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# 32

# The Rise of the Fourth World

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The rise of [global] informationalism in this end of millennium is intertwined with rising inequality and social exclusion throughout the world. In this chapter I shall try to explain why and how this is so, while displaying some snapshots of the new faces of human suffering. The process of capitalist restructuring, with its hardened logic of economic competitiveness, has much to do with it. But new technological and organizational conditions of the Information Age [. . . ] provide a new, powerful twist to the old pattern of profit-seeking taking over soul-searching.

However, there is contradictory evidence, fueling an ideologically charged debate, on the actual plight of people around the world. After all, the last quarter of the century has seen access to development, industrialization, and consumption for tens of millions of Chinese, Koreans, Indians, Malaysians, Thais, Indonesians, Chileans, Brazilians, Argentinians, and smaller numbers in a variety of countries. The bulk of the population in Western Europe still enjoys the highest living standards in the world, and in the world's history. And in the United States, while average real wages for male workers have stagnated or declined, with the exception of the top of the scale of college graduates, the massive incorporation of women into paid labor, relatively closing their wage gap with men, has maintained decent standards of living, overall, on the condition of being stable enough to keep a two-wage household. Health, education, and income statistics around the world show, on average, considerable improvement over historical standards.[1] In fact, for the population as a whole, only the former Soviet Union, after the collapse of statism, and Sub-Saharan Africa, after its marginalization from capitalism, have experienced a decline in living conditions, and for some countries in vital statistics, in the past ten years (although most of Latin America regressed in the 1980s). Yet, as Stephen Gould entitled a wonderful article years ago, "the median isn't the message."[2] Even without entering into a full discussion of the meaning of the quality of life, including the environmental consequences of the latest round of industrialization, the apparently mixed record of development at the dawn of the Information Age conveys ideologically manipulated bewilderment in the absence of analytical clarity.

This is why it is necessary, in assessing the social dynamics of informationalism, to establish a distinction between several processes of social differentiation: on the one hand, *inequality*, *polarization*, *poverty*, and *misery* all pertain to the domain of relationships of distribution/consumption or differential appropriation of the wealth generated by collective effort. On the other hand, *individualization of work*, *over-exploitation of workers*, *social exclusion*, and *perverse integration* are characteristic of four specific processes *vis à vis* relationships of production.[3]

*Inequality* refers to the differential appropriation of wealth (income and assets) by different individuals and social groups, relative to each other. *Polarization* is a specific process of inequality that occurs when both the top and the bottom of the scale of income or wealth distribution grow faster than the middle, thus shrinking the middle, and sharpening social differences between two extreme segments of the population. *Poverty* is an institutionally defined norm concerning a level of resources below which it is not possible to reach the living standards considered to be the minimum norm in a given society at a given time (usually, a level of income per a given number of members of household, as defined by governments or authoritative institutions). *Misery*, a term I propose, refers to what social statisticians call "extreme poverty," that is the bottom of the distribution of income/assets, or what some experts conceptualize as "deprivation," introducing a wider range of social/economic disadvantages. In the United States, for instance, extreme poverty refers to those households whose income falls below 50 percent of the income that defines the poverty line. It is obvious that all these definitions (with powerful effects in categorizing populations, and defining social policies and resource allocation) are statistically relative and culturally defined, besides being politically manipulated. Yet, they at least allow us to be precise about what we say when describing/analyzing social differentiation under informational capitalism.

The second set of processes, and their categorization, pertains to the analysis of relations of production. Thus, when observers criticize "precarious" labor relations, they are usually referring to the process of individualization of work, and to its induced instability on employment patterns. Or else the discourse on social exclusion denotes the observed tendency to permanently exclude from formal labor markets certain categories of the population. These processes do have fundamental consequences for inequality, polarization, poverty, and misery. But the two planes must be analytically and empirically differentiated in order to establish their causal relationships, thus paving the way for understanding the dynamics of social differentiation, exploitation, and exclusion in the network society.

By *individualization of labor* I mean the process by which labor contribution to production is defined specifically for each worker, and for each of his/her contributions, either under the form of self-employment or under individually contracted, largely unregulated, salaried labor. [...] [I]ndividualization of labor is the overwhelming practice in the urban informal economy that has become the predominant form of employment in most developing countries, as well as in certain labor markets of advanced economies.[4]

I use the term *over-exploitation*[5] to indicate working arrangements that allow capital to systematically withhold payment/resource allocation, or impose harsher working conditions, on certain types of workers, below what is the norm/regulation in a given formal labor market in a given time and space. This refers to discrimination against immigrants, minorities, women, young people, children, or other categories of discriminated workers, as tolerated, or sanctioned, by regulatory agencies. A particularly meaningful trend in this context is the resurgence of child paid labor throughout the world, in conditions of extreme exploitation, defenselessness, and abuse, reversing the historical pattern of social protection of children existing under late industrial capitalism, as well as in industrial statism and traditional agricultural societies.[6]

*Social exclusion* is a concept proposed by the social policy think-tanks of the European Union's Commission, and adopted by the United Nation's International Labour Office.[7] According to the European Commission's Observatory on National Policies to Combat Social Exclusion, it refers to "the social rights of citizens ... to a certain basic standard of living and to participation in the major social and occupational opportunities of the society."[8] Trying to be more precise, I define *social exclusion as the process* *by which certain individuals and groups are systemically barred from access to positions that would enable them to an autonomous livelihood within the social standards framed by institutions and values in a given context.*[9] Under normal circumstances, in informational capitalism, *such a position is usually associated with the possibility of access to relatively regular, paid labor, for at least one member of a stable household.* Social exclusion is, in fact, the process that disfranchises a person as labor in the context of capitalism. In countries with a well-developed welfare state, inclusion may also encompass generous compensations in case of long-term unemployment or disability, although these conditions are increasingly exceptional. I would consider among the socially excluded the mass of people on long-term welfare assistance under institutionally punitive conditions, such as is the case in the United States. [...]

Social exclusion is a process, not a condition. Thus, its boundaries shift, and who is excluded and included may vary over time, depending on education, demographic characteristics, social prejudices, business practices, and public policies. Furthermore, although the lack of regular work as a source of income is ultimately the key mechanism in social exclusion, how and why individuals and groups are placed under structural difficulty/impossibility to provide for themselves follows a wide array of avenues of destitution. [...]

Moreover, the process of social exclusion in the network society concerns both people and territories. So that, under certain conditions, entire countries, regions, cities, and neighborhoods become excluded, embracing in this exclusion most, or all, of their populations. This is different from the traditional process of spatial segregation [...]. Under the new, dominant logic of the space of flows [...] areas that are non-valuable from the perspective of informational capitalism, and that do not have significant political interest for the powers that be, are bypassed by flows of wealth and information, and ultimately deprived of the basic technological infrastructure that allows us to communicate, innovate, produce, consume, and even live, in today's world. This process induces an extremely uneven geography of social/territorial exclusion and inclusion, which disables large segments of people while linking up trans-territorially, through information technology, whatever and whoever may offer value in the global networks accumulating wealth, information, and power.

The process of social exclusion, and the insufficiency of remedial policies of social integration, lead to a fourth, key process characterizing some specific forms of relations of production in informational capitalism: I call it *perverse integration*. It refers to the labor process in the criminal economy. By criminal economy, I mean income-generating activities that are normatively declared to be crime, and accordingly prosecuted, in a given institutional context. [...] [I]nformational capitalism is characterized by the formation of a global criminal economy, and by its growing interdependence with the formal economy and political institutions. Segments of the socially excluded population, along with individuals who choose far more profitable, if risky, ways to make a living, constitute an increasingly populated underworld which is becoming an essential feature of social dynamics in most of the planet.

There are systemic relationships between [global] informational capitalism, capitalist restructuring, trends in the relationships of production, and new trends in the relationships of distribution. Or, in a nutshell, between the dynamics of the network society, inequality, and social exclusion. [...] [L]et me briefly overview the state of the world concerning inequality, poverty, and social exclusion.

## Toward a Polarized World? A Global Overview

"Divergence in output per person across countries is perhaps *the* dominant feature of modern economic history. The ratio of per capita income in the richest versus the poorest country [between 1870 and 1989] has increased by a factor of 6 and the standard deviation of GDP per capita has increased between 60 and 100 percent" writes Pritchett, summarizing the findings of his econometric study for the World Bank.[10] In much of the world, this geographical disparity in the creation/appropriation of wealth has increased in the past two decades, while the differential between OECD countries and the rest of the planet, representing the overwhelming proportion of the population, is still abysmal. Thus, using the historical economic statistics elaborated by Maddison,[11] Benner and I have elaborated [. . . ] the evolution of GDP per capita [. . . ] for a group of selected countries [. . . ] *vis à vis* the United States, between 1950, 1973, and 1992. Japan has succeeded in almost catching up in the past four decades, while Western Europe has improved its relative position, but still trails the US by a considerable margin. During the 1973–92 period, the sample of Latin American, African, and Eastern European countries studied by Maddison have fallen behind even further. As for ten Asian countries, including the economic miracles of South Korea, China, and Taiwan, they have substantially improved their relative position, but in absolute levels, in 1992, they were still poorer than any other region of the world except Africa, representing, as a whole, only 18 percent of the US level of wealth, although this is mainly due to China's population.

However, if the distribution of wealth between countries continues to diverge, overall the average living conditions of the world's population, as measured by the United Nations Human Development Index, have improved steadily over the past three decades. This is due, primarily, to better educational opportunities, and improved health standards, which translate into a dramatic increase in life expectancy, which in developing countries went up from 46 years in the 1960s to 62 years in 1993, particularly for women.[12]

The evolution of income inequality presents a different profile if we take a global view, or if we look at its evolution within specific countries in a comparative perspective. In a global approach, there has been, over the past three decades, increasing inequality and polarization in the distribution of wealth. According to UNDP's 1996 Human Development Report, in 1993 only US$ 5 trillion of the US$ 23 trillion global GDP were from the developing countries even if they accounted for nearly 80 percent of total population. The poorest 20 percent of the world's people have seen their share of global income decline from 2.3 percent to 1.4 percent in the past 30 years. Meanwhile, the share of the richest 20 percent has risen from 70 percent to 85 percent. This doubled the ratio of the share of the richest over the poorest – from 30:1 to 61:1. The assets of the world's 358 billionaires (in US dollars) exceed the combined annual incomes of countries with 45 percent of the world's population. The gap in per capita income between the industrial and the developing worlds tripled, from $5,700 in 1960 to $15,000 in 1993.[13] "Between 1960 and 1991, all but the richest quintile [of the world's people] saw their income share fall, so that by 1991 more than 85 percent of the world's population received only 15 percent of its income – yet another indication of an even more polarized world."[14]

On the other hand, there is considerable disparity in the evolution of *intra-country inequality* in different areas of the world. In the past two decades, income inequality has increased in the United States,[15] United Kingdom,[16] Brazil, Argentina, Venezuela, Bolivia, Peru, Thailand, and Russia;[17] and, in the 1980s, in Japan,[18] Canada, Sweden, Australia, Germany,[19] and in Mexico,[20] just to cite a few relevant countries. But income inequality *decreased* in the 1960–90 period in India, Malaysia, Hong Kong, Singapore, Taiwan and South Korea.[21] Also, according to data elaborated by Deininger and Squire, if we compare the level of income inequality [...] by major regions of the world, between the 1990s and the 1970s, in 1990 it was much higher in Eastern Europe, somewhat higher in Latin America, but lower in all other regions, when analyzed at a highly aggregate level.[22] This disparity in the evolution of inequality between the world's regions is probably associated with two main factors. For developing countries, this is the rate of rural–urban migration, since the main factor in the disparity of income distribution is the abysmal difference in income levels between rural areas and urban agglomerations, even accounting for widespread urban poverty.[23] For industrialized countries, the key issue is the differential development in welfare states, and in the level of wages and social benefits, directly related to the bargaining power of labor unions.[24]

But if the evolution of intra-country inequality varies, *what appears to be a global phenomenon is the growth of poverty, and particularly of extreme poverty.* Indeed, the acceleration of uneven development, and the simultaneous inclusion and exclusion of people in the growth process, which I consider to be a feature of informational capitalism, translates into polarization, and the spread of misery among a growing number of people. [...]

In the mid-1990s, taking as the extreme poverty line a consumption equivalent to one US dollar a day, 1.3 billion people, accounting for 33 percent of the developing world's population were in misery. Of these poor people, 550 million lived in South Asia, 215 million in Sub-Saharan Africa, and 150 million in Latin America.[25] In a similar estimate, using the one dollar a day dividing line for extreme poverty, ILO estimated that the percentage of the population below this line increased from 53.5 percent in 1985 to 54.4 percent in 1990 in Sub-Saharan Africa; from 23 percent to 27.8 percent in Latin America; and decreased from 61.1 percent to 59 percent in South Asia, and from 15.7 percent to 14.7 percent in East/South East Asia (without China).[26] The largest concentration of poverty was, by far, in the rural areas: in 1990, the proportion of poor among the rural population was 66 percent in Brazil, 72 percent in Peru, 43 percent in Mexico, 49 percent in India, and 54 percent in the Philippines.[27]

Thus, overall, *the ascent of informational, global capitalism is indeed characterized by simultaneous economic development and underdevelopment, social inclusion and social exclusion*, in a process very roughly reflected in comparative statistics. There is polarization in the distribution of wealth at the global level, differential evolution of intra-country income inequality, and substantial growth of poverty and misery in the world at large, and in most countries, both developed and developing.

[...]

## Notes

1 UNDP (1996).
2 Gould (1985).
3 For an informed discussion on analyzing poverty and social exclusion in a comparative perspective, see Rodgers et al. (1995); Mingione (1996).
4 Portes et al. (1989).

5 I use the term "over-exploitation" to distinguish it from the concept of exploitation in the Marxian tradition, that, in strict Marxist economics, would be applicable to all salaried labor. Since this categorization would imply accepting the labor theory of value, a matter of belief rather than of research, I prefer to bypass the debate altogether, but avoid creating further confusion by using "exploitation," as I would like to do for cases of systematic discrimination such as the ones I am referring to in my categorization.
6 ILO (1996).
7 Rodgers et al. (1995).
8 Room G. (1992: 14).
9 By "autonomy," in this context, I mean the average margin of individual autonomy/social heteronomy as constructed by society. It is obvious that a worker, or even a self-employed person, is not autonomous *vis à vis* his/her employer, or network of clients. I refer to social conditions that represent the social norm, in contrast with people's inability to organize their own lives even under the constraints of social structure, because of their lack of access to resources that social structure mandates as necessary to construct their limited autonomy. This discussion of socially constrained autonomy is what underlies the conceptualization of inclusion/exclusion as the differential expression of people's social rights.
10 Pritchett (1995: 2–3).
11 Maddison (1995).
12 UNDP (1996: 18–19).
13 UNDP (1996: 2–3).
14 UNDP (1996: 13).
15 Fischer et al. (1996).
16 Townsend (1993).
17 UNDP (1996).
18 Bauer and Mason (1992).
19 Green et al. (1992).
20 Skezely (1995).
21 UNDP (1996).
22 Deininger and Squire (1996: 584).
23 Jazairy et al. (1992).
24 Townsend (1993); Navarro (1997).
25 UNDP (1996: 27).
26 ILO (1995: table 13).
27 ILO (1994).

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