	0.4	4.9	16.1	8.2
Latin America and the Caribbean	11.3	9.5	6.9	28.4	22.6	17.2
Middle East and North Africa	2.3	2.4	0.9	21.4	19.8	10.4
South Asia	41.3	31.3	12.8	85.5	77.8	56.7
Sub-Saharan Africa	44.6	46.4	38.4	75.0	74.9	67.1
Total	27.9	21.1	10.2	60.8	49.9	32.8
Excluding China	26.1	22.5	12.9	56.6	52.6	38.6

SOURCE: World Bank, *Global Prospects, Remittances, 2006* (2006b:10).

TABLE 16-2

Gross National Income per Capita, Select Countries, PPP Measures, 2008

Country	Gross national income per capita, PPP
Norway	58,500
United States	46,970
Switzerland	46,460
Canada	36,220
Britain	36,130
Germany	35,940
Japan	35,220
France	34,410
South Korea	28,120
Mexico	14,270
Malaysia	13,740
South Africa	9,780
Ecuador	7,760
China	6,020
Thailand	5,990
Angola	5,020
Philippines	3,900
Indonesia	3,830
India	2,960
Vietnam	2,700
Laos	2,060
Cambodia	1,820
Tanzania	1,230
Haiti	1,180
Uganda	1,140
Rwanda	1,010
Ethiopia	870
Malawi	830
Mozambique	770
Sierra Leone	750
Niger	680
Burundi	380
Congo, of Democratic Republic	290

SOURCE: World Bank (2010:Table 1).

we move down Table 16-2 we move from Norway with an annual gross national income per capita of almost $60,000 per year to the sub-Saharan African countries of Malawi, Burundi, and the Democratic Republic of Congo, with per capita incomes of only $830, $380, and $290 per year, respectively. Remembering the above description of how the $1 per day figure using Purchasing Power Parity is estimated one is reminded that this $290 is the equivalent of what $290 would buy a person in the United States, *not* what $290 U.S. dollars would buy in the Democratic Republic of Congo. In other words, the average person in the Democratic Republic of Congo is trying to live on what one could buy with $290 to last for the whole year. Simply considering the average per capita GNP of a nation, however, can be misleading in one important respect: It assumes the total GNP of a country is divided equally among all of its people.

This $1 a day per person figure is a rough estimate of living conditions. Without any "income-in-kind" such as being able to grow some of your own food (which is not included in these estimates), people would starve to death. Millions of people, of course, do not. In other words, 1.3 billion people living on less than $1 per day does not mean 1.3 billion people are starving to death each year. But as we saw above, almost 1 billion people a day were malnourished in 2008. As I traveled the countryside conducting interviews with village farmers in Cambodia between 2006 and 2008, where 66 percent of the people live on less than $1 per day, I saw little starvation, though plenty of indicators of malnutrition. The difference for Cambodia, and almost all of Southeast Asia, is that most poor peasants have at least a little land to grow their own food. I was told by families in village after village, "we grow *almost* enough food to feed our families." Land inequality in Asia is generally lower than in Africa and especially Latin America, and this is a big advantage for Asia. However, in some countries this advantage is shrinking. Fifteen years ago only 3 percent of farm families were landless in Cambodia, but because of corrupt government officials and the need to sell land for hospital care for sick children, by 2006 this figure was already at 23 percent landless in Cambodia (Kerbo 2011).

It is also clear that differences in rates of extreme poverty are not simply related to rates of economic growth. Some Latin American countries in recent years have had rates of economic growth similar to rates of growth in GNP in East and Southeast Asian countries. What divides most East and Southeast Asian countries from Latin American countries is *even* versus *uneven* economic development. (For most of sub-Saharan Africa, however, it is simply no economic development.) As can be seen in Table 16-3, Gini scores from the mid-2000s show East and Southeast Asian nations generally have much lower income inequality than countries in Latin America or Africa. Brazil, for example, has one of the highest rates of income inequality in the world (at 0.59), while the other Latin American countries where we have data are not far behind Brazil. In Brazil the poorest 20 percent of the population receives only 2.5 percent of the annual income while the richest 20 percent receives 63.8 percent. The situation is even worse for the poor in sub-Saharan African countries because of the low gross national income to begin with, then a highly unequal distribution in most cases. For example, Mozambique had a per capita income of only $1,270 in 2005, but the bottom 20 percent of people got only 6.5 percent of the income pie.

Because the vast majority of people in less-developed countries around the world live in rural areas and depend on some kind of agricultural work for their survival, the

TABLE 16-3

Cross-National Comparison of Income Inequality within Nations and Gini Index, mid-2000s

	Percentage of total household income		
Country	**Poorest 20%**	**Top 20%**	**Gini Index**
Bangladesh	8.7%	42.8%	0.31%
India	8.1	46.1	0.33
Indonesia	6.0	44.9	0.34
Philippines	5.4	52.3	0.46
Thailand	6.4	48.4	0.40
China	5.9	46.6	0.45
Malaysia	4.5	53.8	0.49
Vietnam	8.0	44.5	0.35
South Korea	7.5	39.3	0.32
Ethiopia	7.1	47.7	0.30
Egypt	9.8	39.0	0.34
Kenya	5.0	50.2	0.44
Zambia	4.2	54.8	0.53
Mozambique	6.5	46.5	0.40
Guatemala	2.1	63.0	0.58
El Salvador	3.4	56.5	0.50
Peru	4.4	51.2	0.50
Costa Rica	4.0	51.8	0.48
Brazil	2.5	63.8	0.59
Panama	3.6	52.8	0.55
Mexico	3.6	58.2	0.49
Chile	3.5	60.1	0.51
Venezuela	3.7	53.1	0.42
Spain	7.5	40.3	0.35
Sweden	9.6	34.5	0.25
Italy	8.7	36.3	0.31
United Kingdom	6.6	43.0	0.34
The Netherlands	7.3	40.1	0.29
France	7.2	40.2	0.31
Germany	8.2	38.5	0.28
United States	5.2	46.4	0.38

SOURCE: World Bank (2006a:280–282).

distribution of land is a very important condition. Using a recently developed Gini index of land inequality, Table 16-4 shows even bigger differences between Asia and especially Latin America. Most countries in Latin America have Gini index figures in the 0.80 range, and some even in the 0.90 range. (Remember that 1.00 would mean one person owns all the land.) Asian nations, on the other hand, have Gini index numbers ranging from the 0.30 to 0.50. Typical of less-developed countries with uneven rates of economic development within the country are major differences between rural and urban people. For example, the World Bank lists the urban poverty rate for Brazil as 13 percent compared to 32 percent in rural areas. In Bangladesh it was 14 percent in urban areas versus 40 percent in rural areas, while it was 40 percent versus 65 percent in Peru, 15 percent versus 65 percent in Panama, and 34 percent versus 72 percent in Guatemala. In most East

TABLE 16-4

Land Inequality in the Developing World, Gini Index of Land Inequality*

Country	Gini land concentration index**
Southeast Asia	
Thailand	0.47
Burma	0.44
Indonesia	0.46
Laos	0.39
Philippines	0.55
Africa	
Ethiopia	0.47
Malawi	0.52
Morocco	0.62
Uganda	0.59
Latin America	
Argentina	0.83
Brazil	0.85
Columbia	0.80
Honduras	0.66
Panama	0.60
Uruguay	0.79
Nicaragua	0.93
Paraguay	0.78
Peru	0.91

*The U.N. Gini land concentration index is based on the same principle as the Gini income inequality index. The higher the number, the higher the concentration of land ownership in the hands of a few people in the country.

**Data were not available for every country, and most recent data available are presented here.

SOURCE: World Bank (2006a:280–282).

and Southeast Asian countries these rural versus urban poverty differences are much less. Thailand, for example, has one of the least differences, with the poverty rate at 15 percent in the rural areas compared to 10 percent in urban areas (World Bank 2000:280–281). What this means, of course, is that Latin America and Africa have a higher percentage of landless peasants who must depend on the rich landowners for their means of existence. We also will see that these rich landowners in Latin America especially are tied to the world agriculture markets and big agribusiness firms in the rich countries, often keeping both landowners and agribusiness firms rich at the expense of landless peasants.

There is another important new estimate that helps us understand the problem of world poverty. The World Bank's *World Development Report 2000/2001* includes calculations on how much poverty reduction countries obtain for each percentage of new economic growth each year. This, of course, is a key to *even* compared to *uneven* economic development. If, for example, economic growth does not lead to poverty reduction, this means that some of the population has an improved standard of living because of the economic growth while others in the country have no improvement or even possibly worse living conditions. Figure 16-1 shows the country's rate of GDP growth across the bottom and the rate of poverty reduction along the left side of the figure. Putting the two together we find Asian nations fall along a line going down as we move to the right (toward higher levels of economic growth), thus showing poverty reduction and economic growth are strongly related for most Asian nations (and especially so in Thailand). The World Bank, International Monetary Fund, and other such international capitalist agencies like to claim that economic growth always results in poverty reduction. Their

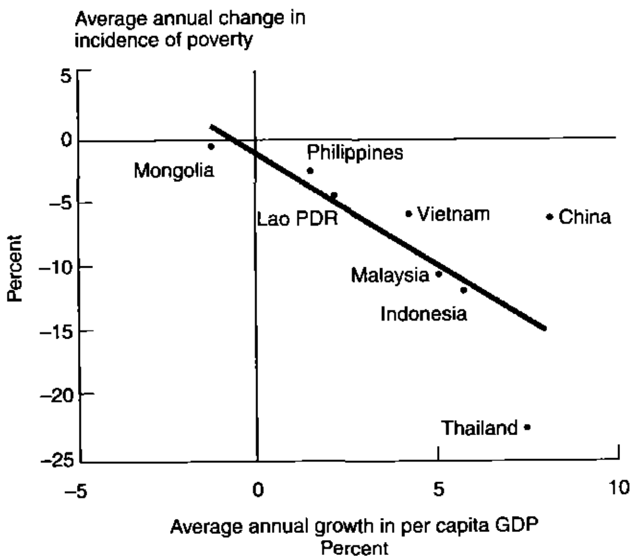

FIGURE 16-1 ***Poverty Reduction with Economic Growth Since 1980, Asia***

SOURCE: World Bank, *World Development Report 2000/2001* (2000: Chapter 3, p. 48).

figures, such as those in the same publication where Figure 16-1 is located, do not make the case. Latin American nations have averaged less economic growth since the early 1980s, but more importantly it has not reduced poverty. South Asia has tended to have a bit more economic growth, but still it did not result in reduced poverty. Africa, on the other hand, has had little economic growth or even negative figures for the economic change and no improvements in poverty rates. When we look to the future, however, Table 16-1 indicates poverty has been getting much worse in Africa in recent years.

Poverty in World Regions

Before attempting to answer questions of why some countries are so poor while others are improving, it is necessary to understand the commonalities as well as differences of nations in each world region (see Figure 16-2). We can start with the cradle of humanity and the region now deep in crisis—Africa.

Sub-Saharan Africa

Most sub-Saharan countries are among the world's poorest. In fact, of the world's poorest countries in terms of per capita GNP, all but eight are in sub-Saharan Africa. However, not all sub-Saharan countries are in economic stagnation with increasing poverty. Botswana's economy has experienced healthy growth for some years, as has Mozambique after independence from Portugal and the end of civil war. South Africa is the richest nation in sub-Saharan Africa with a per capita GNP (PPP) of over $12,000 (Kerbo 2006:Chapter 7). But almost all of the other countries in the region rank the lowest in the world, from percent of the country's people living on less than $1 per day, to high infant mortality rates and low life expectancy, to levels of political violence and political instability. In Zambia and Nigeria, for example, about 70 percent of the people live on less than $1 per day. Of the 25 countries with the highest infection rates of HIV and AIDS, only one, Haiti at 24th, is not in sub-Saharan Africa (U.S. Central Intelligence Agency, *World Fact Book, 2003,* 2003). In contrast to all of these terrible rankings for sub-Saharan Africa is the continent's wealth of natural resources. As asked by the African author Ali Mazrui (1986), "if Africa is so rich, why are its people so poor?"

East and Southeast Asia

The mostly vibrant countries of East and Southeast Asia present one of the most striking contrasts to African countries. With the major exception of North Korea (one of the world's poorest and most backward countries), as we move from China, South Korea, and Japan down to Taiwan, Thailand, Vietnam, Malaysia, and Indonesia, we encounter countries where economic development is proceeding at high to moderate levels. The striking exceptions, however, are Cambodia, Laos, and Burma (Myanmar). While traveling through the countryside and the largest cities of Cambodia between 2006 and 2008, it was clear that the World Bank reports of 7 to 8 percent or more growth in Cambodia's GNP were accurate (World Bank 2010). But it was also clear that this growth in GNP is very uneven in Cambodia, making just a few rich and making most other Cambodians either no better off or poorer (Kerbo 2011). As we will see below, this will not produce

FIGURE 16-2 ***Poverty Estimates in Countries around the World***

Note: Figures represent country estimates with differing definitions of poverty. These estimates, while not exactly comparable, do give us a rough idea of different levels of poverty around the globe.

SOURCE: World Bank, *World Development Report 2000/2001* (2000).

sustainable economic development. Traveling along the flatland areas in Laos up and down the Mekong River during this same time period, I saw less economic development, but more economic development spread more evenly among the population. Laos is just now starting to go more the way of their communist neighbor, Vietnam, and will likely surpass Cambodia with more steady economic development and more poverty reduction in coming years.

Many of the countries of East and Southeast Asia have ancient civilizations going back for thousands of years. Few Westerners realize that east, southeast, and south Asia (primarily India) had the most economically dominant countries in the world a few centuries ago (Levathes 1994; Menzies 2002; Kristof and WuDunn 2000). We will consider the characteristics of Southeast Asian nations in more detail later for clues to what countries can do to rapidly reduce poverty as they attempt economic development.

South Asia

The region called south Asia includes India, Pakistan to the northwest of India, Nepal and Bangladesh to the northeast, and the island country of Sri Lanka to the south of India. India is often called the world's largest democracy because of its parliamentary system inherited from the British colonial period. But India also inherited a colonial administration that turned into one of the most obstructive government bureaucracies in the world (Chibber 2002 Luce 2007; Meredith 2007; Kohli 2004; Prestowitz 2005). India is the second most populous nation with just over 1 billion people, and still one of the world's poorest, with some 44 percent of its population living in what the World Bank defines as extreme poverty, living on less than $1 per day. There is finally hope for economic development and poverty reduction in the future, however, with the number of people living on less than $1 per day expected to shrink by about 50 percent in the next 10 years. Still, India will remain one of the world's poorest countries, with other social problems like AIDS also advancing rapidly—all of this in a country that 300 years ago formed an economic block with China that was at the time the world's most powerful.

It is interesting to note that Pakistan has actually shown more economic growth and poverty reduction than India in recent years, with just over 30 percent of Pakistanis now living on less than $1 per day. Pakistan is certainly not a democracy, but it has a government efficiency rating that is quite high (Evans and Rauch 1999). The future of Pakistan is in doubt, however, because of organized terrorist groups on its borders and many supporters of Osama bin Laden in the country.

Sri Lanka, on the other hand, has the lowest poverty rate of south Asia, with only 6 percent of its people living on less than $1 per day. Sri Lanka is a Buddhist country and the country that helped spread Theravada Buddhism throughout Southeast Asia during the 7th century. Political and religious conflict has raged for the last several decades, with one faction allied with India. Only now has this civil war some hope of cooling, and with it, much better hope for further economic development and poverty reduction.

Finally, Bangladesh and Nepal remain among the world's poorest countries, both having about 30 percent of their people living on less than $1 per day. Although India has a higher rate of extreme poverty, at least prospects for poverty reduction appear

greater for the country. In Bangladesh and Nepal per capita GNP increased by only $600 between 1990 and 2001. Bangladesh has at least achieved some political stability and prospects for improvement, whereas Nepal is in the midst of a revolution involving communist rebels.

Latin America

Colonization ended much earlier in Central and South America than in Africa or Asia. When the European powers began taking territory in Asia and Africa in the early 1800s, most of Latin America was already independent from colonial rule. Countries such as Chile, Argentina, and Brazil were already achieving some economic development in the late 1800s and early 20th century, although economic development was highly dependent on U.S. corporate dominance. For our focus on world poverty, however, it is the nature of these more-developed economies that is most important. Latin American countries have become very unequal societies with extremes of poverty and wealth existing side by side (Kerbo 2006: Chapter 8). Brazil is the world's second most unequal society. It has a modern economy making all kinds of industrial goods, but with 17 percent of its people living on less than $2 per day. The poorest 20 percent of Brazilians receive only 2.5 percent of national income while the richest 20 percent of Brazilians receive about 64 percent of all income. Chile as well has a rather modern industrial society but over 20 percent of its population live on less than $2 per day. Chile is only slightly less unequal, with the bottom 20 percent of people getting about 3.4 percent of income while the top 20 percent get 61 percent of all income. Its most northern Latin American neighbor, Mexico, has about 40 percent of its people living on less than $2 per day, and 17 percent living on less than $1 per day. Like Chile, Mexico is only slightly less unequal than Brazil. Other Latin American countries have even higher levels of extreme poverty: Ecuador has over 50 percent of its population living on less than $2 per day. One of the most important things we need to explore later in this chapter is how more than a century of economic dominance from the United States has affected Latin American economies.

Eastern Europe and Central Asia

The countries of eastern Europe used to be among the most advanced in Europe. One of the first European empires, the Hapsburg Empire, held much of eastern Europe by A.D. 1200. By the 1500s it contained what is now Austria, Hungary, Slovakia, the Czech Republic, Poland, and much of the old Yugoslavia. Traveling through this part of the world today one sees the old grandeur of the cathedrals and castles of this earlier age. Eastern Europe's problems of the 20th century were related to superpower politics. First they were in the middle of World Wars I and II, and then dominated by the Soviet Union until the beginning of the 1990s. The communist governments put in place by the Soviets crushed economic progress as well as human rights. Still, soon after the end of communism in this part of the world the level of poverty in these countries was very low by African and even Latin American standards. Most of these countries have less than 1 or 2 percent of their people living on less than $1 per day. With the fall of communism, this part of the world has some of the best prospects for renewed economic development.

In 2004, several of these east European countries formally joined the European Union. They are almost certain to get a strong economic boost with open markets throughout all of the European Union countries.

The prospects for Central Asia are more varied and less certain. Central Asia was once the middle of one of the biggest empires in history. Nomadic Asian tribes led by Attila the Hun and his descendants held territory from China and into much of what is Europe today some 1,500 years ago. But this empire was not to last long, and it was dominance by Russia and then the Soviet Union that shaped prospects for people of this region in the 19th and 20th centuries. At the beginning of the 21st century, countries such as Tajikistan, Kyrgyzstan, and Azerbaijan are among the poorest in the region, with well over half their population living in poverty. Tajikistan's 2005 per capita GNP was only $1,500, though per capita GNP was more than $2,000 for other countries in the region, including some with a per capita GNP of over $4,000. Many of these central Asian countries have oil resources, but most also have unstable and very corrupt governments. The mix of Asian and Islamic civilizations has also led to conflict and opposition movements that are likely to keep these countries from achieving much economic development and poverty reduction in the near future.

The Middle East

We can conclude with a region of the world Western countries hear, but know so little, about. The Middle East, as we know, is a region of ancient civilizations and the birthplace of the most populous monotheistic religions—Christianity, Judaism, and Islam. These religions began some 1,500 to more than 2,000 years ago, and all are interrelated, sharing some of the prophets and religions' leaders in their own religious history. Christianity and Islam have repeatedly clashed as one group spread its following only to decline and have the other reclaim the region. It was the Roman Empire that spread Christianity through much of what is Europe, central Europe, and parts of the Middle East until the Roman Empire collapsed some 1,500 years ago. Mongol invaders from central Asia stepped in to take up some of the power vacuum from the fall of the Roman Empire, about the time Islam was born. An Islamic empire quickly began its spread throughout the Middle East, North Africa, and into much of Europe. But as the Renaissance pulled Christian Europe out of its Dark Ages, the centuries-long clash between Christian Europe and Islam in the Middle East began. One of world history's lowest points began just before A.D. 1100 as the Crusades began with European Christians marching to battle against Islam. There were a total of eight Crusades between A.D. 1097 and A.D. 1212, with many thousands of Muslims killed. One eyewitness account described the religious frenzy: "The slaughter was terrible; the blood of the conquered ran down the streets, until men splashed in blood as they rode" (Wells 1971:564). There was certainly the religious frenzy of European Christians urged on by the pope to massacre Muslims, but it was also a time of expansion of European dominance to arrest its decline, which is no doubt why new banks in Europe financed the Crusades (Thomas 1979:186).

After the Crusades, Islam began losing control in the western realms of its empire, but spread even more to its east, through central Asia, south Asia, and Southeast Asia by the 1400s. The end of World War I in 1918, however, brought down the last of the Islamic

empire, the Ottoman Empire based in Turkey, which was allied with Germany. Before and after World War I, the nations and people of the Middle East were almost completely taken over by European colonial regimes. The new oil riches were exploited, and countries in the region had new boundaries drawn to suit the needs of European powers without much regard to natural and historic boundaries. Middle Eastern leaders trying to throw off European dominance were deposed by European, and later American, military or covert actions to keep the low-cost oil flowing (Roosevelt 1979; Mosley 1978). Although the nations of the Middle East are now free of any formal colonial control from Western nations, Islamic countries in the Middle East continue to have little trust of Western nations, but they are also without a central unifying nation able to focus this opposition to the West (Huntington 1996). The region is at conflict within itself as much as with Western nations and Israel. This is especially so after the Israeli revolution in 1948 took control of what was before that time the country of Palestine, sending hundreds of thousands of Palestinians from their homes and into refugee camps around the Middle East.

It is this state of conflict and disarray that has left much poverty in the Middle East, though not nearly as much poverty as many other places in the world (Kerbo 2006: Chapter 7). Not including the very small oil-rich countries such as Kuwait and Qatar, and also not including Israel, Turkey and Iran have the highest per capita GNPs using the PPP estimate for 2005, both around $8,000. Lebanon and Jordan are next at over $5,000 per capita. Syria comes in at almost $4,000. Yemen and Gaza Strip territory (full of Palestinians displaced by Israel) are by far the poorest with per capita GNP at only $700. But while we have less complete data compared to other world regions, even the countries with higher GNPs per capita have high poverty rates by the old World Bank measure. (We do not have $1 per day figures for these countries.) Iran, for example, is listed as having more than 50 percent of its population living in poverty; in Jordan and Lebanon about 30 percent of the people live in poverty.

It is time to return to the review of modern world system theory we began in Chapter 14. This time, however, we focus on how this modern world system or world stratification system affects noncore countries in this world. We will see that there is a logic to *why some countries and most of their people get richer as other people get poorer.* But we will also see that there is a dynamic of power relations and resources in the global stratification system so that countries do not always have to remain poor. Understanding why some countries can reduce their rates of poverty while others have not, of course, is central to understanding how we might reduce world poverty and the many negative outcomes of the current rapid increase in poverty for the world.

The World System and Economic Development in Periphery Nations: Why Some of the World's Poor Remain Poor

For many years economists had assumed that nations throughout the world would follow a similar pattern of economic development. With some initial capital investment, it was believed, nations would proceed on a path from preindustrial agrarian societies, like the very early history of today's industrial societies, to industrialization (for example,

see Rostow 1960). But we now know that these theories of economic development are highly misleading when applied to less-developed nations today (see Frank 1998; Vogel 1991; Johnson 1982; Chase-Dunn 1975; Portes 1976). The realities faced by today's undeveloped and developing societies in the periphery and semiperiphery are far different from those faced by the already developed (or core) nations when they were in the process of economic development. Among these new realities are fewer natural resources, a much larger population, and a poorer climate (see Myrdal 1968:32–37). Perhaps most important, the nations that are now developed economically *did not have other developed nations to contend with in their early process of development.* The result is that the noncore nations today find it much more difficult to achieve economic development (Stiglitz 2002, 2007; Stiglitz and Charlton 2002).

Barriers to Economic Development and Poverty Reduction

While there is certainly variance among periphery nations, especially in Asia, as we will see in more detail below, several studies have shown that many periphery nations that have extensive aid and investment from the core have *less long-term economic growth* (Chase-Dunn 1975, 1989; Bornschier and Chase-Dunn 1985; Bornschier, Chase-Dunn, and Rubinson 1978; Snyder and Kick 1979; Stokes and Jaffee 1982; Nolan 1983a, 1983b; Rudra 2008). These nations, of course, tend to have some economic growth in the short term (fewer than 5 years) because of the aid and investment coming from the core. But the longer-term prospects for growth may actually be harmed by the kinds of outside aid and investment these nations have received.

Although there are many reasons for these harmful economic effects of outside dominance by core nations, four seem most important (Kerbo 2006, forthcoming). The first involves a problem of *structural distortion in the economy.* In an "undistorted" economic process some natural resource, human or nonhuman, leads to a chain of economic activity creating jobs, profits, and economic growth. We can use the case of a core nation with extensive copper deposits. Mining the copper provides jobs and profits. The copper is refined into metal, again providing some people with jobs and profits. The metal is then used by other firms to make consumer products, providing jobs and profits. Finally, the products are sold by retail firms, again providing jobs and profits. From the mining process to the retail sales of the products there is a chain of jobs and profits providing economic growth and revenues that can be used for infrastructure development (roads, electric power, educational institutions).

Now consider what usually happens when the copper is mined in a periphery nation with extensive ties to the core. The copper may be mined by native workers, but the ore or metal is shipped to core nations where the remainder of the economic chain is completed. The additional jobs and profits from the chain of economic activities are lost to the periphery nation—they go to the core (Chase-Dunn 1975). The periphery nation, in other words, loses the chain of economic activity that comes from its natural resources, which means no economic development because of structural distortion in the economy.

A second negative effect on the economy of periphery nations is related to *agricultural disruption.* Export agriculture often becomes an important economic activity of a periphery nation brought into the modern world system. Before this time, traditional

agriculture was directed toward local consumption, and there was no incentive to introduce *capital-intensive* (*labor-saving*) methods of farming. As a result of traditional agricultural methods and lack of an extensive market for agricultural products, some land was left for poor peasants, food was cheaper, and jobs were more plentiful. But with export agriculture and capital-intensive farming methods, food is now more expensive, poor peasants are being pushed off the land so more land can be used to grow crops for the world market, and more machines are doing the work, resulting in fewer jobs for poor peasants. This also means exaggerated urbanization as peasants lose jobs and land, since they move to the cities in hopes of finding work there (Kentor 1981). Again, profits go to a small group of wealthy landowners and large multinational agribusinesses, with peasants (a majority of people in the country) losing jobs, income, and land, preventing them from being active consumers needed if an economy is to naturally develop.

In addition to these problems, which can be called technical economic problems, there is a third, more serious difficulty involving internal class conflicts *within poor* nations, what we might call *the class struggle within.* Quite often political and economic elites in poor nations become more tied to, and accommodating to, corporate elites from rich nations who have investments in their country. When we think about it, this situation is not surprising. The local political and economic elites receive handsome profits because multinational corporations have investments in the country. These elites in poor countries are certainly smart enough to know that multinational corporations are making investments in the poor nation because labor costs are low, unions are nonexistent, taxes are low, and other things such as lax environmental controls are favorable to multinational corporate interests. Thus, to keep their material rewards coming in, the local elites must keep the multinationals in the country. For self-serving elites this creates a *direct conflict of interest* between them and the masses of people in the poor nation. The people of least-developed nations want less poverty, better wages, more humane working conditions, and so on. But if these things are realized, it can mean multinational corporations will leave. Considered another way, the problems of structural distortion in the economy and agricultural disruption noted above could, with difficulty, be reduced. It is often the "will" to overcome these problems that is lacking, at least lacking on the part of local elites.

A recent example from Mexico is instructive. After the North American Free Trade Agreement (NAFTA) went into effect in 1994, thousands of export factories from the United States, Europe, and Japan moved into Mexico to take advantage of the low wages and free access to the North American market. By 2000 there were almost 4,000 of these new factories. By 2002, however, the foreign factories began moving out, with 500 closed and 250,000 jobs lost in 1 year as the foreign factories began moving to countries such as China where beginning wages for low-skill factory jobs are as low as $0.25 an hour compared to $1.50 in Mexico (*International Herald Tribune,* June 21, 2002; Rosen 2002). Another example comes from El Salvador. After years of working in sweatshop conditions, often working 18 hour days for $0.50 an hour, several workers employed by a small company making clothing for The Gap and other Western retailers finally began a strike. Normally the strike would have been put down with little significant effort or media attention. The timing of the strike was fortunate for the workers, however, because Western clothing firms such as The Gap were under heavy criticism

from North American protestors and labor groups. Under this outside pressure The Gap gave in, and demanded some improvements in working conditions and increased wages $0.05 an hour. However, as representatives of The Gap reported, the small sweatshop, which was actually owned by Taiwanese investors, made few of the changes The Gap demanded, and local government officials made sure such strike activity did not happen again. Because of the negative publicity and potential for increased labor costs, several companies making clothing for retailers such as JC Penney, Eddie Bauer, and Target canceled contracts and moved to other locations with more controlled laborers.

A fourth basic problem from most periphery nations is more directly linked to power imbalances in the global stratification system, and the dominant ideology of "free markets" pushed most strongly by the United States and the agency influenced heavily by the United States, the International Monetary Fund, or IMF (Rudra 2008). One of the most difficult things for rich nations and agencies like the IMF to understand is that in critical ways the world economy is very different than it was 100, 200, or 300 years ago. Free markets back then were extremely rare. Free and open markets can contribute to competitiveness and economic efficiency in the already rich countries today. For poor countries struggling to develop, however, the world economy today does not provide them with the same open market as the rich nations. In essence, open markets do not always help poor countries when there are now already rich countries over them, rich countries able to distort open markets with billions of dollars in subsidies to their own large corporations, preventing infant industries in poorer countries from having an even chance of survival (Stiglitz and Charlton 2005). These harmful forces were not around when most of the already rich countries were becoming rich because they were the first to become rich. Most of those countries that became rich in the second wave of development more than 100 years ago (such as Germany and Japan) did so with decidedly unfree domestic markets protecting their infant industries. But now the worldwide stratification system gives core nations the power to enforce rules of the global economy (and avoid some for themselves) that help them while harming periphery nations. A bit more explanation will be useful.

Despite all the rhetoric, rich nations want open markets in other countries, but not in their own country. Then, the rich nations can buy cheap resources and sell their manufactured goods especially in poor countries. Global trade has increased some 60 percent in the past 10 years, but it has declined for the least-developed nations because of trade barriers placed on their goods by the rich nations. The United States has one of the highest tariffs on imported agricultural products to protect American farmers, though the European Union has its share. For some examples, duties on imported textiles into the United States are relatively high, that is, unless the clothing is made abroad using American-made textiles by companies such as The Gap, JC Penney, Eddie Bauer, and Target. In the European Union the duties on agricultural products are usually less than in the United States, but there are restrictions to protect European producers. African countries, for instance, can export coco beans to European manufacturers such as Nestlé, but if the African countries process the beans themselves and attempt to sell chocolate to Europe (a more profitable venture) the tariffs are high. Companies like Nestlé want the profits from processing the coco beans and selling the finished products; but of course they need the coco beans coming from countries in Africa.

Figure 16-3 presents the average tariff rates for rich and middle-income versus poor nations in the world today. Despite their free-market ideology, the rich countries, led by the United States, in reality seem to think that open markets are best in poor countries rather than their own. Core nations and their global corporate class (discussed in Chapter 14) have the power through agencies such as the IMF, World Bank, and to a lesser degree the World Trade Organization to protect their domestic industries, but then use their global power to make sure poor countries open their borders to products produced and processed in the rich countries. One estimate is that the 49 least-developed nations in the world lose about $2.5 billion a year due to tariffs and quotas placed on their products by rich nations. To cite just one of more than a hundred examples, the aid agency Oxfam estimates the United States gets back $7 for every $1 given in aid to Bangladesh because of import barriers. Oxfam also estimates that rich countries subsidize their own agribusinesses at a level of about $1 billion per day, which floods the world market with cheap food, while the IMF pushes these least-developed countries to keep their markets open to these agricultural products (Watkins 2001). In other words, rich nations give subsidies to their farmers so they can produce farm products more cheaply and with more profits, but disallow poor countries to do so, even when the government of the poor country could afford to provide subsidies. Another estimate by the United Nations suggests that rich nations subsidize their industries (of all kinds) to the tune of $100 billion each year to make them more competitive (Stiglitz and Charlton 2005). The least-developed nations have no means of doing this. When forced to open their markets to products from rich nations backed by government subsidies, they cannot compete. In actuality, as we will see in more detail, when left to themselves, *world*

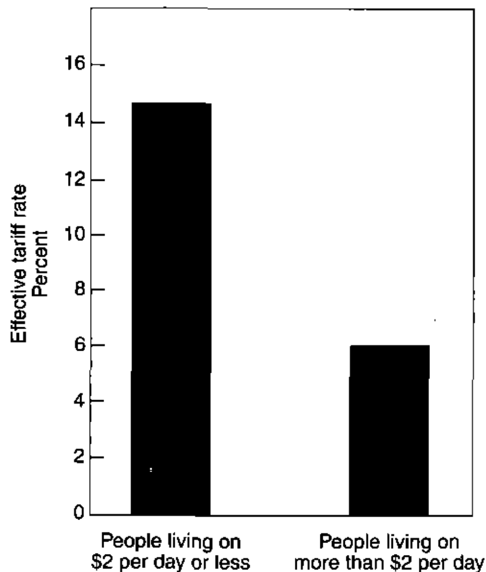

FIGURE 16-3 ***Comparative Tariff Barriers Faced by Rich versus Poor Nations***

SOURCE: World Bank, *Global Prospects for Development* (2002:57).

"market forces" can make people in some countries poorer than they otherwise would be. A free world market where multinational corporations can come and go at will, and without controls on their behavior in poor nations, can increase poverty and inequality in many if not most nations.

The above provides only a sampling of important factors leading to less economic development, and is by no means a complete description. Neither is it meant to suggest that all periphery nations are equally hurt by investments from the core, or are hurt in the same way. Likewise, it is not being suggested that multinational corporate investments in poor nations cause all of their problems. But, as we will see, research over the last 30 years has suggested that many, and in some world regions most, periphery nations are significantly harmed over the long run by outside multinational corporate investments.

Global Corporations Can Do Harm: Some Evidence

Soon after the utility of modern world system theory became recognized in the 1970s it generated an impressive amount of quite sophisticated empirical research, most showing consistent results. One of the most important research questions, of course, is whether or not poorer countries have less long-term economic growth when they become extensively tied to multinationals from rich nations as predicted by the theory. While there is certainly variability among periphery nations, especially in Asia, as we will see, several studies have shown that many periphery nations that have extensive aid and investment from the core do in fact have less long-term economic growth (Chase-Dunn 1975, 1989; Bornschier and Chase-Dunn 1985; Bornschier et al. 1978; Snyder and Kick 1979; Stokes and Jaffee 1982; Nolan 1983a, 1983b). These poor nations receiving extensive multinational corporate investments of course tend to have some economic growth in the short term. But the longer-term prospects for growth (over 5 years or more) are in many cases actually harmed by the kinds of outside aid and investment these nations have received.

After the first wave of empirical research on the effects of multinational corporate investments in poor countries, however, more recent research has shown less consistent and even some contradictory results. One new piece of research using a larger and more recent data set of poor nations has found extensive multinational corporate investment tends to produce some positive economic growth in the long term, while another using recalculations of older data also finds outside investment results in more long-term economic growth (de Soysa and Oneal 1999; Firebaugh 1992, 1996). Other research has shown that outside corporate investment in poor countries per se does not lead to less economic development when consideration is taken for the types of goods imported from or exported to the poor nations (Bollen and Appold 1993). Still other studies have questioned the negative effects of multinational investments in poor nations, such as increases in income inequality and a lower standard of living among the poor masses of people in many of these countries. They suggest there is a more complex relationship between multinational corporate investment and income inequality, and there is evidence that the poor in many of these periphery nations do have improved lives because

of multinational investment (Kentor and Boswell 2003; Alderson and Nielsen 1999; Firebaugh and Beck 1994).

Methodological Considerations

To help explain some of the new research findings that seem to contradict the original research we must consider several factors (Kerbo 2006). First, most of this new research uses more recent data on poor nations, mostly from the 1980s to 1990s, compared to the original data sets using 1960s and 1970s data. So far the explanations of new research findings have been surprisingly ahistorical given that the social scientists are examining a historically grounded theory. It is quite possible, even likely, that new forces in the world have produced some change in the relationship or balance of power between rich core nations and some developing nations. For example, we know that more direct foreign investments going to developing nations today involve high-tech industries. There is evidence these high-tech investments lead to more sustainable economic growth for these nations than previous low-tech investments. Further, with the cold war over and rich nations focused more on profits and less on fighting communism, some poorer nations are courted by rich nations, giving the poorer countries more leverage when playing one rich nation off against another. However, we must make clear the type of research that has been conducted on the subject of the modern world system and economic development and its limitations as well as its strengths. Some of the more recent research suggesting there are no *statistical* relations between multinational corporate investment and less economic growth does *not* mean that now *all* poor nations are equally helped by outside multinational corporate investment.

The typical methodology of world system research today involves a sample of 50 to 100 less-developed nations. Data on a number of independent variables are collected, such as the extent of outside multinational corporate investment in each country, the amount of foreign aid flowing into each country, outstanding debt to richer nations and international agencies, trade flows, and so on. Then data on dependent variables are collected, measuring such things as growth in GNP, income inequality, and various indicators of standards of living such as poverty levels, life expectancy, and infant mortality. Using lagged time intervals of 5 or 10 years to give the dependent variables (such as multinational corporate investment) time to have their theorized effects, statistical correlations are made to see if relationships can be found between these variables (such as multinational corporate investments related to less economic development and higher levels of income inequality after 10 years).

This type of research has always been complex because there can be disputes over the correct measures of variables and even the correct indicators of important factors from world system theory such as what constitutes direct outside investments. Despite these problems, and despite all of the disputes and controversy, 30 years of research on the modern world system has shown impressive results. Many of the details of the theory have been supported and other parts revised in response to this research. But we must be clear on what this research has shown and has not shown, and we must be clear on the inherent limitations of the comparative time-series methodology generally used in the past 30 years.

The first point we must be clear about is that a statistically significant relationship between, say, multinational investment at one point of time and slower economic growth at a later time (10 years later), means quite simply that *most* nations with heavy amounts of multinational corporate investments have reduced economic growth rates later. It does not mean this happens in all nations, only that there is this tendency for it to occur when looking across the sample of 50, 75, or 100 nations. This means, of course, that some nations within the sample have high levels of outside multinational corporate investments *and* strong economic growth in later years. Quite often in this research the authors will note that some countries (at times not even identified) are "outliers," meaning they are located out on the margins of where the other countries line up on the variables. But then the subject is dropped. Why are they outliers? What is different about these countries that do not conform to the statistically significant relationship between the important variables studied? We will see that quite often in this world system research the outliers are Asian nations.

Second, we must recognize that the methodologies used by most world system research follow a Durkheimian tradition (Ragin and Zaret 1983; Smelser 1976). It was Durkheim who first assumed there are "natural laws" of human behavior and social organization that span across all societies and then showed how these laws might be discovered in his masterful work *Suicide* in 1897 (Durkheim 1951). Following this Durkheimian methodology the research can uncover important tendencies across nations, for example, but at the same time much of the detail about what is happening within each nation is ignored. This methodology has brought recent charges that world system research is missing "internal processes" within nations that help produce differing outcomes among these nations with the same level of outside multinational investments (Alderson and Nielsen 1999). The comparative-historical research of Max Weber, in contrast, rejected such single-dimensional laws of the Durkheimian perspective and called instead for the recognition of complex and somewhat unique combinations of historical forces interacting to produce important outcomes for each nation. Even further, Weber recognized that a certain outcome could have varied causes in differing nations (Smelser 1976:142). To the extent this is true, it is obvious that a qualitative historical and comparative analysis of specific nations or groups of relatively similar nations is best suited to detect important differences within nations or groups of nations that affect their chances for economic development (Ragin 2000). "Qualitative" research means research that does not rely primarily on numbers or things that can be easily measured and compared across many nations. Qualitative research means the researcher must seek to uncover more specific details about each particular case (such as how a nation's political system operates, or past effects of colonialism) that are studied before attempting comparisons to other nations which have also been studied with qualitative research methods. It is this type of analysis that will be considered below to identify important characteristics and historical influences on some East and Southeast Asian nations that result in economic development or stagnation.

Finally, a major theme of the latter pages of this chapter is that none of these studies has so far considered that *multinational corporate investments can have different effects in different parts of the world.* For example, are there generally different outcomes when considering multinational corporate investments going to Asian nations

in contrast to Latin American or African nations? As most people are fully aware, during the 1980s and 1990s most East and Southeast Asian countries experienced rapid economic growth while growth in Latin America has been much slower, and even slower yet in most African nations (Haggard and Kaufman 2008; Jomo 2001; Jalilian and Weiss 2003). More multinational corporate investment has gone to Asian countries than all other poor nations since the 1980s. Further, we know that nations with more human capital (i.e., a more educated population) are better able to use multinational corporate investment for positive long-term economic growth (Kentor and Boswell 2003; de Soysa and Oneal 1999). The logical next question, therefore, seems to be: Is there something different about East and Southeast Asian nations trying to maintain economic development compared to poorer nations in Latin America or Africa? Before we consider this question, though, we need to examine other aspects of the impact of the world system on less-developed countries in the world.

World System Effects on Noncore Stratification Systems

In addition to research described above on the effects of core influence on economic development in noncore nations, we know the position of noncore societies in the world system has a very important impact on (1) the existence and power of a small group of elites, (2) the degree of working-class powerlessness, (3) the type of political system maintained, and (4) the level of income inequality within noncore nations. These four factors are important aspects of the overall stratification system within a nation. They all tend to be interrelated and influence many other conditions, such as a lack of *evenly distributed economic development,* but also inequalities of ownership or wealth, health and health care, social services for those in need, opportunities for social mobility, and so on through a long list of conditions often related to the nature of stratification within a society. In this section we focus on the four interrelated aspects of social stratification that have received most research attention.

We may begin with a basic condition of income inequality. In our review of history (Chapter 3), we followed Lenski's (1966, 1984) description of the significant change in the degree of material inequality as societies move from agrarian, or less economically developed, societies to industrial societies. It will be helpful at this point to review more recent empirical studies of this relationship between economic development (that is, level of technology or industrialization) and level of inequality, then add the new reality for many noncore nations today.

Using various measures of economic development and inequality within nations, a number of comparative studies have reached similar results; there is a strong tendency for inequality to be reduced once nations become fully industrialized (Jackman 1975; Hewitt 1977; Stack 1978a; Weede 1980). These findings help explain some of the variance in income inequality we found in Table 16-3, though as also noted, the Asian difference (generally less income inequality at even lower levels of economic development) has not been recognized in this research. Equally important, this relation between economic development and less inequality remains strong even when the possible effects on

inequality from other variables (such as type of political system) are eliminated statistically (although a nation's place in the world stratification system does have an effect on inequality independent of economic development; see Breedlove and Nolan 1988).

In Chapter 3 we also reviewed Lenski's (1966, 1984) description of a number of factors helping to produce less material inequality in industrial societies. One of the most important factors is the changing nature of the occupational structure. With industrialization the occupational structure is expanded, creating more occupations in the middle (that is, between the rich and the poor) that require more skills, thus producing a greater range of economic rewards.

For many periphery nations today, however, the factors described earlier as new to nations dominated by core nations of the modern world system slow or block long-term economic development, thus prolonging or making permanent the high levels of inequality that are more characteristic of preindustrial nations.

The *internal class relations* shaped by the world system must also be recognized as influencing income inequality and other aspects of domestic stratification (Breedlove and Nolan 1988). Of critical importance is the *power of elites* in noncore societies. These elites have a strong interest in keeping multinational corporations in the nation, primarily because their favored economic position is dependent on multinational investment and trade. One outcome of domestic elite ties to multinationals is that wages are kept low to attract multinational investment and trade. Furthermore, these domestic elites work to keep corporate taxes and other duties low. This helps attract multinationals but also keeps government redistribution to the poor very low.

On the other hand, *the power of the working and lower classes is very low.* This occurs because industrial workers are a smaller proportion of the labor force and are kept unorganized (unions are usually lacking or very weak due to repression), while agricultural workers are often isolated, unorganized, and powerless (see Paige 1975). This produces a lower class with little political and economic influence. The state bureaucratic structures, which could help produce less income inequality, are usually dominated by wealthy elites (domestic or core elites). A typical result is a very low level of democracy, with the state working to serve the interests of elites rather than other classes in noncore societies (Huber et al. 2006; Lee 2007; Martin and Brady 2007). We must now examine what research indicates with respect to these internal class dynamics.

Chase-Dunn's (1975) study of economic stagnation in heavily dependent periphery nations was discussed earlier. In this study Chase-Dunn also examined the relation between core influence in the economy and income inequality. His most important finding is that both heavy foreign investment and foreign debt dependency are related to greater income inequality.

Also of major interest is that in periphery nations with more foreign investment in the economy and greater debt dependence on the core, the top 5 percent of the population had a much higher income. This latter finding conforms to the argument that a small elite is formed in periphery nations that depends on core multinationals and that has strong interests in continued core domination.

In a similar but somewhat more detailed study, Rubinson's (1976) findings support those of Chase-Dunn's reported earlier. With a sample of 47 nations, Rubinson measured core influence on other nations by (1) the degree of foreign control over internal

economic production, (2) dependence on external markets, and (3) the magnitude of foreign debt dependence in the economy. All three conditions were significantly related to greater income inequality in periphery nations.

In addition, Rubinson (1976) was able to specify further the relation between economic development and income inequality. A large study by Jackman (1975) has shown that greater economic development is related to less income inequality over time. The effect of economic development on reduced income inequality has been an important historical factor shaping the nature of social stratification in today's industrial societies. However, as we have already discussed, the poorer and less-developed nations have a reality not faced by today's developed nations when they were in the process of development many years ago. This new reality for less-developed nations is the influence of core or already developed nations.

Rubinson's (1976) data from 47 nations did find that greater economic development is related to less income inequality (as did Jackman 1975). But—and this is the key point—when we divide nations into core and noncore standing in the world system, the effect of economic development on less income inequality is greatly reduced. Even when noncore nations are able to achieve some economic growth, the effect of the world system (and core interests) on their economy in large measure prevents more economic development from resulting in less income inequality (see also Fiala 1983; Nolan 1983a, 1983b).

Bornschier et al. (1978) have examined several studies similar to the preceding two. All these studies are consistent in showing that greater foreign investment and greater aid or debt dependency in a noncore nation produce more income inequality. These studies have been criticized in part because they tend to ignore the internal class processes (in large part also related to world system influences) that affect income inequality. For example, Nielsen (1994) has shown that we must also consider the effects of educational systems, population growth, and the occupational structure within each society, though these factors are also affected by position in the world system. Thus, we find more information on how world system position affects inequality.

Another suggested area of neglect in these studies is class influences on the political system. As noted earlier, when a small but wealthy and powerful elite is able to dominate the state (no doubt because of its role in core dominance), we may expect less democracy and less state aid (or at least no reform measures) to reduce income inequality. With this in mind, Stack (1978b) reanalyzed Rubinson's (1976) data from a smaller sample of 36 nations. This reanalysis continued to support Rubinson's findings that core influence in the economy (investment and debt dependency) produces greater income inequality. But Stack found that the democratic performance of the state in these nations also was related independently to the degree of income inequality; that is, less democracy was significantly related to greater income inequality. More recent research has given even more support to the relations between income inequality and the level of democracy and unionization in less developed countries (Lee 2007; Martin and Brady 2007; Huber et al. 2006; Simpson 1990).

One study is especially useful in specifying the internal class process that produces greater income inequality in noncore nations. In our examination of the U.S. stratification system, we pointed out that (1) the property structure (ownership or nonownership of the means of production), (2) bureaucratic authority structures, and

(3) the occupational structure are all important in producing class divisions and shaping the nature of social stratification. Most of these world system studies discussed above focus on the first—significant ownership of the means of production by core multinationals—as related to income inequality.

With data from 50 nations, Bornschier and Ballmer-Cao (1979) conducted a more complete examination of factors producing noncore income inequality:

1. In line with previous studies, they found that greater multinational investment in the noncore economy was related to more income inequality.

2. They found that less bureaucratic development in the noncore nations was related to greater income inequality. In other words, with fewer ranks within bureaucratic power structures or a greater separation between bureaucratic elites and the masses, there is greater income inequality. And in relation to the bureaucratic power of the state, when there was more multinational influence in the nation, Bornschier and Ballmer-Cao found that state resources are used to help industry more than to meet the needs of the poor. This strongly suggests the influence of class interests on state behavior.

3. The less-developed occupational structure in noncore societies was found to be related to greater income inequality. In this study, the less-developed occupational structure was indicated by fewer technical experts and a smaller, powerless, and controlled industrial labor force. Thus, Bornschier and Ballmer-Cao's study specified in more detail the internal class process that helps produce more income inequality in noncore societies. This study conforms in large degree to our earlier review of the important processes (the three structures) producing class inequality in the United States. But all the structures producing income inequality in noncore nations are influenced to a large degree by each nation's position in the world stratification system (as indicated in Figure 16-4).

We may conclude this section by noting briefly some negative and positive effects of core dominance of the world system for core nations themselves. As suggested by the

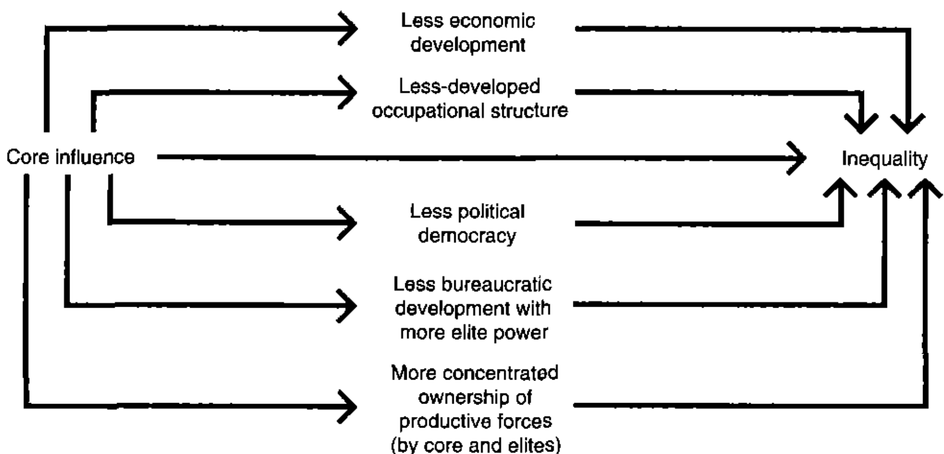

FIGURE 16-4 ***World System Influences on Internal Stratification in Noncore Societies***

unequal exchange and power relation between core and periphery nations, core nations are favored. However, the benefits flowing to core nations are not equally distributed within core nations, and in many respects the working class in core nations is harmed by core dominance.

For corporate elites in core nations, there are greater profits, cheap raw materials, and a market for export, all of which strengthen core economic performance. Some of these benefits work their way down to nonelites in core nations in the form of a higher standard of living and some cheaper consumer goods. But as we have seen in earlier chapters, there are important negative effects for core nonelites in the form of over a million jobs lost because of multinational moves to periphery nations with cheap labor costs (for earlier studies of this, see Barnet and Müller 1974:303–304; Stillman 1980:76; Blumberg 1980:128–129). We also have data showing that corporate investment in poor countries has reduced the wages of workers in core countries because they are more in competition with low-wage workers in these poor countries to keep their jobs (Mahler 2001). And of course, as we saw in Chapter 14, there are military costs (in tax dollars and lives lost) of maintaining core dominance in the world system.

Figure 16-5 presents a summary of some of the means of core dominance over periphery nations and some of the consequences of this dominance for both core and periphery nations. Given the unequal exchange between core and periphery nations, we might

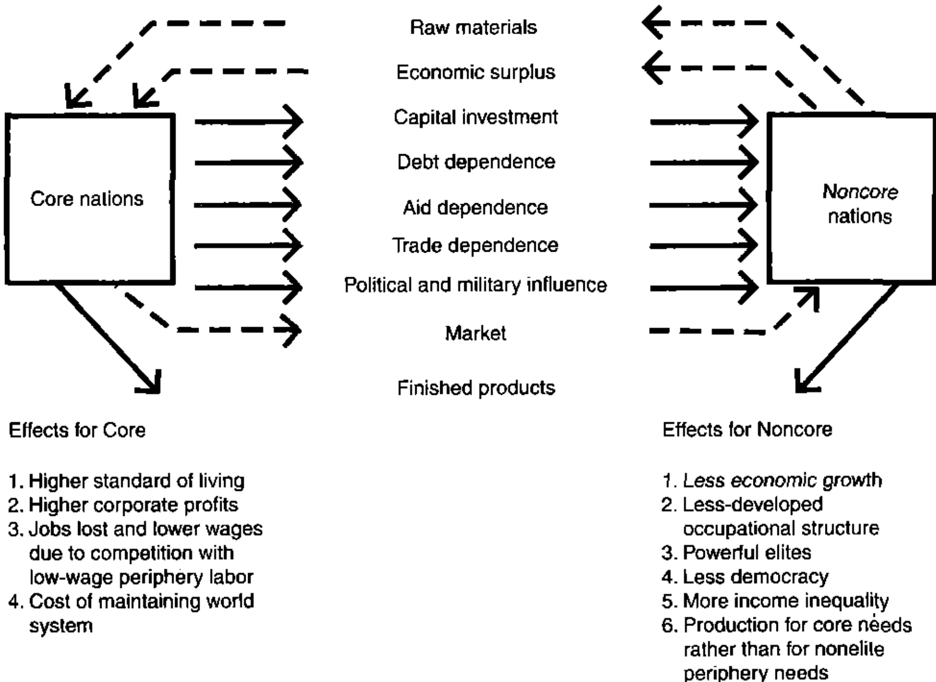

FIGURE 16-5 ***Summary of the Means of Core Dominance and Its Outcomes for Core and Periphery Nations***

expect that nonelites (as opposed to the elites in periphery nations who usually profit from this dominance) in periphery nations would attempt to resist core dominance. Before we consider the prospects of change for periphery nations, we must consider some major exceptions to much of the preceding in Asia. But as we will find, they are exceptions that fit the rule. Many Asian nations have been able to avoid having the characteristics described above that harm the chances of long-term economic development in noncore nations.

The Rise of East and Southeast Asia: Exceptions That Fit the Rule

Traveling through East and Southeast Asia, it is difficult to miss the huge presence of multinational corporations from the major core nations. Walking through the streets of Seoul, Taipei, Bangkok, and the special economic zones of China (Kerbo 2006; Vogel 1989), for example, one is impressed by the number of buildings displaying the logo of corporations from the United States, Japan, Germany, France, and a few others of the Western industrial powers. But walking through these cities, one is also impressed by the massive economic development in progress. The Seoul I visited in 2001 looked more like the Tokyo I visited first in 1984 than the Seoul I also saw in 1984. Bangkok, for another example, looked much more developed and was growing even more rapidly in 1997 than just 10 years earlier, and by 1999 had resumed its growth after the "Asian economic crisis." By 2002 Thailand was back to 4 percent growth in GNP and comparatively *evenly distributed* economic development reducing poverty in the country.

The economic statistics strongly concur with these personal observations: With some exceptions, these nations of East and Southeast Asia through most of the 1990s and 2000s had the highest rates of economic growth in the world (World Bank 2010; Kerbo 2006). With core nations in North America and Europe experiencing annual rates of 2 to 3 percent in good years, many of these nations of East and Southeast Asia were often growing at 10 percent or more annually.

But unlike other periphery nations trying to develop economically, the nations of East and Southeast Asia, such as Korea, Taiwan, China, Thailand, and Malaysia, have had much less of the *uneven development* found in Latin America. Yes, inequality increased in China as the economic boom raced along in the 1900s and 2000s. But this inequality is not because the rich are getting rich and the poor are getting poorer. Inequality is increasing because the rich are getting richer faster than the poor are becoming less poor. Infrastructure investment and open markets are making the rural people less poor, and account for most of the poverty reduction in China (Prestowitz 2005). Much the same can be said for Southeast Asian nations that are reducing poverty. Even though inequality is rising (though not to U.S. levels of inequality), lower-income people are seeing many benefits (Doner 2009). Uneven development, which causes more inequality and poverty, is the big problem of most countries in Latin America and Africa. (A look at the figures for Brazil in Table 16-3 will show one of the worst cases.) There are certainly sections of homeless people from places such as rural northeastern Thailand around Bangkok, but there is much less of this than in Latin America, Africa, or India. The economic growth among these "Asian tigers" has been producing jobs, and the labor shortages in many of these countries has been bringing up average wages. In

Latin America, by contrast, even though there was some significant economic growth for some of these countries in the 1990s and 2000s unemployment and poverty continued to rise, as does inequality (World Bank 2010).

The figures in Table 16-3, for example, generally show less income inequality in this part of the world compared with Latin America and Africa. Most important, we have seen in Table 16-1 that only East and Southeast Asia have a strong record of reducing extreme poverty and will continue this trend in coming years. In Latin America there has been almost no poverty reduction in the last 20 years, and in Africa poverty is expected to increase dramatically in coming years.

Beginning in July of 1997, as noted earlier, many of these Asian nations were hit by what has been called the Asian economic crisis. Economic growth slowed dramatically in South Korea, Taiwan, Thailand, Indonesia, and Malaysia. In some of these countries such as Thailand, the 1990s had earlier brought some increasing inequality with the very rapid economic development (Doner 2009; Kerbo 2006; Pasuk and Baker 1998; Slagter and Kerbo 2000), though the level of poverty kept falling. But by the end of 1999, however, their economies were mostly moving upward again. What the Asian economic crisis beginning in 1997 brought can best be described as an economic correction to what has been called the "golf course capitalism boom" fueled by too much money in the hands of corrupt financial elites in these countries (Slagter and Kerbo 2000). By 1999 the governments of Thailand, South Korea, and Malaysia had taken greater control of the failed financial institutions and made economic adjustments that have restarted the Asian economies toward the 21st century predicted to be dominated by Asia (Frank 1998).

The point is that according to research described in the previous sections of this chapter, extensive investment and economic ties from core nations are supposed to harm the economies of periphery nations and create more inequality and poverty. The discrepancy revealed by statistics as those presented earlier was first considered in an article titled "Dependency Theory and Taiwan: Analysis of a Deviant Case" (Barrett and Whyte 1982). Since this article appeared, it has become evident that there are other deviant cases, primarily in East and Southeast Asia (Kerbo 2006; Kristof and WuDunn 2000; Jomo 2001; Jalilian and Weiss 2003). We will consider Taiwan first.

Among other reasons, Taiwan is considered a deviant case because the Taiwanese state is stronger, more involved with economic planning, and more concerned with domestic economic development for the country as a whole, not just for a group of elites and the small middle class, as is more typical of many periphery nations. For several decades the Taiwanese state has had the influence and motivation, and has been working to make sure that multinationals do not harm the domestic economy when economic ties are allowed (Gold 1986). These characteristics and policies of the Taiwanese state developed after the Nationalist Party of China, fleeing Mao's revolution on mainland China in 1949, took control of the island. Learning from past mistakes on the mainland, the leaders of the new government on Taiwan were motivated to help ensure long-term economic development as a means of regaining popular support, which they had lost before the communist takeover of the mainland. But it was also a strong state supported by the United States as a showcase against communism, which brought many special benefits to the country (Barrett and Whyte 1982, 1984; Hammer 1984). Also cited as important for Taiwan's economic development, however, is land redistribution, which

made consumers of the farmers making up the vast majority of the population in earlier years, and the agricultural infrastructure created by the Japanese when they held the island as a colony from 1895 until 1945.

Taiwan, however, now seems to have much company as a deviant case in Asia. South Korea, for example, also has a strong state active in economic planning, relatively low inequality helped by land redistribution, and an economic infrastructure started by Japanese occupation in the first half of the 20th century (Kohli 2004; Kim 1997; Vogel 1991; McNamara 1989; Nahm 1988; Pye 1985:218). Others in East and Southeast Asia—such as Malaysia, Thailand, Vietnam, and now China—are exceptions to the rule for different reasons (Kerbo 2006, 2011). It is important to consider some of these reasons because they can help us understand the continued high levels of world poverty in other regions, and how, in fact, modern world system theory and dependence theory have been rather accurate in other world regions about the reasons for economic stagnation or unevenly distributed economic development responsible for increasing world inequality. Following this we will focus on the example of Thailand in recent decades because Thailand has been cited by the United Nations and World Bank as the international leader in reducing poverty among developing nations.

The Characteristics of East and Southeast Asian Nations: The Exceptions behind the Asian Economic Miracles

Before considering what characteristics of developing nations (particularly those in East and Southeast Asia) seem most responsible for promoting economic development and poverty reduction, it is important to consider one aspect often given as the main reason, but a characteristic that is considerably overestimated. When contemplating the condition of poverty around the world, there seems a natural tendency for many people in rich countries to wonder "What is wrong with those people?" "They seem so slow, no one appears to work very hard, nor could they with all of those 'siestas.'" Comfortable people in rich nations know they themselves have worked hard for what they have achieved; "Why can't these other people do the same?" Put another way, the more affluent tend to judge others from realities of their own lives, from the logic of how human behavior brings rewards and punishment in their own day-to-day interactions. As we have already seen in Chapter 9, again and again it has been shown that most people in the United States tend to blame the poor for their poverty. A "culture of poverty" theory is most popular in the United States because it complies with these assumptions of blaming the poor for their poverty because of "irresponsible and lazy" behavior. When looking beyond rich nations, it is even more difficult for the affluent of this world to understand the everyday realities and options of the world's poor.

A Resurgence of Cultural Explanations

It is in this context that cultural explanations for world poverty have reemerged in recent years, especially since the World Trade Organization protests in Seattle during the fall

of 1999 placed more blame directly on rich countries and corporations themselves. To name just a few of the indicators of the resurgence of cultural explanations, a book first published in 1985, *Underdevelopment Is a State of Mind,* by Lawrence Harrison—a book highly critical of dependency theory and Spanish Catholic values inherited by Latin American countries—was updated and reissued in 2000 (Harrison 2000). Samuel Huntington then collaborated with Harrison on an edited volume titled *Culture Matters: How Values Shape Human Progress,* also published in 2000 (Harrison and Huntington 2000). At the same time, the World Bank suddenly started picking up the theme of cultural barriers to economic development, pouring millions of dollars into new books on the subject, international conferences on the subject, and aid projects in developing countries designed to change cultural values believed to be detrimental to economic development.*

Traditional values in many developing countries certainly can have negative effects on economic development. There can be impediments to economic development from present-time orientations and an inability to save and plan for the future, just as we saw in Chapter 9 with the very similar culture-of-poverty explanation for domestic poverty. But just as the culture-of-poverty theory in the United States has neglected structural barriers to getting out of poverty, and how the present situation of people has only a short-term effect on their attitudes (as research from the "situational view" of poverty has shown), other factors related to economic opportunities in poor countries are more important. Much of the same criticism we have seen against the culture-of-poverty theory in the United States has been leveled at this resurgence of cultural explanations for world poverty (see Pye 2000:254).

In this international context there is also a serious problem with the Asian values many claim are responsible for the Asian economic miracles in recent decades. Not all East and Southeast Asian nations that have been successful with economic development and poverty reduction have these Asian values claimed most important, and some nations with the Asian values have not achieved significant economic development or much poverty reduction. Within Southeast Asia, for example, Malaysia (the most economically advanced country in the region) is majority Islamic, as is Indonesia, which has achieved considerable economic growth in recent decades. In the northern half of Southeast Asia, Burma, Laos, Cambodia, and Thailand have almost identical Theravada Buddhist cultural heritages (Kerbo 2006: Chapter 6, forthcoming; De Casparis and Mabbett 1999:294; Osborne 1995). Thailand has one of the best records of poverty reduction and economic development in the world; Burma, Laos, and Cambodia are among the poorest countries in the world with still no prospects of moving out of that status. Vietnam is the only country in Southeast Asia with the type of Asian values (a mix of Confucianism and Buddhism imported from China centuries ago) most often cited as encouraging economic development. But Vietnam is only now starting on the road to economic development after being among the poorest countries in the world like its neighbors Laos and Cambodia. There are obviously other factors, mostly related to the

*All of these projects, as well as dozens of conference papers, can be found on the World Bank Web site, http://www.worldbank.org.

world stratification through history, that strongly affect why some countries are able to develop and others are not, even with the same cultural traditions shaping their current value orientations. It is time to examine some of the most important of these factors and then consider how Thailand has been able to achieve strong economic development and poverty reduction in recent decades.

Asian Traditions and Forms of Social Organization: Some Commonalities

In contrast to the image held by most Westerners, Asian nations are not "all alike." In fact, while moving from, say, Japan to Korea, from Korea to China, and then from China into Southeast Asian nations, one encounters more variety and contrast of cultures than if one were to travel through modern Europe. Having said this, among the variety of Asian cultural values, forms of social organization, and other historical traditions, we can identify some characteristics of Asian societies that in combination help us understand why some have had significant economic development even with the outside intervention from the modern world system found harmful to other nations (for more detail see Kerbo 2006, 2005). Three characteristics are interrelated and most important.

Ancient Civilizations

People who live in countries with ancient civilizations (both the elites and common people) tend to have a much stronger identity with and pride in their nation and recognize their common national interests. This general characteristic of Asian nations can be suggested by Hanoi's Temple of Literature, which is in fact one of the first "universities" in Vietnam. In the large courtyards of what remains of the original structures there are still today what look like many tombstones, but are in fact engraved records of graduates who obtained their degrees in the first centuries of this university. What is most remarkable to contemplate are the dates; it turns out this university is some 1,000 years old, a fact that should humble Oxford graduates, or graduates of the University of Salamanca in Spain who think of themselves as graduating from the oldest universities in Europe.

Thinking in a broader context we can begin to imagine some of the underlying differences between developing nations in Asia and those in Latin America and Africa. Of course, Latin America and Africa are continents that contained ancient civilizations; the key word is "contained." About all that exists of the ancient civilizations in South and Central America are the stone pyramids. Just a few hundred years ago Europeans began carving out new national boundaries with colonialism so that the nations of South and Central America today are nominally only 300 years or so old, at the oldest. Of course, most of the people in Central and South America today are descendants of people from ancient civilizations such as the Maya and Incas. But it is the ancestors of recent immigrants from Europe during the Spanish and Portugese colonial period who are mostly in control. There are fractured nations where these people of European ancestry feel less identity with the original people of the continent and are less likely to promote development and poverty reduction for all people in the country (Kohli 2004).

In Africa, of course, we also find ancient civilizations and the cradle of human evolution. But again, except for a few cases in northern Africa and the horn of Africa, these old civilizations were mostly destroyed, and finally erased in one sense by the European colonialists. With the Berlin Conference of 1884–1885 the European nations partitioned Africa into what would become nations that make no sense socially, culturally, or ethnically. These are the roots of African political instability today with tribal conflicts helping to spark one civil war after another (Mazrui 1978, 1986).

In contrast to Latin America and Africa, we find countries throughout most of Asia that come from or were once central parts of ancient civilizations. None of these was as dominant as the Chinese civilization or Indian civilization, of course, but most Asian nations today have strong roots in ancient civilizations of which they were members hundreds if not thousands of years ago. In a similar vein, in contrast to Latin America and Africa, colonialism in Asia was less likely to result in new countries with boundaries cutting across old civilizations or ethnic groups. Most Asian nations today are therefore more likely to make "sociological sense" with respect to rather natural societal boundaries (Myrdal 1968:64).

There are nations in Asia today that do not fit this general rule, but these are in most cases precisely the Asian nations with most instability and least economic development. Indonesia, for example, has had the highest levels of political violence since the end of the 1990s, and a once healthy economy has been harmed. Indonesia today is in reality a collection of many old civilizations put together by the Dutch during their colonial dominance of the region. Laos, one of the poorest countries of Southeast Asia today, was a product of the end of French colonialism in Indochina. It was created by the French out of smaller kingdoms existing before colonialism. The national boundaries of Burma, or Myanmar as the military dictators now demand it be called, were largely a construct of British colonialism, and during most of that time attached to Britain's greater Indian colonial territory. Before giving up Burma after World War II, the British fashioned national boundaries, which included many tribal people from differing old civilizations. Burma, since independence, has been contested territory with these various groups all seeking independence. Cambodia was once the center of an ancient empire, but is just now regaining some stability after the Indochina wars involving the French, then the Japanese, then again the French, and finally Americans. The Philippines is the nation in the region with least claim to an ancient civilization and most dominated and changed by Western colonialists, the Spanish and then Americans, losing comparatively more of its indigenous culture. Like Indonesia, the national boundaries of the Philippines today, which were created by the colonial powers, include extensive Muslim areas among the dominant northern Christian areas, creating the roots of the Islamic separatist rebellion that continues to break into open warfare from time to time. Finally, British treatment of Malaysia at the end of colonialism was in stark contrast to Burma. The British worked hard to form a nation out of many Islamic sultanates for years after World War II, not thrusting the nation into independence to fend for itself until 1957 (Taylor 1999; Turnbull 1999; Stockwell 1999; Cheong 1999; Keay 1997; Osborne 1995; Hall 1999).

Finally, there is new empirical evidence of the impact of ancient civilizations on successful economic development and poverty reduction today. It is clear that what the World Bank calls "good governance" is important today. Many studies have shown that

good governance and government efficiency are strongly correlated with poverty reduction and economic development for less-developed countries in recent decades (Kerbo 2006: Chapter 5). But no one has effectively figured out how to produce good governance if a country doesn't already have it. Countries with ancient civilizations were more likely to have at least some functioning government institutions before European colonials took them over 200 or 300 years ago. These countries are concentrated in Asia. The data show that these ancient civilizations were usually able to reestablish better government in recent years after the colonials were forced to give the country independence (Kerbo and Ziltener forthcoming; Chanda and Putterman 2005).

Traditions of Authority and Elite Responsibility

In addition to a greater sense of national identity among the population, the older civilizations of Asia are more likely to have retained ancient traditions of authority, national identity, and elite responsibility. In Myrdal's description, in Asia, European colonialism was less likely to harm "the indigenous system of rights and obligations among the population" (Myrdal 1968:212). As noted, outside intervention by rich multinational corporations often presents a situation today in which wealthy or powerful elites can enrich themselves, often at the expense of long-term economic development, and the continued poverty of the people in their country. In contrast to this, *with these traditions of rights and obligations in place, when faced with the dilemma of pleasing outside multinationals or pushing for some protection and benefits for their nation and the common people, elites in countries with these ancient traditions of obligations will more likely temper their narrower self-interests to protect the nation and people.*

Even in the ancient Asian civilizations, of course, throughout history and today, elites sometimes ignore these traditions of elite responsibility, but they do so at their own peril. As Barrington Moore (1978) demonstrated in his famous book, *Injustice: The Social Bases of Obedience and Revolt,* throughout history, when these elite obligations are violated various types of protest or even revolution were likely forthcoming. The three obligations most important for elites to uphold, Moore's historical works suggest, are (1) protection from outside forces, (2) internal peace and order, and (3) material security. Much the same is described in the historical analysis of political violence and rebellion in European feudal societies by Charles Tilly (see Tilly 1978, 1981; Tilly et al. 1975).

The same can be found in the ancient civilizations in Asia. In his comparative history of "the mandate to rule" and modernization in Europe and Asia, Reinhard Bendix noted that from at least 2000 B.C. there was the idea of a "heavenly mandate" for emperors in China. But emperors were obligated to take care of the nation and "perform," in a sense, or the mandate would be lost. The earlier emperors were believed to deserve their rule because they alone had the power to control ancestor spirits for the good of the nation (Bendix 1978:49–56). Later, around 500 B.C., Confucius worked out his philosophy of rights and obligations between rulers and subjects in response to a preceding period of almost 200 years of social disorder. These old traditions of rights and obligations in China held the nation more or less together and maintained emperor rule for centuries until the emperors began to have greater difficulty meeting their obligations

with social change and European colonialism beginning around 1800. These were the changes that led eventually to massive revolution in China during the 20th century (Fairbank 1986).

Most kingdoms in Southeast Asia are relatively more recent when compared to those of India and China, but still centuries old. Some of the first were found in Cambodia (Angkor), Sumatra (Srivijaya), and Burma (Pagan) around A.D. 800. But like other Asian empires, these "Buddhist kingdoms," along with Vietnam's Confucian model inherited from China, had strong traditions of obligations and rights developed and amended over the centuries. Most of these traditions of elite obligations survived European colonialism, though there are some exceptions, such as in the Philippines, which was more dominated and changed by Spanish rule (Osborne 1995:17–27, 45–50).

A Hard State

In Volume II of his famous work, *Asian Drama: An Inquiry into the Poverty of Nations,* the Nobel Prize–winning economist Gunnar Myrdal (1968:896) wrote in reference to south Asia, "[T]hroughout the region, national governments require extraordinarily little of their citizens. There are few obligations either to do things in the interest of the community or to avoid actions opposed to that interest." Myrdal, of course, was referring to the problem of "soft states" primarily in India, Pakistan, and Sri Lanka (Ceylon) soon after independence from British colonialism. He was not yet aware of how multinational corporations spreading more widely in poor countries in the early 1960s could be harmful to the long-term development interests of these poor nations. But his idea of the need for "hard states" has become one of the most important aspects of his massive work on the problems of poor nations.

What is also given more recognition since Myrdal's time is that *late-developing nations,* or nations that have achieved economic development since the nations in Europe and North America, have often required extensive state intervention, planning, and even state ownership of many industries (Thurow 1991; Fallows 1994). One of the best examples of this late development is found with Germany. The many German territories were not even united into a single nation until the late 1800s under the leadership of Bismarck. Already behind most of Europe by this time, the German state used extensive intervention in the economy in the form of planning, state-directed loans, economic incentives to businesses, and extensive government ownership of corporations, to push Germany rapidly ahead to finally achieve the position of the largest economy in Europe (Craig 1991; Kennedy 1987; Chirot 1986; Dietrich 1991; Raff 1988).

Nations trying to develop in the second half of the 20th century Vogel calls "late, late developers" and are even more in need of state assistance in overcoming obstacles created for them by the new global economy. The "four Asian tigers" (Taiwan, South Korea, Hong Kong, and Singapore) achieved rapid economic growth in the 1980s, Vogel (1991) shows, with extensive state intervention. As many scholars have shown, it was Japan that led the way as an Asian late-developing nation with extensive state intervention from the late 1800s to become the second largest economic power in the world after the United States. It was Japan that more or less perfected what is now known as the

"Asian development model" copied in one form or another by Asian nations that have recently achieved at least some success with economic development (Johnson 1982).

Specifically, what is meant by a *hard state* is a government with sufficient rational organization and power to achieve its development goals. There must be a state with the ability to provide consistent economic guidance, rational organization to efficiently achieve its goals, and the power to back up its long-range economic policies. All of this is needed because the state must be able to *resist external demands from outside corporations to do things for its short-term gain, overcome internal resistance from strong groups trying to protect short-term narrow interests, reduce corruption, and control infighting within the nation over who will most benefit from development projects.* What this hard state comes down to primarily is leadership and bureaucracy—bureaucracy that is comparatively honest, efficient, and has the power to back up policy decisions.

The characteristics of Asian nations described already should be recognized as the stuff making a hard state more likely in East and Southeast Asia. Because of ancient traditions and a sense of identification with their nation and its government, people recognize their common interests as a nation and are more willing to make some sacrifices for these common interests. Very importantly, with restraint from ancient traditions of obligations to the nation and people, elites in these countries are also more likely to restrain their selfish interests and use their power to protect the long-term interests of their nation and people.

Evans and Rauch (1999) created what they called a Weberianness Scale, referring to the most important characteristics of rational and efficient bureaucratic organizations defined in the famous works of Max Weber some 100 years ago. Of the 37 nations in the sample, seven were Asian, and they all ranked above average on their Weberianness Scale (with the exception of the Philippines), while the four tigers clustered at the top four positions (Taiwan, South Korea, Hong Kong, Singapore). Also of importance, they found this Weberianness Scale positively related to economic development. Unfortunately, as is typical in Western sociological research, the interesting fact that the four Asian tigers are at the top was mentioned, but no consideration was given as to why the Asian nations tend to rank so well on this scale.

Before leaving this topic of a hard state, it is important to underscore what is not a key or required component of a hard state. A hard state is not to be equated with a military dictatorship, and in fact it is generally the opposite. Military dictatorships in third world countries often develop because the state is unable to provide basic support for the health, welfare, and infrastructure needed by the nation. It is in response to the resulting political instability that an oppressive military dictatorship may come into existence, such as in Burma (Myanmar) today. A hard state can be right wing, left wing, repressive, or relatively democratic. Most important, a hard state is *a state able to implement and carry out policies protecting national interests, thus giving more assurance of long-term economic development.*

Despite all the evidence of the importance of a hard state first described by Myrdal almost 40 years ago, some international aid agencies are just now publicly recognizing the fact. The United Nations Development Project, for example, published a report in April of 2000, *Overcoming Human Poverty: UNDP Poverty Report, 2000,* which focuses on "good governance" in poor countries as a key to economic development and

overcoming the selfish interests of wealthy elites often behind state actions in developing nations. The report concludes that "Without good governance, reliance on trickle-down economic development and a host of other strategies will not work." It seems it has taken quite some time for the Western-dominated international development agencies to acknowledge that bad governing and the collusion between Western multinationals and third world governments have been part of the problem. Thailand provides us with just one classic case of how even and sustainable development has been achieved because through history the nation and its state have been able to protect the country from the negative impact of outside corporate penetration of the economy.

The Case of Thailand

With the exception of a 2-year setback and slowdown from the 1997 Asian economic crisis, Thailand has had a steady record of not only economic development but also poverty reduction in recent decades. In contrast to earlier world system theory predictions, this growth and poverty reduction coincided with huge amounts of foreign direct investment (FDI) from the world's rich multinational corporations. Thailand, in fact, has the best record in Asia of poverty reduction for each increase in gross domestic product (World Bank, 2000: Chapter 3, p. 48). Today the percentage of the population living on less than $1 a day in Thailand (0.1 percent) is far below almost all other developing countries. Thailand has reduced its national poverty rate from around 50 percent of the population in the 1960s to about 13 percent today. In simple terms, Thailand has brought up the overall standard of living for its citizens, but the bottom economic group in Thailand has been reduced even more compared to other countries.

As with all other developing countries in the world, though, we must look outside the central cities of Thailand, primarily Bangkok. The vast majority of the world's people continue to be rural, agricultural workers (International Fund for Agricultural Development 2001). At the beginning of the 21st century, 79 percent of the Thai population was still listed as rural people and more than half of the labor force still works in agriculture. The contrast between Thailand and other developing countries is again striking. As we saw in the beginning of this chapter, the typical developing country pattern shows major disparities in the standards of living between rural and urban people. In Thailand, however, the poverty rate is listed at 10 percent in the urban areas compared to 15 percent in rural areas (World Bank 2000:280–281).

To understand how all this has been possible it is important to begin with a short examination of Thai political and economic history, a history that parallels the outline of Asian nations described in the previous section.

A Brief History of Thailand

Tai ethnic people from southern China began populating what is now Thailand over 2000 years ago (Wyatt 1984; Osborne 1995). Some 1000 years ago Burma (Myanmar) and Cambodia were dominant countries in Southeast Asia. During the 1800s both Thailand and Vietnam had become dominant regional powers as Burma and Cambodia were in decline. But then came the threat of colonialism. It was King Monkut and his son

King Chulalongkorn (Rama V) who astutely led the nation during the most crucial period of confrontation with the West from the 1850s until the turn of the century—a period in which the kingdom began its transformation into a modern nation-state. The Western powers, and Britain in particular, forced the integration of Thailand into the economic system dominated by the West (Chaiyan 1994). The French stripped away some Thai territory in the east for colonies in Laos and Cambodia. But unlike all other countries in Southeast Asia, Thailand kept its independence and strengthened and modernized its institutions in the process. Under the leadership of King Chulalongkorn the government administration was transformed from the old household system to a modern bureaucratic form in which the civil servants worked for the king.

In June of 1932, 49 military officers and 65 civilians, most educated in the West, staged a coup, deposing King Rama VII as the last absolute monarch of Thailand. The "promoters" were motivated by their conviction that the absolute monarchy was an obstacle to further modernization and development of Thailand. Rather than attempting to run the country themselves, however, the military quickly turned executive functions over to the increasingly competent government ministry bureaucrats. Since 1932 various factions of the military and royal circles have been maneuvering for power, with brief periods of more or less civilian government since the 1970s (Handley 2006). But through it all the unelected well-educated bureaucratic government ministry has been running most functions of government. After the longest period of civilian government rule that began in 1992, in 2006, with the backing of this bureaucratic elite and supporters of the old royalty, another military coup deposed the popular government of Prime Minister Thaksin. Thaksin was an American-educated sociologist who later became a billionaire with an electronics and cell phone business, selling mainly to the government and military at first. There were several issues behind the military coup (such as the usual corruption), but it seems clear that the biggest issue was that the bureaucratic ministry and royal elites were losing control (Pasuk and Baker 2004; McCargo and Pathmanand 2005). During the 1997 Asian economic crisis, these governmental elites had agreed to a new constitution that increased democracy in Thailand by such means as a strong electoral commission to reduce voter fraud and making the upper house of parliament fully elected, as is the more powerful lower house. As we will see below, the Thai government, especially with pressure from the popular king who had no formal power, had been reducing poverty and promoting economic development for more than three decades. But as prime minister, Thaksin began even more programs for the rural and working-class poor to gain their support in elections. The problem for the nonelected elite was that Thaksin became increasingly powerful and began helping himself and his inner circle as to become more wealthy. He was also reducing restrictions on multinational corporations, restrictions the elite believed were needed to help long-term economic development in Thailand. Thus after the military coup of 2006, the ruling elites again rewrote the Thai constitution, taking out some of the measures promoting more democracy, such as full popular election of the upper house of parliament, which again allowed the unelected elites to appoint half of the seats after 2007.

The low-income rural and urban working-class Thais who had benefited from Thaksin's poverty reduction programs (such as free medical care, economic development loans to villages, and micro loans to the poor) were angered by the 2006 military

coup and their loss of influence in government. Thus began the "red shirt" movement, which has created violence and political instability in Thailand since 2007. After the military restored elections in 2008, supporters of Thaksin again won national elections but were deposed through legal maneuvers by the unelected government elite and protests by "yellow shirts," made up of the educated urban elite opposed to so much political influence by the rural poor and working class, all of which produced a big increase in political violence in Thailand in 2010.

Western style democracy is not necessarily related to economic development and poverty reduction for less-developed countries today (Kerbo 2006:37; United Nations, *Human Development Report, 2002*: 57–60). There is a correlation between economic development and democracy, but the causal direction is from a longer history of high levels of economic development to democracy. When people become more affluent and better educated in a society, they begin to demand more democracy (Jackman 1974, 1975). It is likely that Thailand is starting to go through this process. The key point is that Thailand achieved its economic development and relatively low poverty under what can be called a "hard state" beginning a few decades ago (Muscat 1994; Kulick and Wilson 1996; Doner 2009).

Thai Development Policies

It was not long after the military took power during the 1932 coup that the alliance was formed between the Thai military and ministry bureaucrats, and policies for economic development were started. However, because of the worldwide depression and then World War II, during the late 1950s serious efforts were given to economic development policies. When these policies were finally started, one of the most important things to emphasize for our subject of economic development and poverty reduction in Thailand is that relative to other countries, these policies did not mean economic development would proceed on the backs of Thai peasants (Muscat 1994:245). For most countries trying to catch up to the industrialized West in the last 150 years or more, rapid economic development meant a focus on urban industry with surpluses extracted from peasants to fuel the industrial expansion. This is how Stalin achieved economic development for the Soviet Union in the 1930s, and how Japanese governments did it in the early 20th century. In these two countries, as well as the others, peasants rebelled, but mostly just got poorer and often died.

Not so in Thailand. As one of the leading economic teams of researchers in Thailand put it, in contrast to countries like South Korea and Taiwan, "Thailand had lots of unused land and lots of people to work it. . . . The government saw it had the opportunity—and the duty to the large peasant population—to grow by pumping up agriculture" (Pasuk and Baker 1996:58). In later years there was also the Rural Employment Generation Program, which gave each *tambon,* or group of villages, in the country a substantial annual grant that could be spent on agricultural development projects of their choosing, a policy that provided a "'bottom-up' approach to rural development" (Muscat 1994:138–139). In addition to this focus on agriculture, the first 5-year plan called for "raising the standard of living" as the main objective, along with care that "increased output should be equitably distributed so that, to the extent possible, all citizens, and not

merely a privileged few, derive benefit from it" (Muscat 1994:95). All lofty ideas, of course, but given the track record of poverty reduction and economic development with a relatively smaller gap between rural and urban standards of living, we can say that at the time Thai government and ministry officials did a fairly good job of pulling it off.

Aside from agriculture, from the beginning of these Thai development policies the focus was also on *import substitution.* In this critical strategy, a hard state (or at least semihard state) must be able to tell multinational corporations from rich countries that goods will be imported, if at all, with tariffs as high as 80 to even 150 percent to prevent these goods from competing with goods made in (at least at first) less efficient infant factories in the poorer country. It is a hard state that must do this because only a hard state can have the influence to enforce such a policy on rich multinational corporations (and their governments who will almost certainly try to resist), and only a hard state can have the influence to enforce such a policy against the demands of its own rich citizens who want the imported goods, "and want them now," at a cheaper price, not waiting for infant domestic industries to produce suitable products. Thailand was especially successful with this strategy in the auto industry. From the 1970s Thailand began placing tariffs of 150 percent on imported autos, but at the same time telling the foreign auto industries that if they came to Thailand to create joint ventures with a Thai company to build cars—and thus hire Thai employees, pay Thai taxes, and keep some profits within Thailand—the auto company would get many forms of government assistance (Muscat 1994:148; Doner 2009). With the major exception of American auto companies, they came in big numbers. With more than 20,000 additional autos on the streets of Bangkok every month during many years, the foreign auto makers and Thais did quite well.

By the early 1970s economic growth based on agricultural export growth and the expansion of the domestic market had reached its limits. From the 1980s, the most successful development policies began to stress *exports.* It became evident that South Korea and Taiwan were becoming the most successful countries in expanding their economies, and were doing so through attracting foreign investment that was focused on manufacturing goods for export. It was then that Thai bureaucrats shifted policy toward attracting foreign investment in all kinds of manufacturing and to exporting cheap manufactured goods and textiles. By the 1990s, however, the export focus shifted to high-tech electronic goods. During the mid-1990s, the largest employer in Thailand, for example, was Seagate, the American firm manufacturing computer components.

It is important to stress that during the 1980s and 1990s, Thailand continued to protect its economy despite the flood of foreign investment the country had attracted. This is especially important because, as we have seen from the modern world system research, without protections that a hard state can enforce, long-term economic growth can actually be reduced by extensive foreign investment in the country. Thus, Thai bureaucrats initiated rules such as those demanding a sufficient percentage of domestic content in goods manufactured by foreign companies in Thailand and the famous *51 percent rule* (Muscat 1994:80). While I learned firsthand in interviews with Thai bureaucrats in the Bureau of Investment, as well as Japanese and American executives operating in Thailand, that the 51 percent rule is not always evenly applied and that with certain exceptions, it has worked. Under this 51 percent rule, a foreign company setting up production operations in Thailand must form a joint venture with a Thai company.

The result is that a Thai company with 51 percent control is better able to keep jobs and profits in the country. Among other things, it was the relaxation of rules on foreign investment under Thaksin that angered the bureaucratic elite and brought about the military coup deposing him in 2006 (Pasuk and Baker 2004). One might assume that faced with such rules the multinational corporations would simply leave the country or never invest there to begin with. Countries such as Thailand, however, have been able to keep foreign investors because the government has maintained more infrastructure investment to provide good transportation and a rather educated labor force, enhancing productivity. In large part because of all this, Thailand has kept its domestic economy growing at such a rate that foreign investors want to keep their presence in the country to make and sell things in a booming market. These specific development policies, however, were not what ensured the rural people were pulled out of poverty.

Thai Peasants and Political Action

One afternoon during the spring of 1998 I sat with a group of students along Ratchadamnoen Road in Bangkok, just past Democracy Monument, watching thousands upon thousands of Thai peasant farmers marching by on their way to Government House (the Thai Parliament building). Most were walking, though many were piled into village pickup trucks. The mood was quite Thai, which is to say there was a lot of *sanuk* (joking and having fun). These people from the countryside seemed as interested in watching us *farangs* (Western foreigners) as we were them; many waved and said *"hullo,"* and some even shook our hands as they marched by. A few were singing protest songs, and we had to smile when some of the people marching by wore T-shirts with pictures of the former Cuban revolutionary, Che Guevara, on the front. (We later asked some farmers who had Che's picture on their pickup truck if they knew who he was; the answer was "no.")

What we had stumbled on that day was a massive protest organized by the Forum for the Poor to make sure farmers were protected as the Asian economic crisis raged around them. Even before the "red shirts" in 2006 there have been many such protests by rural Thais, in recent years mostly lead by the Forum for the Poor, a broad-based social movement organization involved in all kinds of rural and environmental issues (Missingham 2003). The most active of these protests by Thai villagers began in the 1970s when the economic development policies such as those we saw above were being implemented. By the mid-1990s it is estimated that there were at least two rural protest movements going on each day in Thailand (Pasuk and Baker 1996:206, 162). As in most countries, especially developing countries, there is often a rural–urban split in political and economic interests. The urban population of Bangkok has become an increasing political force in recent decades. But with peasants living in villages making up most of the Thai population, and a large percentage of these people relatively well organized politically, rural issues have been kept before Thai politicians.

To understand the somewhat unique position of Thai peasants when compared to developing countries in other regions of the world (especially Latin America and Africa) requires a little diversion into the history of rural Thailand. First, we must remember that the concept of national boundaries was foreign to mainland Southeast Asia. The kingdoms

of Pagan, Angkor (Cambodia), and Siam (Thailand), for example, extended only as far as their power to enforce rules over villages. As one got farther away from the capital cities, the question of which kingdom holds the area often became less clear. This also meant that *peasants in the areas were relatively independent,* at least until one kingdom or another came in to more strongly press its claims of sovereignty over the people.

Second, when territories were not in dispute, in most Southeast Asian countries the king "theoretically" owned the land (Keyes 1989:31). We must specify theoretically because in reality the kings seldom occupied this land or sent their agents to run plantations for them. Rather, the land was given over to peasants and village people through a sort of lifetime lease that could be passed on to offspring but not sold to others (Pasuk and Baker 1996:7–8). In other words, in a major contrast to the position of peasants in the preindustrial feudal countries of Europe, Latin America, and elsewhere in Asia (especially Japan), mainland Southeast Asian peasants had their own land, *had no feudal lord dominating them,* and were relatively independent of outsiders from urban areas. Even if they did not have an official lease on land from one of the kingdoms, land was plentiful in uncontested areas of Southeast Asia, so the peasant family or even village could move to such land.

Because of these traditions of independence and organizing for themselves, Thai peasants have been able to bring pressure upon the central government to have some protection of their interests in the process of economic development. But also, the traditions of land distribution in Thailand even more directly help us explain the relatively low level of inequality and more evenly spread economic development in Thailand during the second half of the 20th century. As Table 16-4 earlier indicated, Thailand continues to have a relatively low level of land inequality, and the contrast between Southeast Asia in general, Africa, and Latin America is striking. Following old traditions, this land is still leased to individual peasants and small villages at very low cost, which is the reason we today find about 90 percent of rural people with their own land in Thailand (Kulick and Wilson 1996:132). This is why I discovered in interviews with slum dwellers in Bangkok that their lives were for the most part much better than people living in massive slum areas in other parts of the world, such as India, Africa, and Latin America. Many, if not most, of the people living in massive slums in Bangkok like Klong Toey described earlier actually have rural homes to return to. They are living temporarily in Bangkok slum areas to sell produce in the city or work at low-skill jobs to add to their farm income. After the Asian economic crisis hit Thailand, I was at first surprised to learn from Thai aid workers that the number of the 100,000 "homeless" people living in Klong Toey had not expanded. I was told when jobs were harder to find in Bangkok, Klong Toey "residents" simply started going back to their farms.

As many studies have shown, land reform policies that get more land to the cultivators themselves are one of the best ways to reduce poverty in the world (International Fund for Agricultural Development 2001: Chapter 3). When peasants and farmers own their own land, farming is often more productive, agriculture is more labor intensive (which creates more farm jobs), and small farmers and peasants are able to keep more of the profits themselves (obviously helping to reduce poverty rates). Historical traditions have thus given Thailand an advantage in the countryside. Other countries that do not have this historical legacy of low land inequality can achieve it as Japan did after

World War II, but as the International Fund for Agricultural Development *Rural Poverty Report, 2001* indicates, it is seldom an easy task.

Thailand in World System Perspective

Research and theory from the world system perspective have shown why it is often difficult to have economic development, and especially more evenly distributed economic development benefiting all people in the country. Without traditions of national identity and elite responsibility, elites are often tempted into siding with core multinational investors to keep these investors happy and themselves rich. This also makes it difficult for a hard state to develop with the ability to follow consistent development policies for long-term and even economic development. In most parts of the world, the history of colonialism has helped contribute to all of these negatives for poor countries. There are now more promising techniques to help stimulate sustainable and more even economic development in poor countries, but the most difficult problem is *creating the motivation* to use these techniques of development when domestic elites tied to multinational corporations find the status quo more conducive to their personal short-term interests.

We have seen how Thailand has had a more favorable history that has given the country a greater chance for even economic development. When colonial powers arrived in Asia, Thailand was in a position of strength. The country's leaders skillfully played the European powers against each other to keep their independence—the only country in Southeast Asia able to do so (Slagter and Kerbo 2000; Kerbo 2006). With its independence and nationalistic elites, Thailand was able to maintain at least a semihard state able to carry out development policies and prevent multinational corporate investment from draining their financial and natural resources (with policies like the 51 percent investment rule). Thailand was also fortunate to have quite equitable land distribution so that major land reform was not needed to build a base of citizens with material resources to help drive a domestic economy.

Finally, the case of Thailand shows us that cultural explanations have been overused. Thailand's neighbors (Burma, Laos, and Cambodia) have identical cultural traditions but remain among the poorest countries in the world with little prospects for development. Burma was colonized by the British, who left their colony in disruption from which it has never recovered, in radical contrast to how the British helped their former colony of Malaysia plan for independence and economic development. Since 1946 Burma has been plagued by political violence by many tribal people from old civilizations that were brought into Burmese borders by the British before they left to let the Burmese fall into chaos (see especially Smith 1999; Stockwell 1999; Keay 1997). On the other side of Thailand, Laos and Cambodia were dragged into the first Indochinese War (against the French colonial powers) and then the second Indochinese War (against the United States). Both communist and noncommunist forces devastated these little countries. In Cambodia, after 1975 the Khmer Rouge government ended up killing 1.7 million of its people, targeting the educated population and leaving the whole country with only some 300 college graduates by the 1980s (Kamm 1998; Chandler 1998, 1999). Laos ended up with a more benign, though incompetent, government, but has suffered from French colonialism that has only sapped resources. Between the early 1960s and 1975, Laos then suffered from a huge "secret war" led and organized by the United States, which dropped more tons of bombs on Laos per capita than

any country in world history (over two-thirds of a ton for every living person in Laos; see Warner 1995, 1996:352; Evans 1995, 1998). The World Bank and United Nations agencies now stress that "good governance" is a key to economic development. With traditional national borders disrupted by colonial powers and war devastation, any kind of governance is difficult to achieve.

The World Stratification System: A Conclusion and Perspective on the Future

We conclude by first emphasizing what has not been suggested by world system theorists. Most important, the world system and multinational corporations cannot be held accountable for all of the world's inequality. Culture, climate, and lack of resources, among many other factors not directly related to world stratification, can help produce and maintain poverty.

However, to a very large degree, all regions of the world are increasingly interrelated in a worldwide economic system. Because of differing economic interests in this system, and differing amounts of power to ensure that these interests are met, there is a world stratification system that produces inequality among nations and inequality among classes within the nations. The data are clear that since globalization has speeded up in the last century, income and wealth inequalities have drastically increased (World Bank 2000:31).

It must also be recognized that no easy solutions to underdevelopment can be identified. Many problems are faced by poor nations that will not be solved by simply removing core dominance (as Myrdal 1968, among others, has shown). The rapid development in *some* Asian countries at least shows that late development for the periphery is not impossible at this stage of the modern world system. The problem for most periphery nations outside East and Southeast Asia, however, is that they often lack key factors that have been crucial to development from the new Asian economic development model, specifically as we showed with the contrasting case of Thailand.

Social Structure and Technical Tools for Development

In recent years many new techniques for promoting more sustainable and even economic development in poor countries have been perfected, techniques we may call "technical tools" for development. We have long recognized that *land reform* is a key to sustainable and more even economic development. Farmers with their own land produce more, create more jobs and income, all helping to sustain a cycle of economic development. Among the most recent of the new technical tools for development are *micro loans*. Agencies such as the World Bank are taking a closer look at the famous Grameen Bank's "microcredit" program in Bangladesh that gives loans for as low as $100 to poor farmers. A small pump costing only $50, for example, can make a big difference in a village without the means of irrigation. Thousands of farmers can increase their incomes and lead to more even and sustained economic development in a country. Dividing the loan money into thousands of these micro loans has promoted more evenly distributed development in poor nations in contrast to older programs putting millions of dollars

into big projects like dams, which tend to provide more economic benefits for multinational corporations and those already rich in developing countries.

Other specific policies include *debt relief,* reducing trade barriers in rich nations, and empowering women. Numerous studies and reports by the International Fund for Agricultural Development, World Bank, and United Nations are now showing clear evidence that *improvements in women's rights* help reduce poverty and speed economic development (World Bank, *Engendering Development,* 2001; World Bank 2000; International Fund for Agricultural Development 2001). There seem to be several reasons for this. Better-educated women contribute more to the economy; when given the chance, rural women seem to manage family budgets and economic resources better than men and are more likely to repay micro loans; and women who have more rights and education are more aware of the importance of population control for the family, with the influence to demand the use of birth control.

However successful these new technical means of sustainable economic development may be, there remain two serious problems. First, there is often not the "will" or motivation among the poor country's elite to employ these technical means for more even development. They are getting rich from the status quo and prefer to keep multinational corporations and actors in the "world markets" happy rather than help their own people. Second, without a change in social structure (e.g., the domestic stratification system, political system, and highly unequal economic system), many of the techniques to provide sustainable development will not work.

During the 1960s the quick-fix scheme was the "green revolution." The basic idea sounded great: Rich nations, especially the United States, would send their agricultural experts to poor countries to teach farmers how to grow crops more efficiently and help supply new strains of crops, new farm equipment, and chemicals to dramatically increase crop yield. One goal was achieved: Food production increased dramatically. But the basic goal (or at least the overtly stated goal) failed badly. Rich landowners became wealthier, but poor peasants typically became poorer. The problem was that landowners began growing different crops to sell on the world market, exporting everything they could to increase their profits, while they stopped growing many other crops used as cheap food for local people. Likewise, the green revolution created an incentive for big landowners to acquire more and more land, thus taking land from small farmers and peasants. Finally, the new capital-intensive agriculture promoted in the green revolution forced peasants out of agricultural jobs. A few years after the green revolution began, many poor countries often exported food while their own poor went hungry.

The obvious need for land reform in most countries, especially in Africa and Latin America, provides another example of the necessity for changes in social structure first. As logical as this sounds, land reform has seldom been followed. The payoff for the more affluent is greater in promoting urban industrialization, and if agricultural development is given much attention it is usually agricultural development for export, which enriches wealthy landowners while impoverishing peasants. Studies of this problem in Africa note that while three-fourths of Africans are farmers, there are almost no policies in Africa attempting to boost agricultural production. Kenya is an example: With the vast majority of its people living off the land, only 4 percent of the Kenyan government budget goes to agricultural programs, and 75 percent of this 4 percent goes to support wasteful state

farms. Then there is the case of President Mugabe of Zimbabwe. With falling political support in the late 1990s and early 2000s, Mugabe jumped on the bandwagon of land redistribution for Zimbabwe. The problem was that it was land reform only for his political supporters and was carried out in such an irrational manner that agricultural output dropped. Not exactly the good governance the World Bank has talked about recently.

Finally, as rich nations of the world have taken up the campaign against terrorism since September 11, 2001, many have reminded us that eliminating terrorism cannot be effective without due consideration to the dramatic rise in world inequality and poverty we have seen in this chapter. One cannot make the claim that increases in world poverty alone create political violence, but it is a prime breeding ground. Figures compiled by the World Bank show that between 1990 and 1995 about 90 percent of all cases of "civil war and strife" occurred in poor nations (World Bank 2000:50). But this civil war and strife is not concentrated in any particular region of the world such as the Middle East. It is spread evenly among all world regions with poor nations. A study by the National Defense Council found 59 cases of "serious conflict" in 193 countries around the world in 2001, compared to 35 just over 10 years ago. "Major conflicts" involving 1,000 or more deaths in 1 year were found in 38 of these 193 countries, again a big increase compared to the decade earlier. Research by sociologists has also shown the importance of world inequality for sparking political violence. Measuring the gap between the rich and poor in countries and cities all over the world, several studies have shown a significant correlation between inequality and levels of political violence (Messner 1982; Muller 1985; Blau and Blau 1982; Williams 1984). It seems obvious that any war against terrorism by rich countries cannot stop with arresting or killing famous leaders supporting terrorism. Other bin Ladens will emerge. The United States will increasingly be a target: An international opinion poll conducted at the end of 2001 indicates that most people in the world think that the United States and its policies are the prime reasons for the increase in world poverty today.

Summary

We have examined data showing a large and increasing gap between the rich and poor of this world. And we have examined how the world stratification system, or modern world system, creates extreme power imbalances among the world's nations. The old theories of economic development, such as the stages of economic growth theory, do not fit the current reality for poor countries trying to achieve economic development in today's global economy. For many poor countries today, investments from rich multinational corporations often make their inequality and poverty greater and their prospects for long-term economic development more difficult. We have seen that there are exceptions to these rules, particularly in several East and Southeast Asian nations. Some of these countries have been able to protect themselves from harmful effects of core domination because ancient traditions have made domestic elites more nationalistic and responsible to the needs of their people. Hard states have been established, which are able to guide successful development policies. With the case of Thailand we outlined how this has been possible and how Thailand has been one of the most successful nations in the world to reduce poverty with economic development in recent decades.