History and the inequality predicament

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HISTORY AND THE INEQUALITY

Globalisation is affecting daily life almost everywhere, so it seemed logical when the 2005 *UN Report on the World Social Situation, The Inequality Predicament*, reported that economic inequality is dramatically increasing in Asia, as it has been in the rest of the world. This trend is embedded in spatial and social patterns reproduced over the last two centuries – patterns that comprise a deeper, more pervasive 'inequality predicament' than the UN dares to recognise.

Wertheim Lecture 2006

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Markets, inequality and territory

To explain prevailing patterns of inequality, we can begin with Ankie Hoogvelt's useful argument that markets move assets around the world in networks that privilege some places and people over others. Yet markets alone do not explain why wealth accumulates where it does. Property ownership defines legal entitlements to assets that move within markets. Laws governing property rights, citizenship, inheritance, taxation, state patronage and other state concerns construct authority over national territory in a way that channels market access and wealth to preferred people and places. These are territorial systems of entitlement, and they create 'topographies' of inequality in which markets operate and thus help determine where wealth accumulates.

Territoriality is therefore critical for understanding inequality. Even though globalisation is deterritorializing global capitalism, national territorialism is alive and well, and it may be getting stronger. National authorities exert control over transport, finance and communication infrastructure as well as trade regimes that make globalisation work. Empirically, globalisation is composed of collections of national data, and the activities that constitute globalisation always occur inside national territories, which are thus strategic vantage points for studies of globalisation.

Yet national territory is not the only kind of territory affecting inequality. Imperial forms of territorial order are also at work. Though mainstream social science has defined empire and nation as incompatible, and has made modern history appear to be an irreversible progression from empire to nation, imperial power and authority continue to shape inequality in the world of national sovereignty.

Imperial forms

We can explain prevailing patterns of inequality more effectively by locating national states and world capitalism at intersections of two kinds of imperial history, one global and the other regional. Three features of imperial territory are most crucial for such analysis. First, empire consists of culturally visible ranks of authority and privilege, supported by coercive power. Each place and person occupies a specific rank in the 'many layered cake' of empire. Second, empires form spatially expanding and contracting – hence essentially mobile – systems of territorial order. Imperial boundaries never stand still for long. Third, imperial territory is controlled unevenly. Struggles inside empire's 'many layered cake' shift power up and down the ranks; rebellions counteract top-down authority; and some places are simply not worth integrating thoroughly into imperial ranks.

Though firmly fixed boundaries of the national sort do not exist in empires, historians have nonetheless endeavoured to lock imperial territoriality into maps and timelines that mark the 'rise and fall' of each empire. We can, however, distinguish histories of imperial territoriality from histories of specific empires. Exploring this distinction reveals the historic reproduction of imperial forms of power and authority across transitions to national modernity which take place through long cycles of construction, expansion, integration, fracture, disruption, fragmentation, dispersion and reorganisation.

Global empires

Today's spatial pattern of global inequality is part of an imperial cycle stretching back to the 19th century. After 1945, old imperial nations reproduced their global supremacy by sitting on the UN Security Council, forming NATO, meeting at Bretton Woods and Davos, to mention just a few venues during the new form of inter-imperial struggle that was called 'Cold War'. In the 1970s, a post-war economic boom ended and a new global development regime came into place led by the richest countries, the World Bank and the IMF, which came to dominate economic policy-making in most poor countries. This global development regime enforced structural adjustment policies and produced today's unprecedented global uniformity of free-market-oriented national economic policies which induce poor country exports, promote imports and open debtor nations to global investors.

Long-term trends in international inequality represent a reproduction of old imperial patterns. Between 1870 and 1985, per capita income ratios between rich and poor countries increased six-fold, as income levels dispersed over an ever-widening range. Since the 19th century, new wealth produced by economic development has tended to augment disproportionately the wealth of already richer countries. But neo-liberal economic theory denies the imperial character of such trends; in the words of *NY Times* columnist David Brookes, for example, 'today's rich don't exploit the poor; they just out-compete them'. In this view, more productive people earn more by merit and inequality increases because markets do not provide unproductive people what they need to compete successfully in the market. Such logic induces major development agencies to promote 'pro-poor growth' policies, which rely on governments, NGOs and businesses to provide loans, education, health, housing and jobs that poor people need to compete. Yet despite pro-poor initiatives, inequality is increasing in most countries.

The persistent tendency of imperial power and authority to channel wealth up the ranks has locked in place today's 'inequality predicament' by giving elites more capital to invest, which spurs economic growth but reduces the proportion of new wealth available at lower echelons. Economists have now shown conclusively, as Martin Ravallion says, that, 'At any positive rate of growth, the higher the initial inequality, the lower the rate at which income-poverty falls'. In other words, increasing inequality reduces the rate at which people escape poverty, as it channels more wealth into elite hands during economic growth. Thus inequality under capitalism exerts a 'poverty effect' and a 'growth effect' at the same time.

In recent decades, during a surge of globalisation, the world has become richer under free-market-oriented economic policies, but asset inequality has also increased, meaning less new wealth available for reducing poverty is serving that purpose. Over the past four decades, the ratio of wealth held by the world's richest and poorest quintiles almost tripled from 30:1 to 86:1. The 1996 *Human Development Report* stated: 'The poorest 20% of the world's people saw their share of global wealth decline from 2.3% to 1.4% in the [preceding] 30 years...[as] the share of the richest 20% rose from 70% to 80%'. In the United States, the richest 20% have increased their share of national income from 44% to 50%, and the richest 1% increased theirs from 7% to 13%. America is now more unequal – and the gap between rich and poor more expansive – than at any time since the start of the Great Depression.

Economic measures reveal that inequality increased dramatically during the global expansion of a neo-liberal economic policy regime, especially since the end of the Cold War, as more of the world's assets have been privatized. Freeing up world markets – to the extent that rich countries have allowed this to occur – has disproportionately enriched rich countries, and especially rich people in rich countries.

Imperial India

Asian history is a composite of many imperial cycles across many regions. In South Asia, modern cycles began in the late 18th century when the Mughal Empire broke into regions of subordinate authority: imperial power descended the territorial ranks, regional elites became more independent and Mughal authority became merely symbolic. The British adopted and altered Mughal imperial forms, added industrial capitalism, built a new imperial order and expanded Indian imperial territory beyond its former limits. Beginning at the height of British imperial power, Indian nationalists identified their nation with British territory and then, as two world wars weakened all imperial nations except America, struggled to usurp imperial authority. In 1947, British imperial territory fractured into national territories where imperial forms of power and authority acquired new life. India's recent surge in economic growth under its neo-liberal policy regime is part of this imperial history, as Tirthankar Roy indicates when he says India has returned to free-market policies that prevailed in Queen Victoria's day. This 'return' is a moment in a long process of imperial transformation.

In the 19th century, the British refashioned India's imperial ranks into a modern entitlement system that channelled wealth upward through state institutions and markets. Imperial capitalism embedded itself deeply in India during a surge of globalisation before World War One, when world GDP grew more quickly than during any decade until 1990. In 1914, most goods arriving at South Asian ports were for export. The American Consul at Bombay described British India as 'one of the few large countries of the world where there is an "open door" for the trade of all countries'. British India was the world's fourth largest industrial cotton textile producer, and manufactured goods comprised 20% of all exports, a figure never since surpassed. Over the next two decades, industrial output grew more quickly in India than in Britain and Germany, as trade with Britain at India's five major ports fell to less than one-third of total trade. Indian labour also went global. By 1921, Indian emigration far exceeded immigration, moving mostly to Ceylon, Malaya, East and South Africa, Fiji and the West Indies, all of which were part of the British Empire.

Wealth in British India followed typical imperial trajectories, enriching the British most of all but also elite Indians. Wealth moving up the ranks expanded the empire's military and economic infrastructure, but growth was very slow and poverty increased. Extremes of inequality appeared during famines that killed millions, including several million during World War Two in Bengal, where imperial priorities concentrated assets in Calcutta and left villagers to starve. The upward mobility of imperial wealth was apparent to nationalists for whom reducing its flow out of India became a basic goal. After independence, in 1947, national governments in South Asia kept more wealth inside their territories and thus accomplished a radical shift in the world's imperial ranks by increasing the relative economic power of the world's lower national echelons. India remained poor – since 1947 its per capita GDP has hovered at around 10% of the American-British average – but India's relative impoverishment trend compared to Britain and America stopped dead at independence.

The same holds true for China. In fact, increasing economic growth in both India and China slowed the rate of increase in international inequality for 30 years, until the late 1970s. After 1980, wealth in India and China increased even more quickly, and surged again after 1991, further reducing the rate of increase of international inequality. National inequality, however, has increased in both countries in recent decades, as freeing up markets has spurred growth but also aggravated the imperial tendency of wealth to move up the ranks inside each country. Since 1980, inequality has increased in Asian countries that together are home to half the world's population.

Imperial dynamics help explain why India and China have been getting richer faster and at the same time more unequal nationally. Political power over economic resources has been shifting down the ranks into regions. As a result, national political systems have changed drastically. India's 1956 reorganisation of states enhanced regional growth after 1980, when Indian states began to gain more power over economic resources; regional party coalitions now control the central government. An analogous devolution in Mughal South Asia fuelled economic growth in coastal regions in the late 18th century. Current high growth rates in India and China derive significantly from similar imperial economic and political devolution.

PREDICAMENT*

Inequality in India

India's imperial patterns of inequality reproduced themselves after independence. Nationalists extracted Indian territorial layers from the British Empire's 'many layered cake', forged them into a more tightly integrated national economy, invested heavily in infrastructure, increased growth, eliminated famine, stabilised income inequality and decreased inequality generally through land reforms, public provisioning and subsidies for productive inputs like water, electricity, fertilizer and High Yielding Varieties of wheat and rice.

But these national efforts did not eliminate India's imperial ranks. India's national development regime actually accentuated wealth accumulation among privileged groups and in privileged places. In agrarian regions imbued with landlord property systems under the Mughals and British, private and public investment in agriculture, health and education remained comparatively low. National development policy 'bet on the rich' to secure economic growth. In the 1980s, people who had benefited most from their status in British imperial ranks and in India's national development regime propelled India's 'return' to free-market-oriented economic policies, which were no longer associated with empire but rather with being proudly and globally Indian.

Higher growth rates resulted, and so did increased inequality. In the 1980s, rich regions got richer compared to poor regions. After 1991 growth increased more quickly and after 1999 income inequality rose measurably: 2004 National Sample Survey data show that, after 1991, most new wealth went to wealthier classes with privileged access to government and new market opportunities. Between 1991 and 2004, the top quintile of India's urban rich increased its per capita consumption by 40%, compared to 20% in rural areas. The rural rich got richer, too, but compared to the urban rich, they also got poorer, which helps explain the 2004 change in government.

In 2004, the new Prime Minister faced 600 million Indians, in the bottom 80% of rural income groups, who had suffered a decline in per capita consumption under reforms he introduced as Finance Minister in 1991 and now vowed to continue. But Manmohan Singh took pride in the 300 million Indian citizens who became richer under post-1991 liberalization. The richest among them became media stars in India's 2006 global self-promotion as 'the world's fastest growing free-market democracy'.

Generic inequality

Patterns of inequality in India cannot be explained adequately as standard features of global capitalism or as symptoms of India's national culture. Yet they do have generic qualities that characterize imperial forms of power and authority more generally.

Generic imperial inequality has clear spatial attributes. Spatial inequality occurs when core locations become privileged sites for capital accumulation. In both China and India, urban-rural and regional disparities institutionalized long before 1980 became rapidly worse after 1990. In India, recent growth favoured southern and western states, while distressing northern and north-eastern states that had been disadvantaged by public and private investment decisions. Poverty in the eastern Gangetic basin dates back to the 19th century, when the east-west divergence in North India entered imperial politics, as the Indian capital moved to New Delhi. This spatial divergence continued after independence with disproportionate state and private investments in the west. In the 1990s, economic returns in regions more dependent upon agriculture declined, as annual growth in agriculture and allied services dipped to less than half the rate of growth in India's aggregate per capita GDP, and the ratio of rural-to-urban poverty increased.

Broadly speaking, Asian regions most excluded from capital accumulation lie on peripheries of former Mughal, British, Dutch, French and Chinese empires, in mountainous regions spanning Nepal, north-east India, Chittagong Hill Tracts, highland Burma, Thailand, Vietnam and South China – all of which remain tribal minority homelands on peripheries of national control. City slums are internal peripheries no less excluded from capital accumulation.

Gender marks a second generic imperial form of inequality. Gender inequality is pervasive from the global to local levels. In 2003, a national study of gender disparities in India concluded that the poorest states (home to half the total population) had not improved the condition of women, while the worst gender disparities exist in rich, fast growing states, namely, Punjab and Haryana. Women's wages and working conditions, and the social and environmental conditions of their domestic and communal labour, are worsening in a way that recalls imperial patriarchy, particularly in agrarian contexts, but also in new urban sites of female industrial labour in garment, electronics and 'global sweatshops'.

A third generic form is ethnic inequality. Imperial ranks demote poor ethnic minorities to lower echelons, where inequality embeds itself in minority cultures. India's Muslim population is becoming comparatively poorer, especially in the rapidly growing urbanised state of Gujarat, a showpiece of neo-liberal globalisation. Ethnic minority and tribal populations in poor north-eastern states and in the Chittagong Hill Tracts have continued to lose ground, reflecting their location on imperial and national peripheries.

Class inequality in the imperial ranks – a fourth generic form of inequality – divides people into haves and have-nots, most basically through the distribution of proprietary entitlements that translate into education, business and employment opportunities. In India, upward trajectories of social mobility into urban elite ranks typically start in rich market towns and in irrigated, rice-growing villages, where up-and-comers own property whose value has increased over time much more than that of dry farmland. Even today, owners of dry land are much less likely to benefit *in situ* from connections to urban sites of globalisation. Impoverished farmers around booming cities like Bangalore and Hyderabad, always on the verge of famine, routinely commit suicide under the humiliation of crushing debt.

Landless workers, meanwhile, dominate the lowest income groups who have seen their real incomes decline. Deindustrialization and casualization of labour under free-market flexible production regimes render urban and rural workers more vulnerable to poverty, and the UN's 'inequality predicament' report has stressed above all the poverty effects of being cast into the world's growing informal economy. Exchange entitlements for poor wage workers have been further distressed by inflation and reduced subsidies for basic commodities. Proportionate wage increases favour more educated workers in settings where education is unavailable.

Generic patterns of imperial inequality overlap to generate others. Health inequalities of many kinds arise at their intersections. So does violence. A 'Maoist rebel crescent' of class war has spread across the poorest mountain regions of Nepal and impoverished Bihar, Orissa and Andhra Pradesh. In northeast India and Gujarat, minority impoverishment feeds political violence. Growing inequality has sparked caste violence in Tamil Nadu and religious violence in Bangladesh.

History in the present

By exploring how the productive use of wealth inside explicit, changing ranks of imperial entitlement has driven economic growth in Asia over space and time, we can thus enrich Ankie Hoogvelt's idea that world capitalism operates in networks of mobility. When markets operate unchecked inside such systems of entitlement, they guide new wealth up the ranks and thus aggravate inequality, even as they stimulate economic growth.

Imperial power and authority have had a changing impact in each historic phase of economic development. Today, imperial inequality is generating neo-liberal policy regimes designed to 'free' markets from political interference by people who might challenge imperial power. In this context, focusing national economic development policies primarily on growth conceals imperial ranks that determine actual market operations. History suggests that pro-poor policies will not be able to reduce inequality under neo-liberal policy regimes sufficiently to secure sustainable growth, poverty reduction and social justice, because markets, left to their own devices, strengthen imperial forms of entitlement and aggravate inequality.

With this in mind, we can see in retrospect that British, French and Dutch imperialists were not the villains they often appear to be, because any policy maker – foreign imperialist, native nationalist, socialist or communist – who imagines the world as being a flat national plane of capitalist development, bereft of all vertical forms of imperial power and authority, is effectively encouraging the continued flow of wealth up the imperial ranks. Thus the inequality predicament is no impenetrable conundrum. Its solution requires sustained downward shifts in power over the production of wealth. That in turn demands more, and more profound, studies of imperial territoriality in order to inform anti-imperial struggles in every nook and cranny of globalisation. <

* This is the abridged version of the lecture delivered in Amsterdam on 12 May 2006. The full version with references is online at: http://www.iias.nl/asia/wertheim/?q=node/5

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