

Disarticulation goes North

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Branko Milanovic, October 16, 2015

In the neo-Marxist literature on under-development one of the most important theories was about the disarticulation of the countries in the South (the erstwhile “Third World”). What was meant by the term was that the Center, the developed North, established within a peripheral country only enclaves of modernity whose function was to keep the South producing for the needs of the North without being able to create an internally connected production structure, going from raw material extraction to their processing, and ultimately production of high value added commodities. What mattered to the North was extraction of raw materials. This was entrusted to be organized to a local comprador bourgeoisie, whose economic interests thus coincided with those of the former colonial powers. The economy was, to use Samir Amin’s terminology, “extroverted”, that is directed only towards abroad and lacking in domestic ability to develop. Both the polity and the economy were disarticulated.

As a summarized history of the failed developments in the South up to approximately 1980s, the theory did make lots of sense. No country developed without an internally-integrated economy. Raw material producers never created a successful economy. But as a prescription to sever the links with the North and develop independently, the strategy, even when tried half-heartedly, was a failure.

Sociologically and politically, the importance of the disarticulation story is that economic divergence of interests between the comprador bourgeoisie and the rest of society leads to a class split within the countries of the South. The comprador bourgeoisie was supported by the North and was maintained in power, against the interest of the majority, by West’s constant political or in some cases military support.

Let us now with this approach in mind, turn our gaze toward today’s North. In a recent piece published in the New York Times, Paul Theroux, after traveling through the American South, was shocked by the depth of poverty there, wrought in his opinion by the destruction of jobs that have all gone to Asia and by import of cheap commodities from China. He was even more distraught by the apparent lack of interest of American political and economic elites who seem to even fail to notice the plight of the Americans in states like Mississippi and most ironically in Arkansas where philanthropists such as the Clinton Foundation have not been much seen even as they proudly boast of efforts “to save the elephants in Africa”.

The key issue raised by Theroux was whether trade, that is, globalization was responsible for this plight. The second issue that was raised was why there is so little empathy with the domestic poor or interest in doing something about their destitution.

In an answer to Theroux, Annie Lowrey points out that however awful the poverty in Mississippi is, it is not as bad as poverty in parts of Africa (Zimbabwe is used as a

comparator both by Theroux and Lowrey). Globalization that has lifted out of poverty several hundred million Chinese at the cost of making ghost towns in Mississippi is not a zero-sum game. Moreover, from a cosmopolitan point of view, the rich Americans' concern with African poverty rather than with poverty in Mississippi or Arkansas makes sense because people in Africa are much poorer.

Technically, Lowrey is right on all points. One can safely claim, to the extent that these things that be causally proven, that the rapid worldwide progress in poverty alleviation is due to globalization. It is also true that on any income or consumption metric, poverty in parts of Africa is much worse than in Mississippi. But of course none of that may be politically or socially relevant because national populations seldom care about cosmopolitan welfare functions (where happiness of every individual in the world is equally valued). They work with national welfare functions where a given level of destitution locally is given a much greater weight than the same destitution abroad. There are studies that show the revealed difference in implicit national vs. cosmopolitan weighting of poverty (the ratio for the US is estimated at 2000 to 1); there are arguments for this, going back to Aristotle who in *Nicomachean ethics* thought that our level of empathy diminishes as in concentric circles as we move further from a very narrow community. And there are also political philosophy arguments (by Rawls) why co-citizens do care more for each other than for the others.

But I think that it is insufficient to leave this argument at a very abstract level where one group of Americans would have a more cosmopolitan welfare function and better perception of global benefits of trade and another would be more nativist and ignorant of economics. I do not think that the real difference between the two groups has to do with welfare concerns and economic literacy but with their interests. Many rich Americans who like to point out to the benefits of globalization worldwide significantly benefited and continue to benefit from the type of globalization that has been unfolding during the past three decades. The numbers, showing their real income gains, are so well known that they need no repeating. They are large beneficiaries from this type of globalization because of their ability to play off less well-paid and more docile labor from poorer countries against the often too expensive domestic labor. They also benefit through inflows of unskilled foreign labor that keep the costs of the services they consume low. Thus rich Americans are made better off by the key forces of globalization: migration, outsourcing, cheap imports, which have also been responsible for the major reduction of worldwide poverty. Perhaps in a somewhat crude materialist fashion I think that their sudden interest in reducing worldwide poverty is just an ethical sugar-coating over their economic interests which are perfectly well served by globalization. Like every dominant class, or every beneficiary of an economic or political order, they feel the need to situate their success within some larger whole and to explain that it is a by-product of a much grander betterment of human condition.

A new alliance, based on the coincidence of interests, is thus formed between some of the richest people in the world and poor people of Africa, Asia and Latin America. Those who are left out in the cold are the domestic lower-middle and middle classes squeezed between the competition from foreign labor and indifference of national ruling classes. As

in the neo-Marxist theories applied to the South, the divergence of economic interests within a country produces political disarticulation. The rich favor the continuation of globalization as it is, the lower middle classes are looking at the ways to change or reverse both globalization and migration that comes with it. Two political camps are thus formed, not only in the US but in practically all rich countries: the camp of ideologically cosmopolitan rich whose incomes keep on increasing and the camp of nativist lower-middle classes who feel that nobody is defending their interests.

The disarticulation in the North produces political polarization with clear dangers of transforming democracy into either a plutocracy that would continue with current policies, or alternatively a populist regime that would give way to the frustration of the middle classes by reimposing tariff rates, exchange controls and tighter migration rules.

The idea that globalization is a force that is good and beneficial for all is an illusion. Tectonic economic changes such as those brought by globalization always have winners and losers. (The first sentence of my forthcoming book "Global inequality", Harvard University Press, April 2016, says exactly that.) Even if globalization is, as I believe, a positive phenomenon overall, both economically for the reasons Lowrey mentions and ethically because it allows for the creation of something akin to community of all humankind, it is, and will remain, a deeply contradictory and disruptive force that would leave, at times significant groups of people, worse off. Refusing to see that is possible only if one is blinded by ideology of universal harmonies or by own economic interests.