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 policy-makers 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.