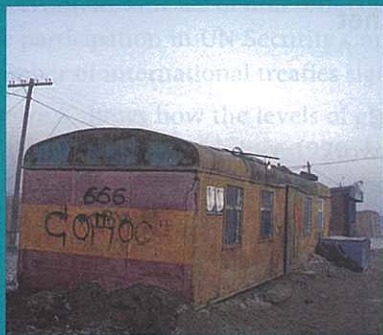


# 02 Global core and periphery

## KEY QUESTIONS

- Where are the core areas at the focus of global interaction?
- Where are the global peripheries and areas relatively unaffected by these interactions?



People living in an abandoned railway carriage: shelter takes many different forms in poor countries.

The application of **core-periphery** theory at the global scale identifies the developed countries of the world as the **economic core** of the global economic system and the developing countries as the **economic periphery**. This correlates with the general distinction made between the developed 'North' and the developing 'South'. These terms were first used in *North-South: A Programme for Survival* published in 1980, a significant exercise in international diplomacy oriented towards global reform (Figure 1). This publication was produced by a distinguished international commission and is generally known as the 'Brandt Report' after its chairperson Willy Brandt, former chancellor of the then West Germany. Here, the South was taken to be Latin America, Africa and the Middle East, and Asia (with the exception of Japan and the Asiatic region of Russia). Other terms used to distinguish between the richer and poorer nations are:

- developed and developing countries
- more economically developed countries (MEDCs) and less economically developed countries (LEDCs).

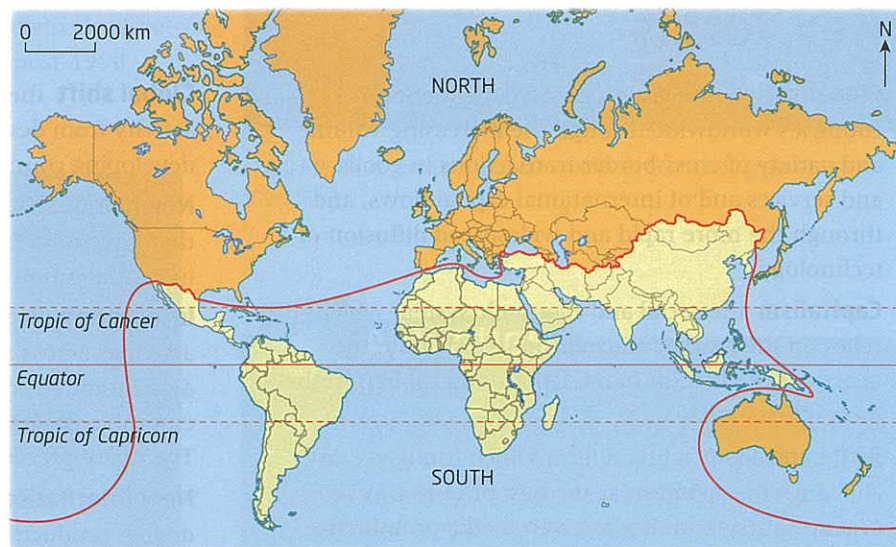


Figure 1 The North-South divide.

While a useful classification at the time, the **North-South divide** is now seen as rather simplistic. Undoubtedly it overestimated the strength of the economies of the former Soviet Union and its Eastern European satellites. It was not really until the fall of the Berlin Wall and the Iron Curtain that the fragility of these economies became apparent. It also failed to take note of those newly industrialised countries that had already made significant progress by 1980, namely the four 'Asian tigers'. A **tiger economy** is one that grows rapidly in a short period of time.



Buckingham Palace, UK; the UK is one of the richest countries in the world (part of the core) and Queen Elizabeth II is one of the richest individuals.

However, in recent decades the world economy has become much more complex. It is now more accurate to distinguish between:

- the core
- the semi-periphery and
- the periphery.

The semi-periphery occupies a position between the core and periphery. In this tripartite system countries can move from one level to another, with most changes being in an upward direction. Figure 2 gives examples of countries currently at each level. The semi-periphery is the location of the world's newly industrialised countries. The number of newly industrialised countries has increased significantly over the past 50 years. Undoubtedly, more countries will move from the periphery to the semi-periphery in the future.

Immanuel Wallerstein with his **world-systems theory** was arguably the first academic to make this distinction between the different types of world region and to attempt to explain the interactions between them.



### Discussion point

Why is poverty such a significant problem in many countries in the global core? What is the evidence of such poverty?

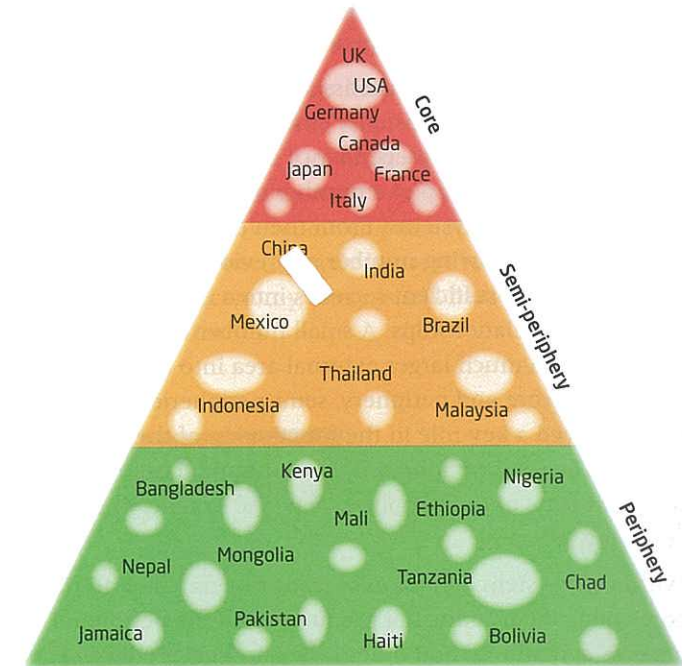


Figure 2 The global core, semi-periphery and periphery examples of countries in each grouping.



A beggar in Vienna, Austria – poverty amidst wealth in rich countries.

## World-systems theory: Wallerstein

New approaches to an issue or subject are often stimulated by the shortcomings of previous theorising. The breakthrough of world-systems theory in the mid 1970s, popularised by Immanuel Wallerstein and others, was at least partly a response to the deficiencies of earlier

approaches, such as those of W.W. Rostow (modernisation theory) and A.G. Frank (dependency theory).

The world-systems approach asserts that a capitalist world economy has been in existence since the 16th century. Before this, global interdependence did not exist. Instead the world was made up of a number of relatively independent mini-systems. From then on capitalism incorporated a growing number of previously more or less isolated and self-sufficient societies into a complex system of functional relationships. A small number of core states transformed a much larger external area into a periphery. In between core and periphery, semi-peripheries existed which played a key role in the functioning of the global system. The semi-periphery is an economic condition to which parts of the periphery may rise or parts of the core may fall.

Within the system a division of labour operated, with the core countries as industrial producers and the peripheral areas as agricultural and other raw materials producers. The terms of trade were heavily skewed in favour of the core, particularly with regard to the periphery but also to a lesser extent in relation to the semi-periphery. The process of underdevelopment started with the incorporation of a particular external area into the world system. As the system expanded, first Eastern Europe, then Latin America, Asia and Africa, in that order, were peripheralised.

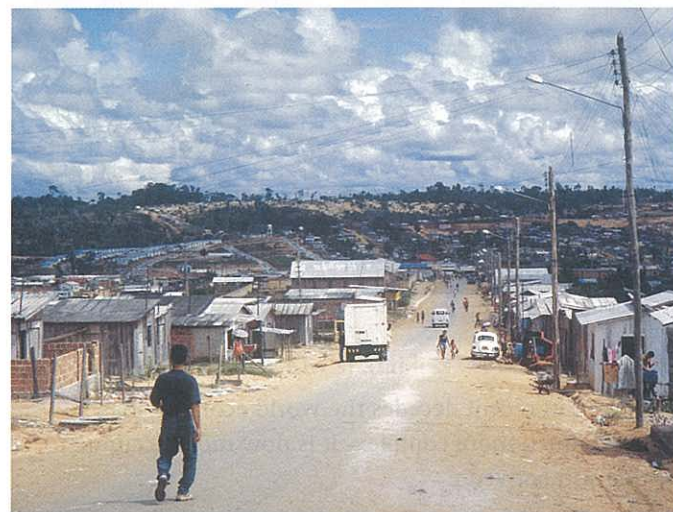
The semi-peripheral countries/regions form the most dynamic part of the system, characterised by an increase in the relative importance of industrial production. The rising semi-peripheries of the present, the NICs, are ambitious, competing to varying degrees for core status. Thus the world-systems approach has a degree of optimism lacking in dependency theory, recognising that some countries can break out of the state of underdevelopment. However, Wallerstein (1979) acknowledges that rapid change is not easy and that there are indeed 'limited possibilities of transformation within the capitalist world economy'.

The rise and fall of major economic powers forms part of the cyclical movements of the world system, movements that are basically influenced by economic long waves. Thus the world system has periods of expansion, contraction, crisis and structural change, paving the way to renewed expansion.

The criticisms of Wallerstein's approach include:

- too high a level of eurocentricity by underrating the sophistication of other early trading systems, particularly with regard to China, Japan and elsewhere in Asia

- too great a degree of simplicity in assuming a universal one-way flow of resources from the periphery to the core
- failing to recognise the high level of competition between core nations by suggesting that they organise the world economy in order to maintain a clearly defined core club.



Recent favela development in Manaus, Brazil.

## The Clark-Fisher model

This model (Figure 3) shows how, over time, the relative importance of the sectors of employment change. In the pre-industrial phase the primary sector dominates, as it did in Britain prior to the Industrial Revolution. The proportion of the workforce employed in manufacturing

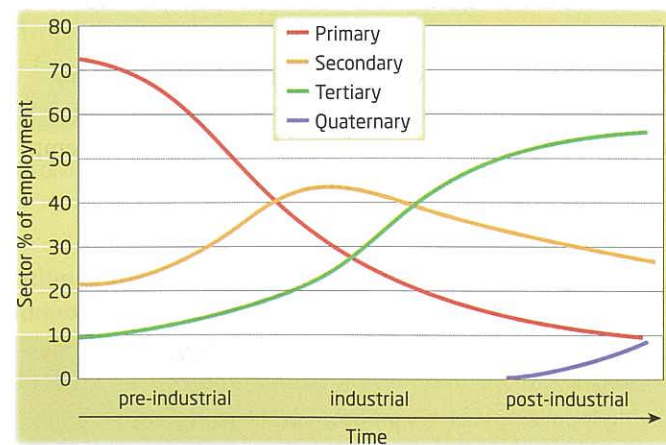


Figure 3 The Clark-Fisher model.

increases as a country's economy diversifies away from heavy reliance on the primary sector. This usually begins with low-technology industries based on locally available raw materials. Over time the manufacturing base widens. To support the increasing number of industries and the demands of a more affluent population, a growing range of services is required, leading to the expansion of tertiary employment.

## Geographical skill

Look at Figure 3. To what extent is the Clark-Fisher model useful in distinguishing between countries that are in the core, semi-periphery and periphery?

Changes in the sectors of employment can happen quite quickly. In 1900, 40% of employment in the USA was in the primary sector. However, the mechanisation of farming, mining, forestry and fishing drastically reduced the demand for labour in these industries. As these jobs disappeared, people moved to urban areas where most secondary, tertiary and quaternary employment is located. Less than 4% of employment in the USA is now in the primary sector.

Human labour has steadily been replaced in manufacturing too. In more and more factories, robots and other advanced machinery handle assembly-line jobs that were once done by large numbers of people. In 1950, the same number of Americans were employed in manufacturing as in services. By 1980, two-thirds were working in services. The tertiary and quaternary sectors are also changing. In banking, insurance and many other types of business, computer networks have reduced the number of people

## Theory of Knowledge

The Clark-Fisher model (Figure 3), like all models, is a simplification of reality. The actual changes that have occurred in some countries might have varied significantly from the model. To what extent can the model be simultaneously both a help and a hindrance to our thinking? How typical is this of models in other subjects that you have studied?

required. But elsewhere service employment is rising, such as in health, education and tourism.

Globalisation has been a significant factor in the changing importance of the sectors of employment in many countries. Such change has occurred most rapidly in the newly industrialised countries, the success story of globalisation. In the least developed countries, those nations that have been largely bypassed by the rapidly evolving global economy, there is still heavy reliance on the primary sector.

## Activities

- 1 Define the terms:
  - a 'economic core'
  - b 'economic periphery'.
- 2 Why is it now thought to be more accurate to think in terms of core, semi-periphery and periphery rather than core and periphery?
- 3 Look at Figure 2 (page 15). For each subdivision give the names of two more countries.

## Identifying core nations

Many attempts have been made to identify the core nations in the global economic system. There is a high correlation between these classifications, with the only differences occurring at the margins. The agreed core is:

- the USA and Canada
- the European Union, EFTA (Iceland, Norway and Liechtenstein) and Switzerland
- Japan
- Australia and New Zealand.

The debate is generally over:

- the first generation of newly industrialised countries – South Korea, Singapore, Hong Kong, Taiwan
- the oil-rich Arab states
- Israel.

Some of these countries have GDP per capita figures far in excess of some of the less well-off members of the acknowledged global core. In any classification it is very easy for inconsistencies to occur. Also, it seems that the fortunes of countries can change more rapidly now than at virtually any time in the past.



Harvard University – high quality education is an important element of development.

## The Organisation for Economic Cooperation and Development (OECD)

The OECD is a grouping of the world's most advanced economies (Figure 4). It is one way of identifying the global economic core. The OECD currently has 30 members, but a number of other countries are in the process of applying for membership. The OECD states that its aim is to bring together the governments of countries committed to democracy and the market economy from around the world to:

- support sustainable economic growth
- boost employment
- raise living standards
- maintain financial stability
- assist other countries' economic development
- contribute to growth in world trade.

The OECD provides a setting where governments compare policy experiences, seek answers to common problems, identify good practice and coordinate domestic and international policies.

In January 2010 it was announced that Chile was to become the 31st member of the OECD, once its parliament had ratified the agreement. Chile will be the first member from South America in this prestigious organisation. The Chilean President Michelle Bachelet stated: 'Chile is leaving



Figure 4 The OECD countries.

underdevelopment behind and is walking steadily towards becoming a developed nation in a few more years.'

The OECD has been in discussions with a number of other countries over their future membership at various points in time. These countries include Russia, Israel, Brazil, China, Indonesia and South Africa.

## The global city network

Of course, while a country as a total entity might not be advanced enough to be considered as part of the global core, its main cities may be of considerable importance to the global economic system. One way of looking at the world's economic core is to identify its global cities.

A **global city** is one that is judged to be an important nodal point in the global economic system. The term 'global city' was first introduced by Saskia Sassen in her book *The Global City*, published in 1991. Initially referring to New York, London and Tokyo, Sassen described global cities as ones that play a major role in global affairs in terms of politics, economics and culture. The number of global cities has increased significantly in recent decades as the process of globalisation has deepened.

The Globalisation and World Cities (GaWC) Research Network at Loughborough University has identified various levels of global city. Figure 5 shows what are termed the 'Alpha' cities in 2008, subdivided into four categories. Only New York and London are placed in the highest, Alpha++ category under this classification. The cities in the second-ranking, Alpha+ category are Beijing, Shanghai, Hong Kong, Tokyo, Paris, Singapore and Sydney. The GaWC analysis also recognises four lower levels of urban area around the world. The results are based upon the office networks of 175 advanced producer service firms in 526 cities in 2008.

In 2008, the American journal *Foreign Policy* published its Global Cities Index. The rankings are based on 24 measures over five areas:

- business activity
- human capital
- information exchange
- cultural experience
- political engagement.

*Foreign Policy* noted that 'the world's biggest, most interconnected cities help set global agendas, weather transnational dangers, and serve as the hubs of global integration. They are the engines of growth for their countries and the gateways to the resources of their regions.'

## Activities

- 1 a What is the OECD?  
b To what extent is it reasonable to think of the OECD as a grouping of core nations?
- 2 a What is a global city?  
b Describe the spatial distribution of global cities shown in Figure 5.
- 3 Why is London considered to be one of the world's major global cities?

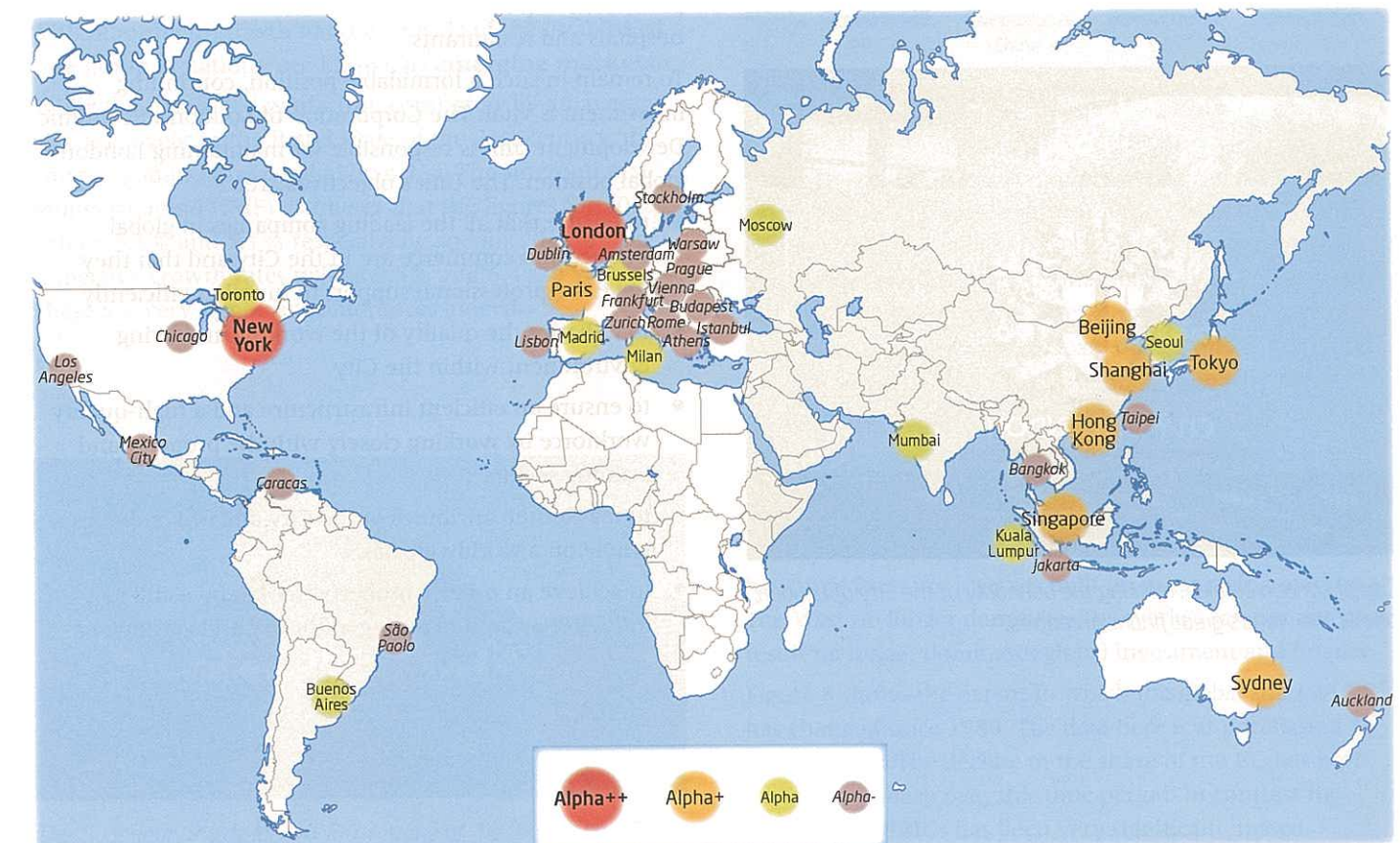


Figure 5 Spatial distribution of global 'Alpha' cities, 2008.

# Case study

## Business and financial services in the City of London

London is considered one of the world's major global cities for a number of reasons, but the most important factor by far is what happens right at the centre of this large urban area – in the City of London. London is one of the big three financial centres in the world, along with New York and Tokyo. Often called 'The Square Mile' because of its geographical size, the City is run by the City of London Corporation. Among the important buildings here are the Bank of England, the London Stock Exchange and Lloyd's of London (insurance).

The City of London is the most important concentration of tertiary industry in the UK and arguably in the world. With a resident population of fewer than 3,000 its workforce is just under 300 000, 75% of whom work in banking, finance, insurance and business services.

The City of London is a major part of London's central business district (CBD). Most employment in London's CBD is in the tertiary sector. The West End specialises in



City of London emblem marking the boundary of the City of London, one of the world's great financial centres.

### City of London

- \$1359 billion foreign exchange turnover each day (34% of global share)
- 53% of the global foreign equity market (stocks and shares)
- World's leading market for international insurance
- \$1686 billion pension fund assets under management
- 75% of the world's largest 500 companies located in London, most in the City
- 254 foreign banks in London, most in the City
- 692 foreign companies listed on the London Stock Exchange

Figure 6 City of London factfile.

retailing while the City specialises in business and financial services. Canary Wharf is part of the London Docklands development. It has extended London's CBD to the east, adding much needed office and retail space. Other important tertiary functions in London's CBD are major public buildings, theatres, cinemas, hotels, universities, hospitals and restaurants.

To remain in such a formidable position, continuing investment is vital. The Corporation of London's Economic Development Unit is responsible for maintaining London's global position. The Unit's objectives are:

- to ensure that all the leading companies in global finance and commerce are in the City and that they have the professional support to function efficiently
- to enhance the quality of the working and living environment within the City
- to ensure an efficient infrastructure and a high-quality workforce by working closely with the property and training sectors
- to market the attributes of the City and of London as a whole on a worldwide basis
- to achieve an orderly property market by using its influence as both planning authority and landowner.