The Policy-driven Institutional Drift and the Structural Imbalance in Global Wealth Distribution

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Abstract: In the process of globalization, policy-driven institutional drifting interacts profoundly with the structural imbalance in global wealth distribution. Neoliberal policies have restructured global economic rules through paths such as capital account liberalization and relaxation of financial regulation, leading to the solidification of the "center-periphery" pattern of wealth distribution between the North and the South. Developed countries have achieved wealth siphoning through currency hegemony and intellectual property monopoly, while developing countries are trapped in a dual predicament of capital dependence and ecological poverty. The root cause of institutional imbalance lies in the inherent regulations of the capitalist mode of production on the global wealth distribution mechanism. Through the three logics of capital primitive accumulation, capital concentration and virtual economic expansion, it continuously intensifies the polarization of wealth distribution. To break through this predicament, it is necessary to reconstruct the global governance system and promote institutional innovation in developing countries in areas such as technological sovereignty, financial inclusion and ecological capital accounting.

Keywords: System Drift; Neoliberalism; Global Wealth Distribution; Structural Imbalance; Capitalist Mode of Production

1. Introduction

In the 1980s, Britain and the United States took the lead in implementing neoliberal reforms, reconstructing their domestic economic governance frameworks through policies such as cutting welfare spending, easing financial regulations, and promoting trade liberalization. This policy paradigm spreads to developing countries through international institutions such as the International Monetary Fund (IMF) and the World Bank, using structural adjustment plans as a carrier [1]. This kind of "policy transplantation" leads developing countries to lose their economic sovereignty and fall into the "comparative advantage trap" [2].

The core logic of neoliberal policies lies in enhancing economic efficiency through market-oriented reforms, but their actual effect has exacerbated the inequality in global wealth distribution. Piketty [3] pointed out that under neoliberal policies, the share of wealth held by the top 1% of the global population rose from 28% in 1980 to 38% in 2020, while the share of wealth held by the bottom 50% dropped from 12% to 2%. This extreme distribution of wealth is essentially the expansion and deepening of the capitalist mode of production on a global scale.

Under the impetus of neoliberalism, global financial rules exhibit dual characteristics of "deregulation" and "hegemonization". In 1999, the Financial Services Agreement mandated 102 member states to open their financial markets. In 2004, the Basel II Accord lowered the capital adequacy ratio requirements for multinational banks, clearing institutional obstacles for cross-border financial capital flows [4]. The United States has established a "trade-finance" dual circulation mechanism through its dollar hegemony: In 2022, the US trade deficit reached 1.18 trillion US dollars, but during the same period, cross-border capital inflows amounted to 1.23 trillion US dollars, forming a closed loop of "deficit exporting US dollars - capital flowing back for financing" [5].

This institutional arrangement enables the United States to continuously acquire global wealth through the right to issue currency. Spronk's [6] analysis shows that the proportion of overseas asset returns to GDP in the United States rose from 1.2% to 3.7% between 2000 and 2022, while the wealth loss of developing countries due to the burden of US dollar debts exceeds 500 billion US dollars annually. The reconstruction of financial rules not only exacerbated the wealth gap between the North and the South, but also plunged developing countries into a vicious circle of "debt-inflation".

The digital technology revolution has given rise to new institutional powers. Developed countries have built a "technology colonization" system in the digital age by controlling the right to set technical standards (such as 5G standards and chip architectures) and the intellectual property system (patents and data rules). According to data from the World Intellectual Property Organization, in 2022, 98% of global patent applications came from high-income countries, while the proportion of patents in the digital technology field from developing countries was less than 2% [7].

This monopolistic expansion enables developed countries to obtain over 500 billion US dollars in technology transfer fees from developing countries each year, equivalent to one-third of the total annual GDP of African countries [8]. The institutional power of technical standards is not only reflected in patent fees, but also solidifies the global digital division of labor through new barriers such as data sovereignty and algorithm control. For instance, the top 10 global digital platform enterprises account for 72% of the market value, and they form a "winner-takes-all" pattern through algorithmic monopoly and data control [9].

2. Structural Imbalance in Global Wealth Distribution: Multi-Dimensional Differentiation from Flow to Stock

2.1 Polarization of Wealth Distribution at the Regional Level

The "pyramid" structure of global wealth distribution profoundly reflects the inequality between regions. This polarization is not merely a difference in economic aggregate, but rather the result of the combined effect of institutional power and historical path dependence. Developed countries have established a "center-periphery" global division of labor system through colonial legacies, technological monopolies and financial hegemony. North America, Europe and the developed countries in the Asia-Pacific region have occupied an absolute dominant position in global wealth by virtue of their control over high-end industries, international rule-making power and monetary systems. However, developing countries such as Africa and India, having long been at the lower end of the global value chain, have been forced to mainly rely on resource exports and low value-added manufacturing, which has severely limited their ability to accumulate wealth.

The intergenerational transmission feature of wealth polarization further solidifies this inequality. In developed countries, wealth is efficiently passed down through institutional designs such as inheritance tax incentives, trust funds and family offices, thus forming a stable elite class. For instance, the richest 0.1% of families in the United States have achieved an intergenerational wealth inheritance rate as high as 89% through complex tax planning and asset allocation. In developing countries, the middle class suffers from an intergenerational wealth loss rate of over 60% due to a lack of social security, unequal educational opportunities and financial exclusion. This difference is not only reflected in the economic field, but also profoundly affects social mobility and political stability.

2.2 Dual Imbalance in Asset Structure

The "financialization" and "imbalance" characteristics of the internal composition of wealth reveal the deep logic of global capital flows. High-income countries have shifted their wealth from the real economy to the virtual economy through financial innovation and capital account liberalization, with financial assets accounting for 68%. Although this transformation has enhanced capital efficiency, it has also exacerbated bubble risks and systemic crises. In contrast, low-income countries, due to weak financial infrastructure and institutional constraints, still rely heavily on non-financial assets such as land and minerals for their wealth, accounting for over 75%. This difference in asset structure has placed developing countries in a passive position in the global capital circulation, making it difficult for them to accumulate wealth through capital appreciation.

The centralization of asset ownership has further magnified this imbalance. Ninety percent of the world's stocks and bonds are held by the richest 10% of households, among which 73% are residents of developed countries. This ownership structure puts developing countries at a disadvantage in terms of obtaining investment returns, participating in corporate governance and influencing policy-making. The yield on its financial assets is 4.2 percentage points lower than that of developed countries. This not only reflects the gap in market efficiency but also exposes the systemic discrimination of the global financial system against developing countries.

2.3 The Irreplaceability Crisis of Ecological Capital

The "limited substitutability" theory proposed in the new version of the "Report on Changes in Wealth" has overturned the traditional framework of wealth accounting. This theory points out that natural capital (such as cultivated land, forests, and clean water sources) has unique ecological functions and social values, and its depletion cannot be fully compensated by financial or human capital. For instance, forests not only provide timber but also regulate the climate and maintain biodiversity. Wetlands not only support fishery, but also purify water quality and prevent floods and reduce disasters. Once these functions are lost, it will lead to irreversible ecological disasters and social costs.

Simulation estimates for 2024 show that if the current rate of resource consumption is maintained, the world will face a permanent loss of 15% of natural capital by 2050. This crisis has a greater impact on developing countries because their economies are highly dependent on natural capital. Seventy percent of agricultural output in sub-Saharan Africa relies on natural precipitation, while the region's freshwater resources have shrunk by 28%, leading to a food security crisis and exacerbated rural poverty. The irreplaceability crisis of ecological capital not only threatens the survival foundation of developing countries, but also, through global issues such as climate warming and biodiversity loss, backfires on the economic security of developed countries. This pattern of "common but differentiated responsibilities" requires that the global wealth distribution mechanism must incorporate ecological dimensions to achieve sustainable coordination between the economy and the environment.

3. The Underlying Logic of Institutional Imbalance: the Inherent Stipulations of the Capitalist Mode of Production

3.1 The Violent Reconstruction of the Original Capital Accumulation

The establishment of the capitalist mode of production relies on the violent redistribution of global wealth. The primitive accumulation of capital accomplished through the "triangular trade" (European manufactured goods - African slaves - American raw materials) during the colonial period evolved into a new plundering mechanism of "debt - resources" in the neoliberal era. The "conditional loans" of the IMF forced developing countries to open their markets and privatize state-owned assets, resulting in a privatization income of 1.2 trillion US dollars for developing countries between 1980 and 2000. However, 83% of this income was acquired by multinational capital. This institutional plundering has caused African countries to lose over one trillion US dollars in wealth over the past 50 years, which is equivalent to three times their current GDP.

3.2 Technical Acceleration of Capital Concentration

The digital technology revolution has intensified the speed and scope of capital concentration. The top 100 digital platform enterprises in the world account for 72% of the market value. They form a "winner-takes-all" pattern through algorithmic monopoly and data control. Amazon's market value reached 1.8 trillion US dollars in 2022, which is equivalent to four times Chile's annual GDP. This technological concentration has led developing countries to be in a subordinate position of "data provider - value depriver" in the digital economy field, with their data element return rate being only one fifth of that of developed countries.

3.3 Monetary Plundering in the Virtual Economy

The hegemony of the US dollar and the expansion of the virtual economy constitute a new mechanism of wealth plundering. The Federal Reserve has been exporting liquidity to the world through quantitative easing policies. Between 2020 and 2022, the foreign exchange reserves of emerging markets increased by 2.3 trillion US dollars, but 65% of them were in the form of US dollar assets. This "seigniorage" mechanism enables the United States to earn over 300 billion US dollars in international revenue each year. Meanwhile, the expansion of the financial derivatives market (with the nominal value of global derivatives reaching 610 trillion US dollars in 2022) has further intensified the speculative nature of wealth distribution. The losses suffered by developing countries in financial fluctuations are 3.7 times those of developed countries.

4. Governance Dilemma of Structural Imbalance: Institutional Absence in the Global Governance System

4.1 Failure of Multilateral Governance Mechanisms

The current global governance system shows the characteristics of "fragmentation" and "asymmetry". The stagnation of WTO reform has left trade rules stuck at 20th-century standards, while new fields such as digital trade and green trade lack regulatory constraints. In the allocation of voting rights at the International Monetary Fund, the United States holds a 16.5% veto power, while the overall voting rights of African countries are less than 3%. This institutional imbalance of power has led to the absence of a global wealth redistribution mechanism, with developing countries being marginalized in rule-making.

4.2 Limitations of Regional Governance

Regional integration organizations have failed to effectively alleviate global imbalances. The disparity in wealth distribution between the north and the south within the European Union has continued to widen. In 2022, Germany's per capita wealth was 8.3 times that of Bulgaria. The North American Free Trade Area has kept manufacturing wages in Mexico at $2.8 per hour, which is only one fifth of those in the same industry in the United States. This "center-periphery" structure of regional governance is essentially a local replication of global imbalances.

4.3 Structural Constraints on Governance Capacity

Developing countries are confronted with the dual predicament of "institutional absorption - capacity trap". On the one hand, neoliberal reforms have weakened the country's macro-control capacity. Between 1990 and 2020, the average proportion of fiscal expenditure to GDP in developing countries dropped from 28% to 22%. On the other hand, technological reliance and financial openness have undermined national economic sovereignty. In 2022, commercial loans accounted for 67% of the external debt of developing countries. Interest rate fluctuations have led to an additional annual interest payment of over 80 billion US dollars.

5. Institutional Innovation Path to Break Imbalances: Reconstructing the Global Wealth Distribution Mechanism

5.1 Institutional Construction of Technological Sovereignty

Developing countries need to break through technological monopolies through "digital sovereignty" legislation. The EU's Digital Markets Act requires platform enterprises to open their data interfaces, providing institutional references for developing countries. China's participation in the formulation of 5G standards rose from 12% in 2015 to 38% in 2022, demonstrating the feasibility of the competition for technological sovereignty. Establishing an international technology cooperation fund and raising the proportion of technology transfer fees from the current 0.5% to 3% could generate over 200 billion US dollars in technology revenue for developing countries each year.

5.2 Institutional Breakthroughs in Financial Inclusion

Reforming the international monetary system requires a shift from the "US dollar standard" to "diversified reserves". Expanding the weight of the Special Drawing Rights (SDR) currency basket and raising the proportion of the RMB from 10.92% to 15% can enhance the currency discourse power of developing countries. At the same time, a global financial safety net should be established. The emergency financing quota for developing countries at the IMF should be raised from the current 50 billion US dollars to 200 billion US dollars to reduce their reliance on private capital.

5.3 Institutional Accounting of Ecological Capital

Incorporating natural capital into the SEEA is the key to solving ecological poverty. Costa Rica has increased its forest coverage rate from 21% in 1987 to 54% in 2022 through an "ecological service payment" system, while creating 120,000 green jobs. The global promotion of such systems could enable developing countries to receive over 300 billion US dollars in ecological compensation each year, reversing the vicious cycle of "development - destruction".

6. Conclusion

The policy-driven institutional drift and the structural imbalance in global wealth distribution are essentially the inevitable outcome of the global expansion of the capitalist mode of production. Neoliberal policies have strengthened the institutional monopoly of developed countries on wealth distribution by reconstructing the global rule system. To break through this predicament, developing countries need to promote institutional innovation in areas such as technological sovereignty, financial governance and ecological accounting, and build a fairer global wealth distribution mechanism. This process is not only a transformation of the economic system, but also a transcendence of the logic of global rule of capitalism. Only through institutional reconstruction can the transformation from "institutional drifting" to "institutional dominance" be achieved, laying an institutional foundation for global sustainable development.

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