

CHARLES UNIVERSITY, FACULTY OF SCIENCE
Department of Social Geography and Regional Development

Josef Novotný

**SOCIO-ECONOMIC DIFFERENTIATION OF
THE WORLD WITH SPECIAL ATTENTION TO
REGIONAL INEQUALITIES**

Synopsis of PhD Thesis

Prague, 2004

This PhD thesis was elaborated at the Department of Social Geography and Regional Development, Faculty of Science, Charles University during 2000-2004 under supervision of Prof. Martin Hampl.

Main contents of the thesis:

Introduction
Re-presentation of inequalities
Main political-economic approaches to social inequalities
Methodology
General theory of distribution of social phenomena
Socio-economic differentiation of the world
Selected inequalities in the distribution of other phenomena
Concluding remarks

Contents of the synopsis:

1. Introduction, objectives and structure.....4
2. Methodology.....6
3. Selected conclusions.....7
4. Selected bibliography.....10

1. INTRODUCTION, OBJECTIVES AND STRUCTURE

There are many indications suggesting that some kind of 'great transformation' in societal organization have occurred during the approximately last two centuries. The development of social inequalities, undoubtedly one of the main themes of social science, is certainly a part of the former. The uneven tides of development and particularly the contemporary pattern of its results represent main topics of this study. More precisely, the submitted dissertation deals largely with the regional disparities in society as one dimension of societal inequalities. In addition, the stress is also laid on regularities in spatial distribution of relevant phenomena as well as on their connections with distribution of these phenomena in society. Thus the main objective of the thesis is to document the existing socio-geographical differentiation of the contemporary world on the background of its historical development and as a part of a proposed general distributional order. The relationship between the historical and the structural is pointed out in this way.

The content of the presented study can be divided into two different parts. The pivotal one is obviously the (mostly empirical) assessment of the mentioned development and the structure of inequalities (chapters 4-7). Nevertheless, the questions regarding perception of economic inequalities and hierarchisation of society discussed in the preceding chapters (2-3) cannot be separated from the topic.

In the second chapter I deal with differences in representation of inequalities. The effects that a socio-economic stratification has on particular societies may vary because of differences in (collective) perceptions of the stratification or because of distinctions in the systems of values - generally speaking - due to the existence of various 'Weltanschauungen' in various societies. However, these essentially subtle distinctions are usually only hardly apprehensible. That is also why I am referring here only to some possible examples of culturally different perceptions of inequalities. The shared history, religion,

language and other 'anthropological constants' can be considered as determinants of the differences.

The same might be said about political ideologies and first of all about the western-originated political-economic strategies, which have in various modifications spread around the world. Therefore, in the third chapter I am briefly trying to repeat how the main streams of political and economic theory approach inequalities in society. In this context I am subsequently discussing the theoretical connections between the socio-economic (mainly income) inequalities and the macroeconomic prosperity. It is important to distinguish between so called functional distribution and statistical distribution of income (wealth). While the former can be regarded as a central theme of economic theory since the 'Classics' the latter one caught the attention later. In this regard, mainly statistical distributions are studied in this thesis. With respect to the long-during development of social inequalities (i.e. changes in statistical distribution of income) the importance of S. Kuznet's (1955) "U-path" hypothesis and the general validity of the theory of 'structural transformation' are emphasized.

Connecting issues are on programme in the fifth chapter, where I discuss some general factors conditioning the distribution of social phenomena. As a starting point I take the theory of 'hierarchisation and differentiation' evolved by M. Hämpl (comprehensively in the study from the year 1998). First of all I stress the link between structural 'complexity' as well as 'progressivity' of selected phenomena on the one hand and the level of socio-geographical inequality in the distribution of the phenomena on the other hand. Secondly (and also secondarily) I repeat and again document also the influence of the geographical scale on the level of spatial inequalities. In connection to the regularities in development of regional (spatial as well as socio-geographical) inequalities can be stressed the relevance of 'core-periphery' models, 'trickle-down growth' or 'spread effects' concepts and particularly J. Friedmann's (1966) theory of phases of regional development.

The mentioned propositions are considered as a theoretical background for the following empirical assessment of the differentiation of the world (chapters 6-7). In the first part of the seventh chapter A. Madisson's (1995, 2001) historical GDPs estimates are used in effort to describe the development of international economic disparities. Further the notes concerning possible historical changes in the pattern of 'inner' or 'within-national' economic inequalities are added. The second part of the chapter is dedicated to the evaluation of contemporary economic world differentiation. The attention is paid to both the inter-national (and inter-civilizational as well as inter-continental) and within-national (regional as well as social) dimensions of inequalities. Finally, some (macro-regional) disparities in the distribution of 'non-economic' indicators are discussed in the eight chapter.

2. METHODOLOGY

Because of the confusing terminology in the field I should explain what kinds of inequalities are studied here. Basically, three types of distributions (i.e. differentiations or inequalities) are observed. These are the spatial, the socio-geographical and the social distributions of economic product, population or other phenomena. While the observation of spatial inequalities in this study means the assessment of regional differences in GDP or population per square km (i.e. spatial concentration), the socio-geographical differentiation is evaluated as differences in regional GDP per capita and the social inequalities as differentiation in population shares on total income (wealth). Once more I would like to repeat that the meanings of presented terms were restricted and simplified here for the purposes of this study.

The following important note concerns the geographical scale of assessment. Since the attention is paid above all to the world differentiation the observation of macro- and mezo-regional inequalities prevails. The differentiation of the world system (1st scale level) is evaluated both among its subsystems (12 world subsystems at the 2nd scale level) as well as among

their regions (units at the 3rd scale levels which only partially correspond to countries). Because of a large number of units only the selected examples at lower scales could have been added. For the list of observed systems as well as for the way of their regionalisation see an appendix in the thesis.

Since the study is relatively extensive the ways and means of the empirical assessment are limited by data availability. While the information on the area and population size is available regarding the evaluations of the level of economic development only GDP data are accessible in sufficient regional elaboration. In this respect a sizable amount of regional data was collected. The adjusted data on purchasing power parity (PPP) were preferred because they seem to suit better for comparison of international living standards. Also other human development indicators are used however they are discussed less comprehensively - either at the level of countries or as examples.

3. SELECTED CONCLUSIONS

There are two types of concluding remarks that could be highlighted. Firstly, I hope that the dissertation provides some interesting factual information on the development and the pattern of the world economic inequalities. Secondly, and perhaps more importantly general 'distributional regularities' were again documented and subsequently the theory of possible development of inequalities was evolved. For the former I would refer above all to the thesis itself while here I will focus especially on the latter.

Nevertheless now I would like to repeat what I have already expressed and what was objected in the initial chapters of the thesis devoted to the representation of inequalities. That is the statement regarding the inseparability of the 'world of will and imagination' from the reality of 'hard facts' and their mutual influence.

It was already pointed out that the level of inequality depends upon structural complexity of the studied phenomena. The spatial economic inequalities (and also spatial concentration of population) are generally higher than inequalities in distribution of income (wealth) among population(s). While the distribution of economic product among world regions is of a typical left-sided asymmetric shape (i.e. shape characteristic for geographically conditioned distributions), the socio-geographical world differentiation (distribution of the level of GDP per capita) among these regions shows some type of a 'twin peaks' distribution (see figure 17 in the thesis) similar to the estimated distribution of income (wealth) among the world population.

It corresponds to the primary world economic division into the core and the periphery. The core-periphery concept represents undoubtedly the main socio-economic cleavage of the contemporary world society. In addition it is documented that the fact that almost 60 % of the world economic product falls on the regions with only 15 % of the world population is from the major part a matter of uneven international development during the (approximately) past two centuries. With respect to the frequency curve derived from the distribution of world economic product among populations of 135 world regions the present-day threshold between the core and periphery regions is suggested to be 160 % of world average GDP per capita. Although secondarily it is possible to identify two 'middle' categories (semi-periphery and semi-core) the economic differences among the subsystems both within the 'western' core and within the 'non-western' periphery are probably less important than regional inequalities within these subsystems.

These represent the basic selected and relatively well-known statements (for others see the dissertation), which focus on extraordinary heterogeneity of the world as a whole. It is also evident from the comparisons of the level of world inequalities with the same measures counted for the systems at lower geographical scales. The only two extremely heterogeneous subsystems - east-Asian (included Japan) and south-African - reach the similar level of socio-geographical inequalities as the world. From the observed systems at lower

scales even the cases with the highest socio-geographical inequalities - the Balkan region (see regionalisation in the appendix of the thesis) or Thailand - do not near the world level of differentiation. This fact naturally means considerable limitations to the potential future integration tendencies or generally to the possibilities of global governance.

Because of the existing data limitations only a restricted number of particular systems could be studied with respect to factual development of inequalities. Therefore the attempt in this thesis was to simulate the development in the logic time. This 'cross-section' study means the observation of the relationship between the level of inequalities and the level of socio-economic maturity. Regarding the tendencies of observed inequalities the results suggest a general validity of the theory of 'structural transformation' - along the long-term phases of structural transformation of society inequalities are 'on average' firstly increasing then stabilizing and finally decreasing.

Nevertheless, the presented general developmental pattern is valid only for the trends - the absolute changes in the levels of particular types of inequalities and above all their timing in conditions of particular societies seem to be variable. The spatial inequalities are generally more stable than the social and socio-geographical inequalities. While the level of the latter could potentially (in the third phase of the development) decrease to the initial state the changes in spatial inequalities are either relatively irreversible or only partially reversible. The timing of the changes in inequalities is also different for various geographical scales where the inequalities are evaluated. In this regard it might be stated that the presented changes assert themselves 'from below' (i.e. from the lowest geographical scales) and reproduce themselves at the higher scales. Thus firstly the changes in social (income) inequalities start in particular (micro)societies, then the socio-geographical inequalities within micro-regions appear and subsequently also the differentiation among these regions (i.e. within mezo-regions) come out.

Although the provided results of the assessment correspond quite well with the mentioned statements one should interpret them carefully. However, it can be claimed that a high level of economic development does not indeed guarantee a social (or socio-geographical) equality nevertheless it prevents an extreme inequality at least.

The particular societies (or systems) are on their original way of development and their level of inequalities (both spatial and social) is catalyzed by a plenty of conditioning factors. One thus cannot expect that a universal developmental trajectory, in so far 'specific' to enable to predict the (final or optimal) level of inequality, will be revealed. However I believe that a general pattern of development is feasible and also advisable to explore. I hope that this dissertation is conductive in this way and that at the same time it provides a couple of possible stimuli for the future research.

4. SELECTED BIBLIOGRAPHY

- AHLUWALLA, M.S. (1976): *Inequality, poverty, and development*. Journal of Development Economics, Vol. 3, Issue 4, p. 307-342.
- BAIROCH, P. (1982): *International industrialization levels from 1750 to 1980*. Journal of European Economic History, 11, Nm. 2, Fall 1982, p. 268-333.
- BAIROCH, P. (1993): *Economics and World History: Myths and Paradoxes*. Chicago, The University of Chicago Press, 184 p.
- BARRO, R.J. (2000): *Inequality and growth in a panel of countries*. Journal of Economic Growth, Vol. 5, Issue 1, p. 5-32.
- BLAŽEK, J., UHLÍŘ, D. (2002): *Teorie regionálního rozvoje*. Praha, Karolinum, 211 p.
- BOURGUIGNON, F., MORRISON, Ch. (2002): *Inequality among world citizens 1820-1992*. American Economic Review, September 2002, Vol. 92, Issue 4, p. 727-744.
- BUDIL, J.T. (1999): *Mýtus, jazyk a kulturní antropologie*. 3rd edition, Praha, Triton, 259 p.

- DAHRENDORF, R. (1968): *On the Origin of Inequality among Men*. In: Dahrendorf, R.: *Essays in the Theory of Society*, Stanford University Press, p. 151-178, reprinted in: Béteille, A. (ed.): *Social Inequality*, p. 16-44, Penguin Books, 1969.
- DURKHEIM, É. (1895): *Les Règles de la Méthode Sociologique*. Praha 1926, translation to Czech F. Kratina, 107 p.
- FRIEDMANN, J. (1966): *Regional Development Policy: A Case Study of Venezuela*. Cambridge-Massachusetts-London, M.I.T. Press.
- GEERTZ, C. (1973): *The Interpretation of Cultures*. New York, Basic Books.
- GIBBS, J.P. (1963): *The evolution of population concentration*. *Economic Geography*, 39/2, p. 119-126.
- HAMPL, M. (1971): *Teorie komplexity a diferenciace světa*. Praha, Univerzita Karlova.
- HAMPL, M. (1998): *Realita, společnost a geografická organizace: hledání integrálního řádu*. Praha, PpF UK, 110 p.
- HEYWOOD, A. (1998): *Political Ideologies. An Introduction*. 2nd edition, London, Palgrave, 364 p.
- HUNTINGTON, S.P. (1996): *The Clash of Civilizations and the Remaking of World Order*. New York-London-Sydney, Simon and Schuster.
- KORČÁK, J. (1941): *Přírodní dualita statistického rozložení*. Special reprint from Statistický obzor, sešit 5-6, presented in Czech statistical society 20/02/1941.
- KREJČÍ, J. (2002): *Postižiteľné proudy dějin*. Praha, Sociologické nakladatelství, 563 p.
- KUZNETS, S. (1955): *Economic growth and income inequality*. The American Economic Review, Vol.45, Nm.1, p. 1-28.
- KUZNETS, S. (1966): *Modern Economic Growth*. New Haven, Yale University Press, 529 p.
- LANDES, D.S. (1969): *The Unbound Prometheus: Technical Change and Industrial Development in Western Europe from 1750 to Present*. Cambridge, MA, Cambridge University Press, 576 p.
- LEWIS, M.W., WIGEN, K.E. (1997): *The Myth of Continents: A Critique of Metageography*. Berkeley, Los Angeles, London, University of California Press.
- LINDERT, P.H. (1996): *What limits social spending? Explorations in Economic History*, Vol. 33, Issue 1, p. 1-34.
- MADDISON, A. (1995): *Monitoring the World Economy, 1820-1992*. Paris, OECD, 255 p.
- MADDISON, A. (2001): *The World Economy: A Millennial Perspective*. Paris, OECD, 383 p.

- MILANOVIĆ, B. (1998): *Income, Inequality, and Poverty during the Transition from Planned to Market Economy*. Washington D.C., World Bank.
- MILANOVIĆ, B. (1999): *True world income distribution, 1988 and 1993: First calculation based on household surveys alone*. World Bank, Development Research Group.
- MYRDAL, G. (1957): *Economic Theory and Underdevelopment Areas*. London, Duckworth.
- NOVOTNÝ, J. (2000): *Regionální ekonomické struktury v České republice a jejich současné vývojové tendence*. Magisterská práce, Přírodovědecká fakulta Univerzity Karlovy, 102 p.
- NOVOTNÝ, J. (2003a): *Sociogeografická diferenciace současného světa*. Geografie - Sborník České geografické společnosti, 108/1, p. 14-35.
- NOVOTNÝ, J. (2003b): *Looking for identity: mapping or imagination?* Cahiers de l'échinox Journal, Babes-Bolyai University Cluj & Central European University Budapest, Vol. 5, p. 9-14.
- PRITCHETT, L. (1997): *Divergence, big time*. Journal of Economic Perspectives, Vol. 11, Nm. 3, summer 1997, p.3-17.
- RAVALLION, M. (2002): *On the urbanization of poverty*. Journal of Development Economics, Vol. 68, Issue 2, p. 435-442.
- RAVALLION, M., CHEN, S. (1997): *What can new survey data tell us about recent changes in distribution and poverty?* The World Bank Economic Review, Vol. 11, No. 2, p. 357-382.
- SAID, E.W. (1978): *Orientalism. Western Conceptions of the Orient*. New York, Penguin Books.
- SALA-I-MARTIN, X. (2002): *The world distribution of income (Estimated from individual country distributions)*. NBER Working Paper 8933, May 2002.
- SEARLE, J.R. (1995): *The Construction of Social Reality*. New York, Free Press.
- SCHULTZ, T.P. (1998): *Inequality in the distribution of personal income in the world: How it is changing and why*. Journal of Population Economics, 98, p. 307-344.
- SOJKA, M. a kol. (2000): *Dějiny ekonomických teorií*. Praha, Karolinum, 298p.
- SZIRMAL, A. (1986): *Inequality Observed. A Study of Attitudes Towards Income Inequality*. Avebury, Aldershot, Brookfield, 535 p.
- TAYLOR, P.J. (1989): *Political Geography. World-Economy, Nation State and Locality*. Second edition, Harlow, Longman Scientific & Technical, 308 p.

TOYNBEE, A.J. (1934-64): *A Study of History*. London, Oxford University Press.

WALLERSTEIN, I. (1979): *The Capitalist World Economy*. Cambridge (Mass.), Cambridge University Press, 320 p.

WEBER, M. (1904-5): *Die protestantische Ethik und der Geist des Kapitalismus*. (Protestantská etika a duch kapitalismu, in: M. Weber, *Autorita, etika a společnost*. Praha, Mladá Fronta, 1997, p.239-267).

WILLIAMSON, J.G. (1965): *Regional inequality and the process of national development: a description of patterns*. Economic Development and Cultural Change. Vol. 13, Nm. 4, Part 2, p.3-45.