Social polarization in the age of globalization: the continued relevance of the quantitative dependency (Bornschier) and dependency (Bornschie

By Arno TAUSCH Adjunct Professor of political sciences at Innsbruck University E-mail: <u>Arno.Tausch@uibk.ac.at</u>

Almas HESHMATI Professor of Economics College of Engineering, TEMEP Seoul National University San 56–1, Shilim–dong, Kwanak–Gu, Seoul, 151–742 Seoul, South Korea Email: heshmati@snu.ac.kr

Hichem KAROUI Doctor of Sociology, Sorbonne, Paris Email : <u>info@hichemkaroui.com</u>

"Business as usual" is not an option. The challenges facing our Union are greater than before the recession. Our room for manoeuvre is more limited and the rest of the world is not standing still. We must draw the lessons and reshape our policies. A clear lesson from the crisis is that Europe can succeed provided it acts collectively, as a Union. Europe has no other option but to tackle the immediate challenge of the crisis and to face up to long-term challenges such as globalisation, climate action, ageing, so as to make up for the recent losses, regain competitiveness and put the EU on an upward path of sustainable growth. [...] International trade is one of the motors of growth, employment and investment in the European Union, thus very much in the interest of European citizens. The EU is committed to open societies and open markets, and determined to defend European interests. It will continue working towards reducing barriers to international flows of trade and investment' (COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL. THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Commission Work Programme 2010, Time to act, Brussels, 31.3.2010, COM(2010) 135 final, pages 3 and 9)

'The transition to democracy after the fall of the Berlin wall cast a veil over a ruthless economic transformation, known as "structural adjustment" in Latin America a decade earlier. The unparalleled peacetime contraction of postcommunist economies can only be compared to the Great Depression of the *1930s. Luckier countries like Hungary lost only about 20% of their national* income in the years after 1989, while the GDP of others fell by 30–40%. Poland was first to recover its 1989 output level, in 1997; the rest only managed to do so in 2000 or even later. Of course, this did not mean that consumption levels or average living standards had been restored with the same speed. The exhaustion of the centrally planned economies and the inexperience of the new rulers explains little from this dismal period. Ideologues of free-market capitalism orchestrated the process with little tolerance for alternative solutions. Liberal parties that promoted themselves as standard-bearers of human rights and democracy mainly functioned as political wings of the International Monetary Fund. The European Union played a double-edged role in this process. On the one hand, it offered a countervailing influence to the IMF regime; on the other, EU governments and firms took advantage of eastern European misery. A Marshall Plan for the east was repeatedly ruled out by the argument that, in our times, such a role is played by private investment. However, a laissez-faire attitude towards foreign investment by Hungary throughout the 1990 did not pay off in higher growth compared to other countries in the region.' (Europe's Great Depression. Analysis Laszlo Andor, Guardian, April 28, 2004 http://www.guardian.co.uk/world/2004/apr/28/eu.politics5)

FROM THE "WASHINGTON" TOWARDS A "VIENNA CONSENSUS"?

Good prophecy costs \$94.50

### Edition: illustrated edition (2006–09–06) Publisher: Nova Science Pub Inc

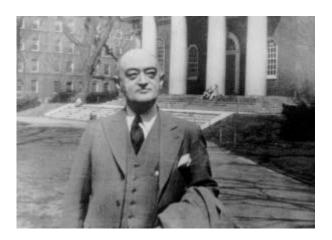
A Quantitative Analysis on Globalization, Development and Global Governance



Postface by Christian Ghymers

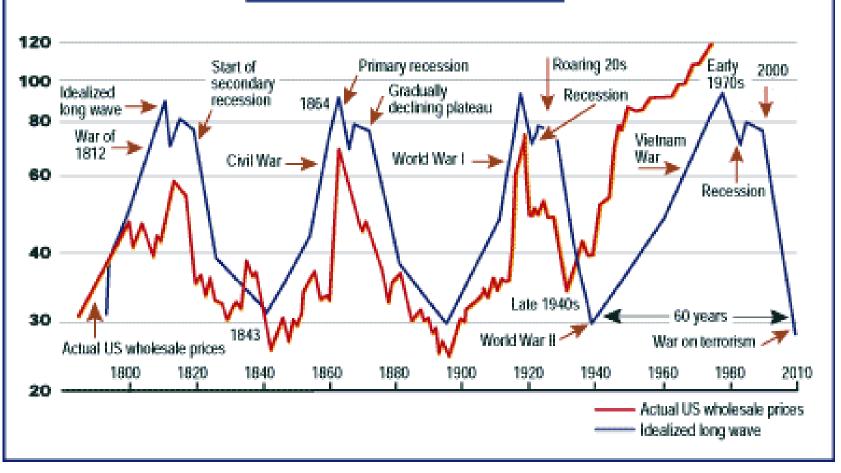
## Lessons to be learnt:

- Capitalism is of cyclical nature
- Prophets for our time: Schumpeter and Kondratiev

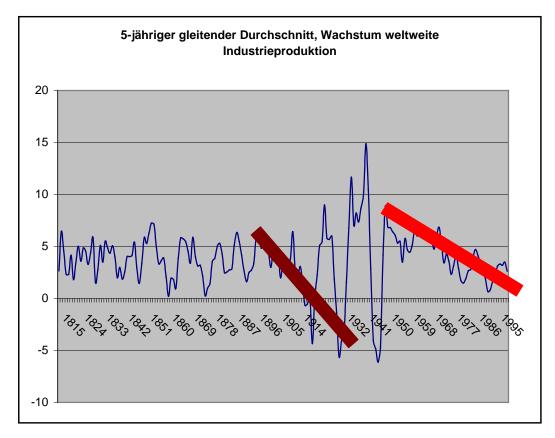




## The Kondratieff Wave



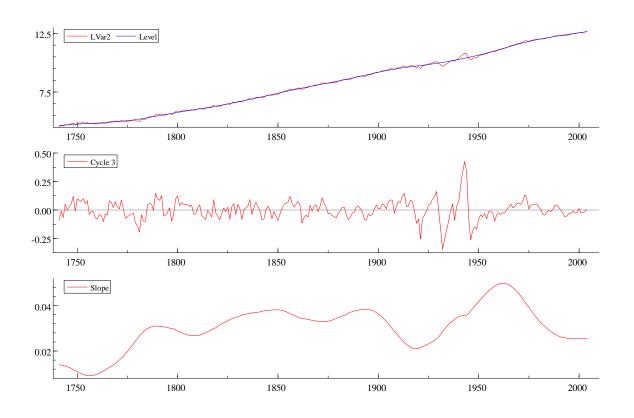
# Growth of world industrial production, 5-year sliding average



Joshua Goldstein (Yale University Press, 1740 – 1974) and Tetsuo Yamada (Statistical Department, UNIDO, Vienna,

1975 until 2004).

# Filtering the K-cycle (Professor Rainer Metz, University of Cologne)



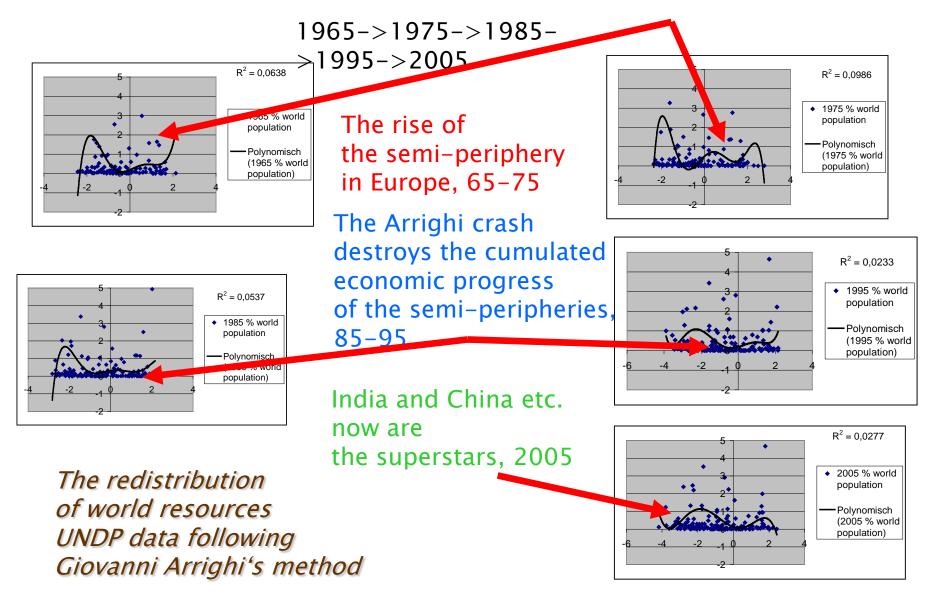
Zentralarchiv für Empirische Sozialforschung, Universität Köln, Abt. ZHSF Liliencronstrasse 6, 50931 Köln, E-Mail <u>metz@za.uni-koeln.de</u>, Telefon + 49 (0) 221 4769436, Telefax + 49 (0) 221 4769455, Website <u>http://www.gesis.org/za/</u>. See also RAINER METZ: Trend, Zyklus und Zufall. Bestimmungsgründe und Verlaufsformen langfristiger Wachstumsschwankungen Stuttgart 2002

## Kuznets cycles



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

Unfiltered polynomial regressions with the original data, see Tausch/Ghymers, 2006



% of world population =  $a0 + b1 * (ln (GNP per cap PPP/World GNP per capita PPP)) +-b2 * (...)^2 +- b3 * (...)^3 ....$ 

Hypothesis: European Commission thinking simply does not care properly enough about critical, quantitative dependency theories proof 1 – Volker Bornschier in the ECLAS

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#### Basic Search (in ECLAS)

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Some examples:

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#### Search hints:

• If you choose Yes for "Words adjacent," you can type in the phrase *european integration* and the system will understand that you want only records that have the word *european* NEXT to the word *integration*.

• Lowercase letters will find matches of capitalized words also. For example, germany will find matches for germany, Germany and GERMANY.

• You may use the Boolean operators AND and OR in your search string. For example, you could type (competition OR antitrust) AND law to retrieve all records having competition or antitrust in them, together with the word law.

• Use the 2 character to find matches that contain portions of words. For example, politi? will retrieve politica, politica, politics, politique, etc. In another example, 2 ology will retrieve anthropology, archaeology, psychology, etc. The 2 character may also be used to find variant spellings. For example, alumi?m will find both the American spelling, aluminum, and the British spelling, aluminium.



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#### Results for W-Authors (personal)= bornschier (Sorted by: Year (descending)/Author)

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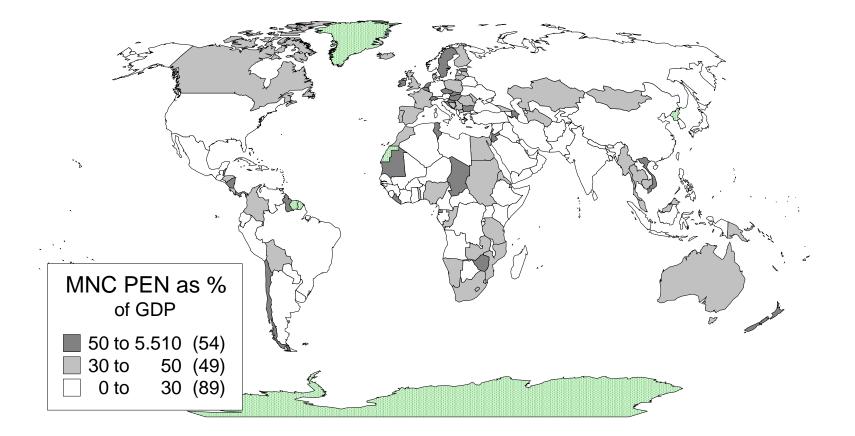
## Contrasting hypothesis: the US Army analysts indeed take such critical theories seriously

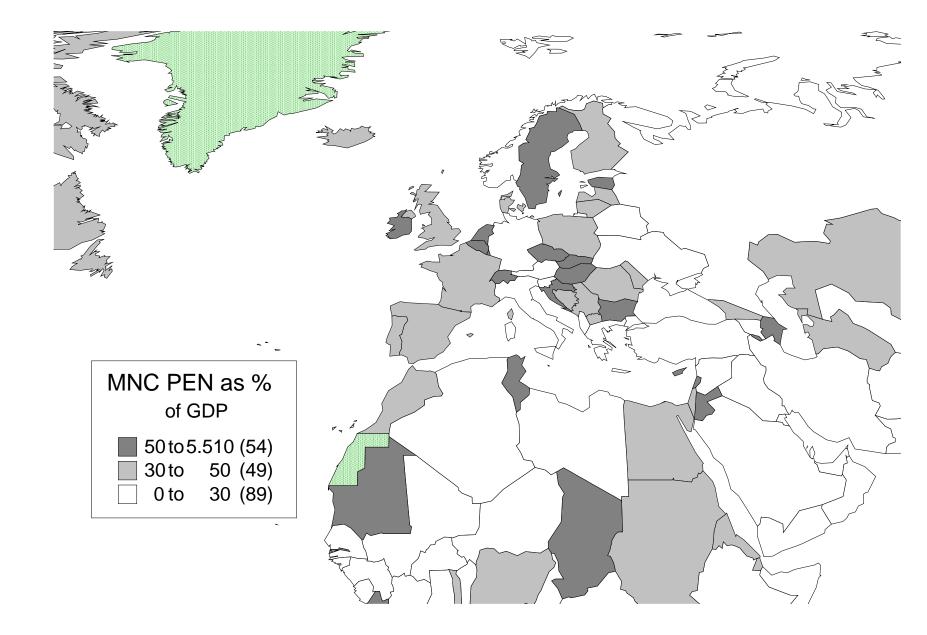


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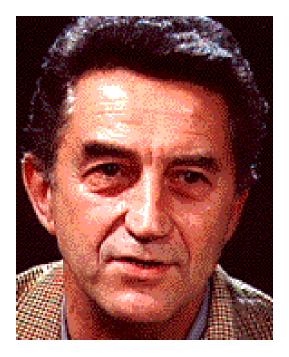
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### Foreign capital penetration in 2006





Let's start to talk about the real reasons of the Lisbon failure



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BORNSCHIER V., 1980. Multinational Corporations, Economic Policy and National Development in the World System. *International Social Science Journal*, 32 (1), 158–172. BORNSCHIER V., 1981. Dependent Industrialization in the World Economy: Some Comments and Results concerning a Recent Debate. *The Journal of Conflict Resolution*, Vol. 25(3), 371– 400.

BORNSCHIER V., 1982. The World Economy in the World System. Structure Dependence and Change. *International Social Science Journal*, 34 (1), 38–59.

BORNSCHIER V., 1996. *Western society in transition.* New Brunswick, NJ: Transaction Publishers.

BORNSCHIER V., CHASE-DUNN Ch. K. 1985. *Transnational Corporations and Underdevelopment.* N.Y., N.Y.: Praeger. BORNSCHIER V., CHASE-DUNN Ch. K., RUBINSON R, 1978. Cross-National Evidence of the Effects of Foreign Investment and Aid on Economic Growth and Inequality: A Survey of Findings and a Reanalysis. *American Journal of Sociology*, 84 (3), 651–683.

BORNSCHIER V., HOBY J. P., 1981. Economic Policy and Multinational Corporations in Development: The Measurable Impacts in Cross-National Persepective. *Social Problems*, 28(4), Development Processes and Problems, 363-377.

#### Samir Amin

• The monopoly of technology, supported by military expenditures of the dominant nations,

• The monopoly of control over global finances,

• The monopoly of access to natural resources,

• The monopoly over international communication and the media, and

• The monopoly of the military means of mass destruction.

Europe never challended the US on these fronts

• There is a financial and technological **penetration** by the developed capitalist centers of the countries of the periphery and semi-periphery,

 This produces an unbalanced economic structure both within the peripheral societies and between them and the centers,

• This leads to limitations on selfsustained growth in the periphery,

• This favors the **appearance of specific patterns of class relations**, and

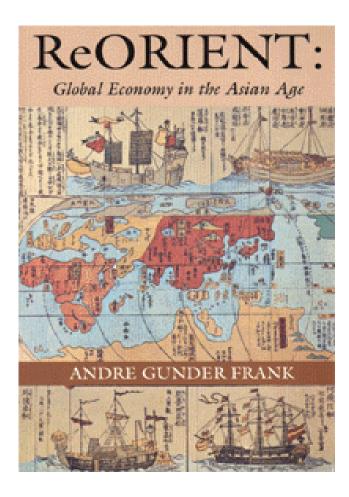
These require modifications in the role of the state to guarantee both the functioning of the economy and the political articulation of a society, which contains, within itself, foci of inarticulateness and structural imbalance (Cardoso, 1979).

What really happened after the March 2000 Lisbon Council

#### Hypothesis: European Commission thinking simply does not care properly enough about critical, quantitative dependency theories proof 2 -Andre Gunder Frank in the ECLAS

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The prohet who told the world in 1998 what will happen in 2008

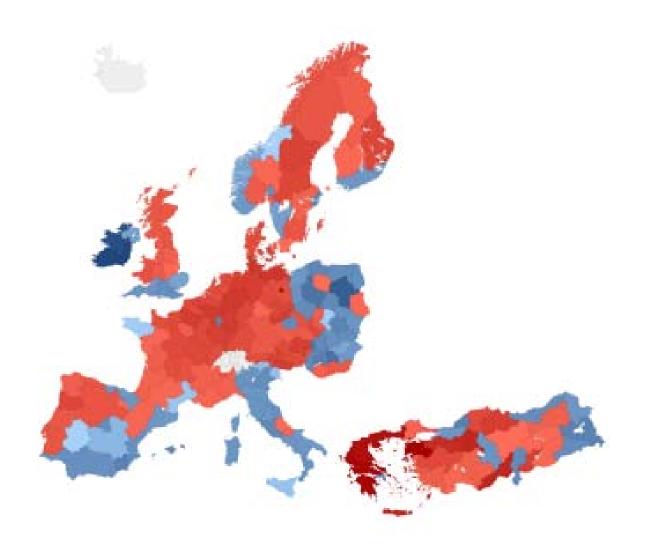
Andre Gunder Frank (Berlin, February 24, 1929 -Luxembourg, April 23, 2005)

#### Economic growth in the world system, 2010

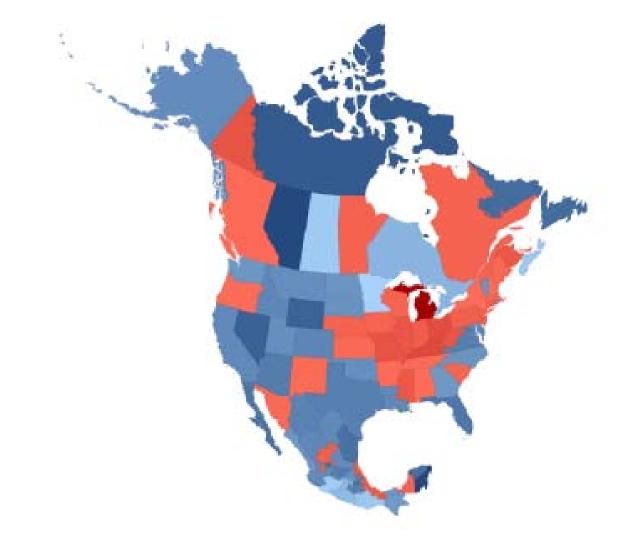


Source: our own map from http://www.imf.org/external/pubs/ft/weo/2009/01/weodata/weoselgr.aspx

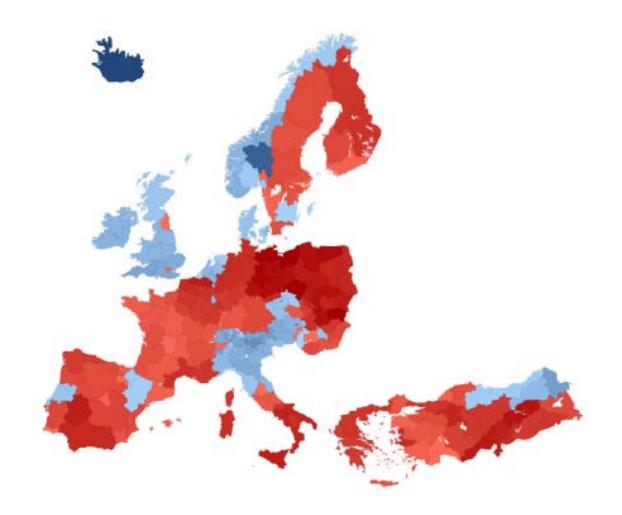
#### Economic growth above 3% (blue) (OECD data for the period since 2000)

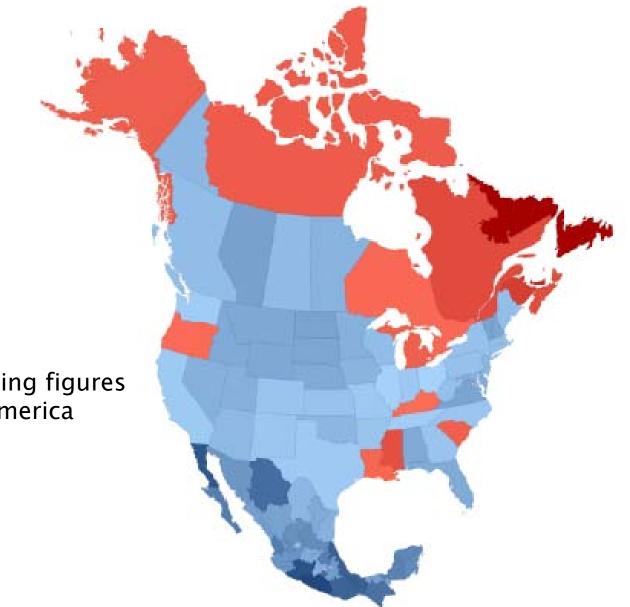


Economic growth, same source and period, in North America (blue > 3.0%)



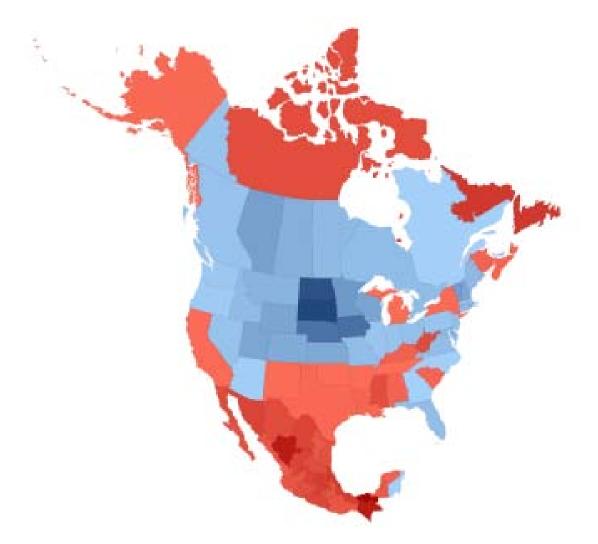
#### Unemployment above 6% (red) OECD data, before crisis



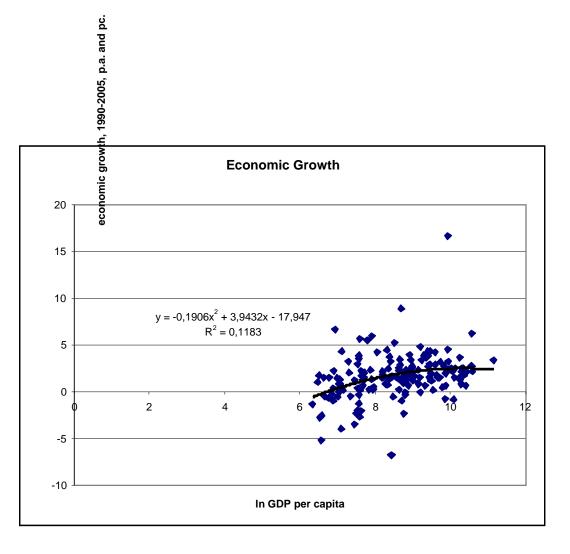


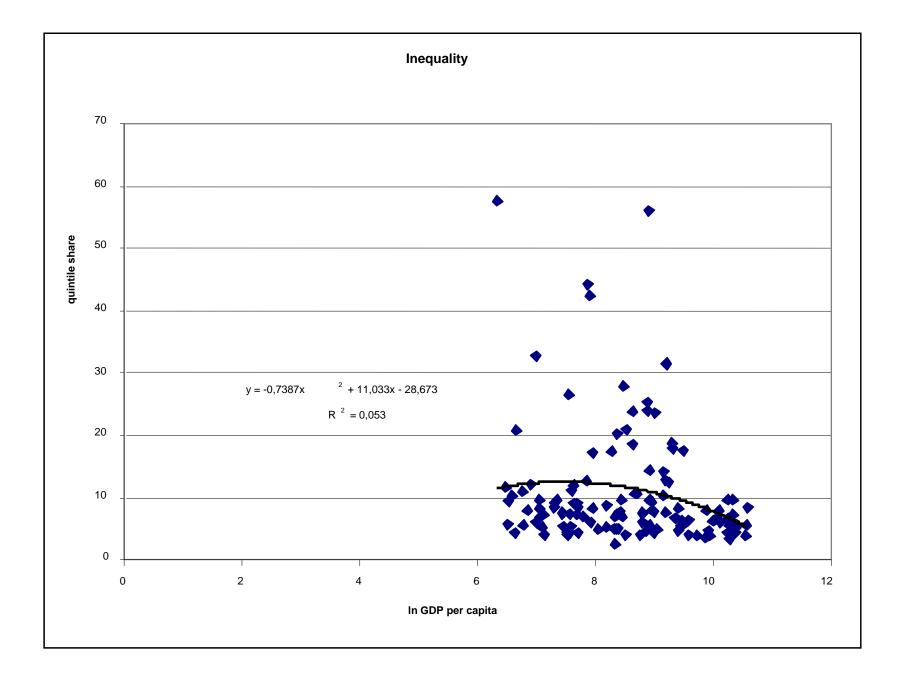
the contrasting figures For North America The failed Lisbon target employment above 70% (below 70% - red) (OECD)

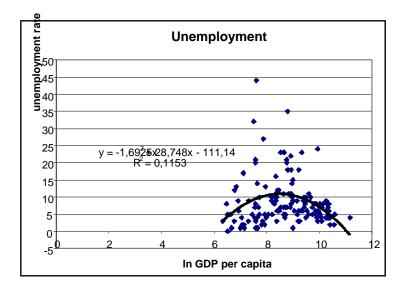
### By contrast: North America

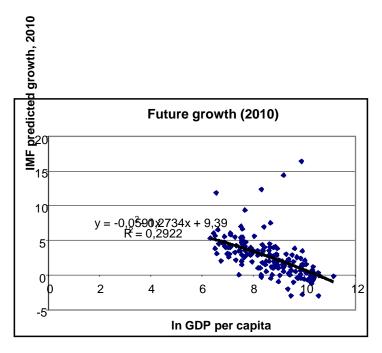


**328 major international studies** quoted the path-breaking empirical dependency analysis by **Galtung**, 1971, which links dependency measured by trade partner concentration and the concentration of export products to the inequality of income distribution. Further 74 major international studies were based on the **Sunkel essay**, 1973, which is more directly linked to the concept of MNC penetration than the Galtung essay, 1971. Galtung, 1971 and Sunkel, 1973, in turn must be regarded as the catalyst essays for the two follow-up pioneering quantitative dependency studies, authored by Chase Dunn, 1975 [which had in turn 213 follow-up studies], and Rubinson, 1976 [which yielded 170 follow-up studies in the major social science journals of the world to date]. **Bornschier/Chase–Dunn/Rubinson**, based on Chase–Dunn, 1975, and Rubinson, 1978, later became the most important study in the field, systematizing research based on the concept of MNC penetration. This essay initiated 185 follow-up studies, while Bornschier/Ballmer-Cao, devoted to the issue of economic inequality as a consequence of MNC penetration, originated **74 follow-up studies**. Later tests of the Bornschier hypotheses could nothing but support and refine the original argument, independently of the research design, for different indicators and different time periods and different samples and different methods (see *inter alia* Beer, 1999; Bornschier, 1982, 2002; Dutt, 1997; Heshmati, 2006b; Kentor, 1998; Klitgaard R. and Fedderke J., 1995; Tausch, 2003; Tausch and Prager, 1993; Tsai 1995









	Beta	std error	beta-weight	t-value	error prob
Constant	-11.895	9.620	XX	-1.236	0.219
% world population	0.186	0.072	0.200	2.596	0.011
Annual population growth rate, 1975-2005 (%)	-0.338	0.174	-0.179	-1.942	0.054
MNC PEN INWARD	0.033	0.008	0.347	4.263	0.000
DYN MNC PEN 95-2005	-0.014	0.008	-0.159	-1.904	0.059
public education expenditure per GNP	-0.315	0.093	-0.275	-3.406	0.001
ln GDP	3.138	2.218	1.629	1.415	0.160
ln GDP^2	-0.154	0.127	-1.397	-1.218	0.226
F-test=7.277, R2 adj 0.243, n=138					
2. Inequality	Beta	std error	beta-weight	t-value	error prob
2. Inequality Constant	Beta -172.157	std error 41.478	beta-weight xx	t-value -4.151	error prob 0.000
			-		*
Constant	-172.157	41.478	XX	-4.151	0.000
Constant % world population	-172.157 -0.216	41.478 0.278	xx -0.065	-4.151 -0.777	0.000
Constant % world population Annual population growth rate, 1975-2005 (%)	-172.157 -0.216 3.287	41.478 0.278 0.978	xx -0.065 0.415	-4.151 -0.777 3.362	0.000 0.439 0.001
Constant % world population Annual population growth rate, 1975-2005 (%) MNC PEN INWARD	-172.157 -0.216 3.287 <b>0.080</b>	41.478 0.278 0.978 <b>0.039</b>	xx -0.065 0.415 <b>0.193</b>	-4.151 -0.777 3.362 <b>2.031</b>	0.000 0.439 0.001 0.045
Constant % world population Annual population growth rate, 1975-2005 (%) MNC PEN INWARD DYN MNC PEN 95-2005	-172.157 -0.216 3.287 <b>0.080</b> -0.068	41.478 0.278 0.978 <b>0.039</b> 0.034	xx -0.065 0.415 <b>0.193</b> -0.185	-4.151 -0.777 3.362 <b>2.031</b> -2.012	0.000 0.439 0.001 0.045 0.047
Constant % world population Annual population growth rate, 1975-2005 (%) MNC PEN INWARD DYN MNC PEN 95-2005 public education expenditure per GNP	-172.157 -0.216 3.287 <b>0.080</b> -0.068 0.836	41.478 0.278 0.978 0.039 0.034 0.405	xx -0.065 0.415 <b>0.193</b> -0.185 0.183	-4.151 -0.777 3.362 <b>2.031</b> -2.012 2.062	0.000 0.439 0.001 0.045 0.047 0.042

3. Life Expectancy	Beta	std error	beta-weight	t-value	error prob
Constant	-43.401	31.747	XX	-1.367	0.174
% world population	0.027	0.238	0.006	0.113	0.910
Annual population growth rate, 1975-2005 (%)	-0.927	0.546	-0.107	-1.698	0.092
MNC PEN INWARD	-0.043	0.025	-0.097	-1.745	0.083
DYN MNC PEN 95-2005	0.031	0.025	0.072	1.244	0.216
public education expenditure per GNP	-0.531	0.309	-0.097	-1.722	0.087
ln GDP	19.911	7.323	2.189	2.719	0.007
ln GDP^2	-0.754	0.419	-1.445	-1.801	0.074
F-test=34.233, R2 adj 0.624, n=141					
			I	I	
4. Unemployment	Beta	std error	beta-weight	t-value	error prob
4. Unemployment Constant	Beta -109.356	std error 27.734	beta-weight xx	t-value -3.943	error prob 0.000
					-
Constant	-109.356	27.734	XX	-3.943	0.000
Constant % world population	-109.356 -0.239	27.734 0.202	-0.099	-3.943 -1.186	0.000
Constant % world population Annual population growth rate, 1975-2005 (%)	-109.356 -0.239 -0.111	27.734 0.202 0.484	xx -0.099 -0.022	-3.943 -1.186 -0.230	0.000 0.238 0.818
Constant % world population Annual population growth rate, 1975-2005 (%) MNC PEN INWARD	-109.356 -0.239 -0.111 <b>0.041</b>	27.734 0.202 0.484 <b>0.022</b>	xx -0.099 -0.022 0.162	-3.943 -1.186 -0.230 <b>1.857</b>	0.000 0.238 0.818 0.066
Constant % world population Annual population growth rate, 1975-2005 (%) MNC PEN INWARD DYN MNC PEN 95-2005	-109.356 -0.239 -0.111 <b>0.041</b> -0.008	27.734 0.202 0.484 <b>0.022</b> 0.021	xx -0.099 -0.022 <b>0.162</b> -0.033	-3.943 -1.186 -0.230 <b>1.857</b> -0.367	0.000 0.238 0.818 0.066 0.714
Constant % world population Annual population growth rate, 1975-2005 (%) MNC PEN INWARD DYN MNC PEN 95-2005 public education expenditure per GNP	-109.356 -0.239 -0.111 0.041 -0.008 0.782	27.734 0.202 0.484 <b>0.022</b> 0.021 0.274	xx -0.099 -0.022 <b>0.162</b> -0.033 0.251	-3.943 -1.186 -0.230 <b>1.857</b> -0.367 2.859	0.000 0.238 0.818 0.066 0.714 0.005

5. Growth 2010 (IMF)	Beta	std error	beta-weight	t-value error prob		
Constant	-3.343	10.673	XX	-0.313	0.755	
% world population	0.220	0.080	0.187	2.752	0.007	
Annual population growth rate, 1975-2005 (%)	1.060	0.184	0.460	5.772	0.000	
MNC PEN INWARD	-0.015	0.008	-0.132	-1.860	0.065	
DYN MNC PEN 95-2005	0.012	0.008	0.104	1.397	1.397 0.165	
public education expenditure per GNP	0.155	0.104	0.107	1.488 0.139		
ln GDP	1.521	2.463	0.631	0.617	0.538	
ln GDP^2	-0.132	0.141	-0.952	-0.934	0.352	
F-test=14.239, R2 adj 0.400, n=140						
6. Under Five Mortality	Beta	std error	beta-weight	t-value	error prob	
	Beta 1241.548	std error 171.617	beta-weight xx	t-value 7.234	error prob 0.000	
6. Under Five Mortality					_	
6. Under Five Mortality Constant	1241.548	171.617	xx	7.234	0.000	
6. Under Five Mortality Constant % world population	1241.548 -0.491	171.617 1.288	xx -0.019	7.234 -0.381	0.000 0.704	
6. Under Five Mortality Constant % world population Annual population growth rate, 1975-2005 (%)	1241.548 -0.491 7.101	171.617 1.288 2.947	xx -0.019 0.143	7.234 -0.381 2.410	0.000 0.704 0.017	
6. Under Five Mortality Constant % world population Annual population growth rate, 1975-2005 (%) MNC PEN INWARD	1241.548         -0.491         7.101 <b>0.293</b>	171.617 1.288 2.947 <b>0.146</b>	xx -0.019 0.143 <b>0.102</b>	7.234 -0.381 2.410 <b>2.007</b>	0.000 0.704 0.017 0.047	
6. Under Five Mortality Constant % world population Annual population growth rate, 1975-2005 (%) MNC PEN INWARD DYN MNC PEN 95-2005	1241.548         -0.491         7.101         0.293         -0.122	171.617 1.288 2.947 <b>0.146</b> 0.140	xx -0.019 0.143 0.102 -0.046	7.234 -0.381 2.410 <b>2.007</b> -0.874	0.000 0.704 0.017 0.047 0.384	
6. Under Five Mortality Constant % world population Annual population growth rate, 1975-2005 (%) MNC PEN INWARD DYN MNC PEN 95-2005 public education expenditure per GNP	1241.548         -0.491         7.101         0.293         -0.122         -1.880	171.617 1.288 2.947 <b>0.146</b> 0.140 1.670	xx -0.019 0.143 0.102 -0.046 -0.061	7.234 -0.381 2.410 <b>2.007</b> -0.874 -1.126	0.000 0.704 0.017 0.047 0.384 0.262	
6. Under Five Mortality Constant % world population Annual population growth rate, 1975-2005 (%) MNC PEN INWARD DYN MNC PEN 95-2005 public education expenditure per GNP ln GDP	1241.548         -0.491         7.101         0.293         -0.122         -1.880         -243.800	171.617 1.288 2.947 <b>0.146</b> 0.140 1.670 39.620	xx -0.019 0.143 0.102 -0.046 -0.061 -4.688	7.234 -0.381 2.410 <b>2.007</b> -0.874 -1.126 -6.153	0.000 0.704 0.017 0.047 0.384 0.262 0.000	

MNC penetration is responsible for a **'bad performance'** according to the following development indicators:

• tertiary emigration rate

infant mortality

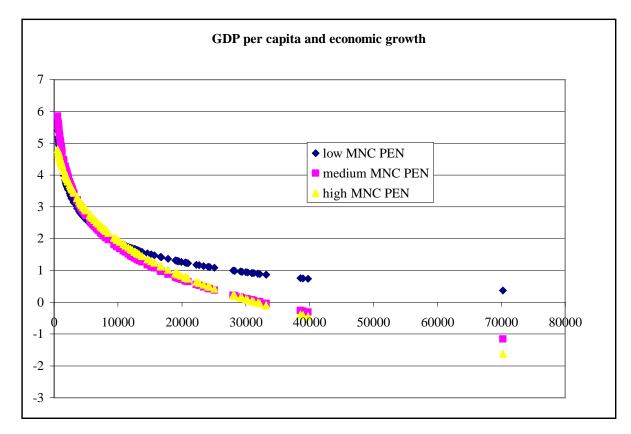
By descending order of the magnitude of the 'bad' effect, MNC penetration also negatively affects

- social security expenditure per GDP
- Environmental Performance Index
- tertiary enrolment
- female survival probability of surviving to age 65 female
- closing educational gender gap
- $\cdot$  the Human Development Index

Bornschier, in his 1980 article for the *ISSJ* said:

'That the growth-reducing consequence of MNC penetration has to date aroused rather mild scholarly and public concern is especially due to two factors. First, so long as overall MNC investment remains high, the negative effect of penetration is partly neutralized. Second, the most important negative effect concerns those countries for which the growth potential is above average. Thus, the slowing down of economic growth in the long run, in general does not imply economic stagnation, but a markedly lower growth rate than one would expect against the background of the growth potential.' (Bornschier, 1980: 161)

# Economic growth in 2010 in countries with low, medium and high MNC penetration



Note: the 167 countries with complete data were divided into three groups with about equal size -

countries 1 - 55 with the lowest MNC penetration,

56 - 112 with medium MNC penetration,

and 113-167 with highest MNC penetration

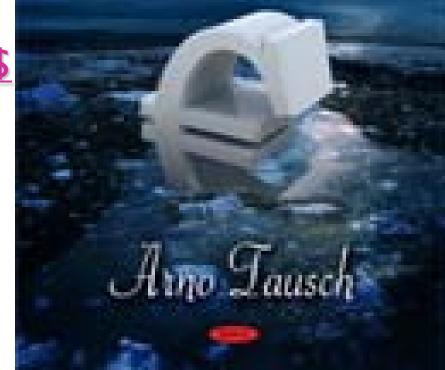
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**TITANIC 2010?** 

The European Union and its Failed Lisbon Strategy



#### Hypothesis: European Commission thinking simply does not care properly enough about critical, quantitative dependency theories proof 3 -Arno Tausch in the ECLAS

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The new world structure of the post-crisis years, which now seems to emerge from the ruins of the 1975/2008 long economic cycle, will in many ways even more resemble the world, predicted by Bornschier at the time, because projected economic growth and social cohesion during the global crisis is very negatively determined by past MNC penetration. Thus the early formulations of quantitative dependency, written in the late 1970s, gain in relevance nowadays again, because the phase of the long economic cycle, which we currently face, is similar to the phase of the economic cycle in the 1970s. The only difference to the 1960s and 1970s is that nowadays, the Europeans have become a heavily MNC-penetrated semiperiphery.