Structural Inequality, Quasi-Rents and World Order: a Neo-Ricardian Analysis

Nicholas Lees

This paper employs the neo-Ricardian concept of quasi-rents to offer a new defence of one of the central claims of the structuralist perspective in international relations theory: that the organisation of the international political system is shaped by patterns of international economic stratification and the transnational division of labour. To vindicate this claim, this paper begins by presenting the concept of quasi-rents and how an approach drawing on this concept differs from neoclassical, Marxian, Sraffian and ‘unequal exchange’ approaches to political economy and political sociology. It then uses the concept to link the previously unconnected work of three scholars: Kaplinsky’s quasi-rent-based analysis of transnational value chains, Sorensen’s quasi-rent-based analysis of the sociology of class in industrial societies, and Mousseau’s materialist ‘social market democracy’ approach within the democratic peace debate. The paper proceeds deductively, demonstrating that - if the claims of each of these theorists are valid - then the patterns of peace and disorder we witness in international relations are strongly influenced by the distribution of and bargaining over quasi-rents within the transnational division of labour. Specifically, peace within the ‘core’ of advanced industrial states is in part predicated on the quasi-rents enjoyed by substantial sections of the workforces of these states through their participation in the leading sectors of production. Thus structuralism is defended as a perspective capable of generating new insights into the relationship between underlying global structural inequalities and patterns of world order.

Introduction

Is there a relationship between the wealth of some and the poverty of others in the world economy? Are national struggles for autonomy and democracy influenced by a nation’s position in international political hierarchies and the global division of labour? Are political conflicts between states significantly influenced by structures and processes within the world economy? These questions were central to the structuralist perspective in international relations, which answered ‘yes’ to all three. At one time considered one of the ‘big three’ perspectives in international relations theory (albeit often grouped together with Marxism), structuralism nonetheless lost out in the ‘paradigm wars’ within the discipline.

As Waever argued (166-165), materialist perspectives focusing on systemic inequalities in international relations were largely replaced in disciplinary debates by constructivist and post-structuralist perspectives. Such perspectives have been concerned primarily with discursive/ideational structures and the possibility for their intersubjective renegotiation. For example, in his ‘International/Inequality’ Walker notes the enormous material inequalities in the world but displays no particular interest regarding the mechanisms which sustain such inequality, even expressing scepticism about whether such systematic explanations are possible (2002: 11). What matters for Walker are forms of discourse which make it possible to conceive of and represent actors as being equal or unequal in various ways. This is emblematic of the retreat from a concern with international material inequalities within the discipline. Even the debate over ‘globalisation’, a confused concept itself (Rosenberg 2005), did not prompt much systemic theorisation about the
relationship between global material inequalities and world politics. Marxist approaches might have been expected to address such questions. But somewhat surprisingly, Marxist scholars have – with the exception of some neo-Gramscian theorists (Gill 2008; Murphy 2005) – been concerned less with the specifics of international/inter-regional inequality than the properties of capitalism as a system of social relations. Despite their valuable contributions to debates over hegemony and empire, Marxist approaches remain reliant on a theory of exploitation based on the highly problematic labour theory of value (Burnham 1991; Meiksins Woods 2003; van der Pijl 2006; Rosenberg 1994; Teschke 2005).

To contribute to remedying this neglect, this paper advances an analytic framework for the analysis of the structural basis for important the inequalities within the world economy and connects these structures to the questions which most concern scholars of international relations: patterns of international order and the use of organised violence. The explanatory power of earlier structuralist approaches was limited, not just by their fatalism regarding international inequality, but also by their failure to specify clearly and adequately the mechanisms that supposedly maintain structures of inequality within the ‘world-system’ (Wibbels 2009: 442). This paper seeks to avoid this problem by focusing on a key causal mechanism in the maintenance of inequalities at multiple social scales within the world economy: asymmetric bargaining over quasi-rents. The concept of quasi-rents forms the basis for a neo-Ricardian analysis of inequality within the world economy and a materialist approach to patterns of political order in international relations, in which patterns of peace and conflict are sociologically grounded in social structures arising from economic relations between groups of actors. This account follows Harris’s ‘cultural materialist’ approach, according to which economic relations exert probabilistic causal influence over social structures, which in turn exert a joint influence along with economic relations over systems of values and patterns of belief (Harris 1980: 70-75). Thus this paper argues that there is a causal connection between the values of non-belligerence on which the democratic peace rests, the social organisation of advanced industrial societies and the division of labour producing the present distribution of quasi-rents within the world economy.

A Neo-Ricardian Approach to Political Economy: Rents and Quasi-Rents

Quasi-rents are a special class of economic rents. The concept of rent refers to an economic return on a resource greater than the opportunity cost of the use of that resource. Rent arises where the supply of a resource is fixed and the resource itself is not depleted by its employment. A rise in demand for such a resource will therefore generate a higher market-clearing price, and therefore greater rent, but no greater supply. Land is the classical example of such a resource. The attempt to acquire rent producing resources is referred to as rent-seeking. Resources expended on rent-seeking are ‘lost’ to the economy, and therefore takes place at the expense of other economic actors, because rent-seeking does not result in a greater supply of the rent-producing resource. Examples of rent-seeking include property speculation, corruption in government procurement, corporate lobbying for favourable legislation, and gate-keeping in the professions. Rents may also be directly extracted through the use of force.

Quasi-rents are temporary rents which arise where the supply of a resource is fixed over the short-term but not over the long-term. Technology can be thought of as providing a

---

1 This section draws upon Alchian 2008.
source of quasi-rents in that economic actors in possession of more advanced techniques of production or distribution may possess an advantage over their competitors, generating a super-profit. However over time technological know-how is likely to become defused more widely and thus the quasi-rent to the innovator will dissipate. The possibility of a secure flow of quasi-rents may therefore encourage technological innovation and investment in technologically specific resources by providing a return to actors greater than their post-investment opportunity cost. But actors in possession of a source of quasi-rents may seek to convert it into a perpetual source of true rents by establishing a permanent monopoly, resulting in costs to other economic actors. Contemporary attempts to protect intellectual property beyond what is necessary to ensure incentives for technological innovation might constitute an example of such rent-seeking.

An important further subcategory are composite quasi-rents: returns above opportunity cost to specific resources which accrue when they are utilised in combination with one another. In such cases, the return from using a set of resources together is greater than the return which each resource would ordinarily receive if utilised separately. For example, specialised industrial equipment might require workers possessing specific skills and/or training. A composite quasi-rent would arise in this case as the labour of the workers and the industrial equipment owned by the employers are much more productive when employed in conjunction with one another. Where a composite quasi-rent exists its distribution amongst the actors possessing the resources being used in combination will depend entirely on bargaining – as any share of the quasi-rent, however minimal, is preferable to actors than the return which their resources could otherwise fetch. This makes actors who participate in the production of a quasi-rent vulnerable to expropriation by one another.

Although drawing heavy on a neo-classical economic framework, a neo-Ricardian approach to political economy focusing on quasi-rents rejects the standard neo-classical assumption that wage levels are determined by the marginal productivity of workers within a given capitalist firm. Rather, it sees wages as reflecting the ability of workers to bargain for a share of composite quasi-rents. This puts it in some level of agreement with a Sraffian perspective, which insists that wage levels are set by political, institutional and technological factors (Sraffa 2006). Indeed, the neo-Ricardian perspective is in some ways congruent with certain Marxian approaches to political economy. Both perspectives regard pre-capitalist society as being characterised by the extra-economic extraction of rents by those in possession of the means of violence (Meiksins Wood 2003: 4). Both agree that within a capitalist society there exists a qualitatively different form of conflict: that between workers and employers over the economic surplus within the sphere of production. But a neo-Ricardian perspective does not depend on Marx’s labour theory of value (LTV). Rather than the result of attempts by capitalists to appropriate the labour power of workers, conflict within the firm arises from the open question of how composite quasi-rents will be shared. The interests of workers and employers are not, however, antithetical – as both have an interest in maintaining the flow of composite quasi-rents. Nor are the interests of workers necessarily identical, as quasi-rents might be

---

2 The Sraffian perspective is more radical than the neo-Ricardian approach outlined here, as the former dispenses with the standard neo-classical account of how market-clearing prices are set. The neo-Ricardian approach on the other hand assumes that market-clearing prices for generic commodities are set by supply and demand. These prices are the opportunity costs for the employment of a specialist resource and therefore provide a counterfactual to establish the existence of quasi-rents.
captured by some groups of workers rather than others. More generally, the neo-
Ricardian perspective argues that a conflict of interests exists between multifarious social
groups seeking to acquire and retain flows of rents and/or quasi-rents, and those who
would benefit from the dissipation of those rents (Sorensen 2000).

Unlike the LTV and Lockean ‘entitlement’ theories of justice, a neo-Ricardian approach
does not provide the basis for a theory of distributive justice. It does not insist that
particular economic actors are entitled to specific share of the economic product and
thus does not imply commitment to a moralised theory of exploitation. But it may help
to inform normative debates over questions of economic justice by providing a clearer
basis for the analysis of inequality and distributional struggle. As examined in the section
below, a quasi-rent-based analysis can be used to develop a compelling analysis of many
aspects of global socio-economic inequality.

Quasi-Rents and the Political Economy of Global Inequality

Influential mainstream perspectives within economics and political science suggest that
problems of socio-economic development are largely exogenous to the world economy.
Global economic integration is a win-win proposition as it allows all participants to
benefit from their comparative advantage through specialisation according to local
availability of factors of production (Dollar 1992; Sachs and Warner 1995). This might
not necessarily result in a convergence in incomes between different regions of the world
– but it would at least raise the absolute incomes of all. Such outcome, according to this
perspective, is retarded by weak systems of property rights and rent-seeking coalitions of
actors who stifle economic growth.

Such a perspective should not lightly be dismissed. Nonetheless, it remains myopic in
that it disregards factors endogenous to the world economy which maintain the bifurcated
structure of incomes between regions. The structuralist perspective on development
economics and political economy focused on just such impediments to economic
development. A central argument made by this perspective was Raul Prebisch’s claim
that the barter-price of primary commodities has a tendency to fall relative to
manufactured goods, worsening the position late developing economies over time
(Prebisch 1950). In contrast to most strands of Marxism, which insist on the identity of
interests amongst the global proletariat, this implied that there may be a conflict of
interests between the workforces of advanced industrial and late developing economies
(Palma 1981). The argument that trade has unequal benefits for late developing and
already-industrialised economies was taken much further by dependency theorists, who
maintained that economic development is near-impossible within the capitalist world
economy and that trade is actively pernicious for late developing economies. These
claims were revealed as being much too absolutist by the upward mobility of the South
East Asian economies in the 1980s and the evident weaknesses of policies of autarky.

Nonetheless, whilst the claims of more fatalist dependency theorists were largely
discredited, structuralists closer to Prebisch’s original position provided some of the
most influential accounts of the institutions and policies that enabled the newly
industrialised countries (NICs) to ‘swim against the tide’ of the world economy and

---

3 Not least because there are serious problems with both Lockean entitlement theories and
Marxist theory of exploitation as normative theories of distributive justice. See Cohen 1998;
1995.
successfully promote economic development (Amsden 2001; Amsden 2004; Chang 2002; Evans 1995; Wade 1990). Many of these arguments were incorporated into mainstream debates within development studies, heterodox economics and international political economy. In conjunction with the declining influence of more pessimistic structuralist perspectives – such as Wallerstein’s world-systems perspective – the result was that structuralism ceased to exist as a clearly definable theoretical camp within these disciplines. In contrast, for better or worse, debates international relations remain organised around competing ‘isms’ and theoretical camps. Hence when structuralists outside international relations moved from grand theory to middle-range analysis, structuralism dropped out of debates within international relations. Without a clear re-statement of the structuralist position, the perspective has been conflated with Marxism, identified with obsolete theories, and/or simply ignored.

Demonstrating the relevance of a reformulated structuralist perspective requires an analytically clear restatement of the core claims of the approach. A framework for doing so is provided by development economist Raphael Kaplinsky, who has elaborated a quasi-rent-based account of the structural impediments to economic development within the world economy and the circumstances in which they might be overcome by particular economies. According to Kaplinsky, a centrally important determinant of global income inequalities is the differential capacity of actors located in different regions to establish and retain rents, particularly in the form of natural resource rents or quasi-rents. In the context of global economic integration, without some means of extracting quasi-rents, producers in competitive markets will receive only the bare market price for the utilisation of their resources. This return equates to poverty wages for those who sell their labour-power (Kaplinsky 2005: 62-5).

To avoid this fate, producers must find some way to insulate themselves from competition. The most effective way of accomplishing this is to obtain a competitive advantage through innovations, which are difficult to emulate or copy in the short-term. Such a quasi-monopoly generates a rent so long as it is maintained. Kaplinsky identifies four kinds of innovation which generate such quasi-rents within firms: innovation in technology, human resource management techniques, logistics, marketing and design, and in relations with other participants in a supply chain (Kaplinsky 2005: 65-72). These endogenous sources of rents are potentially cumulative due to reinvestment of profits and accumulated learning. As a result firms in late-developing regions of the world economy often find it difficult to erode the quasi-rents of established firms in the advanced industrialised world and establish their own sources of quasi-rents. This problem is compounded by the exogenous sources of quasi-rents, such as those arising from public investments in infrastructure and education, enjoyed by firms located in already-wealthy regions (Kaplinsky 2005: 76-9). Finally, innovative firms in similar industries often provide positive externalities to one another and thus tend to be located in geographic clusters – providing an advantage to early innovators for reasons similar to those identified by theorists of spatial economics (Krugman and Venables 1995; Fujita and Thissé 1996).

These mechanisms have resulted in what Wade calls ‘cumulative causation’ (Wade 2005), producing tendencies that have tended to maintain of income hierarchies between

---

4 This sets Kaplinsky’s approach apart from earlier structuralists influenced by the labour theory of value, according to whom trade between more and less economically developed economies is exploitative of the latter due to the exchange of commodities with unequal quantities of ‘embodied labour power’ (Emmanuel 1972; Amin 1976).
regions in the world economy. Innovations tend to originate in the advanced industrial ‘core’ and diffuse only slowly to the ‘periphery’ – by which time firms in the core may have established new sources of quasi-rents. This treadmill of competitive innovation puts pressure on late-developers. Amsden provides historical evidence that technological change in the most advanced economies has imposed a necessity to innovate on other regions in the world economy. Those who could not compete on the basis of quality are forced to compete on price – and thus accept lower real wages (Amsden 2001: 31-4). As Kaplinsky summarises:

’Sustained income growth [depends] on developing the capacity to stay ahead of the pack, to generate and/or appropriate rents. Unless this dynamic capability can be endogenized into the production system, participating in intensively competitive global markets is unlikely to provide sustainable incomes’ (Kaplinsky 2005: 87-88)

Kaplinsky’s framework allows us to update classical structuralism in the contemporary context of more rapid global economic integration and the shifting transnational division of labour. In particular, it revises and updates Prebisch’s claim that the barter price of primary commodities would tend to fall relative to manufactured goods. Qualifying this claim, Kaplinski (2006) provides evidence that it is in fact generic goods which have a tendency to fall in their barter price relative to other goods. Primary commodities may well retain their barter price if they are unique commodities able to fetch a premium such as specialist varieties of coffee or other supply-limited niche products. Conversely, manufactured goods may well decline in their barter price once the techniques involved in their production become widely enough diffused and the quasi-rent associated with their production dissipates. Thus the terms of trade for producers depends on their ability to establish and protect quasi-rents through various forms of innovation and/or product differentiation.

A related change in the distribution of rents across the world economy identified by Kaplinsky is the rise of buyer-driven supply chains (Kaplinsky 2005: 172). Certain large buyers located in the North have achieved an oligopsonistic position within global supply chains for consumer commodities such as textiles and furniture. This has allowed them to bargain down producers of generic manufactures, minimising the share of the latter in the quasi-rents generated by global supply chains.

This is not to say that the experiences of producers in the global South have been uniform. For example, producers in South East Asia have succeeded at achieving upward mobility and fostering quasi-rents — in part through their participation in the manufacture of electronics, one of the leading technological sectors of the world economy. However, the emergence of ‘new semi-peripheries’ (Owen and Moore 2009) and the spread of productive capacity across the global South has generated greater competitive pressures for the less successful late developing economies (Kaplinsky 2005: 181). Simultaneously, the growth of the new Asian industrialisers has put sustained upward pressure on primary commodities — increasing natural resource rents but increasing the probability of natural resource dependence.

5 On the role of leading sectors in the co-constitution of international politics and the world economy see Modelski and Thompson 1996; Reuveny and Thompson 2001; Reuveny and Thompson 2008.

6 This development is consistent with the theoretical assumptions on which the original Prebisch thesis relies. Specifically Prebisch’s thesis was based on assumptions derived from Engel’s Law
The reconfiguration of the global division of labour has also impacted the advanced industrialised core, where quasi-rents in the production of many tradable goods have largely been eliminated by outsourcing. The earlier structuralist claim that labour market rigidities in advanced economies would prevent the transfer of productive capacity to the global South has been rendered obsolete. Thus large sections of the former ‘labour aristocracy’ of the North must now compete globally.

The aggregate consequence is that within-nation inequality has increased almost worldwide, whilst population-weighted between-nation inequality has decreased slightly largely as a result of moderate increases in per capita incomes in China and India (Milanovic 2009b: 11). The Stolper-Samuelson theorem of orthodox economics suggests that trade will eventually equalise returns to factors such as labour. This would likely be an unwelcome prospect to less-skilled workers in the North accustomed to a higher material standard of living than that enjoyed on average in Indonesia or Bangladesh. In the interim, multi-national corporations at the apex of global supply chains stand to reap quasi-rents from arbitrage arising due to the huge and enduring wage differentials in the global economy. In addition, whilst production has been disaggregated, sections of global value chains where quasi-rents are most abundant such as design and marketing remain under the control of these Northern actors (Wade 2005: 23).

Kaplinsky’s approach provides powerful analytic tools for understanding the structures on which patterns of global inequality rest, and the way in which global economic integration and the new global division of labour is changing the distribution of quasi-rents in the world economy. The impact of such changes has been deeply disruptive in that some groups of actors have consolidated their control over flows of quasi-rents, others have gained new opportunities to bargain for a share in quasi-rents, whilst others lost access to quasi-rents and find themselves engaged in fierce competition with others in the same position. The sociological implications of such potential changes are considered from a neo-Ricardian perspective in the section below.

**Quasi-Rents and the Social Structure of Industrialised Democracies**

Within the discipline of sociology, the late Aage Sorensen sought to advance an analysis of class that would overcome the problems with existing Weberian and Marxian accounts of why classes emerge in advanced industrial societies. The limitation of the influential class schemes put forward by Weberian scholars such as Goldthorpe (Goldthorpe 1987; Erikson and Goldthorpe 1993) is that, however useful empirically, they are largely descriptive rather than causal and structural (Sorensen 2002: 171). Other neo-Weberian scholars provide a detailed analysis of the processes of social closure and occupationalisation which give rise to class structure. But Sorensen finds fault in these approaches for failing to identify what exactly it is that members of certain social classes possess that they seek to prevent others from having access to (Sorensen 2002: 174). Although not discussed by Sorensen, neo-Weberian scholar Charles Tilly did attempt to address this question in his *Durable Inequality* (1998). Tilly’s solution was to build ‘a bridge from Max Weber on social closure to Karl Marx on exploitation, and back’ (Charles Tilly 1998: 7) by generalising the Marxian account of exploitation to include non-class forms that demand for primary commodities is strongly inelastic. Thus the barter price of primary commodities is only likely to rise if there is income growth in low-income economies.

7 On the resource dependence curse see Bulte, Damania and Deacon 2005.
of social closure which enable some groups to hoard certain resources and/or deprive others of the full value added of their efforts (Tilly 1998: 10).

Tilly is not clear on whether he actually endorsed the Marx’s LTV, but if so this leaves his otherwise very compelling account hostage to the problems with that theory. Tilly’s approach does, however, recognise the problem: sociological theories of class, theories which do not simply attribute life chances to pre-social differences between individuals, require an adequate basis in political economy. Sympathetic to the Marxian approach but rejecting the LTV, Sorensen advanced a neo-Ricardian analysis which identifies class formation as the product of efforts by groups of individuals in a structurally similar position within the economy to establish and protect different kinds of rents (Sorensen 1996: 1333). Rents provide the enduring commonality of interest which provides the basis for the emergence of class consciousness and class-based political mobilisation (Sorensen 2002: 191). Acting on their shared interests, actors enjoying a specific flow of rents will seek to protect control and exclude other actors. As described lucidly by Tilly, such forms of exclusion may be stabilised through the creation and maintenance of categorical boundaries on the basis of ethnicity, gender, accent, skin-tone and so on (Tilly 1998: 8). The excluded actors, however, have a common interest in destroying that rent (Sorensen 2002: 191). Sorensen’s approach therefore agrees with Marxism that classes arise out of latent antagonistic economic interests between groups of actors (Sorensen 2002: 176).

Classical rents, such as those extracted from tenants by landlords, are the basis of class conflict in many societies and have been throughout history. Particularly relevant to advanced capitalist societies, however, are the quasi-rents which are created and rapidly dissipated by technological change and innovation by firms. Temporary quasi-rents produce lasting fortunes for successful capitalists. Yet empirical research demonstrates that substantial wage differentials for similar work exist within different industries. These differentials are difficult to account for in terms of productivity or other individual characteristics of workers. It seems, therefore, that employees of certain firms in certain industries are able to bargain for a share of quasi-rents. This may be because some workers have industry-specific skills which are limited in supply over the short-term, or due to principal-agent problems in monitoring employees faced by firms (Sorensen 1996: 1354).

In any case, this interpretation of the evidence implies that workers in advanced capitalist societies can successfully bargain for wages greater than the opportunity cost of selling their labour power. Capitalist firms, of course, have an interest in bargaining their employees down and maximising their own share of composite quasi-rents. Firms could push wages down by eliminating the need for industry-specific skills amongst their employees, thus excluding them from sharing in a composite quasi-rent. But this might not be possible without eliminating the quasi-rent itself. An alternative is to construct an internal labour market with career structures designed to elicit effort and encourage employees to invest in industry-specific skills. If such structures are in place, more junior employees may be willing to accept below-market wages in the expectation of eventually

---

8 Chen and Edin 2006; Davidson and Reich, 1988; Gittleman and Wolff, 1993; Krueger and Summers 1987; Pinheiro and Ramos 1994
9 Colossal remuneration within the financial sector are a particularly stark example of such inter-industry differences in remuneration. Some who work in the financial sector may be highly talented individuals, but presumably so are much less well-remunerated quantum chemists, astrophysicists and brain surgeons.
achieving the above-market wages which accrue to those at the top of professional career ladders (Sorensen 1996: 1355).10

The existence of such internal labour markets, which may be intra-firm or within an occupationalised profession, sheds light on the structural basis of labour market segmentation (Kalleberg and Sorensen 1979: 359). Although scholars now believe that it is too simplistic to draw a straightforward divide between a primary and secondary labour market, certain occupations are nonetheless characterised by higher wages, greater employment stability, greater workplace protection and a structured career pathway. Outside of these occupations, the labour market is more fluid: workers face greater insecurity and fewer possibilities for advancement. From a neo-Ricardian perspective, the natural interpretation is that this segmentation corresponds to the divide between those industries in which employees share in quasi-rents and those in which they do not. In the latter group of industries the labour power of workers is a homogeneous commodity, fetching only its bare market price.

Sorensen did not attempt to develop the international and global implications of his approach, but there is no reason to suppose that the same mechanisms will not operate on multiple scales11. Earlier structuralists suggested that labour market segmentation had both domestic and international dimensions, with primary labour markets located overwhelmingly in the North (Singer 1970). Although the global of division of labour has become too complex for such a dichotomous categorisation, Kaplinsky’s analysis suggests that quasi-rents are not available to many economic actors outside of the advanced industrial core and specific sectors within semi-peripheral economies. As classical development economists argued, wages in much of the global South are held down by the large, chronically underemployed ‘reserve army of labour’ outside of the formal sector (Lewis 1958). From a neo-Ricardian perspective it is not surprising that, without access to quasi-rents, actors attempt to secure other kinds of rent in order to avoid having to accept economic insecurity and subsistence-level wages. The consequence can be seen in the kaleidoscopic array of idiosyncratic neo-patrimonial states in the global South. Their diversity arises due to the different kinds of rents available locally, position within the global division of labour, and the relevant boundaries between ascribed social categories. The stylised consequence is the predominance of patron-client networks over class as a mode of mobilising political action.

The reorganisation of the global division of labour and the changing distribution of quasi-rents examined by Kaplinsky are clearly of great importance to a political sociology based on Sorensen’s approach. The defeat of organised labour in much of the advanced industrialised world combined with the dispersion of productive capacity to the new semi-peripheries seems to have eroded the quasi-rents of workers in tradeable sectors. The increase in inequality within the advanced industrialised economies due to income growth amongst top earners and stagnation amongst low earners is well documented (OECD 2011: 22-25). Sorensen argues that managers of capitalist firms have become more adept at eliminating the quasi-rents of other employees (Sorensen 2002: 203-6). Consistent with this claim is the fact that between 1980 and 2006 productivity grew faster

---

10 Of course, this gives firms an excellent incentive to default on the ‘promise’ of a share of composite quasi-rents by making employees redundant before they accrue these rents (Sorensen 2002: 198).

11 Goldstone 2001: 175 argues that structures which maintain order have a self-similar quality on multiple scales. Therefore we should expect to find similar but patterns on many levels of analysis: sub-national, national, regional and global.
than wages in 17 out of 20 OECD economies (Sharpe, Arsenault and Harrison 2008: 50-51). Contradicting conventional ‘skills based technological change’ accounts of the new inequality, wage increases for skilled workers have not been uniform (Leicht 2008 249). Rather, inter-industry wage differentials seem to have fallen amongst lower socio-economic groups but risen amongst the highest social-economic groups (Morgan and Tang 2007), supporting Sorensen’s view that the control over flows of quasi-rents has shifted towards management 12.

Sorensen notes that the social consequence is that labour markets have become more fluid and structureless for significant proportion of workers (Sorensen 2002: 203-6). Perhaps due to the rapid growth in secondary and tertiary education in parts of the global South (Kaplinsky 2005: 218-9), this insecurity seems to have affected white-collar workers in the North as well as the unskilled (Sorensen 2002: 203-4). Both global/economic and domestic/institutional factors seem to matter, as nations with institutionally embedded systems of corporatist bargaining have experienced less significant increases in income inequality (Mann and Riley 2007: 102-108).

Within the successful industrialising economies of the global South many groups have lost access to rents their previously enjoyed. These groups include the often relatively privileged former beneficiaries of welfare states (Rudra 2008), employees of parastatal firms, as well as the victims of what Marxists call ‘primitive accumulation’ (Moore 2004) – the theft of rent-producing assets such as land through naked force. Nonetheless, Silver has argued that historically when productive capacity in the world economy has shifted, so too has the locus of labour activism (Silver 2003; Silver and Zhang 2009). The recent upsurge in industrial disputes in coastal China suggests that new bargains over the divisions of quasi-rents may be in the process of being formed, whilst the example of Brazil’s Partido dos Trabalhadores indicates that class-based strategies of political mobilisation can still achieve success even in a neo-liberal era.

The global division of labour has become more complex and transnationally articulated, beginning to blur some of the familiar distinctions between the North and the global South. But if this is indeed the case, the consequences may well be profoundly disruptive to the polities of the advanced industrialised world. For most of post-WWII era Marx’s claim that workers under capitalism had nothing to lose but their chains was invalid. Unionisation and occupationalisation enabled workers to bargain for a share of quasi-rents arising from the technological advancement of the North. This enabled the incorporation of reformist parties representing the interests of labour into democratic party-systems and the pursuit of modest egalitarian goals through the welfare state. By contrast, a society in which rents are successively diminished for the majority of the population is likely to be one in which larger numbers of people experience insecurity and material deprivation: ‘nothing guarantees that efficient labor markets create good lives’ (Sorensen 2002: 207). Selling one’s labour power for its global market price in a fluid and ever-shifting labour market is unlikely to encourage the values, commitments and structures on which democracy in the North has hitherto depended. Such changes in the global division of labour and the political sociology of advanced industrial societies may also have surprising implications for patterns of stability and conflict within international politics, as will now be examined.

12 This neo-Ricardian interpretation agrees with Marxian macroeconomic perspectives which present evidence that labour’s share of the economic surplus has fallen over the past three decades due to a successful political campaign by the representatives of capital (Glyn 2006).
Social Market Democracy and the Democratic Peace

The ‘fact of the democratic peace’ - that there are no unambiguous cases in which consolidated democratic states engaged in military hostilities with one another resulting in over a thousand battlefield casualties - is well known. Democratic states have, however, participated in wars against non-democratic states. Since WWII inter-state conflict has had a pronounced North-South asymmetry: states of the global South have fought one another, states of the North and the global South have fought one another, but states within the North have remained at peace. This situation prompted the, rather hyperbolic, description of the post-Cold War world as being divided into a ‘zone of peace’ and a ‘zone of turmoil’ (Singer and Wildavsky 1996).

Influential explanations of these observed facts include institutional theories of the democratic peace, which hold that political institutions restrain the leaders of democratic states (Lake 1992), as well as normative approaches, which argue that democratic norms of peaceful conflict resolution are externalised in the foreign policies of democratic states (Russett 1993:30–38). The majority of democratic polities have been located in the advanced industrialised world and there is extensive evidence of a positive correlation between national prosperity and democratic government. Political scientists broadly agree that either prosperity tends to lead towards democratisation, or alternatively that prosperity does not induce democratisation but prevents autocratic reversion (Przeworski and Limongi 1997). Thus there seems to be a clear indirect relationship between the distribution of wealth within the global economy and the general pattern of conflict within international relations: wealthier nations are more likely to be consolidated democracies and thus much less likely to engage in international hostilities with one another.

Michael Mousseau, however, has developed a theoretical perspective which connects the peace amongst democracies to the process of socio-economic development at a much deeper level. Alongside other scholars, Mousseau has provided evidence that the democratic peace effect is dependent on the wealth of the states in question (Mousseau, Hegre, Oneal 2003). Advancing what might be called a social market theory of the democratic peace, he argues that democracy and peace are both the outcome of the process of economic development. According to Mousseau, normative variants of the democratic peace thesis are correct that it is the values held by democracies, not the specifics of their institutions, which explains their mutual non-belligerence (Mousseau 2003: 486-487). But these normative approaches are limited as they fail to identify the deep congruence of interests amongst many democracies. They also lack an adequate explanation of why non-belligerent and pro-democratic values are held by certain societies.

Mousseau’s solution is influenced by Harris’s cultural materialist approach, which argues that there exists a probabilistic relationship between the material organisation of a society and its culture, or system of values (Harris 1980: 70-75). Actors are not rational utility-maximizers, but they do adapt to the structural circumstances they find themselves in: ‘individuals economize on the costs of decision making by forming cognitive habits—heuristics—for situations they repeatedly encounter’ (Mousseau 2009: 58). Such habits become internalised and accorded with intrinsic validity. Thus, practical heuristics form the basis of public action-guiding norms and systems of values.
In an argument which parallels North’s distinction between ‘natural orders’ and ‘open access orders’ (North, Weingast, Webb, Weingast 2009), Mousseau argues that socio-economic development involves the transition between two distinct modes of life, each with their own corresponding value-system. The distinction between these two systems of social organisation turns on whether individuals are in the habit of engaging mutually beneficial transactions with strangers. In societies organised by patron-client networks, such as many neo-patrimonial states in the contemporary global South, actors are dependent on their extended families and/or patrons who can provide material benefits in exchange for loyalty. Networks of friends and family look after their own, whilst patrons must distribute enough resources to followers to keep them loyal. Such a system discourages respect for individual rights and encourages a sharp distinction between those who are inside and those who are outside the clientelist network (Mousseau 2003: 490; Mousseau 2009: 58).

Alternatively, societies may be organised on the basis of voluntary but binding transactions between independent persons granted equality under the law. Under circumstances in which ‘the majority of people regularly engage in, and primarily benefit from, the market place’ (Mousseau 2003: 489), actors will tend to approve of individual rights and the role of an impartial state in enforcing agreements between persons. Mousseau calls these contract-intensive societies (Mousseau 2009: 53). Because individuals within such societies learn the benefits of cooperation with strangers, their values are less parochial and more universalist than those of clientelist societies. The belief that society should be a mutually beneficial enterprise gives rise to the idea of a social contract encoding a system of reciprocal responsibilities amongst actors who share in the opportunities of a market-based society (Mousseau 2009: 62).

Although contract-intensive societies have historically been found outside of the cultural West, the causes behind transitions between clientelist and contract-intensive societies are likely to be complex and historically specific. But once this transition begins to take place, liberal values are likely to take hold – as argued by Ingelhart and Welzel in their notion of the ‘human development sequence’ (2005). But whereas Inglehart and Welzel focus on the role of rising wealth in bringing about value change by empowering individuals, Mousseau argues that liberal values are not generated by wealth per-se but by economic development within contract-intensive societies alone. Oil-rich states, he notes, are wealthy but clientelist (Mousseau 2003: 489), and consequently illiberal.

Mousseau’s approach suffers from some of the same problems as other stagist and evolutionary theories of modernisation, but these are beyond the scope of this paper to discuss. His approach does, however, take the debate over the democratic peace forward by providing an account of the way in which liberal values are grounded in concrete material circumstances of a particular, historically specific social configuration. This allows us to understand the democratic peace within the context of the political sociology of advanced industrial societies and the political economy of the global division of labour. Mousseau himself notes that his approach is not incompatible with structuralist theories as it is agnostic about the conditions which make market-oriented development a possibility in the first place (Mousseau 2003: 489).

Indeed, if the neo-Ricardian accounts of Kaplinsky and Sorensen are accepted as valid, then what emerges is the basis for a compelling structuralist account of the economic and sociological foundations of the democratic peace. Mousseau is clear that for actors to internalise liberal values they must be able to benefit from participation in contractual
exchange within a market economy (Mousseau 2003: 489). This requires that ‘a solid majority in a society is freed from subservience to group leaders because it can obtain economic security from strangers in the market’ (Mousseau 2009: 84). Drawing on a Polanyi (2001[1941]), Mousseau suggests that when the market fails to provide economic security for actors they will turn to anti-market political ideologies, as occurred in interwar Germany as a result of hyperinflation (Mousseau 2009: 60), or to clientelist networks, as in situations of high structural unemployment in both industrialised and less economically developed states (Mousseau 2009: 82). But if Sorensen’s analysis is correct, then the economic security provided by social market economies is a consequence of workers being able to share in quasi-rents with firms through participation in internal job markets and occupationalised professions. If Kaplinsky’s analysis is correct then the availability of such quasi-rents is, in part, a function of a given economy’s position within the overall global division of labour. Those who participate in the labour markets of the advanced industrialised world can share in the leading edge sectors in which quasi-rents from innovation and technological development are possible before they are dissipated by the ceaseless competition between rival firms.

Where workers have no access to quasi-rents they must sell their labour power as a homogeneous commodity and experience the consequent insecurity which arises from fluctuations in supply and demand. Under such circumstances participation in patron-client network may provide the necessary source of security by ensuring a flow of rents in return for loyalty to a patron. To maintain their position, patrons of clientelist networks must maintain a flow of rents to their supporters and politics tends towards negative-sum competition between rival patron-client networks. Such circumstances provide little opportunity for the internalisation of norms of personal autonomy and openness to cooperation with strangers on which liberal values rest. Because rent-seeking is an intrinsically rivalrous activity it is not surprising that participation in such networks instead encourage the strong in-group identification and hostility to out-groups – values which Mousseau argues are externalised in the foreign policy of states which are not social market democracies. (2009: 83). But whether ‘a solid majority’ can enjoy economic security within the market seems dependent on the extent of quasi-rents available in a particular economy. Further away from the leading-edge of innovation and technological development, the democratic peace has not extended to the majority of states of the global South.

However, if large sections of the workforces of advanced industrialised states were to lose access to stable and well-remunerated employment, by the logic of the argument above, the liberal values on which Mousseau claims the democratic peace rests may go into decline. Concerted attempts to exclude workers from access to quasi-rents as well as the changing global division of labour may, therefore, undermine the sociological foundations of the peace amongst the advanced industrial democracies. With the related weakening of class-based coalitions supportive of redistributive policies, the social contract which Mousseau sees as necessary to social market democracy seems to be under attack from coalitions who denounce welfare recipients as undeserving rent-seekers (Skocpol and Williams 2012). But reducing existing social security provision leaves more actors in the insecure position of selling their labour power at its bare price. In the current context of post-financial crisis fiscal austerity after three decades of wage stagnation throughout much of the industrialised world, it is questionable how far a ‘substantial majority’ of actors will be able to find economic security within the marketplace. Indeed, the potential fragility of democratic non-belligerence is revealed by the fact that the advanced industrialised states have engaged in hostile actions short of war.
against other democratic states, especially those pursuing policies of resource-nationalism which could have undermined the economic and military security of the industrialised world. At other times the social market democracies have initiated wars with resource-rich non-democratic states. Many of these episodes can be interpreted as hostile struggles over the global distribution of the composite quasi-rents arising from modern industrialism and fossil fuels. In such struggles over fundamental material interests liberal values have been less significant. Similarly, some citizens of social market democracies have supported anti-immigrant political coalitions when they have perceived their locational rents as being under threat from immigration. If these quasi-rents become slimmer support for anti-immigration and xenophobic policies might rise – as suggested by scholarship which argues that the resurgence European far-right has received support from the ‘losers’ from global economic integration.

This is emphatically not to make a predictive claim that we can expect inter-state hostilities between advanced industrialised states to resume if quasi-rents come under pressure. First, new leading sectors of production providing new opportunities for widely-shared quasi-rents could well emerge in the North. Second, Mousseau is too sanguine about the non-belligerance of social market democracies towards other states. Second, even if social market democracies and the liberal values which they support are undermined by shifts in the distribution of quasi-rents, relations amongst non-social market states are not uniformly belligerent. Twentieth Century Latin America has been described as a ‘no-war zone’ in which military disputes took place infrequently and only on a limited scale (Holsti 1996 154-161). A ‘cool peace’ prevailed in contrast to the ‘warm peace’ amongst the advanced industrialised democracies. Third and finally, the shifting distribution of quasi-rents might well be beneficial to regional security in some areas of the world as it could bring about value change and enable political coalitions to establish the conditions for new social market democracies.

**Conclusion**

This paper has sought to demonstrate that the structuralist perspective focusing on the material inequalities within the world economy retains the capacity to make relevant contributions to international relations scholarship by highlighting the connections between these inequalities, social structures, and patterns of order within world politics. By adopting neo-Ricardian perspective focusing on quasi-rents, the paper linked three hitherto unconnected areas of scholarship in order to present a novel argument about the sociological and material roots of the democratic peace within the advanced industrialised world. Taken together, the independently advanced claims of Kaplinsky, Sorensen and Mousseau imply that the democratic peace is not a permanently fixture of international relations but is dependent on the distribution of quasi-rents within the world economy. The democratic peace will rise and decline with the waxing and waning of liberal values, which in turn are predicated on the success of social market democracies in providing their citizens with economic security. If the new global division of labour that has arisen due to technological change, neo-liberal economic policy and capitalist restructuring gives rise to new distributions of quasi-rents in the world economy, however, then patterns of peace and conflict might likewise undergo change.

The purpose of this paper is not, however, to engage in social-scientific soothsaying about the future of world order. Rather, it is to advance a structural analysis of the social market democratic peace on the basis of a neo-Ricardian account of political economy
and political sociology – helping to reveal the conditions which make possible the prosperity, social order and international peace enjoyed within the North.

REFERENCES


Amin, Samir (1977) Unequal development: an essay on the social formations of peripheral capitalism, (Hassocks: Harvester)


Palgrave Macmillan


Singer, Max and Wildavsky, Aaron (1996) *The real world order: zones of peace, zones of turmoil*, 


Walker, RBJ (2002) 'International/Inequality'.

