have supplied, during different times of need, scholarly commentary, professional advice, and friendship—they should note, however, that they will not be relieved of their roles with this book's publication (or even by moving to Austin, Texas).

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INTRODUCTION

It is conceivable that a social system may be unjust even though none of its institutions are unjust taken separately: the injustice is a consequence of how they are combined together into a single system.
—*John Rawls,* A Theory of Justice

Inequality and stratification have been conceived primarily as processes that occur within national boundaries. Such a focus has produced a number of influential overarching narratives. One such narrative is that the relative well-being of people is shaped most fundamentally by the capacity of home-grown institutions to promote economic growth and equity. Another is that people over time have become more stratified by their relative achievement and effort rather than by the characteristics with which they were born. A third one, a corollary of the other two, is that upward social mobility is fundamentally the outcome of the adoption of better domestic institutions by countries and the acquisition of greater human capital by individuals. This book argues that looking at the unfolding of social inequality in the world as a whole over a long period of time—in other words, from a world-historical perspective—calls these narratives into question.

As we began writing this book two years ago at the Russell Sage Foundation on Manhattan's Upper East Side, we were struck by how frequently portrayals of inequality in the popular media mirrored some fundamental assumptions usually made by the social sciences when approaching this subject. Take a cover story of November 26, 2007, in the *New York Times* on workers in India who make manhole covers for New York City streets (Heather Timmons and J. Adam Huggins, "New York Manhole Covers, Forged Barefoot in India"). The pictures in the article show hot molten iron being poured into molds by shirtless and barefoot workers making a few dollars a day. The manager of the factory, when questioned about the safety of pouring iron in bare feet, responded, "We can't maintain the luxury of Europe and the U.S., with all the boots and all that." Such articles documenting the lives of the world's poor are a regular staple of the newspaper.

Frequently juxtaposed with such articles in the same newspaper are stories that focus on the rich. In one running theme, the newspaper serves as a forum to debate the standards that differentiate the truly wealthy from everyone else.[1] Such stories might focus on children being chauffeured daily to their child care centers in "mostly black luxury-edition sport utility vehicles like the Mercedes GL-Class or the GMC Yukon Denali" ("Once Around the Block, James, and Pick Me Up After My Nap," *New York Times*, January 24, 2007), or they might discuss the relative size of the yachts of the very rich ("As the Yachting Class Grows, So Do Yachts," *New York Times*, October 23, 2007). In an equally common running theme, they focus on individuals and families making high incomes in the United States who are given the opportunity to make their case for why their salaries and assets do not qualify to make them truly rich but merely middle-class.[2] In a recent article, when such respondents "are asked how much money would make them feel secure, they inevitably choose a figure that is double their own net worth," estimating that "you need about $10 million to be considered entry-level rich."[3]

In both running themes, the wealthy individuals who regularly appear in the *New York Times* are constantly scrutinizing themselves, their peers, and wealthier elites to estimate their relative standing in the social hierarchy, and establishing such standards is hard work and a source of anxiety.[4] The articles make it clear that for those in the United States who are concerned about ascertaining their own relative social status, it is their status relative to other elites within their country that seems most relevant to their purposes, and such standards alone provide the appropriate indicators to establish their social standing. From such a standpoint, many in the United States feel that the term "elite" or "rich" can legitimately be applied only to no more than the wealthiest half of 1 percent of the country's population. The rest (except those at the very bottom) are perceived to constitute a great middle class whose members have varying degrees of access to the amenities of life but all of whom face the need "to slog to work every day" (as remarked by the noted economist Edward Wolff; quoted by Joel Achenbach in "That's Rich—But Maybe for Someone Else," *Washington Post*, November 26, 2007, A:2).

Such debates in the United States about what boundaries differentiate the truly rich from everyone else might seem quaint, if not outright ridiculous, to observers in most of the rest of the world. The reference to boots as a "luxury" item by the Indian factory manager might seem outrageous, particularly for those who feel solidarity with people for whom work is considerably more difficult and less rewarding than ours, but the same comment can be read as a powerful statement about the extent to which, when viewed by the vast majority of the world, the amenities enjoyed by most of those living in the United States—even those who "slog" to work—are no less than luxurious wealth by global standards.

The magnitude of *global* disparities can be illustrated by considering the life of dogs in the United States. According to a recent estimate by the American Pet Products Manufacturers Association (an organization that for obvious reasons conducts frequent surveys on the subject), in 2007–2008 the average yearly expenses associated with owning a dog were $1,425 ($749 in health care, $217 in food, and $459 in grooming, boarding, toys, and treats).[5] Of course, these are average figures for the nation as a whole: in some areas, such as the wealthy Upper East Side of Manhattan, the costs of maintaining a dog can be considerably higher.[6]

For the sake of argument, let us pretend that these dogs in the United States constitute their own nation, "Dogland," with their average maintenance costs representing the average income of this nation of dogs. By such a standard, their income would place Dogland squarely as a middle-income nation, above countries such as Paraguay and Egypt. In fact, the income of Dogland, this nation of U.S. dogs, would place its canine inhabitants above more than 40 percent of the world population. (The figure was roughly 60 percent as recently as 2004, before high rates of growth allowed China and its large population to surpass the threshold; at $820, the average national income of India is still merely around 60 percent of the expenditure for U.S. dogs.) And if we were to focus exclusively on health care expenditures, the gap becomes monumental: the average yearly expenditures in Dogland would be higher than health care expenditures in countries that account for over 80 percent of the world population.[7] To such disparities we should add other important dimensions: even from the point of view of protection from violence, the life of urban dogs on the Upper East Side of

Manhattan is considerably more protected than the lives of many of the world's poor.

As we noted, newspapers such as the *New York Times* do acknowledge and report on the existence of these global disparities. But even when recognized, wealth and poverty, in popular perception, tend to be treated as if they are separate from one another. Poverty tends to be seen as an unfortunate characteristic of people who have not yet been exposed to progress. That which constitutes wealth by global standards is perceived as the product of achievement and effort—well rewarded perhaps, but achievement and effort nonetheless. In such a treatment, the world as a whole is perceived as operating according to the rules we see in our immediate surroundings, and the experience of those in other countries is viewed as unrelated to our own.

Likewise, the contemporary social sciences claim to view the world through theoretical perspectives that are purportedly universal but that are constructed by focusing mainly—in some cases even solely—on the experience of a very small fraction of the world's population. Take Émile Durkheim's (1893/1997) influential argument that the development of a more complex division of labor entails a shift from a system of stratification based on ascribed characteristics to one based on achieved characteristics. Observing processes of social inequality and mobility solely or primarily as they take place within the borders of wealthy countries indeed appears to confirm such a shift, and many studies in the social sciences have been dedicated to documenting, over and over again, such a transition. But the vast majority of these studies draw their observations from two dozen or so wealthy nations and deem this a sufficient basis from which to make conclusive statements, with nary a caveat or even acknowledgment that the scope of such inquiries is often limited to little more than the wealthiest 10 percent of the world's population. Such unacknowledged biases are ingrained in the very foundations of much of the social sciences, and they continue to permeate the construction of the social sciences to this day.

But more importantly, since the emergence of the social sciences, and in their subsequent development, inequality and stratification are conceived primarily as processes that occur within national boundaries. As in more popular renditions of the topic, this fundamental assumption is deeply ingrained in academic inquiry, particularly as

practiced in the high-income nations of the world.[8] Such an assumption is so fundamental and deeply rooted that the choice of nations as the privileged unit of analysis is often not theoretically informed but driven by a combination of academic custom and the format in which data are most easily available.[9]

By contrast, Max Weber (1905/1996) argues that our choice of the proper unit of analysis should be guided by theoretical criteria, because its boundaries should contain within them all the processes that are relevant for understanding the phenomenon under investigation.[10] This means that even when thinking about individual achievement in wealthy countries, for example, we face crucial decisions in choosing the appropriate unit of analysis, and these choices, Weber argues, should be theoretically informed by the questions we are seeking to address.[11]

This book argues that accounts of inequality and stratification that assume that the nation-state constitutes the fundamental unit of analysis—and moreover, that restrict their observations to wealthy nations, as is most often the case—are bound to miss key processes that shape these phenomena even within the wealthy populations they study. Social inequality and stratification have unfolded globally and over a long period of time, and the study of these phenomena hence requires a world-historical perspective.[12] Such a perspective reveals that the institutional arrangements shaping inequality within and between countries have always been simultaneously national and global; that ascribed criteria continue to play a fundamental role in sustaining inequality at a global level; and that the most significant patterns of social mobility involve challenges to existing patterns of inequality between nations. As we show, our understanding of each of these issues changes dramatically once such *relationships* are taken into account—and this can be done only by broadening the scope of our analysis to the world as a whole.

We suggest that, as in the "blind men and the elephant" metaphor, existing studies of both between- and within-country inequalities can be "partly in the right" in their descriptions of what they perceive. But they are right only within the particular boundaries of the sphere they choose to describe, and with the specific scopes (for example, data, techniques, assumptions) through which they make their observations. Hence, various "parts" are adequately described, but what is missing, we contend, is an account of the whole. The main thrust of this book is to provide an alternative way of theorizing this whole—that is, to account for inequality as a complex set of interactions (for example, interactions that occur simultaneously within and between countries) that have unfolded over space and time as a truly *world-historical* phenomenon.

Some area specialists and historians might find our work to be making very broad and sweeping claims on topics where the evidence might not be sufficiently strong to fully corroborate our arguments. This is somewhat inevitable at the current stage of our formulations. We conceive historical inequality as the type of phenomenon that Weber (1905/1996, 47) refers to as a "historical individual":

> Such an historical concept . . . , since it refers in its content to a phenomenon significant for its unique individuality, cannot be defined according to the formula *genus proximum, differentia specifica,* but it must be gradually put together out of the individual parts which are taken from historical reality to make it up.

In constructing such a "historical individual," however, we have faced important constraints because adequate empirical information often is lacking or yet to be constructed.

For example, in trying to think about trends in world inequality as involving interactions that simultaneously involve different spatial locations—say, by linking the processes through which households are stratified *within* nations to other processes through which the very same households are linked *across* national boundaries—we quickly see that the relevant data (for example, on *world* income distributions) are not easily forthcoming. In fact, national statistical offices collect existing income data in an exercise that necessarily presumes that national boundaries delineate the only possible unit of analysis. And even with national income data, it is generally difficult to ascertain trends over sufficiently long periods of time, for the systematic collection of such data is largely a post–World War II phenomenon (and rather limited to high-income countries at that).

To compensate for such empirical constraints, we have grounded the ambitious claims made in this book on an eclectic range of available quantitative data and historical narratives. We hope that readers will be patient in those areas where our arguments await further

empirical corroboration, for the sake of our overall effort to provide a new vantage point from which to advance both the study of inequality and a world-historical perspective.

We should note what this book is not. Some readers might be primarily interested in the following issue: do measures of inequality for the last few decades show "global inequality" going up (as some authors have ascertained; see, for example, Milanovic 2005) or down (see Sala-i-Martin 2006; Firebaugh 2003)? This debate, notably devoid of what most social sciences call "theory," is largely focused on whose econometric techniques and ways of manipulating worldwide income data are more sophisticated, based on more plausible assumptions, or otherwise provide clearer analytical results. Some readers might be looking for a book that provides a dense overview of these methodological and empirical issues, adjudicates between them, considers new evidence, and eventually renders its own judgment on whether "globalization" is associated with rising or falling world inequality.

While the arguments advanced in this book are certainly pertinent to the "convergence-divergence" debate, we seek to move beyond a technical assessment of current empirical trends. Our book constructs an alternative theoretical understanding of how global inequality has unfolded over time and space, unveiling a complex interaction of within- and between-country inequality. We assemble a great deal of empirical information, including one of the most statistically rigorous (in terms of the high degree of comparability) revised samples of cross-national inequality measures compiled to date. Many of our theoretical conclusions—on the interaction between within- and between-country inequalities, or on the role of the nation-state in forming the basis of categorical inequality—provide an alternative standpoint from which to understand the evidence marshaled in debates on global inequality. In this sense, we have greater interest in explaining this phenomenon theoretically rather than forecasting whether world inequality is destined to move up or down in the next few decades.

We hope readers will be forgiving about the areas in which this book treads lightly. For example, readers will find little about the construction of hegemonies, empires, or states—frequent topics in the world-systems and comparative sociology literatures. There is also an extensive literature on race and gender that makes only occasional appearances in our discussion. These are only some examples, and we are sure careful readers will uncover others.

The Outline of the Book

While introducing readers to the main arguments and methodological procedures that are pertinent to the study of inequality and stratification, chapter 1 discusses cross-national patterns of within-country inequality. We show that many of the assumptions regarding the extent of change in within-country inequality over the last decades have been derived from studies that focus on narrow groups of countries (such as high-income nations). Using a broader cross-national database (ninety-six countries), we are able to provide very different criteria for assessing the extent of change over time and space. Using these criteria, we identify one cluster of countries characterized by high levels of inequality and another characterized by relatively low levels of inequality, and we argue that these clusters have been characterized by considerable stability over recent decades (with a few noteworthy exceptions).

In chapter 2, we show that these clusters of high and low inequality have shown considerable persistence, not only over recent decades, but over a much longer span of time, sometimes reaching back for centuries. According to a new institutional literature on the topic, the persistence of high inequality is indicative of situations in which, often on the basis of ascribed characteristics, vast sectors of the population early on had restricted access to political and property rights in ways that eventually limited the country's potential for economic growth. In this literature, a more egalitarian pattern of stratification, featuring greater opportunities for upward social mobility and individual achievement and more open access to markets and politics, became conducive to more successful national trajectories of economic growth, as shown by the experience of wealthy countries. Chapter 2 uses such evidence for the historical persistence of high and low levels of within-country inequality to identify what we heuristically define as high-inequality equilibria (HIE) and low-inequality equilibria (LIE): in each of these situations, prevailing institutional arrangements produce considerable stability in the patterns of stratification. (The chapter also examines examples of nations that do not fit neatly and always within one of these equilibria, such as the United States.)

The new institutional literature on inequality and the policymakers influenced by this perspective tend to see the institutional arrangements underpinning high and low inequality as independent development paths. Chapter 3 argues that HIE and LIE should be understood in relational terms. To make this argument, we draw from Joseph Schumpeter's (1942) insights on "creative destruction": institutional arrangements are themselves part and parcel of the processes of innovation that, unevenly distributed over time and space, generate differential rates of economic growth. In this sense, the institutional arrangements characterizing LIE have indeed been more effective in promoting economic growth since the nineteenth century. But thinking about such outcomes in terms of "creative destruction" requires that we rethink the origins of HIE. Contrary to prevailing assumptions, the institutional arrangements underpinning HIE proved innovative and effective in generating high rates of growth for a long period of time prior to the nineteenth century. Like any other innovation, these arrangements would eventually become comparatively disadvantaged relative to new innovative institutions (such as those characteristic of LIE after the nineteenth century). In this sense, we should assume neither that high levels of inequality act as an impediment to economic growth nor that economic growth inevitably weakens institutional arrangements characterized by high inequality.

Chapter 4 moves on to discuss historical trends and current patterns of between-country inequality. Drawing on the previous chapters, we argue that such inequality can be best understood as entailing a high-inequality equilibrium. Moreover, we indicate that within-country LIE and between-country HIE are related: within-country LIE have been sustained through institutional arrangements that limit competitive pressures within wealthy countries, while simultaneously transferring these competitive pressures abroad. In this sense, what appears to be the product of individual achievement and effort in wealthy countries has entailed simultaneously the construction and reproduction of ascriptive categories as crucial criteria shaping world-historical inequality. We focus on migration policies as an example of these connections and conclude by observing that over the last two centuries nationality has become the crucial ascribed characteristic shaping the status of people within global stratification.

Such an interpretation raises difficult issues. Does it mean that the populations of wealthy nations have attained their privileges by making much of the rest of the world poor? Not exactly. We do not think that the attainment of wealth implies a zero-sum game in which the gain of some requires losses for others—and we barely address long-standing debates about whether and to what an extent the exploitation of colonies served to generate resources to promote the accumulation of wealth in today's high-income nations. Also, we do not try to argue that the character of institutional arrangements and this alone determines the extent of access to income and wealth over time and place; natural resource endowments, historical accidents, and other externalities certainly have played a role as well. Finally, we have no doubts that important path-dependencies are also at work, so that the outcomes discussed in chapter 2 indeed attain a significant measure of self-reinforcement.

On the other hand, it is unlikely that the uneven distribution of income and wealth in the world today would exist in the absence of the institutional arrangements that limit access to markets and political rights on the basis of national borders. In this sense, while it is not the case that the populations of wealthy nations have attained their privileges by making much of the rest of the world poor, we contend that the relative privileges characterizing high-income nations (as we show, constituting no more than 14 percent of the world's population) historically required the existence of institutional arrangements that ensured the exclusion of the vast majority of others from access to opportunity.

Chapter 5 recasts patterns of mobility within global stratification. We show that much of the academic literature on social mobility and inequality (as well as the efforts to draw boundaries distinguishing the very rich from the merely affluent, as discussed earlier in this introduction) is focused on a very small percentage of the world population, all located in the top two deciles of global stratification. We also explore the three principal paths available for social mobility from a global perspective. The first path is engagement in within-country mobility (for example, individuals upgrading their education or occupational attainment, or groups pushing for a political redistribution of resources). This path can bring significant change in status, particularly for poorer populations in highly unequal countries, but is more limited in its overall effects than is generally assumed. The second path entails mobility through national economic growth. This path can be an important means of

upward mobility in global stratification, particularly over longer periods of time, but has been restricted until recently to a very small percentage of the world's population. The third path provides the most immediate means of rapid upward social mobility: jumping the national categories that are key to world-historical inequality. As we show in chapter 5, focusing on global patterns of stratification unveils the key advantages that can be gained by engaging in migration as a means of overcoming the persistent role of ascription in limiting social mobility.

Once again, difficult issues are raised. There are important trade-offs in the interaction of within- and between-country inequality: since at least the nineteenth century, and for two hundred years, the key institutional arrangements underpinning LIE within high-income countries simultaneously were key to the persistence of HIE in inequality between nations. The very rise of between-country inequality, however, has generated responses that in recent decades have begun to alter existing patterns of stratification; high rates of economic growth in China and India, we argue, have been one of the expressions of this recent reversal. Insofar as these responses come to be perceived as challenging the continued privilege of high-income nations, as happened in the early twentieth century, they might evoke a strong response by those resentful of the effects of more open borders. Our conclusion explores how these contentious issues might shape various alternative paths for the future of world inequality.

Finally, our work on this manuscript was completed before the full onset of the 2008–2009 economic crisis. While it is hard to foresee the future evolution of events, the patterns we discuss in this book provide a productive standpoint from which to evaluate the direction of trends in world inequality. For example, political responses to the crisis in wealthy countries might aim to reduce within-country inequality, providing further evidence for the type of equilibria we discuss in the first two chapters of the book. Likewise, it remains to be seen whether the crisis will deepen the high level of inequalities between countries we highlight here, or whether it accelerates (most likely through relatively higher rates of growth in China and India) a departure from the high-inequality equilibrium that prevailed for most of the past two centuries.

Chapter 1

Reinterpreting Within-Country Inequality

The modern study of social inequality and mobility has been built upon the fundamental premise that the nation-state constitutes the key unit of analysis. For much of the twentieth century, somewhat separate literatures on social inequality and on social mobility jointly constructed this fundamental premise, arguing that nations undergo a single overarching transition (shaping equally inequality and mobility) as they move from tradition to modernity. Thus, the twentieth-century social sciences literature focused on theorizing inequality and mobility in terms of a single, overarching process of change.

Over the last twenty years, on the other hand, the literatures on social mobility and inequality have retained a focus on the nation-state as the key unit of analysis but become fragmented in their empirical focus and theoretical conclusions. For example, inquiry on social mobility is focused almost exclusively on wealthy nations. From studies that exhaustively mine survey and census data from these nations, there is a consistent report that the transition to modernity indeed brought high rates of upward social mobility, increasingly based on achievement rather than ascription (findings that would come to be challenged by a more critical body of literature, also centered primarily on wealthy countries, that focuses on the continuing relevance of race, class, and gender). Studies focusing more directly on income inequality, on the other hand, abandoned the previous effort to theorize a single overarching transition to focus instead on the specific patterns of inequality that characterize different areas of the world (such as, again, wealthy nations, but also Latin America and East Asia).

Today the study of social inequality and mobility constitutes a highly fragmented area of inquiry, with very little dialogue between the many subfields of specialization. Our purpose in this book is to encourage dialogue between the various parts that constitute the study of inequality and mobility in order to establish a more coherent whole. In our view, this can be accomplished most productively by shifting the relevant unit of analysis away from nation-states to the world as a whole. Once such an analytical step is taken, however, we are led into a reassessment of some of the most deeply entrenched assumptions that have come to characterize the study of social inequality and social mobility.

Theorizing National Transitions

For much of the twentieth century, besides privileging the nation-state as the relevant unit of analysis, somewhat separate literatures on inequality and on mobility developed what came to constitute the "modernization paradigm," which became orthodoxy across the post–World War II social sciences. The modernization paradigm was interdisciplinary and encompassed a broad range of social phenomena; two of its components were an evolutionary theory of large-scale social transformation (used to understand economic development) and a functionalist theory of the working of modern societies (which came to dominate mainstream sociology). Both of these components privileged the nation-state as the site within whose boundaries were contained all the fundamental processes needed to understand the phenomena being studied, be it long-term changes in social inequality or patterns of individual or intergenerational social mobility.

For the understanding of inequality and mobility, three fundamental assumptions of the modernization paradigm are of particular importance: (1) modernization is a long-term process of (ultimately progressive) change; (2) this change represents a singular, overarching transition from traditional to modern; and (3) the transition brings homogeneity, because it ultimately results in growing convergence (of incomes, political institutions, systems of meritocracy, and the like). Likewise, it has generally been assumed, if at times only implicitly, that modernization entailed the interdependent and simultaneous transformation of the economic (through industrialization and/or urbanization), the social (through the growing importance of achievement in shaping stratification), and the political (through democratization). In this sense, the modernization paradigm carried normative connotations: the process was "good" in that it required the virtuous co-development of all three spheres of modern organization.

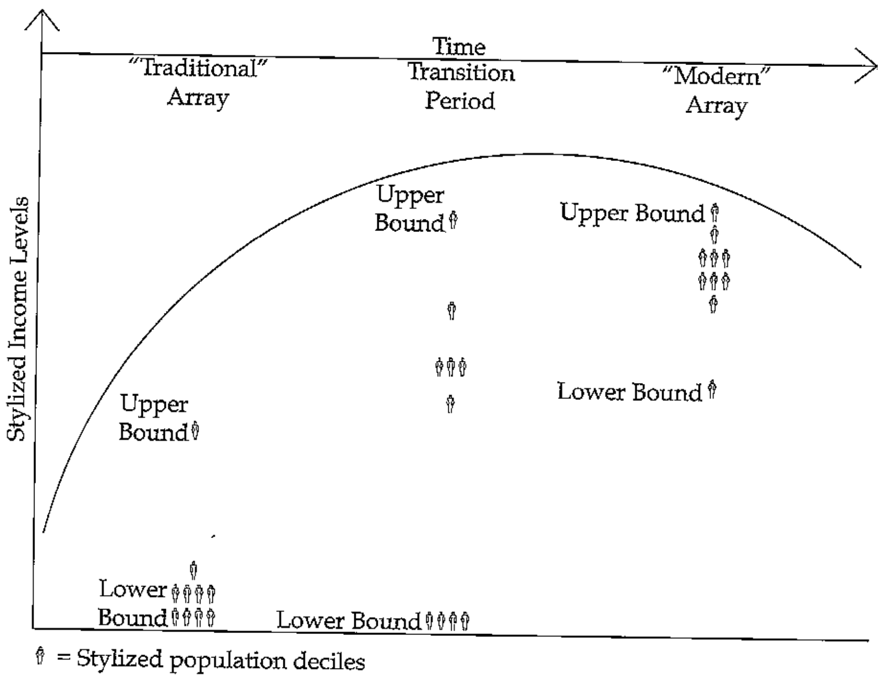
In economics, the most influential contribution to the modernization paradigm as it relates to inequality can be found in the work of Simon Kuznets (1955). In his classic formulation of what became known as the "inverted U-curve" hypothesis, Kuznets argued that inequality within nations rises in the early stages of economic growth as the population begins to move from rural (less wealthy) to urban (more wealthy) areas, becomes more pronounced at intermediate levels of development, and decreases thereafter as countries become more fully urbanized.

Figure 1.1 provides a rendition of three "moments" in the Kuznets transition, with stylized population deciles representing both the clustering of the population in "traditional" and "modern" arrays and the overall distribution of income between these deciles. The composition effects of the transition from a traditional to a modern array serve to enhance inequality and broaden the gap between the upper and lower bounds of the overall distribution, irrespective of the amount of inequality within each array. Eventually, the very same compositional effects, together with certain institutional transformations, would produce a reversal of the trend, leading ultimately to a reduction in inequality.

Throughout the 1960s and 1970s, in nearly every data set and for nearly every time period, when levels of economic development were plotted against levels of inequality, the resultant shape was a clear inverted U-curve, with fitted regression functions invariably revealing a negative, statistically significant quadratic term.[1] Scholars inferred from such cross-sectional snapshots that modernizing and modernized countries forming the cross-sectional *inverted U-shape* got to their positions by following an *inverted U-trajectory* over time, and they proceeded thereby to assess the relative weight of different independent variables in further shaping these transitions.[2]

Kuznets's hypothesis provides an eloquent and coherent synthesis of the analytical and theoretical assumptions that defined development economics in the 1960s and 1970s. Arguments regarding

Figure 1.1 The Kuznets Transition



Source: Authors' illustration.

the transition from a traditional (mostly but not only agricultural) sector to a modern (industrialized) sector drew on, and further strengthened, the dual-economy models that dominated the field (best exemplified by Lewis 1954, 1955/1960, 1958). The arguments also emphasized what various authors (for example, Kalecki 1942; Lewis 1954; Nurkse 1953) characterized as the "growth-equity trade-off" whereby "development must be inegalitarian" (Lewis 1976, 26).

In this sense, the popularity of the inverted U-curve hypothesis was grounded as well in the politics of the international policy-making arena. For example, the predictions of the hypothesis, the idea that "the dynamism of a growing and free economic society" (Kuznets 1955, 9) would eventually lead to a more egalitarian distribution of resources in countries undergoing modernization,

often helped policymakers implementing contentious development policies to justify rising inequality as a necessary, but short-term, effect of economic growth. (Although, as Arturo Escobar [1995, 80] notes, rising inequality was not somehow peripheral to these development models; indeed, it "belonged to their inner architecture.") Such uses of the inverted U-curve hypothesis generally glossed over the careful qualifications Kuznets himself advanced in his arguments; he explicitly acknowledged constructing the hypothesis on sparse empirical data, combined with much theoretical speculation. Instead, policymakers coated their own version of the hypothesis with the optimistic and self-righteous certitude that generally accompanies the construction of developmental panaceas.

The inverted U-curve hypothesis—with its clear formulation, broad theoretical fit, and intuitive appeal—became one of the most significant and influential propositions in the social sciences, linking income inequality to demographic transitions, spurring worldwide research efforts to collect relevant income data, and framing key issues in economic policymaking. For example, Kuznets's hypothesis shares many similarities with the arguments raised by Ester Boserup (1970/1989) regarding the changing status of women during economic development: the ability of men to monopolize access to property and political rights, as well as education, initially leads to growing gender inequities that are eventually reversed as economic development reaches higher stages.[3] In this and many other subfields, the inverted U-curve hypothesis became the main paradigm shaping the economic study of inequality during the last half of the twentieth century, and it remains highly influential today (see Moran 2005).[4]

Concurrently, sociologists developed their own emphasis on long-term changes in inequality under the modernization paradigm, albeit here the focus was social mobility. Early in the development of the discipline, authors such as Émile Durkheim and Pitirim Sorokin stressed the interdependence of the institutions of society and the implications for social order as "primitive" societies underwent the transition to becoming modern, industrial ones. The first studies of social mobility appeared at the beginning of the twentieth century, and in particular with Sorokin's (1927/1959) influential work emphasizing the mobility of modern and Western societies vis-à-vis the "immobile" societies of the past. The field of stratification and mobility became a central topic of sociological inquiry in the 1950s and 1960s with the pioneering work of David Glass (1954) in England, Gösta Carlsson (1958) in Sweden, and Natalie Rogoff (1953) in the United States, followed by the seminal volume by Peter Blau and Otis Dudley Duncan (1967). Over the next fifty years, the field became a prolific centerpiece of the sociological discipline; a bibliography of work on class structures, status attainment, and the intergenerational transmission of socioeconomic advantage would fill half this book.

From the beginning, sociological studies of mobility took the nation-state as the relevant unit of analysis and in particular concentrated on the wealthy, developed countries of North America and Europe. The field was linked to the modernization paradigm through what Robert Erikson and John Goldthorpe (1992) call the "liberal theory of industrialization." In a sense, the study of social mobility became an exercise in attempting to understand the right-hand portion of Kuznets's inverted U-curve where inequality begins to fall after industrialization and urbanization have taken hold. And paralleling the ways in which inequality is theorized in the development version of the modernization paradigm, the focus here was also on how social mobility is simultaneously a function of the long-term transitions to industrialization (driven by dynamic, rational changes in an increasingly differentiated social division of labor) or to political democracy (driven by the need for widely perceived opportunities to protect against class-based collective action). What came to be maintained, more or less factually in mainstream sociology, was that industrial or modern societies, in comparison to pre-industrial or traditional ones, have high rates of (upward) social mobility; that in these modern arrangements social origins do not preordain particular destinations; and that both of these patterns tend to become more predominant over time (Erikson and Goldthorpe 1992). Moreover, high and rising levels of mobility are more than pleasant by-products of the transition to modernity: they are pivotal and functionally necessary to the development of both industrialism and democracy. From a comparative perspective, an empirical consensus quickly formed that such overall patterns of social mobility are much the same across all industrialized countries (Lipset and Bendix 1959).

Crucial to the modernization paradigm, and underlying the literature on social mobility from the midtwentieth century until today, is the claim that modernity transforms the process through which individuals are allocated within the division of labor. In particular, a more complex division of labor (for example, as accompanying industrialization) requires a shift away from ascription and toward achievement as the leading criterion shaping stratification. Indeed, this became the key finding of *The American Occupational Structure* (Blau and Duncan 1967): in the midcentury United States, achievement processes (and most importantly educational attainment) were more important than ascriptive processes (family background) in determining one's station in life. In societies with expanding educational opportunities, the association between one's social origin and eventual destination weakens, and society becomes increasingly "open" as "meritocracy" comes to form the basis for social selection.

Of course, the extent to which such a transition has taken place has always been challenged. Many studies within sociology and other social sciences have argued that social mobility in the United States has been much more rigid than is usually described by scholars in the tradition of Blau and Duncan (see, for example, Bowles and Gintis 1976; Jencks et al. 1972; Kozol 1992; Wright 1979). Others have sought to establish the persistent significance of various forms of categorical inequality—most importantly but not only those involving class, race, and gender (for a useful overview of this literature, see Andersen and Collins 2007). Despite these criticisms, the quantitative study of social mobility and stratification continues to be guided largely by the consensus described here.

The economic development and social mobility literatures converged, in their own way, to construct what we term the modernization paradigm. While barely speaking to one another on some issues—the economic development literature focused on nations undergoing the transition from tradition to modernity, while social mobility studies analyzed almost exclusively nations already characterized by modernity—the two literatures complemented one another and jointly constructed a distinct theoretical and methodological perspective. Within this paradigm, theory and methodology were intricately linked because both were built on the premise that social inequality and social mobility are fundamentally shaped by universal processes of transition that take place within the boundaries of independent nation-states.

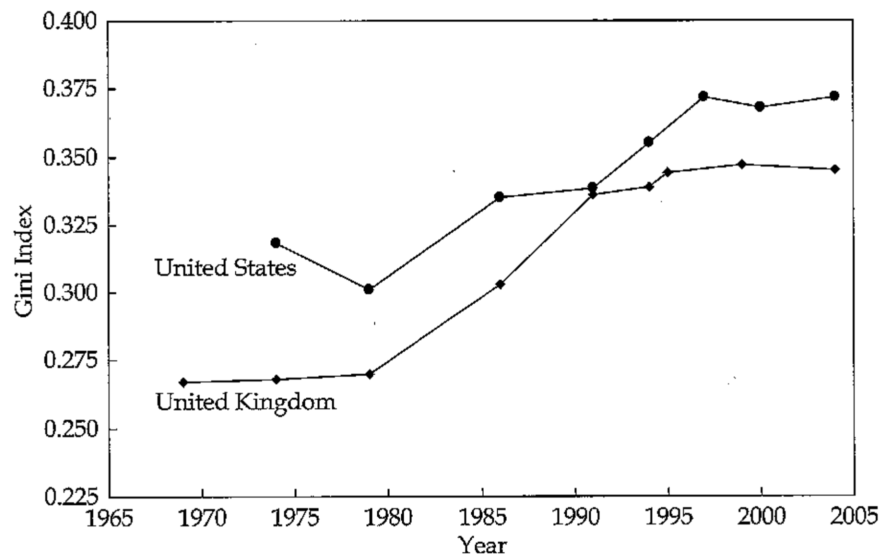
From a Single Paradigm to Empirical Fragmentation

In the last two decades of the twentieth century, several trends in within-country inequality led to a wave of studies challenging the inevitability of certain transitions assumed within the modernization paradigm. Observers now interpret these trends as suggesting that, instead of following a universal pattern, the impact of economic growth on inequality varies in significant ways across nations and over time. Sharing in common a rejection, for example, of the applicability of the Kuznets hypothesis to particular empirical cases, the current field of cross-national inequality tends to seek explanation of each set of observed within-country inequality trajectories through ad hoc arguments that do not attempt to provide an alternative overall theoretical framework for understanding global patterns of inequality.

Particularly important among these critical studies is a literature that focuses on the relationship between inequality and macro-institutional characteristics; this literature is itself split into various strands, each with its own approach and ad hoc explanations. Of these, two strands are particularly salient: one that focuses on high-income countries and seeks to explain divergent levels of inequality between them; and another that focuses more on economic development and seeks to contrast, for example, the "durable inequality" of Latin America and the "growth with equity" pattern of eastern Asia. We examine each of these two strands in some detail.

The literature focusing on income inequality in high-income countries takes as its point of departure that levels of inequality vary a great deal within this group and that countries with the highest levels of inequality—most notably the United States and the United Kingdom—have experienced a steady, decades-long increase in these levels. After a long period of relative stability, the distribution of income in the United States and the United Kingdom became noticeably more unequal beginning in the 1980s, spawning a subfield of inequality research seeking its explanation. As figure 1.2 illustrates, between 1980 and the early 2000s, the Gini index increased by over 18 percent in the United States and by 36 percent in the United Kingdom

Figure 1.2 Increasing Inequality in the United States and the United Kingdom



Sources: Authors' calculations based on Luxembourg Income Study (LIS) (2008).

(although, as we note later in this chapter, some caveats should be observed in assessing the relative magnitude of these increases).[5]

There are many ways to measure, or quantify in a single number, the amount of inequality contained in an income distribution (for reviews, see Allison 1978; Atkinson 1970; Jenkins 1991). Throughout the remainder of this book, we rely almost exclusively on the Gini index, the most highly regarded and the best-known summary measure of inequality. The Gini index varies from 1.0 under a condition of complete inequality (one unit has all the income) to 0.0 under a condition of complete equality (every unit has the same income). The highest observed Gini coefficients for countries, as we show later in the chapter, are in the mid-.500 range (Brazil), though they can go as high as the .700 range (South Africa), while the lowest observed coefficients are just above .200 (Sweden, Norway). A practical reason for using the Gini index is that international sources of data—the U.S. Bureau of the Census, the United Nations, the World Bank—usually report Gini coefficients as the only summary measure of inequality. Moreover, it is statistically preferable to other indicators because it is one of only two measures (the Theil coefficient being the other) that satisfies the most desired mathematical properties when the goal is to capture in a single number the degree of inequality present in a distribution (for elaboration, see the statistical appendix).

Bennett Harrison and Barry Bluestone (1988) labeled the rising Gini indices depicted in figure 1.2 "the great U-turn" and argued that increasing levels of inequality in wealthy nations were indicative of a historical shift that called into question the continued relevance of the inverted U-curve hypothesis in this context (see also Bluestone and Harrison 1982; Danziger and Gottschalk 1993).

Although no single "smoking gun" has been found to explain this rise in inequality (Gustafsson and Johansson 1999), debates tend to implicate various forms of economic restructuring that fall under the "globalization" rubric (Alderson and Nielsen 2002). According to these arguments, wealthy countries are experiencing the rise of a "new" economy in which high-value information and technological services have replaced manufacturing as the leading economic sector. In this new economy, changing patterns of trade, deindustrialization, skill-based technological transformations, increasing returns to skill and education, declining unionization, minimum-wage erosion, and increased capital and labor mobility (immigration) all combine to generate a bifurcated distribution of earnings. Shifts in the relative supply of and demand for skilled and unskilled workers result in downward pressures on the wages of the unskilled, while dramatically increasing returns to the skilled (Berman, Bound, and Griliches 1994; Bound and Johnson 1992; Katz and Autor 2000; Katz and Murphy 1992; Murphy and Welch 1992; for a critique of this approach, see Galbraith 1998). Falling (or at least stagnating) wages at the bottom of the distribution combine with rapidly rising wages at the very top, and this bifurcation acts as the driving force behind rising income inequality between households (Bluestone and Harrison 1982; Harrison and Bluestone 1988; Plotnick et al. 2000). The vast majority of inequality research in the United States over the last ten years incorporates this framework, focusing either on changes in the structure of the labor market, and subsequent returns to human capital, or on the institutional mechanisms that may (or may not) ameliorate these changes.

Table 1.1 Inequality Trends Across Europe: Gini Coefficients, 1990 to 2006[a]

	1990	2000	2006	Percentage Change
Austria	0.280	0.257	0.250[b]	–10.7
Belgium	0.232	0.279	0.280[b]	20.7
Denmark	0.236	0.225	0.228	–3.4
Finland	0.210	0.246	0.252	20.0
France	0.287	0.278	0.270[b]	–5.9
Germany	0.257	0.275	0.270[b]	5.1
Greece	—	0.333	0.340[b]	2.1
Ireland	0.328	0.313	0.320[b]	–2.4
Italy	0.303	0.333	0.320[b]	5.6
Luxembourg	0.239	0.260	0.268	12.1
Netherlands	0.266	0.231	0.260[b]	–2.3
Norway	0.231	0.250	0.256	10.8
Portugal	—	0.360[b]	0.380[b]	5.5
Spain	0.303	0.336	0.310[b]	2.3
Sweden	0.229	0.252	0.237	3.5
Switzerland	0.307	0.280	0.274	–10.7
United Kingdom	0.336	0.347	0.345	2.7
European Union (15)[c]	—	.290[b]	0.290[b]	0.0

Source: Authors' calculations based on Luxembourg Income Study (LIS) (2008).
[a]Not every country has data for that precise year. Data under column "1990" could be drawn from 1991 or 1989, for instance.
[b]European Commission (2008).
[c]Excludes Switzerland and Norway.

Given the widespread documentation of the trends in figure 1.2, a tendency developed to extrapolate the experience of the United States as representing a more general trend that all high-income nations have been experiencing economic restructuring and rising inequality over the last twenty years (see, for example, Friedman 2000; Smeeding 2002). But many high-income countries in fact have not experienced the type of upturn in inequality suggested by the U.S. and U.K. trend. Table 1.1 presents inequality levels across Europe over the last fifteen years as measured by the Gini index (for measurement specifications, see statistical appendix). Of the seventeen European countries in the table, nine show an actual decrease in inequality, or relatively no change (less than 5 percent), in the Gini index over the period. In only six countries does the Gini index change by more than 6 percent in either direction, and in each of these cases, changes since 2000 have all been less than 3 percent in either direction. The Gini index across the European Union as a whole fell by nearly 7 percent between 1995 and 2006, from .310 (European Commission 2008; not presented in the table) to .290, and was unchanged between 2000 and 2006. (For comparison, the Gini index for the United States depicted in figure 1.2 was .355 in 1994 and .372 in 2004.)

That the "great U-turn" phenomenon is not characteristic of all, or even most, high-income countries is confirmed as well by statistical analyses of the Luxembourg Income Study (LIS) database. Applying bootstrap resampling techniques, Timothy Patrick Moran (2006a) calculated statistical inference tests on the differences between Gini coefficients in the LIS and found more stability in inequality estimates in these countries (that is, differences in Gini coefficients attributed to sampling error or random chance) than statistically significant directional change. In contrast to a universal tendency toward rising inequality, the prevailing pattern in high-income nations—found in continental Europe and Canada—was characterized by either declining levels of inequality or relatively stable ones over the last twenty-five to thirty years.[6]

Although the data suggest more similarity of inequality experience than difference across wealthy nations, much of the recent social science literature on income inequality still focuses on explaining the relatively small variations that characterize distributional outcomes in these countries.[7] Some of these cross-national studies focus on divergent patterns of technological change: for example, Daron Acemoglu (2002, 1) argues that new technologies have been less skill-based in much of Europe than in the United States and that returns to education and skill increased less sharply in these areas (additionally, because the supply of skilled workers increased faster), leading to "less of an increase, or even no change," in wage inequality in these countries.

For others, drawing on a longer tradition of such comparative studies, the different trajectories of inequality among wealthy countries are the outcome of differences in political and institutional arrangements. Some argue, for example, that European labor policies

and wage-setting institutions mitigate the tendency toward increasing earnings inequality (Acemoglu 2002; Blau and Kahn 1996; Freeman and Katz 1995; Nickell and Bell 1996). In particular, many studies find that labor union density significantly reduces inequality (Alderson and Nielsen 2002; Freeman 1993; Gustafsson and Johansson 1999) and that policy liberalism and leftist governments (Bradley et al. 2003; Brady 2003; Kelly 2004), high levels of democratic participation (Mueller and Stratmann 2003), and low public tolerance for inequality (Lambert, Millimet, and Slottje 2003) are all associated with more equal income distributions.[8]

The continued emphasis on comparative differences that prevails in the income inequality literature focusing on high-income countries runs counter to the interpretations advanced within what we characterized earlier as the cross-national literature on social mobility. The analysis of social mobility patterns is one of the longest traditions in the social sciences, and empirical findings from the subfield's seminal scholars became some of the signature contributions to sociology in the twentieth century. This literature is marked by a remarkable consensus—spanning from the first generation of mobility studies in the post–World War II period (Sorokin 1927/1959) to more recent contribution (for example, the collection of papers in Shavit and Blossfeld 1993)—that while cultural arguments focusing on American "exceptionalism" may have some merit in key regards, social mobility regimes show a substantial degree of similarity across wealthy nations and over long periods of time. As Stephen Morgan (2006, 5) states after his review of the historical mobility literature, "sociologists [have] established conclusively that exchange mobility patterns are remarkably similar across most industrial societies."[9]

For the most part, these separate literatures on inequality and social mobility rarely speak to each other. However, a new wave of mobility research was triggered by the "great U-turn" trend in the United States and the United Kingdom; these researchers seek to evaluate whether rising inequality was accompanied by offsetting increases in mobility between economic categories.[10] Illustrating a broader consensus among these recent studies, Stephen Morgan and Young-Mi Kim (2006, 182) conclude that "we have not found any evidence that recent increases in inequality will generate dramatic changes in patterns of social mobility. At best, quite modest changes are unfolding."

In short, these various literatures on inequality and mobility in wealthy countries move in different directions. The literature on social mobility uses ever-changing sources of data and increasingly sophisticated statistical techniques to show that wealthy countries are relatively open societies, with high rates of upward mobility attributed primarily to educational achievement. On the other hand, the literature on social inequality in wealthy countries, while either taking as given or setting aside such patterns of social mobility, has moved away from Kuznets's emphasis on a single transition to modern patterns of inequality to emphasize instead differences across nations and over time.

In the second salient strand of income inequality research that highlights the field's empirical fragmentation, a slightly different shift away from Kuznets has taken place. This is the more development-oriented literature that often contrasts the "growth with equity" pattern of East Asia with the "durable inequality" of Latin America. In what came to be labeled "the East Asian Miracle," rapid economic growth in the second half of the twentieth century was accompanied by rising incomes in the agricultural sector and diminishing urban-rural income gaps, allowing East Asian countries to experience rapid economic growth without significant increases in inequality (Birdsall, Ross, and Sabot 1997; Fei, Ranis, and Kuo 1979; Findlay and Wellisz 1993; Stiglitz and Charlton 2005; World Bank 1993). This "growth with equity" pattern contrasted during the same period with the trajectory of Latin America, where economic growth stayed uneven and high levels of inequality showed considerable persistence (Hoffman and Centeno 2003; Korzeniewicz and Smith 2000; Morley 1995).[11] The relatively high levels of inequality found in Latin America are illustrated in table 1.2.

As is well known, Latin America has some of the highest levels of inequality in the world: for example, Gini indices in 2006 were .528 for Panama, .580 for Jamaica, and .547 for Brazil. The lowest levels of inequality in table 1.2 for 2006—such as .428 for Uruguay and .455 for Venezuela—are still much higher than the highest levels in Europe shown in table 1.1—for example, .380 for Portugal and .345 for the United Kingdom. Moreover, these high rates of inequality have shown considerable persistence in recent decades: as shown in the table, the average Gini coefficient across Latin America and the Caribbean was .495 in 1990 and .502 in 2006—an overall change of less than 2 percent.

Table 1.2 Inequality Trends Across Latin America and the Caribbean: Gini Coefficients 1990 to 2006[a]

	1990	2000	2006	Percentage Change
Argentina	0.430	0.483	0.466	7.7
Bolivia	—	0.600	0.519	–13.5
Brazil	0.583	0.571	0.547	–6.6
Chile	0.537	0.540	0.532	–0.9
Colombia	—	0.554	0.544	–1.8
Costa Rica	0.422	0.439	0.474	11.0
Dominican Republic	—	0.500	0.503	0.6
Ecuador	—	0.542	0.513	–5.4
El Salvador	0.505	0.498	0.464	–8.8
Guatemala	—	0.520	0.467	–10.2
Honduras	0.515	0.548	0.534	3.6
Jamaica	0.551	0.580	0.580	5.0
Mexico	0.507	0.509	0.492	–3.0
Nicaragua	0.543	0.542	0.500	–8.6
Panama	0.538	0.544	0.528	–1.9
Paraguay	—	0.546	0.525	–3.8
Peru	—	0.510	0.466	–8.6
Uruguay	0.404	0.421	0.428	5.6
Venezuela	0.399	0.418	0.455	12.3
Regional Average	0.495	0.519	0.502	1.5

Source: Authors' compilation based on Socioeconomic Database for Latin America and the Caribbean (SEDLAC) (2008).
[a]Not every country has data for that precise year. Data under column "1990" could be drawn from 1991 or 1989, for instance.

By comparison, rates of inequality in East Asia have been significantly lower than in other parts of the world with similar levels of development. Many attributed lower initial inequality in East Asia to regional specificities in the interaction between markets and institutional arrangements. Some studies focused on major reforms following World War II that confiscated and redistributed land and other assets and imposed progressive taxation on wealth. In some countries, these government policies—such as wide adoption of Green Revolution technology, high investments in rural infrastructure, and limited taxation of agriculture—reflected a concerted "shared growth" approach to development that struck a more equal balance between rural and urban public investment and allowed rural incomes and productivity to rise more rapidly in East Asia than in other regions, thereby lessening the distributional impact of rural-urban disparities. For example, the government in Indonesia used rice and fertilizer price policies to raise rural incomes, and Malaysia introduced explicit wealth-sharing programs to improve the lot of ethnic Malays relative to the better-off ethnic Chinese (World Bank 1993). In subsequent decades, inequality remained low not only because of continued investment in rural non-agricultural activities but also because of the East Asian commitment to equitable access to education, which led to a rapid deepening of skills among the working population and widespread increases in human capital. But regardless of the particular explanation they privilege, these various arguments all point to comparative differences in policies and institutional arrangements that prevented a Kuznets-type transition from taking place in East Asia.

These comparative studies, then, join the literature on recent trends in inequality in wealthy countries in abandoning Kuznets's efforts to develop a single, overarching explanation of the relationship between economic growth and inequality. Studies on particular areas of the world continue to portray inequality as susceptible to significant change, but they replace Kuznets's theorizing on a single, overarching process of transition with a more empiricist evaluation of a multiplicity of possible causal variables that are capable of moving inequality in various alternative directions as they unfold in different subsets of countries. Constituting discrete bodies of literature that generally do not speak to one another, studies of inequality have moved toward empirical fragmentation.

Moreover, these studies often fail to acknowledge that each of the discrete groups of countries upon which they focus contains a relatively narrow range of inequality experiences. Across Europe, for example, the Gini index for 2006 ranges from .228 in Denmark to .380 in Portugal, and eleven countries have a Gini index less than .300 (table 1.1). Thus, in studies that use an OECD sample of countries, inequality in the United States is considered "high," but only in comparison to other wealthy countries. Similarly, in Latin America and the Caribbean (table 1.2), the Gini index in 2005 ranges from .428 in Uruguay to .580 in Jamaica, and twelve countries have a Gini index of .500 or above. The outcome of such discrete research frames is a restricted picture of cross-national inequality, since the majority of studies fail to even consider how their particular samples might fit within the broader universe of within-country inequalities.

We should add that in these empirical studies of trends in within-country inequality, a broad concern with the effects of "globalization" has displaced the previous concern with the effects of "modernization." But this is a displacement of terms rather than substance. In fact, debates about globalization often revisit many of the themes of the modernization paradigm, rendering much of the discourse on globalization as the modernization paradigm in a new guise.

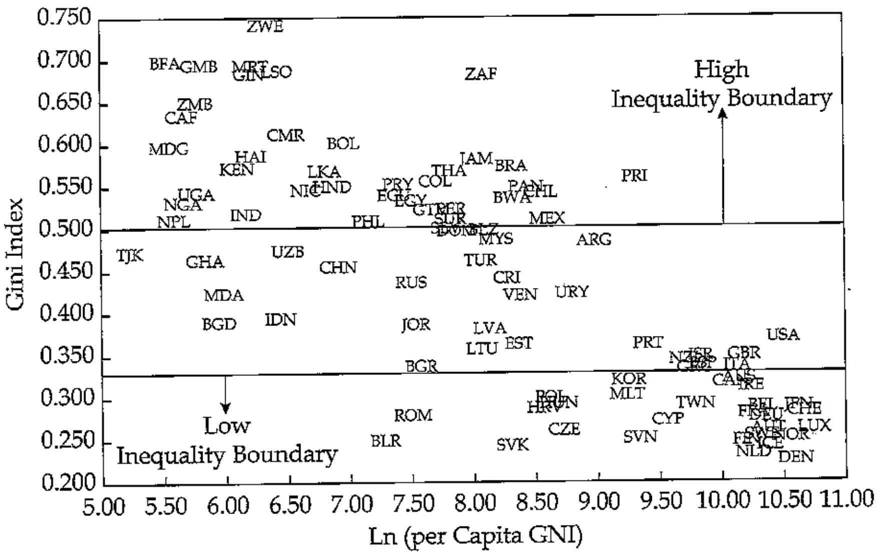
Thus, the fundamental changes identified by the modernization paradigm—the decline of ascription and the growing importance of achievement in shaping stratification, the growing opportunities for social mobility—are much the same under theories of globalization. The difference is that now, when flows of people, goods, and money across nations have been growing dramatically relative to the immediate postwar era, there are greater concerns and debates about the uneven effects that these increased flows are likely to have on social inequality within "rich" and "poor" nations. These concerns have contributed further to greater fragmentation in the literature that focuses on trends in within-country inequality.

In short, the rejection of an overarching explanation of changes in inequality has left, on the one hand, a multiplicity of studies focused on developing ad hoc explanations for the divergent trends experienced at the turn of the century, and on the other, a set of unchallenged assumptions regarding the character of the changes that have taken place through modernization and/or globalization (for example, in patterns of social mobility). It is time to reframe these issues by revisiting the available data on inequality from a more world-historical perspective—that is, by considering global rather than discrete patterns of change in inequality.

Patterns of Within-Country Inequality from a Global Perspective

To examine patterns of inequality from a global perspective, a necessary step is to compare inequality measures on a scale that represents the full range of such measures observable in the world. We

Figure 1.3 Income and Inequality, Global Cross-Section, Circa 2000



Source: See statistical appendix for data sources and country codes.

conduct such an exercise in figure 1.3, where the scale of Gini coefficients depicted on the *y*-axis ranges from the .200s to the .700s to fully capture the differences in inequality seen around the world. Figure 1.3 presents the Gini index and per capita gross national income (GNI) for ninety-six countries for 2000. Assembling these data is a long and complicated process because the relevant *comparable* information on national income distribution (Gini coefficients calculated using the same methodological specifications) is not readily available. The original sample we constructed is rigorous in its comparability (for specific methodological decisions, as well as the country codes used in the figure, see the statistical appendix). The sample includes data on national income distributions for over 84 percent of the world's population in 2000, providing confidence that the patterns we identify here are indeed relevant for the world as a whole.

Using the sample depicted in figure 1.3, we applied a bivariate cluster analysis to the cross-section, identifying two clear clusters of countries: a cluster of countries characterized by relatively low inequality (centered at a Gini index of .303, roughly at the level of Ireland), and a cluster of countries characterized by relatively high inequality (centered at a Gini index of .543, close to the figures for Ecuador).[12]

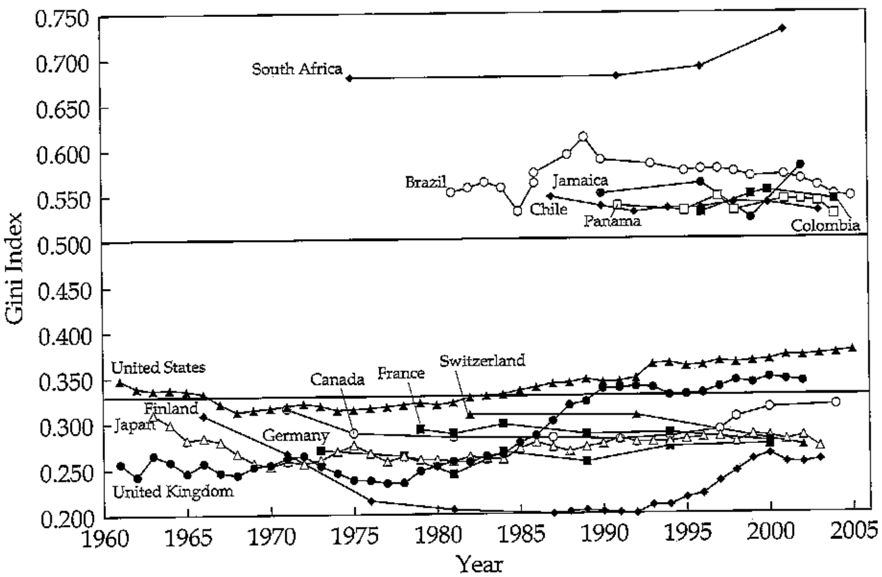
Using the results of the cluster analysis, we drew heuristic boundaries (set at plus or minus half a standard deviation from the mean of the two clusters) to establish sets of countries located either in the low- or high-inequality clusters. The resulting upper boundary of the low-inequality cluster is a Gini index of .329, so all countries with a Gini index below this figure constitute the low-inequality cluster of countries. Most high-income nations fall within the low-inequality cluster, including nearly all of western Europe, Japan, Canada, and Australia. Several eastern European countries fall within this cluster as well, as do several of the East Asian nations that have experienced high rates of growth in recent decades, such as Taiwan and South Korea.

The relevant threshold for the high-inequality cluster is a Gini index of .502. Nearly all the sampled countries in Latin America, the Caribbean, and Africa, as well as India, fall within the high-inequality cluster.

Interestingly, the United States falls outside of the heuristic boundary in the 2000 time period, illustrating that not all nations fit neatly into one of the two clusters. Indeed, as we discuss more extensively later in the book, the United States through much of its history has combined some of the features associated with high inequality (for example, a past of racial segregation) with those generally associated with low inequality (for example, a welfare state). In this respect, the United States has often represented a sort of "hybrid"—characterized at times by higher levels of inequality than those prevailing as a whole within the low-inequality cluster. There are several additional hybrid countries—such as Argentina and, more recently, China—as well as countries that have shifted in and out of one particular cluster (although, we should note, there are virtually no examples of countries shifting over time from one cluster into the other).

Figure 1.4 draws on scarcer longitudinal data to illustrate the relative stability in the late twentieth and early twenty-first centuries of inequality levels in several of the countries in each of the two clusters. Considerable stability exists over time within the (more limited) longitudinal data for countries in both clusters. Inequality levels indeed move up and down over time, but always within cluster boundaries. Thus, the most prevalent trend among both subsets of

Figure 1.4 Trends in High and Low Within-Nation Inequality



Sources: See statistical appendix.

countries can be interpreted as long-term relative stability of comparatively low, or comparatively high, levels of inequality when the world as a whole is the basis of comparison. The two clusters, then, tend to display within themselves what Sorokin (1927/1959) once denominated "trendless fluctuation."

In the low-inequality cluster, the trajectories of the United States and the United Kingdom are bold-faced to highlight their uniqueness in moving in and out of the cluster. Furthermore, these countries have experienced a steady rise in inequality for several decades, suggesting a substantive shift in their relative levels of inequality as they move further away from the low-inequality cluster of nations. Yet, even with their rising inequality, these countries are still far from the high-inequality cluster, and in fact they continue to stay relatively closer to (and sometimes back into) the low-inequality cluster. In this sense, a global scale of inequality measurement—here used as a metaphor for the range of observations that are relevant for determining what constitutes high and low inequality—can make a sig-

nificant difference in how inequality trends are depicted and relative comparisons are understood.

Broadly speaking, for all the current concern about the impact of globalization on inequality in high-income nations, the evidence so far suggests that this impact has not yet been significant. Even the rise of inequality in Belgium, Finland, Luxembourg, and Norway in the last fifteen years (see table 1.1) can be recast as a convergence to the levels of inequality seen in the rest of the low-inequality cluster, and the large increase in inequality still leaves them in 2006 with the lowest Gini coefficients across Europe. Indeed, once we shift the range of observations to recognize the whole range of Gini coefficients recorded worldwide, the inequality levels in these countries remain among the lowest in the world.

We should emphasize that the boundaries of the low- and high-inequality clusters are determined for heuristic purposes: different cluster analysis procedures, as well as changes in the countries included in the sample, can alter the precise position of these boundaries (although the alternative cluster procedures we tested for this exercise returned only slightly different boundary locations and always identified two distinct groups).[13] More importantly, the precise location of the boundaries and thresholds (surely to be addressed by future research) is less important than the extent to which adopting a global perspective identifies two clear inequality patterns, which we build on in subsequent chapters to reformulate key issues in the study of inequality.

In short, the current emphasis on differences and change within narrowly defined areas of the world (OECD, Latin America, East Asia) is largely misplaced. From a world-historical perspective, within-country inequality is characterized more by relatively narrow differences and trendless fluctuation within these areas than substantive, theoretically meaningful difference. Moreover, as we noted earlier, the vast majority of the quantitative studies of inequality are conducted in wealthy areas of the world (using cross-national data available from the EU, OECD, and other such places). As indicated by figure 1.3, this part of the world provides a very narrow range of national income distributions—a relatively small variance when considered within the whole range of within-country income distributions observed in the world. To the extent that practitioners consider these countries representative of a reasonable cross-national sample, their analysis contains only 14 percent of the world's population (as measured by the population of the twenty-two richest countries in the world in 2000). Such a focus on a narrow range of national income distributions tends to lead investigators to overemphasize the impact on inequality of variables that are less relevant worldwide or to overlook the impact of variables that might be significant worldwide, but not in the particular set of nations usually under investigation.

Conclusion

Reviewing the existing literature on within-country inequality, this chapter has found that existing studies generally do not consider what the parameters should be to define any given level of inequality as high or low, leading to what we characterize as empirical fragmentation in the inequality literature. We used an original database of measures of within-country inequality for ninety-six countries to explain why it is only by looking at the whole range of observable levels of inequality—that is, those that characterize the world as a whole—that we can identify these parameters. Using cluster analysis with our data, we identified two clearly discrete groups of nations: the low- and high-inequality clusters. We further showed that there has been considerable longitudinal stability in each of these two clusters, and we explained why establishing these clusters allows for greater precision in identifying when a trend should be considered representative of a significant shift from high or low inequality.

As we discuss in the following chapter, we can further build on these clusters as heuristic devices that bring greater clarity into the analysis of within-country inequality worldwide. Eventually, as we show, such an exercise allows us to revisit some of the fundamental premises of the modernization paradigm that we reviewed earlier in this chapter—the paradigm's focus on nation-states as independent paths of transition from tradition to modernity, its arguments regarding the shifting role of ascription and achievement in shaping social inequality, and the assumption that all systems of stratification follow similar paths after undergoing economic growth and urbanization. Paradoxically, as we discuss in the next chapters, this critical evaluation of the modernization paradigm can be carried out by taking advantage of some of the methodological advances made by Simon Kuznets in his studies of inequality.

Chapter 2

High and Low Inequality as Historical Equilibria

This chapter argues that the areas identified in the previous chapter as today having low and high levels of inequality are for the most part the very same areas that had relatively low and high levels of inequality during or even before the eighteenth century. This suggests both that contemporary patterns of inequality have an early historical origin and that they might be subject to path-dependencies, a possibility generally overlooked by the various twentieth-century approaches that emphasized a single universal transition from tradition to modernity.

Considerable evidence for the early historical origins of current patterns of inequality, and for subsequent path-dependencies, is advanced in a relatively recent institutional literature on inequality.[1] In this literature, alternative patterns of low and high inequality are used to explain relative success in attaining economic growth: institutions that offered greater protection for private property rights *and* greater access to opportunity for a majority of the population have been more conducive to growth, while more inegalitarian arrangements have been an obstacle to such growth.[2] Within this literature, Daron Acemoglu, Simon Johnson, and James Robinson (2002, 1233) argue that European colonialism led "to the development of institutions of private property" and relatively greater equity in areas that before the eighteenth century were deemed to be poor—such as the New England colonies—"while introducing extractive institutions or maintaining existing extractive institutions" that resulted in greater inequality in areas that at the time were deemed "prosperous"—such parts of Latin America, the Caribbean, and Africa.[3]

In this chapter, we review the evidence for the early origins and continued persistence of these high and low inequality patterns and then argue that such persistence in fact reveals what we characterize as two distinct historical equilibria that have existed at least since the eighteenth century (and possibly somewhat before). We denominate these distinct outcomes as high-inequality equilibria (HIE) and low-inequality equilibria (LIE). We indicate that indeed, as indicated in the relevant literature, HIE have usually entailed entrenched forms of categorical inequality relying on ascribed characteristics (such as race) as a basis for rather rigid patterns of social stratification.

The High-Inequality Pattern

Extractive institutions have produced some of the most unequal within-country distributions of income and wealth the world has ever seen. In Latin America, as indicated by Kenneth Sokoloff and Stanley Engerman (2000, 221), "the legally codified inequality intrinsic to slavery [and] greater inequality in wealth contributed to the evolution of institutions that protected the privileges of the elites and restricted opportunities for the broad mass of the population to participate fully in the commercial economy even after the abolition of slavery."[4] High inequality also prevailed in other areas where slavery and similar forms of labor exploitation and control played a crucial role, such as in the South of the United States and the colonized parts of Africa.

Institutional arrangements selectively excluding large sectors of the population from access to wealth and power were endorsed and sustained by the primarily European elites who benefited from such arrangements.[5] "In those societies that began with extreme inequality, elites were better able to establish a legal framework that insured them disproportionate shares of political power, and to use that greater influence to establish rules, laws, and other government policies that advantaged members of the elite relative to nonmembers" (Sokoloff and Engerman 2000, 223). Property rights, as a "set of social and economic relations [that defines] the position of each individual with respect to the use of scarce resources" (Furubotn and Pejovich 1972, 1139), were in place, but a high level of exclusion was constitutive of these arrangements.

Similar features are emphasized by studies that focus on other areas characterized by high inequality. In South Africa, for example, political pressures by employers and trade unions led to the persistence and reinforcement of a formal color bar used to exclude nonwhites from skilled jobs, combined with coercive labor arrangements deployed to secure workers for mining and manufacturing. This produced "a coherent system of racial discrimination and control in the economic realm that . . . provide[d] the linchpin for an entire social order based on segregation or apartheid" (Fredrickson 1981, 237).[6] State-enforced spatial separation of whites and nonwhites was a central pillar of apartheid.[7] The two other pillars were restricted access to education and political power. These inequalities have proven persistent—for some, inequality has become even more pronounced since the end of apartheid (Seekings and Nattrass 2005; Terreblanche 2002).

To be sure, there was considerable heterogeneity in the specific features that coercive labor arrangements assumed in different places and at different times.[8] Even the term "slavery" "does not define a single well-defined labor system any more than 'free labor' usefully describes the full range of non-slave labor relationships in the world" (Wright 2006, 5). In some situations, states played an active role in enforcing segregation within labor markets, while in others exclusionary arrangements were the outcome of more informal arrangements among white employers and/or trade unions; in some instances, territorial segregation was very pronounced and constantly enforced, while in others it was not. The lines of distinction are manifold.

While keeping in mind this heterogeneity, we can highlight what by now should be rather evident. The high level of inequality characterizing extractive institutions was made possible by the construction of between-group hierarchies, or what Charles Tilly (1999) calls "bounded categories" organized around ascribed characteristics.[9] The reliance on categorical inequality or ascribed characteristics is clearly what is behind the institutional arrangements that Eric Olin Wright (2006, 7) describes as "regimes of racial subordination, requiring explicit hierarchies of racial categories and statuses," regimes summarized by Fredrickson (1981) as "white supremacy."[10] In these arrangements, "the degradation of non-whites frequently served to bind together the white population, or some segment of it, to create a sense of community or solidarity that could become a way of life and not simply a cover for economic exploitation" (Fredrickson 1981, 70).

Through the past two centuries, white supremacy, in various forms, has provided a most powerful framework for justifying, maintaining, and defending the institutional arrangements characteristic of high inequality within countries.

High inequality within countries, in these situations, is a marker of the significant role played by *selective exclusion*—most often through white supremacy, but also through other ascriptive mechanisms—of significant sectors of the population from effective access, within their nation of residence, to various forms of opportunity (as embodied in markets, political arrangements, and even civil society association). Under selective exclusion, large sectors of the population are included in some markets and productive arrangements but are simultaneously excluded from others (for example, educational, political, and employment opportunities).[11] Through such arrangements, white elites, *but also* white workers, benefit from restricting competition in markets and political arenas: efforts by nonwhites and others to gain greater access to resources therefore often entailed fighting against selective exclusion.[12]

Of course, this does not indicate an absence of conflict or a lack of institutional interstices through which subordinate groups could find a measure of protection.[13] Even the Spanish colonial system, for example, entailed a legal system that allowed communities to assert the "corporatist property rights of Indian villagers, and such protection eventually came to be seen as a constraint upon property rights" (Garcia Swartz 1993, 78–79). Plantations throughout the Americas witnessed many forms of resistance to slavery, such as sabotage, flight, maronnage, and, occasionally, open rebellion and revolution (Moitt 2004b; Moitt and Henriques 2004; Stampp 1956). These various forms of resistance often generated a "legal recognition of the humanity of slaves" as "a pragmatic response to their ability to resist total domination by being insubordinate or rebellious [rather] than [as] a reflection of a humanitarian concern with their condition" (Fredrickson 1981, 71).

In the prevailing institutional arrangements, then, people with less power and wealth found opportunities to seek a measure of protection from further infringement by elites.[14] In this sense, the institutional arrangements associated with high inequality resulted from the inability of subordinate groups to radically transform the distribution of power and wealth in their favor, but they also derived from the ability of these subordinate groups to resist efforts by elites to further increase inequality.[15] The relevant question, then, sometimes should not be "why so high?" but "why not higher?"

Once established, systems of exclusion proved difficult to overturn. High inequality persisted through the nineteenth century—through the limited access of the majority of the population to public education,[16] the delayed extension of the universal franchise, and land policies favoring elites (Coatsworth 1993; De Ferranti et al. 2004; Hasenbalg 1985; North 2005; Sachs 2005; Silva 1985; Sokoloff and Engerman 2000).[17] In Latin America, for example, authors argue that inequality persistently limited effective access to education and created incentives for clientelism,[18] corporatism,[19] weak state capacities,[20] and Populism.[21] According to such an interpretation,

> the potential for the state to enact pro-equity changes is also constrained by informal political realities, whereby the excessive influence of elites and some well-organized middle-class groups (such as unions) on public discussions often results in the effective "capture" of the state. For public actions to be effective against entrenched interests, the state itself needs to be more or less autonomous from such influence. (De Ferranti et al. 2004, 127)

Moreover, as indicated by Easterly (2006, 267) "polarization because of inequality is a recipe for continuing underdevelopment. Either populist governments will seek to redistribute income to their supporters, or the elites will suppress democracy and mass education."

In colonial Africa through much of the twentieth century, elites continued to restrict and control population flows from rural to urban areas through various legal measures (such as pass laws and vagrancy ordinances). Access to property in urban areas, permanent residence, and formal work were often denied, and the labor force as a whole remained highly segregated. Even after the end of colonialism, African elites have continued to reproduce the economic segregation they inherited. As noted by Mike Davis (2007, 96):

> Despite rhetorics of national liberation and social justice, [elites] have aggressively adapted the racial zoning of the colonial period to defend their own class privileges and spatial exclusivity.

> Sub-Saharan Africa is the extreme case. Even Addis Ababa, one of the relatively few sub-Saharan cities with an autochthonous origin, has preserved the racist imprint of its brief Italian occupation—now in the form of economic segregation.

In short, the high-inequality pattern has been characterized by systematic exclusion, most often articulated through the continued reliance on ascriptive criteria to limit access to economic, social, and political opportunity.

THE LOW-INEQUALITY PATTERN

In contrast to these patterns of high inequality, parts of the world originally characterized by lower inequality and later by high levels of income (leaving aside for now the areas of low inequality that experienced low levels of income for much of the twentieth century) are presented in the literature as having undergone a very different pattern of distribution early in their modern history. According to Sokoloff and Engerman,

> while essentially all the economies established in the New World began with an abundance of land and natural resources relative to labor, and thus high living standards on average, other aspects of their factor endowments varied in ways that meant that the great majority were characterized virtually from the outset by extreme inequality in wealth, human capital, and political power. From this perspective, the colonies that came to compose the United States and Canada stand out as somewhat deviant cases. (2000, 220; see also Engerman and Sokoloff 1997)

Why deviant? One line of interpretation points to endowments: in colonies such as those in New England, "land was cheap and labor was costly. Such circumstances were radically different from those found elsewhere in the hemisphere, and fostered a remarkable degree of equality" (De Ferranti et al. 2004, 110).[22] These circumstances also fostered little interest by Europeans in migrating to North America, since "low returns per land" were perceived to provide "limited prospects for attaining gentlemanly status" (De Ferranti et al. 2004, 111); the region as a whole was perceived by contemporaries

to be of marginal interest, at least until "European perceptions of the opportunities available in the region changed."[23]

In addition to the original impact of land and labor endowments, the current literature explains the persistence of low inequality as a consequence of more equitable access to property and political rights.[24] From the very beginning in Australia, for example, early settlers, many of whom were ex-convicts, "demanded jury trials, freedom from arbitrary arrest and electoral representation" (Acemoglu et al. 2001, 8).[25] In colonial North America, in contrast to the Latin American colonies, "the ubiquitous regulatory and fiscal interventions of the Spanish and (to a lesser degree) Portuguese colonies did not exist," "colonies successfully revolted" at efforts by colonial authorities to raise taxes, and "the regulatory acts of local and provincial governments were subject to the constraints of the common law, which protected subjects from arbitrary officials and provided the basis for the relatively untrammeled mobility of both capital and non-slave labor" (Coatsworth 1993, 19).[26]

Along similar lines, Jeffrey Sachs (2005, 33–35) explains that industrial growth after the eighteenth century came to be centered in England because, besides being a "leading center . . . of Europe's scientific revolution, having the adequate natural resources, and enjoying geographical advantages," "British society was relatively open, with more scope for individual initiative and social mobility than most other societies in the world," and "Britain had strengthening institutions of political liberty."

We should note that while portrayed as inclusive in comparison to within-country HIE, the property and political rights characteristic of within-country LIE were generated through (often violent) imposition over other arrangements (including other forms of linking human communities to their environments) that might have been characterized by even lower inequality. The very creation of national states in "nations of recent European settlement" required the subordination or elimination of native populations.[27] Within-country LIE in areas such as the United States and Canada eventually developed as institutional arrangements both alternative to within-country HIE (for example, slavery in the South of the United States) and proscriptive of (and inimical to) arrangements entailing even lower inequality (as in the case of Native Americans in the "open frontiers" of areas of recent settlement, or China and India during the nineteenth century).[28] Just as we previously asked "why not higher?," the relevant question here might be "why not lower?"

We should also note that democracy was not an automatic by-product of economic growth. Agency played a crucial role. In both the "western offshoots" and Europe, according to Acemoglu and Robinson (2000, 1), the extension of political rights and democratization was ultimately a response to the threat of revolution, insofar as "the franchise acted as a commitment to future redistribution and prevented social unrest" (for a similar line of argument for a later period, see Stephens 1989). According to the institutional literature, the extension of the franchise was followed by a more progressive tax system and the use of resources to provide universal access to education (Acemoglu and Robinson 2000, 21). Eventually, by the twentieth century, such arrangements would include the development of a welfare state that further facilitated the type of inclusion absent in situations of high inequality.[29] A considerable literature has developed that distinguishes various patterns of interaction between welfare states and market regulation—exploring, for example, the "three worlds" classification schema developed by Esping-Anderson (1990) (for example, Arts and Gelissen 2002; Gornick and Jacobs 1998; Janoski and Hicks 1994). Much of the literature on economic inequality discussed in the previous chapter, in fact, attempts to assess whether a retrenchment is taking place in the relative importance of the institutional arrangements characteristic of the welfare state and/or to parse the relative impact of various welfare state measures on differences in inequality (for example, Blyth 2002; Campbell 2004; Castles 2004; Huber and Stephens 2001; Korpi 2003; Pierson 2001).

From a more global perspective, however, differences between welfare states in wealthy countries (like differences in their levels of inequality) are strikingly minimal when compared to the institutional arrangements (or levels of inequality) that characterize the high-inequality pattern. As in our discussion of Gini index differences in chapter 1, such comparisons become evident only when the world as a whole is taken as the relevant unit of analysis.

As opposed to situations of high inequality, then, low inequality appears to have entailed the gradual displacement of inequalities based on ascription by those that increasingly result from achieved

characteristics (but with important and significant restrictions on the relative extent of inclusion and exclusion, involving what Ira Katznelson (2005, 166) denominates "compounded advantages and disadvantages"). This transition to modernity, with the purportedly growing prevalence of achievement in shaping stratification, has been the focus of the mobility literature discussed in the previous chapter.

High-inequality institutional arrangements can be traced back to colonialism and slavery, but it is less clear how far back we can trace the institutional origins of low inequality (particularly in continental Europe) or how we can assess the *relative* significance of changes in inequality in these latter areas prior to the nineteenth century.[30]

There is considerable confusion, as well, in the discussion of nineteenth-century trends in countries characterized today by relatively low levels of inequality. Some evidence indicates, as Kuznets (1955) argued, that the industrialization of today's wealthy countries in the nineteenth century was accompanied by rising within-country inequality, at least until the First World War. Jeffrey Williamson (1991, 11), for example, indicates that "inequality in Europe and America was at its zenith on the eve of World War One," and he makes the (probably implausible) claim that "the extent of that inequality was very similar to the most inegalitarian NICs of today, like Brazil."[31]

On the other hand, the very same literature indicates that this rise in inequalities was limited to few nations and/or did not last long. Some argue that Britain had begun to experience a leveling in inequality already by the 1860s, when "the income shares at the top fell.., the shares at the bottom rose, the relative pay of the unskilled improved, the premium on skills declined, and the earnings distribution narrowed" (Williamson 1991, 15; see also Kuznets 1955). Similar declines in inequality have been claimed for Australia after the 1850s and for various areas in Scandinavia beginning around 1850 through 1870 (Kaelble and Thomas 1991).

But establishing whether or not these trends represented a significant departure from previous levels of inequality is a topic calling for more comparative future research. The available historical literature, just like the contemporary studies of inequality and stratification we reviewed in the previous chapter, largely does not discuss trends and patterns of income distribution in a global comparative perspective.

Instead, this literature tends to focus exclusively on today's high-income nations, where the extent of variation might be minimal when recast within a more global framework. As in our discussion of contemporary trends in inequality in chapter 1, it is only by adopting a world-historical perspective that we can better determine which trends and patterns are "significantly" distinct, and which represent Pitirim Sorokin's (1927/1959) "trendless fluctuation."

But regardless of whether the nineteenth century was characterized by significant changes in inequality from a global perspective, the evidence does indicate that by World War I the United States and high-income countries in Europe had most definitely experienced a "revolutionary leveling," manifested in a decline along all available measures of income inequality (Williamson 1991, 13–15; see also Fogel 2004).[32] This is what Kuznets (1955, 9–17) identified as the institutional and political changes inherent in "the dynamism of a growing and free economic society," including shifts in the economic and political expectations regarding the "long-term utility of wide income inequalities"; the growth of a "native" urban population "more able to take advantage of the possibilities of city life in preparation for the economic struggle"; the "growing political power of the urban lower-income groups"; and the resulting increase of "protective and supporting legislation" (similar arguments can be found in Stephens 1989). Thereafter, inequality within these particular nations seems to have either remained stable or even declined between the 1930s and the early 1970s.

Our emphasis on equilibria, then, does not mean that no changes have taken place in rates of inequality, nor that the relative distribution of resources among various actors has ceased to be an issue of contention. As in the areas characterized by HIE, agency has mattered, and at various times has led the distribution of income and wealth to move toward greater or less equity. Moreover, from the point of view of the actors involved within LIE countries, these changes in the distribution are certainly experienced as significant, and they mobilize accordingly. But from a world-historical perspective, these changes are less salient.

The group of nations characterized today by low levels of inequality, then, is composed largely of areas that had relatively low levels of inequality in the nineteenth century, and the same is largely true of countries characterized today by high levels of inequality.[33] In

contrast to the previous preoccupation with the impact of economic growth and the transition to modernity on levels of inequality, institutional path-dependencies have emerged as the single most important variable predicting current levels of inequality.

→ Might mig. break w/ the three theories

The High and Low Patterns as Equilibria

This historical persistence of two distinct patterns of within-country inequality suggests that we are in the presence of two alternative institutional equilibria—what we characterize in the remainder of this book as high-inequality equilibria and low-inequality equilibria.

According to the *Oxford English Dictionary*, in situations of equilibria, "opposing forces or influences are balanced." In our patterns, efforts by some actors to shift distributions in their favor lead to responses by other actors that tend to return these distributions toward their original state. In this sense, the institutional arrangements characteristic of high and low inequality were the slow product of, but also served to generate anew, particular arrays of social forces.[34] In other words, at both ends of the spectrum of within-country inequality, the arrays of forces manifested in the institutional arrangements associated with the persistence of both high and low inequality seem to be associated with equilibria.

Other authors in the past have emphasized such equilibria in explaining the persistence or resilience of high and low inequality. For example, focusing on low inequality in high-income nations, Gunnar Myrdal (1957/1964, 25) referred to "complex network[s] of systems of regularized public interferences of all sorts which have the common purpose of counteracting the blind law of cumulative social change, and hindering it from causing inequalities between regions, industries and social groups." With a similar focus, Sorokin (1927/1959, 46) underlined the key role of processes that, while operating "permanently and smoothly" to promote growing inequality (or stratification), generate countervailing "forces and interventions which . . . seem to work convulsively and spasmodically, and manifest themselves clearly only from time to time."[35]

In both HIE and LIE, institutional arrangements enhance the access to resources of some sectors of a given population (thereby enhancing inclusion) through measures that simultaneously restrict the relative access to resources (or entail the exclusion) of other sectors within that population.[36] That institutional arrangements regulating inclusion and access have a direct impact on the distribution of resources is a point that has been made throughout the history of the social sciences. In his *Wealth of Nations* (1776/1976), for example, Adam Smith argued that the institutional regulation of competition is what allowed towns to attain greater control over resources than the countryside (or masters to gain relative to workers,[37] or teachers relative to students).[38] For Smith (1776/1976, II, 236), in fact, a fundamental role of institutions (such as civil government and private property) was to provide "for the defense of the rich against the poor, or of those who have some property against those who have none at all."

Broadly, institutional arrangements involve

> a public system of rules which defines offices and positions with their rights and duties, powers and immunities, and the like. These rules specify certain forms of action as permissible, others as forbidden; and they provide for certain penalties and defenses, and so on, when violations occur. . . . An institution may be thought of in two ways: first as an abstract object, that is, a possible form of conduct expressed by a system of rules; and second, as the realization in the thought and conduct of certain persons at a certain time and place of the actions specified by those rules. (Rawls 1971, 55)[39]

More specifically in relation to inequality, institutional arrangements have "[historically distributed] fundamental rights and duties and [historically determined] the division of advantages from social cooperation" (Rawls 1971, 7).

Douglass North (1981, 1990, 2005) advanced similar arguments in his effort to bring an institutional focus into economic theory. For North (1990, 3), "institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change." Institutional arrangements are persistent: they "give rise to organizations whose survival depends on the perpetuation of those institutions and which

hence will devote resources to preventing any alteration that threatens their survival" (North 2005, 51). Most fundamentally, for North, institutions have an impact in shaping property rights, transaction costs, and distributional outcomes (see also Campbell 2004).

Polanyi (1944/1957, 37) suggests that institutions shape distributional outcomes by "altering the rate of change, speeding it up or slowing it down as the case may be." At times, institutional arrangements protect a given population by shielding it from the competitive pressures of markets, in fact *slowing down* the rate at which the relevant parties experience dislocation. In other instances, the role of institutions is precisely the opposite: to provide mechanisms through which to *accelerate* the rate at which innovations are introduced. Historically, the institutional arrangements shaping inequality have combined both sets of strategies, with politically significant actors *accelerating* the introduction of some innovations or dislocations in fields in which they hold various kinds of competitive advantages, while simultaneously *slowing down* and restricting the rate at which innovations or dislocations are introduced in fields in which they have fewer or more limited competitive advantages. The ability to deploy such arrangements is unevenly distributed among actors within and between nations.

Institutional arrangements are key to understanding the LIE and the HIE. But HIE and LIE are not, as much of the new institutional literature would have it, a simple or automatic by-product of the relative availability of different resource endowments. Efforts by elites to gain greater access to specific economic resources have certainly shaped some institutional outcomes, but so have the responses to these efforts—social and political conflict more broadly, then, have been at the core of the arrangements that came to constitute the areas under HIE and LIE. (For example, the extension of frontiers in sixteenth-century Brazil and the nineteenth-century United States involved winners and losers in recurring conflicts over the conditions that would come to characterize the private appropriation of resources.)

Likewise, while emphasizing equilibria, we do not mean to imply that HIE and LIE arrangements have been stable and fixed in time. Even in situations of HIE, the prevailing systems of categorical inequality have not been immutable, but rather, paraphrasing

Fredrickson (1981, xvii), "a changing set of relationships that can only be understood within a broader historical context that is in itself constantly evolving and thus altering the terms under which [the relevant actors] interact." Key to the institutional arrangements that characterize HIE and LIE, then, are multilayered and shifting constructions of solidarities, cleavages, and social identities that *in their overall interaction* generate continuities over time in income distributions.

In this regard, the relative persistence of inequality as measured by a Gini index serves as a metaphor for equilibria. An equilibrium means that mechanisms are at play that transform big inputs, such as large-scale social change, into little output (as measured, in our case, by changes in overall inequality). Within this stability, it is possible and even likely that substantive changes will take place in the relative standing of particular groups or that these groups will experience these changes as real and highly significant (for example, manufacturing workers in the United States). Moreover, it is precisely through the active reaction of people that equilibrium comes into being. As we emphasize throughout this book, whether or not a situation of equilibrium is taking place requires an appropriate unit of analysis.

Of course, as we indicated in the previous chapter on a closely related issue, not every single nation in the world fits neatly and always into an LIE or HIE path. The little evidence we have available suggests that within-country inequality was low in pre-twentieth-century China and India (and perhaps Japan), but that institutional arrangements in these areas differed from those we have identified for today's wealthy countries. Kenneth Pomeranz (2005, 33), for example, compares the few estimates available on the distribution of wealth in late-nineteenth-century China to England and observes that in both countries "there is some indication that disparity between the poor and the very rich was not very large." Boxhong Li (2005, 66) observes that in Jiangnan province in China during the eighteenth and nineteenth centuries "complaints could be heard repeatedly from employers about farm labor becoming more and more expensive." Saito (2005) finds no evidence for rising inequality or wage differentials in eighteenth- and nineteenth-century Japan, a finding he attributes to rising agricultural productivity and the absence of a town-countryside gap. The lack

of such a sectoral imbalance appears to have been more crucial in these regions.

Hybridity and the United States

Moreover, there are nations moving in and out of HIE or LIE, or exhibiting patterns of inequality that do not fall clearly into one path. As we noted in the previous chapter, the United States has for long periods of time been clearly within the LIE but has occasionally moved out of this particular cluster into the intermediate zone; such a mixed pattern can be seen in figure 1.4. More substantially, the historical trajectory of the United States suggests a mix of some of the institutional arrangements characteristic of LIE with some HIE characteristics. (Argentina appears to represent a similarly hybrid case, except that it has moved in between the HIE cluster and the intermediate zone.)

The hybridity of the United States makes sense in relation to the historical literature. Prior to the nineteenth century, the United States included both the region that usually is characterized as the most salient example of LIE (the New England colonies) and the area that embodies the central features of HIE (the slave-owning South). One, as portrayed in the new institutional literature discussed earlier in this chapter, was both a region and a broader pattern of social interaction that from their very origin appeared to embody high social mobility and the prevalence of widespread economic opportunity; the other was an area and a set of practices that embodied the persistent and deep inequalities enmeshed in racial intolerance.[40]

From such a perspective, a history of slavery and the persistence of categorical inequalities after its abolition (not only in the South) brought the United States closer to situations of HIE elsewhere. But simultaneously, other institutional arrangements—for example, the emergence of the New Deal, the redistributive effects of Keynesian economic policies, and the expansion of economic mobility through growing educational and employment opportunities—generated a broader tendency to move levels of inequality closer to a situation of LIE.[41]

Of course, we should be careful in assessing the relative prevalence of inclusion and exclusion on a national scale. True, for many years in the South of the United States "a thoroughgoing program of legally enforced racial segregation" served to maintain "the unyielding inequality mandated by Jim Crow" (Katznelson 2005, 4–5; see also Wright 2006). As in other situations of HIE, "the formal political system [in the South] utilize[d] race to exclude adults from citizenship and full access to civil society. Private terror combined with public law and enforcement to make this political system authentically totalitarian" (Katznelson 2005, 19). These arrangements would come to be targeted by the civil rights movements of the 1950s and 1960s.

But the South was not the only place where categorical inequality prevailed. Exclusion adopted different forms elsewhere but was widely prevalent as well (Fredrickson 1981). In the North, "the linchpin of racial inequality . . . was residential segregation" (Massey 2007, 58), and it remained so well toward the end of the twentieth century. National institutions such as the armed forces remained highly segregated throughout World War II as, in a "military version of white supremacy,"

> the positions, instruction, and final placement that black soldiers did not enjoy were secured by whites, many of whom entered the military with limited experience, weak schooling, poor horizons, and provincial understanding. For most African American individuals, and certainly for the group as a whole, war service ended with a wider gap between whites and blacks, as white access to training and occupational advancement moved ahead at a much more vigorous rate. (Katznelson 2005, 111–12)[42]

Moreover, even the institutional developments that brought the country closer to LIE, such as the development of the New Deal and Fair Deal, were accompanied by significant exclusion and "launched new and potent sources of racial inequality," so that "the federal government, though seemingly race-neutral, functioned as a commanding instrument of racial privilege" (Katznelson 2005, 18).[43] For example, upon the end of the war, the GI Bill, characterized by Katznelson (2005, 113–14) as the "legislation [that] created middle-class America" by enhancing access to housing, education, and jobs, "was deliberatively designed to accommodate Jim Crow [and its] administration widened the country's racial gap." Owing in part to such programs "of affirmative action granting white Americans privileged access to state-sponsored economic mobility" (21), categorical inequality showed considerable persistence.

As noted by Massey (2007, 50), "until the 1960s, rising incomes and declining inequality were confined mainly to households headed by white males and came at the expense of subordinated women and minorities."[44] These patterns of exclusion began to give way with the rise of the civil rights movement in the 1950s and 1960s: a decline in wage disparities between whites and African Americans, for example, "accelerated markedly in the 1960s and 1970s" (85). But over the last twenty years, the decline of the gap has again slowed down. For many, as Massey (2007, 109) explains, "overt racial discrimination largely ended, but discrimination itself did not disappear. Rather, now that naked racism is publicly condemned and discrimination is illegal, discriminatory practices have gone underground, becoming more subtle but remaining quite effective in perpetuating racial stratification."

In short, from the point of view of the interaction between LIE and HIE within the United States, the twentieth century was characterized by two simultaneous stories. First, institutional arrangements characteristic of LIE became more prevalent through the twentieth century and had the general effect of lowering the overall level of inequality. First, institutional arrangements characteristic of LIE became more prevalent through the twentieth century and had the general effect of lowering the overall level of inequality between the 1920s and the 1970s.

On the other hand, this decline did not entail the constant displacement of the exclusionary arrangements characterizing HIE by the more inclusionary arrangements characterizing LIE. Instead, many of the same arrangements that ensured movement toward LIE included features that strengthened or reproduced patterns of exclusion characteristic of HIE during the 1930s and 1940s, particularly in regard to white supremacy and the persistence of categorical inequality. By the 1960s and 1970s, however, and in the face of significant challenges by social movements and organized political forces, many of the institutional arrangements characteristic of HIE began to be dismantled, generating further advances in the reduction of inequality.

But parallel to these processes, and often receiving less attention in the relevant literature, was another type of interaction between

LIE and HIE. In this interaction, the institutional arrangements characteristic of LIE were constructed and consolidated by forcefully imposing such arrangements over alternative institutional arrays characterized by even lower LIE or by strengthening barriers designed to exclude other populations from entry. Both these processes were central to nation-building.

The expansion of the western frontier in the United States often is portrayed as part and parcel of the persistence of LIE: as opposed to other areas of the world where property became more concentrated, white settlers and squatters in the United States mobilized in opposition to the expansion of slavery in the Northwest Territory and held an edge over wealthy landowners and land speculators derived from the difficulty faced by the latter in trying to enforce a more unequal distribution of property over vast distances (Clark 1993, 201; see also Wright 2006). But such private property rights, relatively equitable for white settlers as they might have been, had to be imposed on other peoples (namely, Native Americans) through the systematic deployment of violence.

This violence is often understated in the literature. Daniel Garcia Swartz (1993, 76), for example, notes that "native North Americans were actually pushed westwards and an open-frontier society arose," and Hermann Wellenreuther (1993, 100) observes that "as in colonial times until 1871 Indians remained something of a barrier to territorial expansion." Christopher Clark (1993, 201) avoids such a depersonalized portrayal:

> Republican ideology helped legitimate the process of seizing Native American land for the purposes of settlement, giving the appearance of equity and legality to the treaties and land deeds which transferred millions of acres to white ownership, even when those formalities were merely a screen for theft. By making agrarian society the ideal of "civilization," it legitimated the extirpation of supposedly inferior Native American cultures.

Much of the decline of the Native American population in today's United States occurred over the nineteenth century (Thornton 2000), although the relative impact of depopulation—as driven by disease, expropriation, and violence—differed somewhat depending on the "wide range of responses" of existing (and sometimes new) tribes.[45]

Overall, however, the very same property arrangements that entailed relatively lower inequality for the white population subjected native peoples to much greater inequality than they had experienced ever before. In this regard, recent research reveals that even by the mid-nineteenth century nomadic peoples from the Plains were perhaps the tallest people in the world—the outcome of good nutrition, less exposure to endemic diseases, organizational flexibility in the face of adversity, and, most likely, less inequality and stronger social safety nets than those prevailing among either Europeans or European descendants in the New World (see also Steckel 1995; Steckel and Prince 2001).

In this sense, if one side of the "Janus face" of the legal system as it developed in the United States in the nineteenth century entailed protection of white family farmers and settlers, in response to demands from below, the other side entailed the massive expropriation of nonwhites.[46] The establishment of LIE required the forceful elimination of even lower LIE.

The case of the United States illustrates that not all nations fall neatly into a HIE or LIE category, but at the same time it highlights the usefulness of such a distinction for describing the historical trajectory at hand. Moreover, while there are additional examples of hybrid cases, such as Australia or Argentina, it is noteworthy that there appear to have been virtually no recent cases of countries moving from one cluster into the other; historically, the only cases approaching such a pattern might have been some of the transitions in and out of socialism during the twentieth century (although the longitudinal data on these areas restrict our ability to treat this topic in sufficient depth). Moreover, even in the case of these hybrids, the distinction between LIE and HIE provides a useful heuristic tool for moving through the available cross-national data on inequality and highlighting what we deem to be theoretically relevant features of the phenomenon in question.[47] We continue to use this distinction, albeit with important revisions, in the remainder of the book.

Conclusion

In this chapter, we have used evidence for the historical persistence of high and low levels of within-country inequality to identify what we heuristically define as high-inequality equilibria (HIE) and low-inequality equilibria (LIE): in each of these conditions, prevailing institutional arrangements produce considerable stability in patterns of stratification. These equilibria tend to invalidate the notion of a single universal transition from tradition to modernity. Instead, empirical research on historical patterns of inequality has revealed contrasting institutional paths that show persistence and little substantive change over time in overall levels of inequality. Moreover, this expanded comparative perspective represents a significant improvement over approaches that focus exclusively on specific subsets of countries (for example, wealthy nations or OECD nations) without situating them within a broader world-historical perspective.

But much of the new institutional literature on inequality tends to retain an emphasis on the nation-state as the crucial unit of analysis. What we have designated as HIE and LIE tend to be explored in this literature as contrasting patterns of inequality, but in a sense they evoke the tradition-modernity duality ascertained in the modernization paradigm—now high inequality is represented as more of a persistent trap preventing economic growth over the long run, but low-inequality arrangements continue to embody much of what was virtuous in the older paradigm. As in the modernization paradigm we discussed in chapter 1, such an approach again tends to portray situations of high and low inequality as relatively independent paths of institutional development and fails to explore the historical interaction between both sets of arrangements. The remainder of our book turns to a critical exploration of such interactions, as well as of the broader impact that HIE and LIE arrangements have had on historical inequality.

CHAPTER 3

HIGH INEQUALITY, LOW INEQUALITY, AND CREATIVE DESTRUCTION

Having established the importance of thinking about patterns of within-country inequality in terms of high-inequality equilibria (HIE) and low-inequality equilibria (LIE), as well as the need to understand the considerable historical persistence of these equilibria, this chapter turns to expanding on the relationship between HIE and LIE. For, while much of the new institutional literature approaches situations of high and low inequality as representing independent institutional paths, our effort to rethink historical inequality calls for reconceptualizing HIE and LIE as eminently relational and interacting over time.

The new institutional literature on the legacy of inequality portrays "extractive institutions" as associated with forms of organization of production and markets that by the nineteenth century had become outdated. Thereafter, national institutional arrangements characterized by high inequality—where property and political rights remain restricted, and "the concentration of political and social power in the hands of a small elite implies that the majority of the population risks being held up by the powerful elite" (Acemoglu, Johnson, and Robinson 2002, 17)—became less suited for attaining sustained growth. According to this interpretation, national institutional arrangements characterized by relatively lower inequality and greater protection for property rights followed the opposite path, thus extending opportunities in ways that generated greater economic growth. These divergent paths of high and low within-country inequality purportedly explain, then, differential rates of economic growth and the persistence of an income gap between wealthy and poor nations.

in low-income nations that in the past were excluded from markets. This is the inequality that generates the popular concerns in question.

We are thus facing a dilemma similar to those that characterized the expansion of world markets in the late nineteenth century—another period of uncertainty, when the growth of markets generated both a constituency for globalization and a protective reaction. Current patterns of social stratification, mobility, and inequality might be transformed in the future as a consequence of the very opportunities generated by the growth of between-country inequalities through much of the twentieth century—just as the unequal development of Adam Smith's town and country generated the very market forces that would eventually bring such inequality to an end. On the other hand, the interests challenged by such a transformation might engage in the type of protective reaction experienced in the early part of the twentieth century—although the size of India and China, together with their linkages to other countries in Asia and elsewhere, might contribute to producing very different outcomes than those of the twentieth century. Which forces become more significant, and at which rates, is yet undeterminable.

Chapter 6

Conclusion

Hitherto [1848] it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes. They have increased the comforts of the middle classes. But they have not yet begun to effect those great changes in human destiny, which it is in their nature and in their futurity to accomplish. —*John Stuart Mill,* Principles of Political Economy

And all this life and love and strife and failure,—is it the twilight of nightfall or the flush of some faint-dawning day?
—*W. E. B. Du Bois,* The Souls of Black Folk

Drawing on what has become virtually a commonsense account of the historical trajectory of today's wealthy countries, the social sciences have usually portrayed development as the attainment of a virtuous combination of economic growth, equity, and democracy, all of which come to reinforce one another over time. Countries that are poor today have not yet undertaken the institutional transformations needed to embark on the righteous path, but eventually they will—all they need is the political will to make the hard choices required to embrace opportunity.

In this book, we have advanced an alternative account of inequality. Inequality needs to be studied as a world-historical, highly complex phenomenon rather than as a universal and inevitable transition. At any given moment, and often as an outcome of the very same processes, it rises in some places and falls elsewhere, and the very same characteristics associated with declining inequality at one point in time often lead to an increase in another. In addition, one important lesson we have sought to emphasize is that in the very effort of actors to enhance their position within existing forms of inequality, they often create new forms of inequality, sometimes willingly, sometimes not; thus, trends in inequality are profoundly shaped by both the actions taken by people to enhance their relative social standing and the unintended consequences of those actions.

As we have recognized throughout this book, data constraints make the mapping of world-historical inequality a difficult task. Over thirty years ago, Wallerstein (1974, 14) noted that, "at this point, all we can do is analyze scattered data, sketch out what seems more and less solid, review explanatory models that encompass the data, suggest a theoretical view, and arrive at some notion of our empirical lacunae and theoretical conundrums." As Simon Kuznets acknowledged regarding his own work on inequality in the 1950s, we want to recognize that the arguments advanced in this book—constituting our effort to map out inequality as what Weber would call a "historical individual"—are in some respects incomplete. In this regard, the very creation of nationality as a central axis of categorical inequality has simultaneously entailed ways of understanding the world, collecting information, and constructing data that limit the availability of appropriate measures and indicators for units of analysis that move beyond the boundaries of the nation-state. Despite these data constraints, we hope to have attained sufficient empirical rigor in advancing a world-historical account of inequality.

Economic growth, equity, and democracy have not always existed in virtuous combination. As we discussed in chapters 2 through 4, for several centuries economic growth went hand in hand with slavery and other coercive labor arrangements in the areas that were an epicenter of such growth (such as Latin America and the Caribbean). Moreover, we described what is most often ignored in accounts of the development of wealthy countries: that since the nineteenth century the institutional development of low-inequality equilibria (LIE) within higher-income nations has gone hand in hand with global constraints that accentuate and entrench a high-inequality equilibrium (HIE) between countries.

In other words, the very existence of the virtuous trinity in some countries has been itself premised on severe forms of inequality.

This relationship is not readily apparent to accounts of inequality, stratification, and mobility that privilege national borders as marking the appropriate units of analysis. In these accounts, our past, present, and future are marked by the growing triumph of individual achievement over ascription as the crucial criteria shaping growing opportunity. Such might indeed be the patterns revealed when the field of vision is limited to discrete, "nationally bounded" "societies": the actual patterns of inequality, stratification, and mobility experienced by most people, as well as the persistence of ascriptive criteria as a basis of stratification, only become unveiled when the world as a whole is taken as the proper unit of analysis.

Others have made similar points. North (2005, 77), for example, notes that

> the long run economic success of western economies has induced a widespread belief that economic growth now is built into the system, in contrast to the experience of the previous ten millennia when growth was episodic and frequently non-existent. Since much of the world either still does not share in the growth experience or has only recently experienced growth, it is still an open question whether in fact that supposition is correct.

North's is certainly a sober assessment when contrasted with the optimistic panaceas advanced most often by those who wittingly—or what is worse, unwittingly—adopt the type of narrative advanced within the modernization paradigm. An even more explicit criticism of such a paradigm has been long advanced within the world-systems perspective, for at the core of such a perspective is the notion that inequality constitutes a world-historical phenomenon.

We indicated in chapter 5 that we indeed live in a world characterized by a single stratification system in which nation-states have played in the past, and continue to play today, a crucial role as an institutional mechanism mediating inequality. Within this global system of stratification over the last two centuries, nationality became the crucial ascribed criterion shaping the relative social standing of people. The relative level of wealth of the country of an individual's birth is the key determinant of the relative position that individual will occupy within a global system of stratification. As much as markets have become "globalized" over recent decades, social stratification and mobility continue to revolve around institutional arrangements that unequally distribute resources on the basis of ascriptive categorical differences.

Such insights are not apparent when the focus is on inequality and stratification using nation-states as the unit of analysis. From such a standpoint, each nation is perceived to have wealthier and poorer populations that are engaged in negotiation or conflict with one another over the distribution of resources, and institutions and political actions have the effect of *either* enhancing or reducing overall levels of inequality and social mobility. Outcomes, limited to the national spaces within which institutions are assumed to operate, seem to be fairly clear, and the criteria used for the exclusion of non-national populations come to be perceived as legitimate and natural. (Of course, even within a national population, deciding who should be included has been a contested terrain: for example, most social scientists in the United States focused on male workers and employers when thinking about relative levels of equity in the 1950s but had to rethink the role of interactions between men and women after the 1960s.)

Can we expect globalization in the future to bring between-country inequality, shaped as we have shown by national citizenship, to an end? Since the eighteenth century, the social sciences have wavered between optimism and pessimism when assessing questions such as this. On the one hand, there have always been those who assert with optimistic certitude that we are moving away from high inequality and rigid systems of social mobility. As we have indicated throughout the book, such certitude has undergirded the constant construction of development panaceas. Some observers today display a similar certainty in predicting that the growing participation of countries such as India and China in world markets represents a final stage in the gradual extension of the virtuous combination of growth, equity, and democracy throughout the world—the holy grail of much of our social sciences.

Others have been more skeptical. Many point out that our past is strewn with panaceas that failed to work as effectively as expected in the midst of the optimism generated by successful experiences of growth. For North (2005, 125), this outcome has been somewhat inevitable, since "policy derived from static theory in a dynamic setting is going to produce unanticipated (and unpleasant) outcomes." Of course, this does not mean that today's successful experiences of growth are inevitably bound to follow on the same path: it does mean, however, that caution should be exercised in judging the likely impact of current developments.

The alternative theoretical and methodological perspective advanced in this book allows us to sort current debates into two principal questions about the future of world-historical inequality. First, are current worldwide trends involving globalization—the relocation of people from poorer to wealthier countries and of jobs from wealthier countries to poorer ones—signaling a dramatic reconfiguration of global inequality? Second, if such a reconfiguration is indeed taking place, what would such a new world look like?

We start with the first question. On the basis of our arguments regarding the relationship of within-country LIE and between-country HIE, we would contend that changes in the existing between-country equilibrium are likely to emerge primarily as a consequence of a rise in the relative bargaining power of the populations of poor nations. As noted several decades ago by Gunnar Myrdal (1957/1964, 70), "benevolence on the part of the richer countries will in this respect be a secondary factor—for the simple reason that, except under the urge of some compulsion, our advanced nations are not prepared to give up privileges and make sacrifices for the poorer countries."

Perhaps we could expect such a shift in bargaining power to emerge as a consequence of the very *market* opportunities generated by between-country inequalities themselves. Similar to the way in which the unequal development of town and country generated the very market forces that in Adam Smith's account would eventually bring such inequality to an end, the incentives generated by the historical growth of the gap between poor and wealthy nations might be leading today to the relocation of people and jobs across the world in a reconfiguration of global inequality. Simultaneously (or, for some, alternatively), such a reconfiguration might involve substantively new institutional arrangements and a shift away from the current primacy of national states to international organizations or transnational networks of regulation.

But we should be careful in inferring from short-term changes in either markets or their political regulation that shifts in equilibria are upon us. As seen in chapter 4, world markets expanded substantively during the late nineteenth and early twentieth centuries, but rising inequality within countries generated "a political backlash" that "led to the reimposition of tariffs and the adoption of immigration restrictions" (O'Rourke and Williamson 1999, 268).[1] As we have shown, in the United States such protective institutional arrangements facilitated this country's low-inequality equilibrium in the interwar and post–World War II periods.[2] But these very same protective arrangements prevented any substantive transformation of the prevailing high-inequality equilibrium between countries. The changes of the last decades of the nineteenth century generated a protective response and forms of market regulation that brought overall global inequality back to its equilibrium. We do not know whether such a protectionist drive could develop in higher-income countries today, or even whether such a drive could have the impact it had in the first half of the twentieth century, since the size of China and India and their linkages to other countries might dampen the impact of a new protectionism by high-income countries. These issues are likely to remain contentious in the immediate future.

Parallel reservations can be made regarding the emergence of new forms of global governance and institutional regulation. Gunnar Myrdal, in the 1960s, noted that a fundamental obstacle for change in this regard is the lack of any accessible institutional mechanism for addressing international inequality.

> The international situation is all the worse and more hopeless, because we have hardly more than the faintest beginnings of anything like an international authority to perform for the world as a whole the task of the national state in an individual country. If from one point of view the explanation of the existing and ever increasing international inequalities is the cumulative tendency inherent in the unhampered play of market forces in a situation where the effectiveness of the spread effects is weak, from another point of view the explanation is the absence of a world state which could interfere in the interest of equality of opportunity. (Myrdal 1957/1964, 63)

In other words, here as before, shifts in equilibria are generally resisted by powerful actors, and the self-perpetuating character of

highly uneven distributions of resources and political power provides considerable leverage for such actors. In this regard, once again, political forces in wealthy nations (including relatively less privileged populations within these countries) might strengthen protectionism and exclusion as a way of defending their status.

Today again, as in the nineteenth century, current changes have the potential to transform existing equilibria into something new. But the theoretical standpoint of world-historical inequality directs us to pay attention to the complicated trade-offs and protective backlashes that have a similar potential to return arrangements to their previous equilibrium. This is precisely what the very notion of equilibrium entails: institutional arrangements and the prevailing balance of social and political forces have the ability to transform big changes in patterns of social action into little effective transformation of the overall whole.

This book has provided a framework from which to assess whether we are indeed moving away from the patterns of inequality that have come to prevail over the last two hundred years. Such a transition would involve a shift of between-country inequalities away from their historically high equilibrium. In such a transition, national affiliation would cease to play a crucial role in shaping global social stratification. Such a world is not yet here, and while current trends in "globalization" might continue and eventually bring such a transformation about, the historical record cautions us against imagining a future that simply amplifies current short-term trends.

Our theoretical standpoint also bears upon the second question. For many scholars and policymakers in wealthy countries today, we are in the midst of a growing convergence between nations, a convergence that in the future can only bring about a greater prevalence of economic growth, greater equity, and democracy. But a shift from the prevailing HIE and LIE would bring about a very different world than the one advanced in such visions. From a world-historical perspective, the virtuous combination of economic growth, greater equity, and democracy was always limited to a few areas of the world and a small percentage of the world's population. Moreover, the historical account provided in chapters 2 and 3 indicates that political regimes, patterns of social equity and mobility, and economic growth might not always and inevitably advance all together in harmonious interaction. If the institutional arrangements and the very logic that has shaped global inequality for the past two hundred years come to an end, it is unclear and uncertain how new institutional arrangements would articulate economic growth, equity, and democracy and what the net effects of such arrangements would be for different populations across the world. We should allow for the possibility, for example, that in some not too distant future the combination of growth, equity, and democracy will come to be perceived, even for the few who enjoy it, as a surprising and fleeting moment in history.

Despite these uncertainties about what the future might bring, and doubts about whether markets or political institutions would be most effective in promoting change, we need not be restrained in our efforts to challenge existing forms of inequity. In this regard, we might paraphrase Polanyi (1944/1957: 258b) to argue that "as long as [we] are true to [our] task of creating more abundant freedom for all, [we] need not fear that either power or planning [or competition or markets] will turn against [us] and destroy the freedom [we] are building by their instrumentality. This is the meaning of freedom in a complex society; it gives us all the certainty we need."

The continued importance of nationality in organizing global stratification along ascriptive criteria raises another question: to what extent is our "modern" world substantially different from our "traditional" past? In our traditional past, elites often justified existing inequality as a consequence of the superiority of some races over others, or of men over women, and so forth, and "inferior" peoples were deemed to be in need of guidance and supervision to ensure their own welfare. Thus, today we feel the moral authority to look back to slavery and coercion as practiced two hundred years ago and judge harshly those who at the time justified such severe forms of inequality as a natural state of affairs. But the well-off of our times continue to justify prevalent forms of inequality as an inevitable consequence of a rather natural order, now revolving around national citizenship, arguing that any relative advantages are purely the result of individual effort and that inequalities, now between countries, are a consequence of the failure of poor peoples to advance their own interest (interests that only enlightened social scientists and policymakers can help advance). In both sets of arrangements, so apparently distant in time, the construction of categorical inequality around ascriptive beliefs has played a central role in justifying existing high levels of inequality.

A world-historical perspective unveils the persisting importance of ascription and categorical inequality. Just as shifting the boundaries of the unit of analysis from the nation-state to the world as a whole forces us to reconsider the empirical processes that are relevant to understanding existing inequality, the same shift in boundaries makes it incumbent on us to redefine who is included in the relevant community when we morally assess social justice. Just as we might decide that race or sex should not be a criterion limiting access to opportunity, we must also decide whether the life chances of people should be restricted by the blind luck of their place of birth.

Challenging such arrangements is not easy.[3] As in the past, those who wish to treat categorical inequality concerns as a top priority today are often criticized by enthusiastic adherents of the status quo as failing to understand basic principles of economic rationality. And the critics might be right. Ultimately, world-historical inequality might have to be challenged on moral grounds rather than on the basis of its economic irrationality. In this respect, we might want to consider a historical precedent. At the time of its existence, slavery was seen not merely as a natural state of affairs but also as most conducive to the production of wealth, so abolitionist currents in their origin did not challenge the institution of slavery on the basis of its economic irrationality, but on moral and ethical grounds. We might find ourselves in a similar position today.

From a world-historical perspective, we should challenge the naturalization of national citizenship as a justification for categorical inequality. Such a stance is sure to raise objections. Is the removal of national borders politically viable? Wouldn't such a removal affect the underprivileged and raise inequality in receiving countries? Although we recognize that such questions are inevitable in challenging categorical inequality, it is not the task of this book to provide detailed policy suggestions or ready-made answers. We should note, however, that parallel concerns were raised historically—for example, over the process of removing the institutional arrangements that enforced exclusion based on race.

The more relevant questions are these: Two hundred years from now, how will observers (if still around) think about our age? Was our concern over global inequality a quaint preoccupation of the long twentieth century, since high levels of inequality persisted or even deepened thereafter? Or from a new, truly global low-inequality equilibrium, will future observers be puzzled by our reluctance to acknowledge the deep inequalities of our time and their effects on welfare and be morally outraged at our use of national identity to justify such inequalities as a natural state of affairs?

STATISTICAL APPENDIX

MEASURING INEQUALITY

Many measures of inequality exist, and each carries different assumptions and mathematical properties. A common method of quantifying income dispersion is to calculate ratios of various parts of the distribution—for example, the ratio of the incomes of the bottom 90 percent to the top 10 percent (90/10). Since these measures use only a fraction of the empirical information from the distribution (the income at certain percentile boundaries), they can provide insight into changes in certain parts of the distribution—what is happening to the incomes of the upper strata, or of the middle relative to the upper strata, and so forth—but they do not measure the amount of inequality across the shape of the entire income distribution.

Summary measures of inequality provide a single statistic intended to capture the fluidity of income along the entire distribution. Of the many summary measures that have been proposed, only two—the Gini index and the Theil coefficient—satisfy the five most highly desired properties of an inequality indicator: (1) it is symmetrical; (2) it is income scale–invariant; (3) it is invariant to absolute population levels; (4) it is defined by upper and lower bounds; and (5) it satisfies the Pigou-Dalton principle of transfers (any redistribution from richer to poorer reduces the inequality measure, and vice versa). All other summary measures lack one or more of these properties. The principal distinctions between Gini and Theil concern their sensitivity to income transfers. Mathematically, the Gini coefficient is most sensitive to income transfers around the middle of the distribution, while the Theil coefficient grows increasingly responsive to transfers toward the lower end of the income scale (Allison 1978). In practice, Gini and Theil are highly correlated measures. We use the Gini index in this book for