

The tendency to international migration of production: diverging implications for the legitimization of mature and developing capitalist nations

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Abstract (300 words)

'International trade' and 'international movement of capital' are the two main forms of economic globalisation – each based on very different institutional conditions. Their production and distribution of income effects on mature and developing capitalist nations are also very different.

The international movement of capital is conditioned by a two-sided expansion of the enterprises' property rights as granted by states. This is a fairly recent phenomenon. Measured as 'foreign direct investment', it stayed until 1990 within bounds of 1% of world GDP. This paper discusses one of its two main forms, namely the '*international migration of production*' (IMP).

The world's nations are categorised as 'capitalistic mature' and 'capitalistic developing' ones, pictured as a stratification of nations in terms of factors most relevant for IMP: levels of (1) wages, formal education, infrastructure and (2) state legitimization-relevant social security transfers (SST) – state legitimization being indispensable for capitalist economies.

Regarding SST it is indicated why in mature nations from 1990 onwards their increase as percentage of GDP mitigated in face of their burden for the income distribution's top 40%.

Actual IMP pushes up the growth of factors (1) in the countries of immigration, and down in the countries of emigration. For each the effects are self-reinforcing, so engendering a very gradual up-down process of convergence between 'developing' and 'mature' countries. It is shown how this convergence also affects the SST factor, such that a gradual up-down convergence of international SST levels is also on the (far) horizon.

Given the world nations' uneven GDP per capita levels, the tendency-convergences of wages and of SST tend to be associated with processes of conversely uneven vast-majority-legitimation of states. In the (very) long-run, however, the (yet) 'developing' ones will equally face the impossibility of legitimization-required increasing *and* decreasing SST.

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Introduction

This paper sets out how the fairly recent tendency to ‘international migration of production’ (one main form of the international movement of capital) engenders a gradual up-down process of economic convergence between ‘developing’ and ‘mature’ capitalist nations. Along this process, however, the legitimization of capitalist states (and hence the legitimization of capitalism in nations) are reversely affected: positive in developing and negative in mature capitalist nations.

Before I get to these main theses in sections 4-6, sections 1-3 provide an outline of a number of key notions on which the main theses build.²

When I use the term ‘capitalism’ I mean what I call ‘full-fledged capitalism’. This social formation emerges when not only trade but also the *processes of production* are dominated by the ‘monetary-value dimension’ and profit, and when production is predominantly carried out by wage labour. Around 1800 Great Britain and France are the cradle of this currently dominant capitalism, and many now mature capitalist nations made the transition in the second half of the 19th century.³

1. The capitalist state’s ‘hard core’ framework, and its ‘accumulation of capital’ frameworks

A capitalist economy cannot exist without a capitalist state. The two constitute a unity, together comprising the national and international capitalist system. The state’s legislation allows enterprises and their owners to monopolise the property of the earth and other means of production, and to appropriate the surplus-value produced by labour. One main result is a skewed distribution of income – and, derived from it, of wealth. (‘Surplus-value’ refers to the profit of enterprises prior to any distribution to financiers and prior to taxes. All value components are expressed in monetary dimension.)

I distinguish two key legislative frameworks of the state, one regarding private property and the appropriation of surplus-value produced by labour, the other regarding the furthering of the private accumulation of capital – each summarised in *Table 1*. Note that any rights are state-granted rights.

Figure 1. The key legislative frameworks of the state

A. The legislative ‘hard core’ framework’ of the state
1. State-granted rights of enterprises and their owners regarding: (a) the entitlement to <u>private property</u> in the earth and other means of production (each other than merely for the production by the claimant of private property); (b) the entitlement to <u>employ labour</u> as combined with the <u>appropriation</u> of the surplus-value produced by that labour.
2. The state’s maintenance of <u>public security</u> (including the state’s maintenance of its own existence).
B. The ‘accumulation of capital’ frameworks of the state each geared at the state’s furthering of the private accumulation of capital
1. <u>Monetary</u> constellation and monetary institutions;
2. Quantity and quality of labour-capacity; especially <u>public education</u> ;
3. Public <u>infrastructure</u> .

² The main thesis of the paper draws on ch.11 of the author’s recent book *The unity of the capitalist economy and state; a systematic-dialectical exposition of the capitalist system* (Leiden/Boston, Brill 2019); the book’s pdf is freely available at: <https://brill.com/view/title/38778>. Henceforth it is referred to as Reuten 2019.

³ In a recent path breaking work Bas van Bavel outlines regional ancestors of such a form of capitalism (*The Invisible Hand? How market economies have emerged and declined since ad 500*, Oxford: Oxford University Press, 2016).

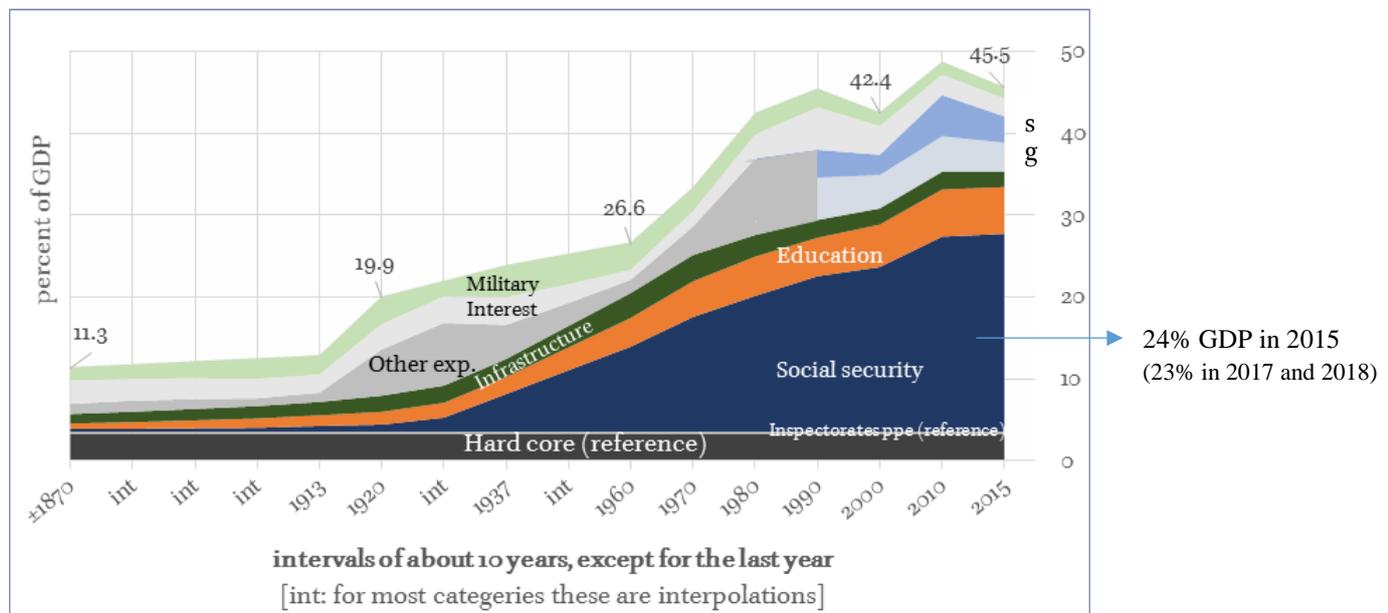
2. The capitalist state and its legitimation by social security expenditure (SSE)

One central thesis on which this paper builds is that the *legitimation* of the state in the vast majority compliance of actors, is indispensable for the existence of the state, and hence for the capitalist system. The state must continuously seek this legitimation, and the state's 'social security expenditure' (SSE) is a main component for that. Thus SSE is a system requirement. (I add that SSE is a 'security' for the relevant subjects, but it is in as much a security for the existence of the state, hence the capitalist system.)

In this and the following section I use a sample of 21 current OECD-countries, called the "OECD-21", for which there are a reasonable amount of data that go back to 1870. These are 16 European countries,⁴ the USA, Canada, Japan, Australia and New Zealand: these have been, and currently still are, capitalistic advanced nations. In 2015 these comprise 13% of the world population with 56% of the world GDP.

Consider the total of the state's expenditure for the average of the OECD-21 from 1870 to 2015 as percent of GDP. See *Graph 2*.

Graph 2. Total state expenditure and its categories, 1870–2015, in % of GDP; averages of up to 21 current OECD countries



right hand margin: s = Subsidies and other direct assistance to enterprises (details available since 1990)
right hand margin: g = General amenities (details available since 1990)

Source: Reuten 2019, p. 501 (see footnote 2 above).

It can be seen that from 1920 onwards SSE as % of GDP continually increased, though modified so after 1990 and after 2010 it stagnates. (I get later to that modification.) It can also be seen that from about 1937 onwards, SSE became the main component of total state expenditure.

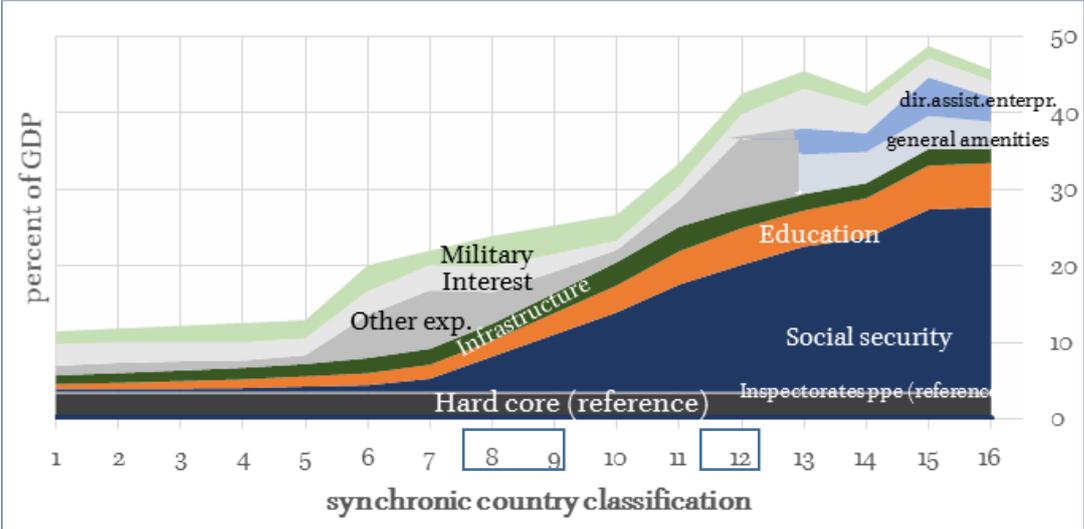
In the book on which this presentation is based, I indicate that Education and the communication part of Infrastructure are main catalysts for increasing SSE. (I amplify on that in section 3.)

In ch.11 of that book I indicate that for all capitalist nations in the world (mature and developing ones), the diachronic graph just shown, can be considered as a contemporary stylised

⁴ Austria, Belgium, Denmark, Finland, France, Greece, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom (of Great Brittan and Northern Ireland).

country classification (without implying that all these capitalist nations go through the same history as the OECD-21). See *Graph 3*.

Graph 3. Stylised synchronous country classification



Source: Reuten 2019, p. 530

As an example I compare the current SSE level of large samples of current low, middle and high income countries with the year in which the OECD-21 reached that level (income classes according to the World Bank definition). I add that the absolute SSE increases of low and middle income countries now grow faster than that of the OECD-21.

Level of SSE example	LIC	LMC	UMC	HIC incl. OECD-21
Graph 3 classification	8/9	8/9	9	12
cf. OECD-21 year	1940	1945	1955	1980

LIC = Low income country; LMC = Low Middle I.C.; UMC = Upper Middle IC (WB classes)

Source: Reuten 2019, p. 544.

3. The SSE legitimization dilemma in currently mature capitalist nations

This section shows the contradiction that whereas continuously increasing SSE is a system necessity, it is also impossible; this so constitutes a main vulnerability of the capitalist system.

After 1990 the capitalistic mature nations became increasingly caught by a legitimization dilemma, given the required seeking of a vast-majority compliance. There are two main reasons for this. The one is national (presented in the current section). The other is associated with the international migration of capital to developing capitalist nations (see section 5).

Table 4 shows for three OECD-21 countries the social security transfers (SST) as a percentage of households’ gross income in 2015. (When considered as part of the income, SSE is called ‘social security transfers’ – SST.) The last column indicates the average for all households, and the other columns indicate the distribution over the household income deciles. These countries are chosen on the basis of the diversity of their OECD-21 skewedness ranking of gross income in 2015 (top, middle and bottom skewed). For each of these countries the SST design is quite different. In each case, however, it is the 6th decile that receives about the country’s average SST. Thus it is roughly D1-D5 that benefits from average increases in SST (ceteris paribus the design), and vice versa for decreases.

Table 4. All household share (%) and deciles share (%) of social security transfers in gross income: UK 2015, Netherlands 2014 and Norway 2015

	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	All
UK	60%	47%	48%	36%	25%	17%	13%	8%	5%	2%	15%
Netherlands †	122%	99%	93%	76%	45%	24%	16%	11%	7%	6%	25%
Norway	53%	42%	34%	27%	22%	19%	16%	13%	11%	6%	18%

† D1 (including people living on debt, students, unemployed etc.): negative market income; D2-D4 very low market income (including pensioners).

Source: Reuten 2019, p. 422.

Perhaps this borderline gradually moved over time from a lower one to the current one. For many non-OECD countries the borderline might perhaps (still) lay at D2 to D4. For countries with (yet) non-generalised SST, assistance to the poor may regard the bottom 20%.

▪ *Accumulation of capital as determinant of SST*

Regarding social security, the state responds to social pressures. Widespread social information about the distribution of income is a key catalyst for SST. This social information correlates, on the one hand, with public education – especially also its distribution – and, on the other, with means of communication. These two are determined by the development of the macroeconomic accumulation of capital. More specifically these are determined by the capital accumulation requirements of increasing public education and of the communication parts of infrastructure. Thus, in sum, the state of the accumulation of capital determines social pressures regarding social security. This is a major destiny of the capitalist system.

Increasing SSE as a percentage of GDP is thus generally driven by, first, the degree of widespread social information as associated with the accumulation of capital and, second, the state's response to the concomitant social pressures in face of the requirement of its vast-majority-legitimation.

▪ *Social security as vulnerability for the capitalist system*

In face of these determinants I now get back to the legitimation dilemma. Given that in the OECD-21 SST tend to positively affect roughly the bottom 50% of the income distribution, a raising SST thus primarily contributes to the compliance of the bottom. However, the question is where the burden for the increasing SST is going to fall. (Effectively this question is less urgent to the extent that the average per capita growth rate structurally booms. The deciles mean-income lays well above the median income.)⁵ If the burden of the increasing SST initially is going to fall on the upper-middle classes (income deciles D7–D9), the state risks a fading legitimation in this echelon. If it is going to fall on the upper class (D10) – unlikely because all legislation protects this echelon – members of this class may wonder about the further rationale of the capitalist system for them.

I conclude that there seems to be no obvious way for the state to evade this dilemma. This poses a main vulnerability of the capitalist system – one that characterises the current political constellation in mature capitalist nations. In the long-run, yet developing capitalist nations will be faced with a similar dilemma.

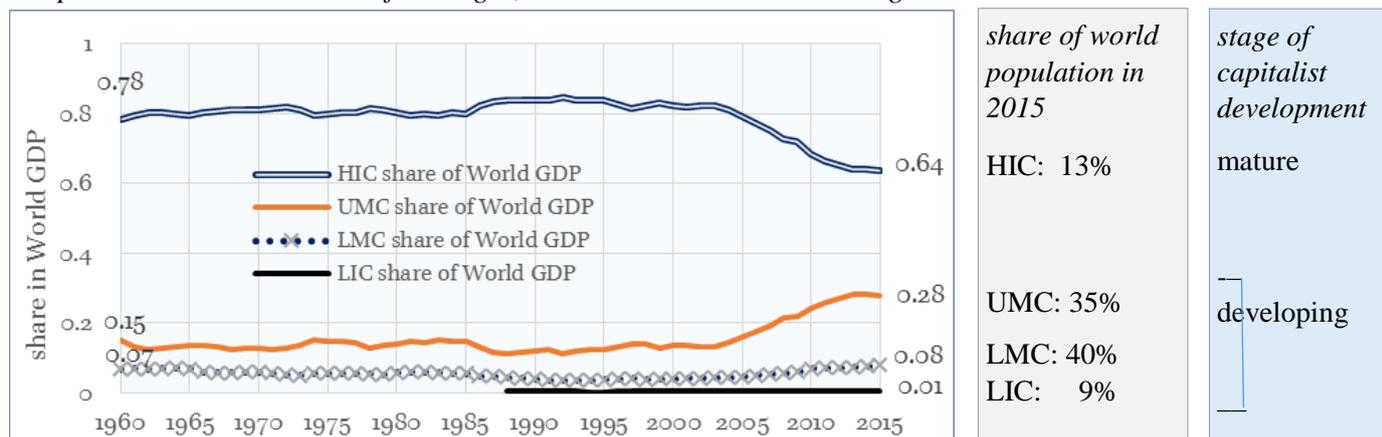
⁵ For the average of the OECD-21 countries it lays in 2015 around decile 7.

4. An economic classification of world nations

For the following sections nations are roughly classified into four income groups according to the World Bank classification of their gross national income per capita in 2015, as High income countries (HIC), Upper middle income countries (UMC), Lower middle income countries (LMC) and Low income countries (LIC). See the Appendix, Tables 11.3 and 11.4 for some quantitative details.

I often call the HIC the ‘mature’ capitalist nations, taking together the other ones as ‘developing’ capitalist nations. *Graph 5* shows their share in World GDP over the past 50 years.

Graph 5. World GDP shares of the high-, middle- and low-income categories: 1960–2015



Source: Reuten 2019, p. 533 (from World Bank data)..

It can be seen that until about 2003 there was not much movement in these country group shares (the vast increase in international trade during this period apparently did not benefit the average of the three bottom groups comparatively). Note that the change after 2003 was to a large extent due to the development of ‘UMC’ China.

Behind the GDP outcome above the following economic differences between nations are relevant:

- (1) their geographical location;
- (2) the historical point in time at which they became full-fledged capitalist – as conditioned by their state’s granting of capitalist ‘hard core’ rights as concretised in the hard core legislative frameworks (§1, Table 1);
- (3) the degree of intensity of their legislative ‘accumulation of capital frameworks’ (§1, Table 1);
- (4) the degree of intensity of their legislative ‘social security framework’ (cf. §2);⁶
- (5) given the population of a country, the degree of the reached accumulation of capital – that degree being co-determined by the legislative ‘accumulation of capital frameworks’ (sub 3).

⁶ In terms of state expenditure this is measured by the SSE (cf. Graph 2). Expanded on in Reuten 2019, Ch.7, Division 5.

5. The current international constellation of nations and the ‘tendency to international migration of production’ (IMP)

Economic globalisation – in each of its two main forms of ‘international trade’ and ‘international movement of capital’ – is predicated on a two-sided expansion of the enterprises’ property rights as granted by states. (This implies that, in principle at least, these property right extensions are reversible.)⁷

This section focuses on ‘the tendency to the international migration of production’ (one form of the international movement of capital), and especially in so far as it is labour market driven (see the bottom lines of *Table 6*) – the latter being most relevant for the migration of production from the mature to the developing nations.

Table 6. The two forms of the international movement of capital

International movement of capital (IMC)		
Forms	Drives	Main process
(1) international centralisation and concentration of capital (ICC)	economic power driven mergers and take-overs	financial: equity
(2) international migration of production (IMP)	{ (a) commodity markets driven (b) labour market driven }	international restructuring of capital

On a substantial world scale these are fairly recent phenomena. Until about 1990 the international movement of capital, measured as ‘foreign direct investment’, stayed within bounds of 1% of world GDP. (See the Appendix, graphs 11.11 and 11.13.) Whereas the international centralisation and concentration of capital (ICC) greatly affects the degree of economic power as concentrated within single enterprises, the latter as a tendency force and its results is not specifically an international phenomenon affecting the reproduction of the capitalist system. This is different for the tendency to international migration of production (IMP).

The following factors are most relevant for the labour market driven international migration of production (IMP):

⁷ Regarding *international trade* I note that in much of its impetus it is not fundamentally different from intra-national regional sector-wise specialisation of production. However, much of the international trade has uneven effects between nations.

International trade affects the degree of versatility of the national sector-structures of production. This implies that once a nation ‘freely’ decided to engage in international trade, voluntary (‘free’) trade turns into enforced trade, together with the concomitant terms of trade. Any intended re-increase of versatility, if possible at all, will take much time; and along with it the establishing of (selective) trade barriers will meet counter measures.

International trade has a positive effect on the world *average* surplus-value of enterprises because this trade presses down – directly or indirectly – the price of the real-wage bundle. However, the less versatile a nation’s production structure has grown, the more it is forced to import at whatever the world market price is. This means, or may mean, that the international trade effect on surplus-value is an internationally uneven one for national enterprises.

Finally, because of the concomitant transport, international trade reinforces environmental damages. Given the developed international sector-structures of production, this could be resolved only in a distant future (via rounds of ‘general non-trade agreements’). However, largely self-sufficient nations (such as currently the USA) could in principle impose trade tariffs – notwithstanding its effect on the national surplus-value.

(Expanded on in Reuten 2019, Ch.11, Division 2.)

- (1) average wages levels;
- (2) taxation of wages (tax receipts being dependent on the wage levels);
- (3) levels of the state ‘accumulation of capital frameworks’ (the state’s means for it being tax-dependent) – cf. §1, Table 1 under B.

The profit-motivated IMP is – given the required ‘hard core’ framework – primarily determined by the (potentially migrating) enterprises’ weighing up of factors (1) and (3): wage levels against ‘accumulation of capital frameworks’. Actual IMP pushes up the growth of factors (1) through (3) in the country of immigration, and down in the country of emigration. For each of these countries – on a larger scale country groups – the (1) through (3) effects are self-reinforcing.⁸

Relevant is the migration of production from high to middle and low income countries. See Figure 7 under A and B. Given state-granted property rights in means of production and profit appropriation rights, and given sufficient public security in the country of immigration, the regarding capital emigration of enterprises is determined by their trade-off between on the one hand the levels of infrastructure and education, and the level of wages on the other, in each of the relevant countries.

Figure 7. International migration of production from high to middle and low income countries

A. Minimum conditions for international migration of production			cf. Table 1: ‘hard core’
In the country of immigration (developing nation):			
(1) legislation on property MP and the appropriation of profit produced by labour;			
(2) a sufficient framework for ‘public order and security’.			
B. trade-off potentially migrating (division of) enterprises			cf. Table 1: ‘acc.cap.’ frame
level	emigrant country (mature nation)	immigrant country (developing nation)	
infrastructure and education	comparatively <u>high</u>	comparatively <u>low</u>	←
wages	comparatively <u>high</u>	comparatively <u>low</u>	
C. production emigration effect			
change	emigrant country	immigrant country	
wages	↓ (or mitigating)	↑	←
taxation revenue on wages	↓	↑	
revenue spending on infra. educ.& SST	↓ (or mitigating)	↑	
<i>total economic effect</i>	<i>gradual convergence</i>		
<i>state legitimization effect</i>	<i>gradual divergence</i>		commented on in §6

After migration (see Figure 7 under C) the effect in the country of emigration is a downward pressure on wages and on the taxation revenue from wages, and along with it a downward pressure on state expenditure on infrastructure, education and SST. The reverse effect occurs in the country of immigration. (Note that taxation revenue from wages, as including VAT, is by far the major component of taxation.) The total effect is a very gradual two-sided economic convergence between the ‘mature’ and ‘developing’ countries.

⁸ Once capitalist developing nations realised a “take off” (Rostow’s 1960 term) regarding infrastructure and education, economic growth processes become self-reinforcing (irrespective any further capital migration).

6. Conclusions: implications of IMP for the legitimation of the state in capitalist nations

Regarding the title of this section, recall that the capitalist economy and the capitalist state inevitably constitute a unity, whence the legitimation of the capitalist state is inevitably associated with a nation's capitalist system.

Sections 1-2 indicated that social security transfers (SST) are a main factor for establishing the legitimation of the state in the vast majority compliance of actors. We also saw that the state of the accumulation of capital within a nation catalyses the SST. (Recall that increasing capital accumulation is associated with increasing public education and with the communication parts of infrastructure – the latter two engendering social pressures regarding SST. Thus the degree of widespread information within a country's populace about the skewedness-structure of wages levels, and of incomes generally, is a catalyst for the required level of SST.) The mature and the developing capitalist nations are in this respect within different stages.

Regarding the mature capitalist nations we saw in section 2 that, quite apart from any international migration of production, SST are limited in face of its taxation burden, and that this poses a main vulnerability of the capitalism in those nations. The international migration of production accelerates this vulnerability for the mature nations, as IMP entails a downward pressure on wages and along with it slacking taxations receipts. (Figure 7, under C.) With further increasing IMP the vast-majority-legitimation in these nations tends to become increasingly under pressure.

For the developing-capitalist nations to which production has migrated, the legitimation effect is quite the opposite (that is, for the time being in the coming decades). Their wages boost and with it taxation revenues. The latter finance intensifications in their 'accumulation of capital frameworks' and in the long run also their SST (Table 11.20 of the Appendix shows that developing countries on average now have reached a similar SSE level as the OECD-21 around 1950.) Thus it seems that also a gradual convergence of international SST levels is on the (far) horizon. Coming from a relative low, each of the gradual increases in average wages and in SST will contribute to the vast-majority-legitimation in the 'developing' nations.⁹

In sum, IMP engenders a gradual two-sided economic convergence (down for mature and up for the developing nation) together with a gradual divergence regarding the legitimation of their states. However, the further the first process develops in the future, the more the (now!) developing nations will face the 'mature' legitimation dilemma as outlined in section 3.

Appendix: Additional empirical graphs and tables on country income groups¹⁰

Table 11.3. World Bank definitions of four country income categories from high to low income (2015)

Income groups	abbreviation	GNI per capita (2015)	
		income range	
High income	HIC	\$ 12,476	or more
Upper middle income	UMC	\$ 4,036	\$ 12,475
Lower middle income	LMC	\$ 1,026	\$ 4,035
Low income	LIC	\$ 1,025	or less

Source: Reuten 2019, p. 531 (from World Bank data).

⁹ Note that the brief presentation above does not imply that revolting processes may not develop along it: capitalism is no egalitarian system. In so far as history is telling such processes also emerged in the OECD-21 nations – and in the ancestors of capitalism as described by Bas van Bavel (see footnote 3 above).

¹⁰ For the sources see Reuten 2019, pages as indicated. [Geert Reuten, *The unity of the capitalist economy and state; a systematic-dialectical exposition of the capitalist system* (Leiden/Boston, Brill 2019); the book's pdf is freely available at: <https://brill.com/view/title/38778>.]

Table 11.4. World country income groups: shares of world GDP and average per capita income in 2015

	number of countries	population (in billion)	share of World population	Share of World GDP	averages per year in \$			
					GNI per capita, †	GDP per capita ‡	GDP per capita, PPP *	index LIC = 1 (GDP cap. PPP)
OECD-21	21	0.9	13%	56%				
Other OECD: high income **	11	0.1	1%	3%				
Non-OECD: high income	46	0.1	1%	2%				
High income (sum row 1–3)	78	1.2	16%	64%	41,366	39,577	44,696	27
Upper middle income	56	2.6	35%	28%	8,186	7,834	15,832	10
Lower middle income	52	2.9	40%	8%	2,035	1,988	6,423	4
Low income	31	0.6	9%	1%	620	616	1,645	1
<i>Total</i>	<i>217</i>	<i>7.3</i>	<i>100%</i>	<i>100%</i>				

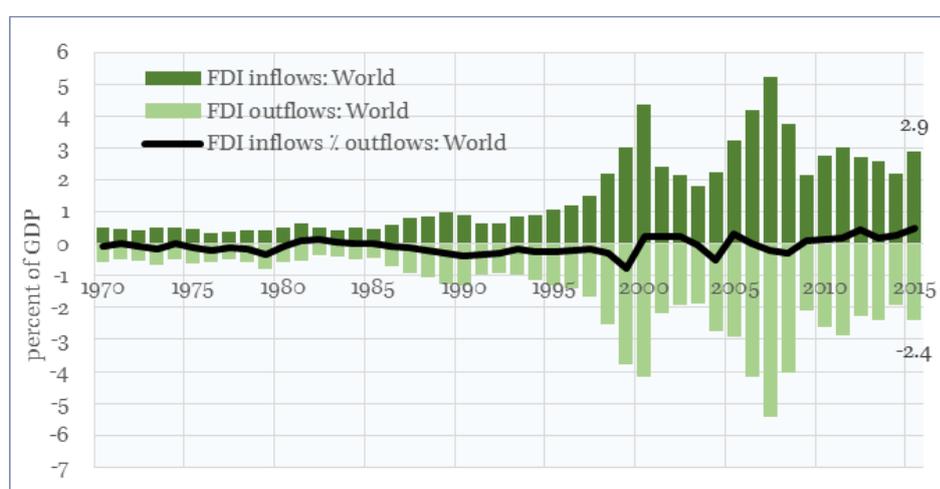
† Current US\$ (Atlas method).

‡ Current US\$.

* Current international \$.

Source: Reuten 2019, p. 532 (from World Bank data).

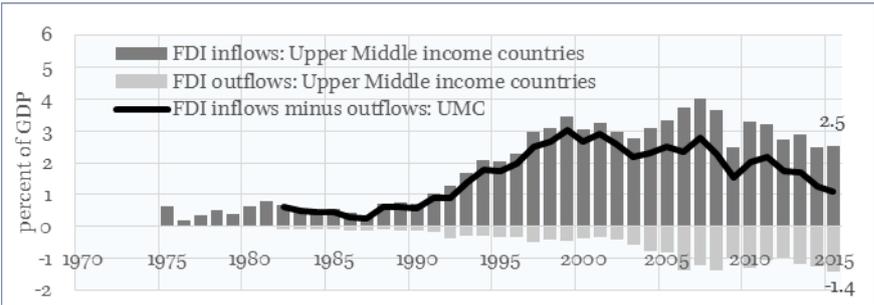
Graph 11.11. FDI inflows and outflows as % of GDP, world average; 1970–2015



Source: Reuten 2019, p. 544 (from World Bank data).

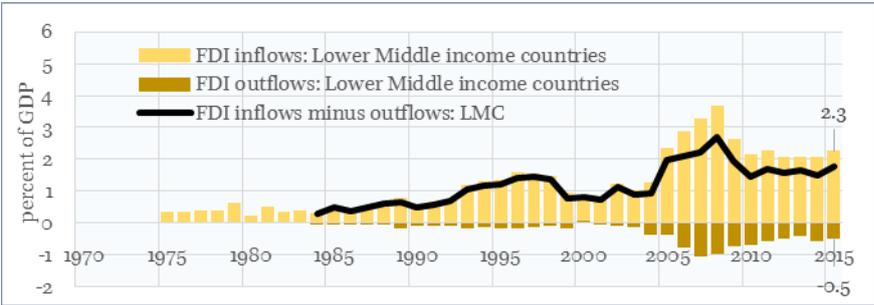
Much of the world FDI inflows and outflows, as shown in Graph 11.11, occur between the HIC countries. The three graphs below specify the inflows and outflows for the middle and low income countries.

Graph 11.12-a. FDI inflows and outflows as % of GDP, average of upper-middle-income countries; 1970–2015



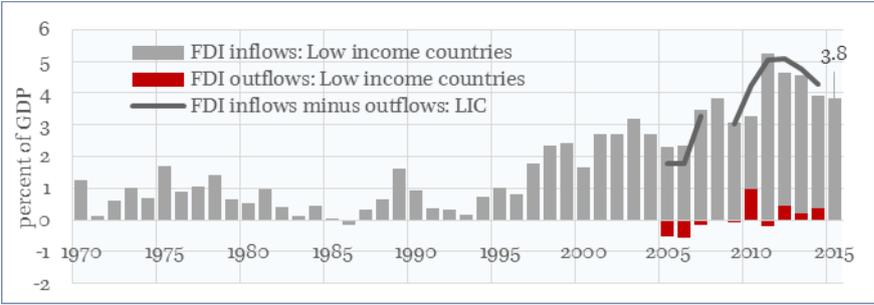
Source: Reuten 2019, p. 568 (from World Bank data).

Graph 11.12-b. FDI inflows and outflows as % of GDP, average of lower-middle-income countries; 1970–2015



Source: Reuten 2019, p. 568 (from World Bank data).

Graph 11.12-c. FDI inflows and outflows as % of GDP, average of low-income countries; 1970–2015



Source: Reuten 2019, p. 568 (from World Bank data).

A lot of data are available on FDI. As indicated much of the World FDI occurs between HIC countries (in the form of the international centralisation and concentration of capital – ICC, see Table 6 of the main text). I have not found aggregate data on IMP. However, there are some aggregate data on so-called greenfield projects, which seems a relevant proxy for IMP. The table below shows that, in the period 2003-2016, 60% of the world FDI inflow per year regarded greenfield projects, and that of the FDI inflow into developing countries 89% regarded greenfield projects.

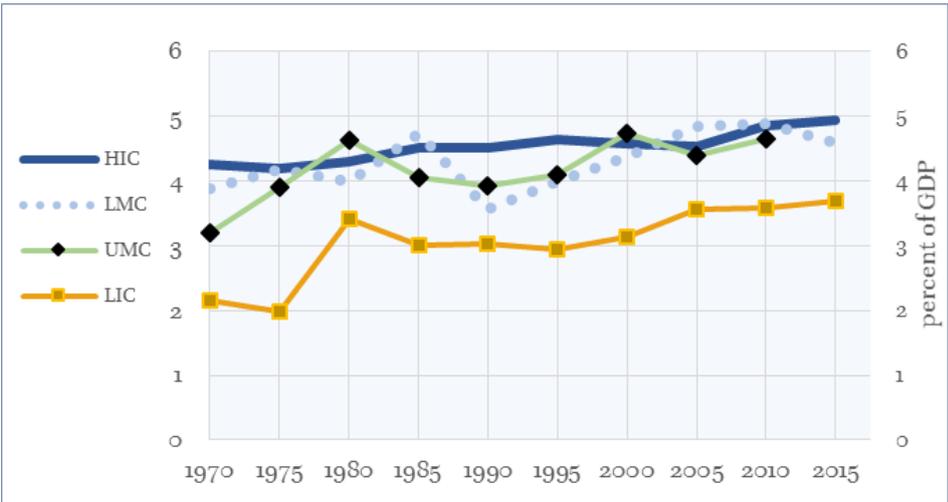
Table 11.15. Total FDI inflows and announced greenfield FDI inflows; World and developing economies, 2003–16

Announced greenfield FDI projects = AG-FDI Developing economies = DE	2003–16 average per year in billion US\$	2003–16 average per year in percent
total FDI inflow: World	1363	
total FDI inflow: Developing economies	543	
total FDI inflow: ratio DE to world inflow		40%
share of DE in world AG-FDI		60%
AG-FDI: World	811	
AG-FDI: Developing economies	486	
World ratio of AG-FDI to total FDI inflow		60%
DE ratio of AG-FDI to total FDI inflow		89%

Source: Reuten 2019, p. 548 (from UNCTAD data).

The following three graphs are relevant for the thesis that increasing public education and the communication parts of infrastructure engender social pressures regarding SST (initially presented in section 3) as applied to the developing nations in section 6.

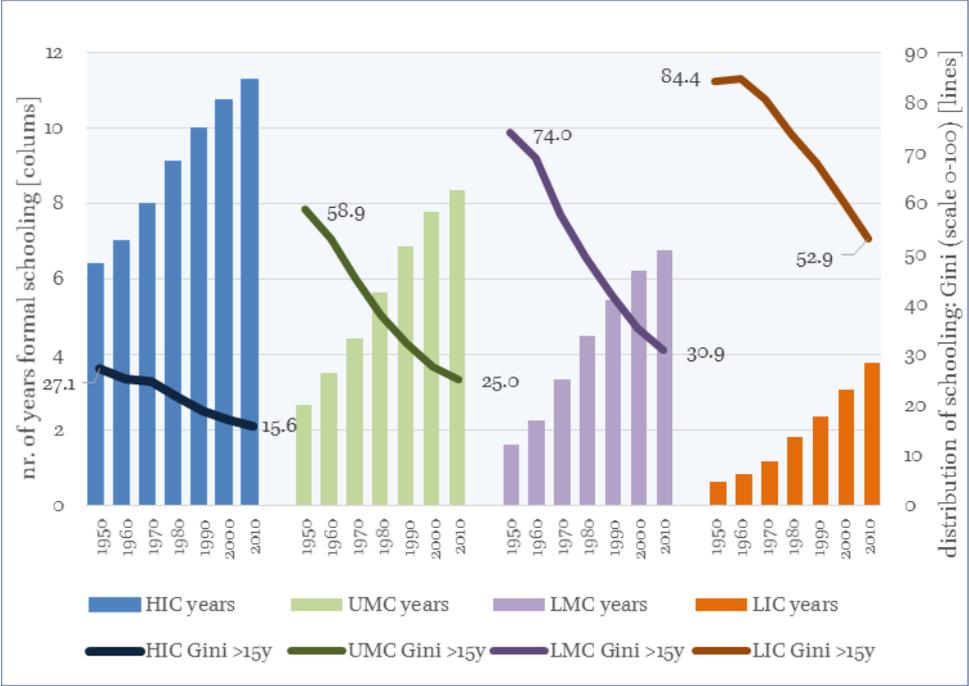
Graph 11.17. State expenditure on formal education as % of GDP, 1970–2015; high-, middle- and low-income countries



Source: Reuten 2019, p. 551 (from UNESCO data).

These seem rather flattering figures for the middle income countries – and at some distance also for the low income countries. However, as the next *Graph 11.18* shows, behind these lurk a distribution of formal education that is more skewed than that of the OECD-21 between 1870 and 1910 (*Graph 7.10* in Reuten 2019). Thus it seems that in 2015 the education in many of the middle- and low-income countries is perhaps fitting for an elite top or middle management, but less so for those production floors that require at least moderately skilled labour. On the other hand, in recent decennia the spread of education among the population in those countries increased steeply (as measured by the decrease in their Gini index in *Graph 11.18*).

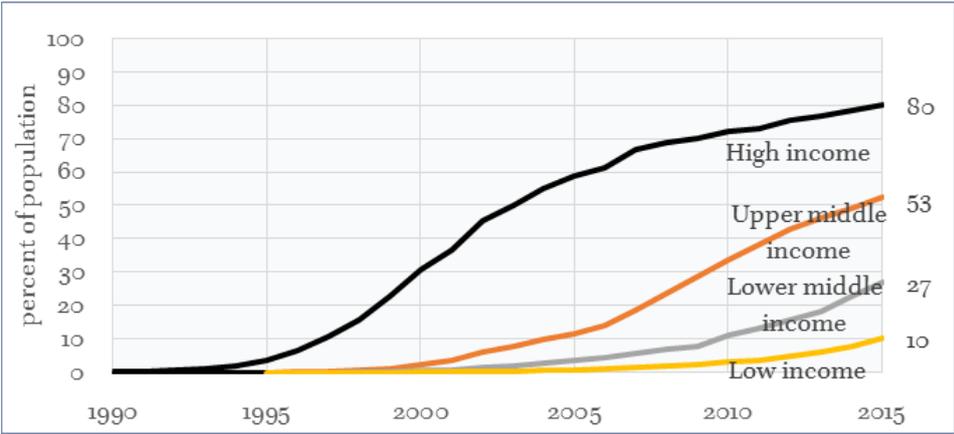
Graph 11.18. Average years of formal schooling, and spread of education in the total population aged 15 years and older (Gini index); averages of high-, middle- and low-income countries 1950–2010



Source: Reuten 2019, p. 552 (from CLIO data).

Graph 11.18 shows averages. China, to take a major example, was in 2010 down to a Gini of 14.5 (scale 0-100), that is, below the HIC average (and not far removed from the USA’s 13.5). The Russian Federation (15.2 in 2010) and Argentina (15.7) also stand out among the UMCs. Among the LMCs Tajikistan, Cambodia, Moldova, Kenya and Armenia are outstanding (ranging from 9.4 to 15.8 in 2010). Given the actual FDI inflow to middle- and low-income countries, there are apparently niches for these (in face of average wage differences).

Graph 11.19. Individuals using the Internet (% of population); averages of high-, middle- and low-income countries, 1990–2015



Source: Reuten 2019, p. 553 (from World Bank data).

I scarcely found aggregate data on social security expenditure in the middle and low income countries. Those that I did find are summarised below, and these show that SSE in those countries (coming from a low) grew considerably in the first decade of the current century.

Table 11.20. State social security expenditure in % of GDP, 2000–11; averages of World Bank country income categories

category	category	nr †	2000 ‡	2011 ‡	change	historical OECD-21 comparison year **
			% GDP			
high income	OECD-21	21/21	21.1	24.7	17.5%	2011
high income	HIC *	55/78	15.4	17.4	12.9%	± 1980
upper middle income	UMC	44/56	8.0	9.9	24.4%	± 1955
lower middle income	LMC	46/52	4.7	6.3	35.5%	± 1945
low income	LIC	23/31	3.2	4.4	35.5%	± 1940

† x/x = actual/potential maximum number of countries;

‡ Or nearest year available.

* Including the OECD-21;

** This regards the year around which the OECD-21 reached a similar expenditure (interpolated for 1940 and the semi-decades).

Source: Reuten 2019, p. 554 (from ILO data).

The following table shows that full-fledged capitalism (see the Introduction, here measured for the degree of wage-labour) is – on average! – just hesitatingly emerging in Africa and Asia and on the verge in Latin America and the Caribbean.

Table 11.22. Wage-labour as a share of wage-labour plus self-employment; world regions and developed economies 1999–2013

	1999	2013	change	
Africa	24.6	26.2	6%	2013 non-dominant non-dominant majority dominant dominant dominant
Asia	30.7	40.2	31%	
Latin America and the Caribbean	59.0	62.8	6%	
Middle East	71.9	80.3	12%	
Eastern Europe and Central Asia	74.9	78.3	4%	
Developed economies	84.1	86.4	3%	

Source: Reuten 2019, p. 558 (from ILO data).

The last table shows that between 2000 and 2015 the real wage growth boosted in the middle income countries, especially in comparison with the OECD-21 and other high income countries. I suggest (but cannot prove) that at least part of it is due to the international migration of production (cf. section 5).

Table 11.23. Average annual real-wage growth 2000–15; World country groups†

country group	number	% change: averages per year			
		2000–15	2000–07	2008–11	2012–15
OECD-21	21/21	0.3	0.5	0.1	0.1
High Income ‡	45/78	1.3	2.0	0.4	0.9
Upper Middle Income	33/56	3.8	4.8	3.1	2.2
Lower Middle Income	22/31	4.7	5.2	3.4	4.1

† Non-weighted averages. For the 12 low-income countries included in the ILO data there are too many gaps for a proper averages calculation. ‡ Including the OECD-21.

Source: Reuten 2019, p. 560 (from ILO data)