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978-1-107-02784-8 - Globalization and the Distribution of Wealth: The Latin American Experience, 1982–2008

Arie M. Kacowicz

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## Globalization and the Distribution of Wealth

*The Latin American Experience, 1982–2008*

The effects of globalization on poverty and inequality are a key issue in contemporary international politics, yet they have been neglected in international relations and comparative politics literatures. Arie M. Kacowicz explores the complex relationships between globalization and the distribution of wealth as a political problem in international relations, analysing them through the prism of poverty and inequality. He develops a political framework (an ‘*intermestic* model’) which captures the interaction between the international and the domestic domains and explains those effects with a particular emphasis upon the state and its relations with society. He also specifies the different hypotheses about the possible links between globalization and the distribution of wealth and tests them in the context of Latin America during the years 1982–2008, with a particular focus on Argentina and the deep crisis it experienced in 2001–2.

ARIE M. KACOWICZ is Associate Professor in the Department of International Relations at the Hebrew University of Jerusalem.

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Arie M. Kacowicz

*Hebrew University of Jerusalem*



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Frontmatter

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To Robert Gilpin and Miriam Grinstein de Kacowicz

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Arie M. Kacowicz

Frontmatter

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 Frontmatter  
[More information](#)

## Contents

---

<i>List of figures</i>	page viii
<i>List of tables</i>	ix
<i>Preface and acknowledgments</i>	x
1 Globalization and the distribution of wealth: problems and definitions	1
2 The ethical and practical implications of poverty and inequality	35
3 The political dimension of the links between globalization and the distribution of wealth	50
4 The Latin American experience, 1982–2008	83
5 The Argentine experience in a comparative perspective, 1982–2008	143
6 Regional comparisons and policy implications	198
<i>References</i>	223
<i>Index</i>	242

## Figures

---

3.1 The <i>intermestic</i> model	<i>page 73</i>
4.1 Economic globalization index of ABC + Mexico, 1982–2006	91
4.2 GDP per capita, ABC + Mexico, 1982–2007	92
4.3 Real GDP growth rate (percentage) of ABC + Mexico, 1982–2007	92
4.4 Trade (as a percentage of GDP) of ABC + Mexico, 1982–2007	93
4.5 FDI net flows (as a percentage of GDP) of ABC + Mexico, 1982–2008	93
5.1 Globalization indicators for Argentina, 1982–2007	158
5.2 Poverty and development indicators for Argentina, 1982–2007	166



Cambridge University Press

978-1-107-02784-8 - Globalization and the Distribution of Wealth: The Latin American Experience, 1982–2008

Arie M. Kacowicz

Frontmatter

[More information](#)

## Tables

---

1.1 Differences between ‘poverty’ and ‘inequality’	<i>page 28</i>
4.1 Economic globalization index of Latin American countries, 1982–2006	95
4.2 GDP per capita based on purchasing-power parity (PPP) of Latin American countries, 1982–2007	96
4.3 Real GDP growth rate (percentage) of Latin American countries, 1982–2007	97
4.4 Trade (percentage of GDP) of Latin American countries, 1980–2007	98
4.5 FDI flows (net) as a percentage of GDP of Latin American countries, 1982–2007	99
4.6 Percentage of poor persons in Latin American countries, 1980–2007 (relative poverty)	114
4.7 Percentage of indigent persons in Latin American countries, 1980–2007 (extreme poverty)	115
4.8 Gini index of inequality within Latin American countries, 1982–2007	116
5.1 Globalization indicators for Argentina, 1982–2007	159
5.2 Poverty indicators for Argentina, 1982–2007	167
5.3 Development indicators for Argentina, 1982–2007	168
5.4 The ‘ABC countries’ at a glance, 1982–2008	194
6.1 Regional statistical indicators, 1982–2008	201
6.2 Regional Gini coefficients, 2005	203
6.3 Testing the hypotheses of the <i>intermestic</i> model at the regional level	214

Cambridge University Press  
978-1-107-02784-8 - Globalization and the Distribution of Wealth: The Latin  
American Experience, 1982–2008  
Arie M. Kacowicz  
Frontmatter  
[More information](#)

---

## Preface and acknowledgments

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This book explores the complex relationships between the phenomena of globalization and the distribution of wealth (with particular emphasis upon the distribution of income), defined in terms of poverty and inequality, as a political problem in international relations. In empirical terms, I focus upon the regional context of Latin America between 1982 and 2008, with a special reference to the Argentine case and the crisis that country experienced in 2001–2, alongside a brief discussion of Brazil and Chile. The empirical evidence is rooted in my reading of Latin America as a fascinating and peculiar historical, political, and sociological laboratory to examine theories and models in social science in general, and international relations in particular.

In 1987, I submitted a Master's thesis that explored the links between the debt crisis that affected Argentina and Brazil in the 1980s and their re-democratization processes. Since then, I concentrated my research on different aspects of peace. Although peace research and issues of poverty and inequality seem very distant one from the other, an eminent Argentine political scientist, Carlos Escudé, explained to me three years ago the rationale for their commonalities in the Latin American case. Paradoxically, while one possible explanation for the 'long South American peace' is related to the relative weakness of states that deter them from waging war, lacking both material means and enough domestic legitimacy, that same weakness explains the relative failure of many Latin American states in dealing with poverty and inequality. Hence, we have to be more cautious about blaming globalization for all the economic and social penuries of the Latin American region and turn our analysis to domestic political explanations as well.

After a hiatus of more than twenty years, in this book I completed a second study on international political economy, partly motivated by the existing confusion about the links between globalization and the distribution of wealth, the effects of the 2008–9 economic crisis, and the peculiarities of the Argentine case (especially with reference to its 2001–2 crisis).

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Frontmatter

[More information](#)

As I started to become interested in the fuzzy concept of globalization in the last decade, I realized that there is a lot of ideological and theoretical confusion about the possible and logical links between globalization, poverty, and inequality. There is an ongoing debate between the proponents of the three major paradigms of international political economy and of international relations (Realists, Liberals, and Marxists), regarding the implications of globalization for the distribution of wealth. In this book, I do not pretend to resolve that discussion, but at least to systematize and contribute to it by developing an *intermestic model*. This model improves upon the alternative and usual explanations for the links between globalization, poverty, and inequality. Although the model stems from a Realist approach in international relations, it enriches it by specifically referring to the interactions between the external and the domestic political domains.

Unlike my previous research that used to tackle issues that were usually under-studied (such as ‘peaceful territorial change’, ‘zones of peace’, and ‘stable peace’), addressing the links between globalization and the distribution of wealth implies an inter-disciplinary effort, and therefore it runs the risk of reiterating previous works, since perhaps too much material has been published on this subject – especially by economists and sociologists, but less significantly by international relations scholars. At the same time, the subject has been under-explored in the context of Latin America, with the possible exception of the literature on economic development, or in a comparative perspective. This issue merits the intellectual journey I have been undertaking, intermittently, for the last ten years.

This journey started in 2002–3 during my sabbatical year at the Department of Government at Georgetown University, and subsequent summers spent in Washington, DC, where I benefited from the comments and suggestions of Shelton Davis (from the World Bank), Salomon Bergman, Keely Lange, Thomas Wright, Thomas Banchoff, and especially George Shambaugh. Other US colleagues who offered useful suggestions throughout those years include Branko Milanovic (who graciously calculated Gini coefficients for me), Pamela Blackmon, David Pervin, David Blaney, Ethan Kapstein, Sean Reagan, William Thompson, James Mittelman, the late Dennis Goulet, and the late James Rosenau.

Since 2004, I have been visiting Argentina every year, as a guest teacher of the Graduate Programme in International Relations of the Universidad del Salvador (USAL) in Argentina. In Buenos Aires, I managed to meet with many scholars and former officials who offered their comments and suggestions regarding the Latin American and Argentine cases, including

Cambridge University Press

978-1-107-02784-8 - Globalization and the Distribution of Wealth: The Latin American Experience, 1982–2008

Arie M. Kacowicz

Frontmatter

[More information](#)

xii Preface and acknowledgments

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Some of the ideas and drafts of Chapters 3, 4, and 5 have been presented at the International Studies Association and American Political Science annual meetings since 2001 to the present, as well as in other venues such as Berlin. I want to thank Noemi Gal-Or, Thomas Smith, Raimo Väyrynen, George Sorensen, Sergio Costa, and many colleagues and students, chairs and discussants, who gave me good advice.

At the Hebrew University of Jerusalem, my home institution, many students and colleagues listened to, read, and commented on several versions of the book manuscript, many of them from the Department of International Relations, attending seminars given at my home department, at the Leonard Davis Institute for International Relations, the Harry S. Truman Institute for the Advancement of Peace, and the Liwerant Center for the Study of Spain, Portugal, Latin America, and their Jewish Communities. They include: Yael Krispin, Eytan Meyers, Orit Gal, Steve Kaplan, Luis Roniger, Mario Snajder, Leonardo Senkman, Batia Siebzeher, Shlomo Griner, Asaf Zussman, Avraham Sela, Tomer Broude, Avner de-Shalit, Orit Bergman, Avi Segal, Arie Krampf, Roe Kibrik, Marcia Harpaz, Daniel Schwartz, Nissim Otmazgin, Lior Herman, Reuven Amitai, Eyal Ben-Ari, Yossi Gubi, Henry Lovat, Moshe Bargil, Moses Shayo, Shoham Cosen-Hillel, and Ariel Steinberg. Other Israeli scholars and friends include Hagar Tzameret, Gabriel Elad, Michael Gross, Benito Roitmann, Victor Azarya, Carlos Rozenkoff, and Alex Mintz. The research was facilitated by the generous support of fellowships received from the Davis Institute for International Relations, the Harry S. Truman Institute for the Advancement of Peace, and an Intra-Mural Research award from the Authority for Research and Development, all located at the Hebrew University of Jerusalem. I also want to thank the librarians of the Truman Institute for their help.

In February 2009, I spent two very fruitful weeks at the Munk School for Global Affairs of the University of Toronto as an exchange scholar, enjoying the hospitality of Janice Stein and her wonderful staff. There, I

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Arie M. Kacowicz

Frontmatter

[More information](#)

Preface and acknowledgments

xiii

managed to discuss my project and learn from colleagues such as Richard Sandbrook, Judith Teichman, Albert Berry, Lou Pauly, and Emanuel Adler. More recently, David Sheinin, also from Toronto, offered me very useful comments on Chapter 5.

Robert Gilpin, my former mentor and supervisor from Princeton University, wisely suggested to me the title of the book and encouraged me throughout all those years to pursue this research project. Carlos Rozenkoff suggested critical comments, based on his vast expertise about Argentina, on Chapter 5. My spouse Orly and my son Itai provided me with critical insights that I attempted to incorporate in the final version.

I owe my personal gratitude to my colleagues and friends Claudia Kedar, Piki Ish-Shalom, George Shambaugh, and especially Galia Press Barnathan, who read most if not all of the book manuscript in different versions. Gila Weinberger, my research assistant, devised and drew all the tables and statistical material that can be found in Chapters 4–6. Two of my favourite Ph.D. students, Mor Mitrani and Keren Sasson, read the entire manuscript and offered incisive insights, suggestions, and an excellent initial copy-editing.

The inception, thinking, and research for this book took about a decade, while the writing itself was completed throughout 2010 and revised throughout the Fall/Winter of 2011–12. In between, social protests demanding ‘social justice’ spread out throughout many developing and developed countries, including a memorable summer of discontent in Israel, offering a particular topical perspective to this book, and bringing to the fore arguments about inequality and distribution of wealth. My daughters Ela (14) and Elior (9) got it right when they told me several months ago, ‘Daddy, it is time for you to finish that book!’

As with my previous book (*The Impact of Norms in International Society*), again I suggest to the reader, following the model of Julio Cortázar in *Rayuela* (1979), three alternative ways to read this book: (a) from cover to cover, the usual way; (b) those who are interested in the general subject of globalization and the distribution of wealth can read Chapters 1–3, and then move directly to Chapter 6; (c) those who prefer to learn more about Latin America and Argentina might refer also to Chapters 4 and 5, the empirical core of all the research project.

Some excerpts of Chapters 1, 3, and 6 were published in a condensed version in articles that I authored in the *Whitehead Journal of Diplomacy and International Relations* in 2005 (6: 111–27) and in *International Studies Review* in 2007 (9: 565–80; also reprinted as a chapter in *North and South in the World Political Economy* (Oxford: Blackwell, 2008), pp. 19–38). I am grateful to the journal publishers and to Blackwell Publishing for allowing me to use the material for this book.

Cambridge University Press

978-1-107-02784-8 - Globalization and the Distribution of Wealth: The Latin American Experience, 1982–2008

Arie M. Kacowicz

Frontmatter

[More information](#)

---

xiv Preface and acknowledgments

In the production of this book, I want to thank the thorough comments of two anonymous reviewers for Cambridge University Press who wrote me eighteen pages of comments and suggestions, as well as the wise advice of its editor, John Haslam, and his superb editorial team, including Carrie Parkinson, Karen Oakes, Jo Breeze, and Linda Randall, the excellent copy-editor.

Finally, I want to dedicate this book to two individuals, who are turning octogenarians as this book is being completed. Robert Gilpin, my former teacher and supervisor, has been my intellectual source of inspiration to this project, following the insights he developed about a decade ago on the ambiguous relationship between globalization and the distribution of wealth. Miriam Grinstein de Kacowicz (*Zonis*), my mother, with her indefatigable sources of energy, and her teachings of perseverance and discipline, deserves the dedication of this fourth book of mine. Both Bob Gilpin and my mother were born in the third decade of the twentieth century, during that ‘twenty years’ crisis’ in between the two world wars that witnessed the end of the first globalization period and the disarray of the 1930s. They both experienced the emergence of the second globalization period, which led us into the twenty-first century. Perhaps the wisdom of their age and their spirit of intellectual curiosity should help me, and the readers, to unfold the puzzles of our own chaotic, fascinating, and complex times.