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THE PERIPHERY OF EUROPE[1]

(by Dudley Seers)

The group of theories constituting the 'dependence school' uses a broad core/periphery frame of analysis, without attempting to distinguish between different categories of core or peripheral countries, either economically or geographically. When one looks at Europe with this framework in mind one sees that some European countries form a regional periphery, with special relationships to a European core. I shall ask what theoretical implications can be drawn and close by speculating on the future development of this European system.

Proximity and dependence

Except for a special school of regional economists, the economics profession, including writers on dependence, have usually neglected location. It is true of course that many of the most important linkages, especially in technology, are not greatly affected by distance. If a country relies on imported equipment (including arms), then this very largely determines its government's room to manoeuvre, however remote the source of the equipment. Yet proximity to a dominant or core country transforms economic, political and cultural links. The closer a country is to those more industrialised, the lower the costs of transportation, the easier therefore for its exports to compete, but also the greater the danger that its industrialisation will be inhibited, especially if there are overland freight routes. Industries to make intermediate products and capital goods are

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(1) I have benefitted from comments by a number of colleagues at IDS, and from assistance with research by Nezhat Sedaghat and Marja Kiljunen.

not easy to establish anyway, especially in a small country, and the difficulty is all the greater where distance does not provide a natural tariff barrier.

But there are also other, less well-known, effects. Passenger fares depend on the length of the journey. The cheapness of moving people a few hundred miles opens up possibilities of labour migration to countries nearby. Though for many of the individuals concerned the migration is temporary, it can become for their country a permanent source of foreign exchange and employment. Emigrants not only regularly remit a fraction of their wages homewards, and spend them at home on regular visits, they bring capital back with them when they give up their work overseas. These relieve social pressures and provide valuable foreign exchange, but the foreign payments structure becomes adapted to them, and in time vulnerable to the labour and immigration policies of the government of the recipient country and to the level of economic activity there. Moreover, productive sectors are inhibited by the scarcity and cost of labour and the economy becomes dependent on foreign sources, even for necessities (especially food), financed in part by emigrants' remittances. Migration is also debilitating: it deprives the country from which it comes of skills and initiative, especially since a substantial fraction of migrants settle overseas. The greater expertise and capital of the returning migrant may help local industrialisation, but on balance he may raise dependence on imports by spreading foreign consumption styles. He also acts as vector for foreign attitudes to work, political perceptions, etc, which may in various senses be locally inappropriate.(1)

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(1) Returning migrants often enter service occupations, e.g. using their capital to buy shops, rather than manufacturing. For a full analysis of the social implications of migration and extensive references see(Böhning 19).

Another way in which the cheapness of passenger transport makes employment and foreign exchange dependent on economic activity and policies abroad is to open them to mass tourism.~~[1]~~ This too has side effects on the local economy. Work in hotels may attract labour from other sectors, especially agriculture, thus affecting production. The policies of the tourist sector, including employment practices, are - like its organisation and architecture - in a degree based on foreign models, since many of its establishments, especially the bigger hotels, are usually foreign-controlled. The pace and type of hotel construction are determined largely outside the country. And as with migration, not only is economic dependence increased directly, but also indirectly through cultural effects on consumption styles and political attitudes.[2] The life style of tourists reminds the natives of that of the core.

A country heavily dependent on migration and tourism finds other and more permanent constraints on its freedom of action, especially far-reaching political change. It cannot exercise effective control on the outflow of foreign exchange or the inflow of foreign agents. Policy is also affected by fear of alarming or offending tourists or losing the goodwill of governments of countries receiving migrant workers. Economic activity is especially sensitive to fluctuations in 'confidence', i.e. the extent to which foreign bankers, investors and traders

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~~(1) Though the heavy profit and import content mean that the foreign exchange flow is much less than it appears to be.~~

(2) I shall not go into the social costs of immigration or tourism. Both disrupt local, in particular rural, culture, and both, especially immigration, damage family life.

approve of the policies of the government concerned, which in turn reflects in part the way the media report those policies. A decline in 'confidence' need not be due to the conscious decision of any government elsewhere to punish the country concerned: through thousands of private decisions, receipts of foreign exchange are held up and payments expedited, suppliers' credit becomes more difficult to obtain, foreign investment falls, domestic capital is exported and banks withhold loans. So exchange reserves tend to fall, leading to devaluation of the currency and import restrictions, aggravating price rises, shortages and unemployment, and justifying and reinforcing the deterioration in 'confidence'. The political strains generated can then be used by forces inside and outside a government to press for the abandonment of social change. Deflationary policies are required by the IMF, as a condition of financial rescue.

Of course, any country can be affected by a decline in 'confidence' when its government adopts radical policies. But there are additional de-stabilising influences in countries dependent on migration and tourism. Emigrants withhold remittances and remain abroad; tourists stay away and retired people leave; hotel construction ceases. These responses are more rapid and greater than any decline in merchandise exports in a similar political situation, unless there is an international embargo.

In the long term, no doubt, these influences are weaker than the types of dependence on trade and investment which are more customarily studied, but in the short term, they can be a more powerful influence on policy.

There are also non-economic consequences of proximity. One is military vulnerability. Although the general military importance of distance may have been declining in the long term as the loads and range of aircraft have increased, and as missiles have displaced them, limits to the possibility of invasion are still set by factors such as aircraft range and the time taken by aircraft carriers and other ships to reach a target area.

Military staffs are still very interested in whether hostile governments could establish bases in a neighbouring territory, especially one with a common land frontier. This would greatly raise the cost of a given level of military security. It would diminish the warning time of the approach of bombers or missiles; and it would increase dangers of a surprise invasion, infiltration by guerillas or the illegal importation of arms. Even not being able to make military use of a neighbour's territory may raise serious strategic problems. Economically powerful neighbours have therefore the incentive as well as the means to keep neighbours at least neutral.

They can also exert cultural pressures. If neighbouring countries do not actually share the same language, at least they are likely to belong to the same linguistic group (e.g. Latin-based) so that communication is easy. It is also frequent. Regular face-to-face contacts, work and social relations may be customary near a common frontier, especially if this cuts across an ethnic or linguistic group, with frequent inter-marriage. In various professions (including politics), meetings and conferences with people from neighbouring countries are commonplace. In addition, telephone conversations between neighbours are inexpensive. Newspapers are cheaper and more up to date close to the printing works.

Moreover, distance determines the effectiveness of radio broadcasts. There are limits of a few hundred kilometers to FM and medium-wave transmissions, the types normally received by domestic sets. The range is even less for television transmitters (though this depends very much on the terrain): there are also now often links between TV systems of neighbouring countries. (It is true that foreign broadcasts can be 'jammed' but if this is on an effective scale, it is costly and difficult to conceal.) Economic strength provides the resources for developing powerful and expansionist cultural 'industries'.

A small, relatively unindustrialised country on the 'periphery' of a system, the 'core' of which consists of countries technically more advanced, may therefore gain in the narrow sense that its income is likely to be higher than it would otherwise be, but at the cost of structural dependence; proximity brings subjection to economic, military and cultural hegemony.

Members of the periphery

The dependence of Portugal on European capital, tourism and jobs for migrant workers, was illustrated by the 'revolution' of April 1975. Dependence on foreign 'confidence' was shown to be a brake on radical policies. Other countries of Southern Europe are in much the same position. Malta and Greece are also ~~both~~ militarily very weak, because of limited size - in both demographic and economic terms - and openness to invasion. They are especially exposed to foreign cultural influences. They lack advanced industries and therefore depend on foreign equipment and armaments. Similar points could be made about Spain and Yugoslavia, though in each of these the industrial structure is larger, better integrated and more autonomous. As Table IX shows, however, even Spain's exports to West Germany, a major trading partner, consist in large part of food and raw materials, whereas she imports mostly manufactures and semis.

The concepts of core and periphery do not only apply internationally. Inside all countries there is in a sense a national core, an area which is more dynamic economically and exercises political and cultural sway over the more backward areas, primarily rural areas. The national core ~~periphery~~ receives internal migrants and provides much of the internal tourism. If a country is itself peripheral, this dualism is aggravated by the links which develop between the continental and national cores. Companies from core countries tend to establish their subsidiaries in the most developed areas, because of infrastructure, access to markets, etc. These subsidiaries may well displace small-scale industries of the national periphery.

Core governments tend to support conservative or centre governments in the periphery (and to try to stop radical change). The national core relays to the national periphery ideologies, tastes and fashions imported from abroad - most obviously when its transmitters send out imported television programmes, or its newspapers carry agency material. It can also act as a stage in the emigration process, with migrants coming to the national core and later proceeding (or releasing others to proceed) abroad.

It is of course well known that the countries of Southern Europe demonstrate problems of dualism, with some regions showing stable or declining employment and acute poverty, problems with both historical and international roots - see the maps. Salaried staff in modern industries, together with many in the bureaucracies, as well as self-employed professionals, enjoy living conditions comparable to those of their counterparts in the core (with the additional advantage of cheap domestic services). On the other hand, the rural population (the majority) live at quite different levels, as can be seen from data on water and electricity connections (Table I).

In housing qualities, as in their birth rates and life expectancy, however, their national averages are closer to those of the USA and the core centres of Europe than to even the more economically advanced countries of the 'Third World' (see Table II). On the other hand, their <u>per capita</u> income is distinctly nearer to the latter.

By the 1920s, Southern Europe had already fallen some way behind in economic and social terms. Social structures remained partially pre-industrial, and parliamentary institutions were weak and precarious. The area was the target for heavy political pressures from more powerful countries to the North, shown most conspicuously by Italo-German intervention in the Spanish Civil War and the subsequent German invasion of Yugoslavia and Greece.

During the last two decades, all of these countries have become heavily dependent on migration and/or tourism to purchase the basic necessities without which their publics could not be employed, fed or defended. The annexe tables bring out the extent and significance of these phenomena. The economic magnitudes are summarised in Table A.(1)

TABLE A

Receipts from tourism and migration as proportions of total exports of goods and services, 1970

(%)

	Tourism and Migration	Tourism	Migration
Portugal	..	12	..
Spain	39	30	8
Greece	36	13	23
Yugoslavia	26	9	17
Turkey	29	5	25

Source: Table VIII

(1) However, it should be borne in mind that there is a fairly high foreign exchange content to tourism, because of imported inputs (e.g. furnishings and even foodstuffs) and profit remittances.

By 1970, in Greece and Spain, as in Portugal, the combined total of emigrants' remittances and tourist expenditure was comparable to the value of merchandise exports, and this total was equivalent to more than half of Yugoslavia's exports.

It is true that, compared to most tropical countries, nationalism in Southern Europe has deeper cultural and political roots and (except for Yugoslavia and perhaps Spain), they enjoy greater ethnic and linguistic unity. They also have (especially Spain) more industrial and technological autonomy. But the nature of their relationship to bigger and more industrialised neighbours is such that they too can be considered dependent countries.

There are two other somewhat similar cases to the west and north of Europe respectively: the Republic of Ireland, and Finland. Judging from housing quality and demographic data they are quite comparable (Tables I and II). They are also each dependent on~~e~~ one neighbour closer to the continental landmass, Britain and Sweden respectively, by which they were for centuries ruled, and which provided landowning aristocracies, remnants of which still remain. Both countries obtain from their big neighbours not merely the usual imports of equipment and technology, but also jobs and tourists (though tourism in Ireland has been affected by political troubles), and in addition they both demonstrate dualism (e.g. in housing quality) and cultural (including linguistic) dependence. However, in most respects, Ireland is less autonomous - for example, Finland has become a net spender on tourist account (Table IV), as well as having a higher _per capita_ income (Table II). Ireland's exports are mainly ~~in~~ primary products (especially livestock products) and they go largely to Britain, whereas Finland's are more diversified in both commodity and destination (Table IX).

There are other countries, neither geographically nor culturally strictly part of Europe, but showing the same pattern, depending on it for tourism and migration, as well as trade and technology, because of the cheapness of fares over what are still relatively short distances. I refer to Turkey, Cyprus, Tunisia, Algeria and Morocco.(1) These countries can be considered an outer periphery. It is true that they are less accessible to either military invasion or propaganda, and that Islamic culture and non-European languages protect them in some degree from foreign influences on patterns of consumption and on attitudes and perceptions. But they rely more heavily than Spain does on trading primary products for manufactures (see Table IV for Turkey's trade with West Germany). There is in each of them a modern sector where foreign economic and cultural influences, including the use of French or English are common and social conditions much better than in the hinterland. Social and economic indicators (Tables I and II) suggest that they have characteristics in common with some countries of Latin America.

Members of the core

There are two 'cores' to the European periphery - in the sense of suppliers of capital and technology; centres of political, military and cultural dominance; providers of tourists and absorbers of migration. These are the United States and Central Europe. Although the latter is itself partly dependent on the former, in recent decades it has become in most of these dimensions (except the military) the more

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(1) Senegal and the Ivory Coast also depend on European employment and tourism, though to a much lesser extent. Libya would no doubt belong to the group of North African dependencies but for its oil.

important in relation to the European periphery. I shall concentrate on it in this essay which is about the European system, but we should not forget the United States connection.

West Germany, France, the Netherlands, Belgium, Switzerland,[1] Austria, Denmark, Norway and Sweden provide most of the tourists[2] and nearly all the jobs for migrants. They tend to draw workers from nearby countries - France from Portugal, Spain and Algeria; West Germany from the Balkans and Turkey; both from Italy (see Table V). Tourism shows the same pattern (Table III). They are also major exporters of capital, technology and equipment, and of cultural artefacts (films, television programmes, newspapers, magazines, etc).

Culturally, the core is fairly homogeneous, sharing similar life styles, especially cars and household durables. Much the same consumer brands and architectural fashions can be found everywhere. A parachutist landing among the concrete blocks of an urban area in the core would probably take some time to recognise which city it was. There is a dense network of motorways, and the horse is used only for sport.

Social and economic indicators (Tables I and II) suggest social conditions like those of the USA. In none of these countries is there exchange control; they have single exchange rates which have appreciated against all other currencies (except the yen) since the Smithsonian Agreement of 1971.

These countries also show regional inequalities - for example Brittany and Corsica are somewhat less developed in most respects

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(1) Switzerland is a net recipient of tourists, as is Austria, but it is the banking centre of the core.

(2) There are also significant tourist expenditures by peripheral countries (see Table IV), mostly in the core. This however is qualitatively and quantitatively different: it is not mass tourism, but tourism of the elite.

than Alsace-Lorraine or the Paris region. But the contrasts are mild in comparison with what they are in the periphery.

An interesting question is how one should classify Italy. It suffers from a well-known dualism between the North on the one hand and, on the other, the South, Sicily and Sardinia. The development of transportation and mass communications has brought these areas increasingly under the economic, political and cultural influence of the North, one symptom being the heavy migration of labour northwards (the resulting remittances covering their trade deficit - and very possibly an outflow of private capital too).[1] Social conditions are on the whole worse than in most members of the core as Tables I and II show: per capita income and birth rates are closer to those of Greece. And foreign bankers' 'confidence' is by no means unimportant to Italian governments. This country also depends on tourism and is a net supplier of migrant labour to the core.

But in Italy these activities are less important to the balance of payments than in the other countries of Southern Europe. A much smaller proportion of its industrial structure is foreign-controlled, and it is a substantial manufacturer of equipment, steel, chemicals, etc. Its trade unions have reduced the gap between wages in the North and elsewhere, and have put pressure on public corporations (e.g. Alfa-Romeo) to locate new factories in the South. There are bodies (such as the Cassa per il Mezzogiorno) with special responsibilities for the underdeveloped regions. So social conditions are much better in Southern Italy than (say) Southern Portugal. Moreover, it is not intuitively obvious that Italy is as dependent in other

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(1) A dependent region cannot of course apply trade or exchange controls against other parts of the same country.

economic respects, or in the cultural and political dimensions.

A question mark also hangs over the classification of Britain. This is a country increasingly penetrated by foreign capital which has gained a big fraction of North Sea oil concessions, and foreign goods, which have captured a large share of ~~primary~~ domestic markets. While Britain has been an importer of labour from the Caribbean and South Asia, as well as the Irish Republic and (though on a smaller scale) Southern Europe, it has been an exporter to the United States and the 'old' Commonwealth. In the last few years immigration has dried up, making it on balance a marginal exporter. It is also now a net receiver of tourists (see Table IV). Social conditions in Scotland, Wales and the South West are worse than in most core countries. There are areas which live partly off tourism and suffer from above-average unemployment and partial depopulation. (From 1951 to 1975, the net emigration from Scotland was 666 thousand, an annual average of 28 thousand, or rather over ½% of the population: about half have gone overseas, half to the rest of the United Kingdom, predominantly Southern England.) But, even more than in Italy, the fiscal system is powerful enough (as in the countries of the core) to prevent great social contrasts emerging between the richer areas of England and the peripheral areas (see Tables I and II). Its average social conditions are not noticeably different from those of a core country (despite a distinctly lower average income).

However, Britain and Italy are both rather weak technologically compared to other members of the core (see Table B) ~~and it~~ is interesting that they both have shown more clearly than the remainder of the EEC (with the exception of the Republic of Ireland) the characteristic symptoms of 'under-development' - inflation and foreign exchange problems - especially since the shock of the price rises in 1973-74 in oil and other commodities (see

Table C). Of the two, ~~Italy~~ Britain is more similar to a country of the ~~periphery~~ core. It is going to seem increasingly similar . . . .

The spatial pattern

Map A shows the countries of the core and the periphery. The core countries are ~~so~~ not only so in the sense of being the centres of economic, political and cultural power, but also in a strictly geographical sense. Broadly speaking, they lie at the spatial centre, whereas the 'peripheral' and 'semi-peripheral' countries (among which we can include Finland) jut out into the Mediterranean, the Atlantic and the Arctic. Norway ~~is in this respect apparently unlike other members of~~ the core which ~~But it~~ has only recently joined ~~them~~, is an apparent exception but ~~and anyway~~ it is effectively a North Sea country, only a small fraction of the population living on the Atlantic coast (small enough to be supported by the remainder, especially since the exploitation of North Sea oil started).

An even clearer pattern stands out if we ignore national boundaries. In countries on the edge of the core, broadly those areas furthest from it are economically the least dynamic, with heavy unemployment and depopulation (see Maps B and C). If we go round the rim of the core clockwise starting with Yugoslavia, the most dynamic area is the North West, Slovenia; in Italy, the North; in Spain, Catalonia and the Basque provinces which lie to the North and North-East; in Britain, the South-East; in Finland, the South-West.

The pattern is brought out strikingly by Map B. The core areas form an incomplete oval, with its centre just north of Kassel in West Germany. (The missing segment is Eastern Europe which I shall discuss later.) The length of the longest axis is 3,000 ~~m~~ km and its breadth rather less than 1,500. Such a strong pattern could hardly arise from a purely random process,

Table B

Government Civil~~ian~~ R & D expenditure per capita in the EEC, 1976 1)

(European units of account)

~~Members of the core~~	
Belgium	40
Denmark	38
France	40
Netherlands	40
West Germany	58
~~Others~~	
Britain*	21
Italy	9
Gap → Ireland	10

Source: As for Table C

1) Excludes public corporations and local authorities (but not the German Länder).

* Britain ~~has~~ [illegible], however, spent far more per capita on military R & D than any other member of EEC, ~~far more than any~~ except France.

Table C

~~Changes in~~ Retail prices and exchange rates in the EEC, 1970, 1973 and 1976

	Retail prices (1970 = 100)			Exchange rate*		
	1970	1973	1976+	1970	1973	1976‡
~~Members of the core~~						
Belgium	100	118	161	100	97	97
Denmark	100	123	167	100	101	101
France	100	120	162	100	100	103
Netherlands	100	126	161	100	96	93
West Germany	100	119	140	100	91	88
~~Others~~						
Britain	100	128	206	100	123	153
Italy	100	123	189	100	117	163
Gap → Ireland	100	132	206	100	123	153

Source: Public Expenditure on Research and Development 1974-76 (EUROSTAT Statistical Office of the European Communities, 1976)

* Local currency units ~~of~~ per European unit of account.

\+ Preliminary.

‡ March

and it is mute evidence of the influence of proximity.(1) It also cast, no doubt on climatic theories of development . . . . – .

Of course, too much attention should not be paid to the exact path of the boundary. Cities like Aberdeen and Rome are comparable to some that are inside the oval, which, on the other hand, ~~includes~~ contains several slums. (These consist, however, ~~mostly~~ hardly of migrants from the periphery.)

Broadly speaking, those living inside the oval are less likely to be working in agriculture or tourism, to be unemployed, to see their families broken by migration, or to receive a very low income, than those outside. Nearly all the big European transnational companies (including banks) have their headquarters inside, as well as most of the television studios, newspaper offices, book publishers, etc.

And generally, the closer to the centre of the oval, the greater the concentration of power. One could imagine an inner oval, which would include Denmark, West Germany, the Benelux countries, Paris, the Lyon area, Switzerland and Lombardy.

Outside the oval shown on the map, the pattern still broadly holds. In Ireland, the east coast is the more dynamic; in Turkey, the western provinces.(2) The picture is less clear

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(1) If distance were all-important, one might expect a circle rather than an oval. Indeed the precise shape is a matter of personal judgement - one could easily broaden the oval into a circle by extending it to cover the whole of the British Isles to the North-West and almost the whole of Italy to the South-East. This would produce anomalies, however. Ireland, the Highlands and islands of Scotland and central Wales hardly seem to be core areas; nor does Sardinia or Southern Italy (or parts of Albania). I am unable to rationalise the oval shape.

(2) In Turkey, the population per physician was less than 800 in the European provinces, including Istanbul; more than 10,000 in the group of provinces on the eastern border (Turkey, 1972).

in Greece and Portugal, perhaps because people and goods mostly move to the core by sea and air through Athens and Lisbon respectively (rather than overland via northern frontiers). But here too many of the poorest regions lie to the South, or in islands off to the South-East and South-West respectively. The same pattern also can be found further afield: the poorest and most dependent areas in North Africa are those nearest the Sahara.

In fact, as a generalisation the further from the core a place is, the poorer it is likely to be,(1) the more dependent technologically and more likely to be catering for tourists and sending workers towards the core. It may, however, still preserve more political and cultural autonomy than areas closer in. This pattern is so marked that we can describe it as systemic.

The possibility of describing this European system in spatial terms raises the question: 'Do countries matter?' However, for many purposes - e.g. in discussing future membership of the EEC - it is necessary to conduct analysis at the national level. The nation-state remains a major factor, especially in rich countries with a considerable measure of homogeneity. In fact the European system can be analysed in both spatial and national terms, and they are not by any means mutually exclusive.

Eastern Europe

The oval in the metaphor of the European system is incomplete (see Map B again). What about the countries to the East of

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(1) A regression diagram shows that the income per head in provinces of the original six EEC members tends to be lower the further a province is from Düsseldorf (which is close to the centre of the oval) with a fairly high degree of correlation (Weltwirtschaft, 1972).

West Germany? Can one see a somewhat analogous system?

The economically most powerful is East Germany, which lies in fact very close to the West European core. Not only does it export equipment and technology, as is typical for a core country; it employs migrant labour (though not in great quantities) from countries further east and is a net exporter of tourists to them. Its social conditions and average income are not much inferior to those of West Germany, at about the Austrian level (see Tables I and II). As within the West European system, broadly the further from Germany, the worse the social conditions of an East European country.

The tables show strikingly that Czechoslovakia, Hungary and Poland can be considered (like Britain, Finland and Italy) intermediate between core and periphery, though the social conditions and income levels in Hungary and Poland are more similar to those of the periphery of Western Europe. The same geographical pattern can be seen, with the western regions more highly developed than those further east - i.e. further from the German core. One could in fact complete the oval of Map B, which would bring into the core Bohemia, Silesia and what was formerly East Prussia, as well as Estonia, Latvia and Lithuania.

Bulgaria and Romania are more clearly peripheral in economic structure, income levels and social conditions, as well as being more dependent on imported technology (mainly from East Germany and the Soviet Union),(1) though able to show ~~more~~ greater cultural and political independence (especially Romania).

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(1) Albania shows figures comparable to a moderately prosperous Latin American country of about the same size, such as Costa Rica. However, it is not structurally a member of the East European periphery.

So one can again see a system. Of course it is also part of the periphery of Russia.(1) This stands in somewhat the same relation to Eastern Europe as the United States does to Western Europe. The military and economic links are strong (through the Warsaw Pact and COMECON) and Russia ~~exports~~ has twice intervened militarily in Eastern Europe (Hungary, 1956 and Czechoslovakia, 1968) Russia exports energy and technology, notably arms and agricultural equipment, but sends relatively few tourists and accepts very few migrants. But its cultural influence is weak - indeed the more developed countries of Eastern Europe show clear signs of US cultural influences. Its income levels and consumer technology are inferior to those of the United States. So it is not fully able to act as a major core, though its population size alone, together with its resource base, enable it still to exert a dominant influence in Eastern Europe.

Long-term trends

A core-periphery system is of course no novelty in Europe, though earlier systems had different types of linkage and not always geographically the same core. For several centuries, the centre was somewhat similar to today, consisting of France, Austria and what were at the time German principalities.(2) But then the pattern started to change in the sixteenth century. Spain and Portugal, later Britain, France and the Netherlands, became increasingly important as the various overseas empires were formed and the centre of gravity of Europe was displaced to the Atlantic coast. It returned to the European heartland in the last two decades with the growing industrial leadership of Germany, the collapse of the colonial empires and the contraction of European influence overseas.

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(1) ~~Which~~ The periphery extends eastwards to the Pacific, encompassing the former Tsarist colonies.

(2) The Empire of Charlemagne covered more or less the central area of today's core. There were also semi-peripheral areas of some economic strength in Scandinavia.

The precursor of the present system was Continental Europe in 1939-45. The German government and its corporations harnessed the occupied and allied countries to the German war economy. Labour was imported from them on a large scale: German armed forces also lived in them rather like tourists, making use of hotels.

This system collapsed with the defeat of Germany, but something formally similar reappeared in the 1960s, with the revival of industrial output and a new phase of technological advance.

The proximate causes of the recent explosion of migration and tourism have been a number of simultaneous trends. The core's fast growth had its origins in national efforts, with US aid, to make good wartime destruction (in what was in fact the cockpit of the war). This growth then became self-sustaining, with the pace of advance itself creating capital investment needs and also the resources for financing R and D expenditures and advertising campaigns, which stimulated further needs for investment and consumption.

In the quarter-century 1948-73, not merely did the core economies of Western Europe grow at more than 5% a year, raising both wage rates and the demand for labour: the natural growth of their population of working age was only about ½%, so they were able not only to absorb their own labour reserves (and a considerable number of refugees from Eastern Europe), but also needed much foreign labour. In addition, while wage rates were rising, fares remained stable or fell, due to technical progress in both airplane design (including size) and ticket marketing.(1) 'Charter inclusive tours' became especially

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(1) Scheduled air fares fell (absolutely, not merely relatively) from 1950 to 1968 for nearly all journeys (Peters, 19). Indeed as late as 1973, they were still generally below 1950 levels.

cheap and their volume rose many times. The very influx of foreign workers (especially those accompanied by families) increased investment requirements for housing and other social infrastructure.

Within the core, this cumulative economic expansion since the war, together with strong fiscal systems, has brought a great improvement in social conditions. Virtually the whole population of the core has incomes of over $1,000 per capita, i.e. well in the top half of the world income distribution.

The very rise in the consumption of the dense population of the core has in various ways stimulated centrifugal tourism. The formidable pollution has ~~partially destroyed~~ damaged the natural environment of the core. Secondly, the cost of services has become very high. Thirdly, the modernisation of the cities of the core has partially destroyed their character, making the cities of the periphery more interesting. Moreover, the rising expectations of the labour force of the core, not only with respect to wages but also working conditions and job security, made employers interested in immigrant labour. European movements of tourists and labour accelerated to greater total volumes than ever before.(1)

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(1) In the 19th century, of course, the industrialisation of Britain was accompanied not by immigration but emigration on a large scale. The basic reasons were that the industrial and agricultural revolutions displaced many artisans, tenant farmers and smallholders, but the labour needs of industrial expansion were relatively small. (as has been confirmed by recent experience in many other countries, industrial growth is usually matched by an almost comparable growth in productivity, and unless the industrial sector is large, little impact is made on the employment needs of a population growing at 2% to 3% a year.) Moreover, there were still 'empty' colonies overseas then, so a British citizen could expect to raise his income by emigration, ~~which would not be true today of many citizens of 'core' countries.~~

In both France and West Germany, migrant labour in the 1970s has accounted for more than 10% of the number of employed.[1] This helped stimulate expansion in the periphery.

So in a sense, this system worked - until 1973. There seemed to be no shortage of metals and energy to hinder its continued expansion. Nor were the environmental costs widely perceived. However, the resource problem has become increasingly apparent, with a fundamental decline in the bargaining strength of European ~~countries~~ governments, especially due to their dependence on imported oil, and pollution controls have also been increasing. The secular rate of economic growth could well be slow henceforward, even after the recovery from the recession that started in 1974. Attempts to accelerate to the previous pace might generate inflation at rates politically intolerable, especially in West Germany.

In addition, the post-war decline in passenger fares relative to wages was temporarily reversed, following the sharp increase in fuel costs, and the tourist boom has faltered.

Moreover, the recruitment of foreign workers has become both less necessary and dearer to organise. Immigration is being resisted more strongly by trade unions. The social infrastructure needed by immigrants is appearing expensive to governments which find financial resources chronically inadequate, especially since migrant labour is obtaining more 'rights', including that of being joined by their families.

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(1) The phenomena are also linked. The migrant labour requirements of <u>internal</u> tourism in the core is especially high. 18% of the employees in West German hotels and restaurants in 1972 were migrants (OECD, 19).

Recipient governments had in fact already, before the oil crisis, taken steps to check immigration, such as the Franco-Portuguese _protocole_ of 1971 which limited migration to 65,000 a year, but guaranteed these better welfare and training facilities. In 1972, regulation of immigrant workers in France was tightened and the _Gastarbeiterstop_ was announced in West Germany in 1973.

The effects of these measures were reinforced by the recent recession, which caused many migrant workers (often the most vulnerable) to lose their jobs,(1) and led to further migration controls. In 1974, a 'temporary halt' was announced in France to all immigration (and continues to operate, with exceptions for badly-needed workers), and in 1977, unemployed workers on public assistance were offered F 10,000 (with extra payments for dependants in the labour force) if they gave up rights to social benefits and left France. In Switzerland, a policy of reducing the immigrant labour force was adopted in 1975, following a referendum. Table V shows the dramatic decline in the rates of immigration between 1970 and 1975, (though less so in the case of Italians who could not be excluded from other countries of the EEC). Several countries of the periphery have experienced a net _im_migration of labour. Migration on the old scale is unlikely to be resumed,(2) especially in view of the long-term weakness of the labour-intensive industries in which migrants tend to congregate

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(1) In France, unemployed migrants receiving public assistance rose from 34,000 in 1973 to over 100,000 in 1977 (Le Monde, 1977; Scharffenberger, 1977). This would amount to about 5%, but the author points out that fewer than half of unemployed migrant workers are eligible for public assistance.

(2) See (Böhning, 1976). Böhning estimates that, between 1973 and 1976, employment of migrants in the original six members of the EEC (excluding Italy), plus Austria, Denmark and Switzerland, fell by 1.3 million, or nearly 25%. It is expected to decline slowly henceforward.

(Hiemenz and Schatz, 1976 and 1977).

However, the stock of migrant workers in the core has not fallen greatly - thus in 1975 it was still at or above the 1970 level (Table VI). ~~Its~~ Core economies have become partly dependent on them, especially to do jobs which few native workers would take on. So emigrant remittances have remained at a high level, though they have been affected by the growing tendency for family dependants to join migrant workers.

The relevance of development studies

Enough has been said, perhaps, to indicate that core-periphery analysis yields insights into the problems which now face Europe with the slowing down of growth and the collapse of the previous system.

Whether the peripheral countries of this continent can usefully be called 'developing' is a moot point. In terms of *per capita* income, or even the extent and nature of poverty, they are clearly far distant from, say, Bangladesh (though not from Argentina).(1) Their fiscal systems are capable of providing more or less comprehensive welfare services, even if the volume of job opportunities is not adequate. Their economic structures are more diversified and their administrative systems arguably less incompetent. They have cultures rooted in long national histories without significant foreign settlement, importation of slaves, etc - in contrast

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(1) It is however not really possible - although people do so - to estimate *per capita* incomes in most of Africa or Asia, because of the lack of data on many types of rural income in such countries, especially from non-agricultural activities. (Seers and Lipton, 1977). Moreover, exchange rates are inappropriate deflators because of the lack of information on non-tradables such as services and rent, which are relatively dear in Europe. So published data convey a very exaggerated impression of the gap between incomes in the 'Third World' and those in Southern Europe.

to Africa and Latin America, especially. But in terms of technology and political power, they are clearly qualitatively different from the United States - or from Japan or West Germany.

However, 'developing countries' is hardly a useful category now, anyway. A more relevant question is whether the body of theory on development is more relevant to European countries, especially in the periphery, than conventional social science theory (e.g. naive forms of neo-classical economics) developed in and for dominant countries, taking for granted their structural characteristics and interest in free trade. The above analysis suggests that this is the case.[1] Development studies can provide a refreshment of the European social sciences.

We can also expect the rich experience of governments of Latin America, Africa and Asia, especially Latin America, to be relevant to the crisis the periphery now faces. One conclusion which can be drawn from this experience is that economic growth *per se* may do little to relieve social problems, which it can in fact aggravate. The criterion for judging policy is not therefore whether it will accelerate growth, but rather structural change, especially reduction of regional inequalities.

Another lesson is that nationalism is, on the whole, a constructive force for dependent countries, indeed necessary for the preservation of a degree of economic, political and cultural autonomy (not necessarily autarchy). Some governments have learned to use, in political negotiations, whatever bargaining instruments are available and to be selective in

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(1) See (IDS *Communication* 121, 1977) for a case study, which includes a discussion of what one means by 'development theory'.

welcoming foreign capital and technology, as Japan did in the period 1900-60. The government of Venezuela has been more successful than that of Britain in getting a grip on the pace and pattern of oil development.(1)

Perhaps the national interests of members of the periphery lie, on many issues, especially vis à vis the transnational corporations, rather with 'Group of 77', than with the core of Europe. If their delegations nearly always vote with the latter (in Group B at UNCTAD, for example), this must be attributed partly to a cultural lag and partly perhaps to feelings of ethnic solidarity. (The analogy at the national level is the reluctance of many professional associations in Britain and other 'developed' countries to join trade union federations - a reluctance which has gradually disappeared as the distinction between manual and non-manual workers has partially lost its significance in terms of both income and political power.)

The field of development studies carries also implications for future national strategy in dealing with the TNCs. This may raise important issues in the European periphery. Instead of labour moving to where capital is available, capital may increasingly flow to where labour is less organised and less dear (especially when fringe benefits are taken into account).(2) Often parts of a manufacturing process can be carried out abroad, reducing congestion and pollution in the core. This provides the receiving country with the foreign exchange to import from the core more skill- and capital-intensive products. The trade unions of the core can and do oppose the immigration of labour: they cannot stop the emigration of capital.

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(1) (IDS Communication 121, 1977) Chapters IV and V.

(2) The large potential for this is estimated in (Hiemenz and Schatz, 1976) Vol II.

The European periphery offers an export base that may appear to corporations better than one further afield. Although wages are higher, the labour force is more highly skilled. And while this area is politically less stable than the core, it may well appear to core manufacturers safer than much of the rest of the world.

So a new European system could emerge with workers of the periphery continuing to be recruited by the same transnational corporations, but in their own countries. At first sight, foreign investment seems not only to involve lower social costs than migration, in terms of disruption to local culture and family life, but also to be more effective in modernising the periphery. It brings technology as well as adding to the stock of capital, providing foreign exchange earnings and raising income and taxable capacity. It may well accelerate economic growth.

However, experience elsewhere throws doubt on these advantages. The reasons can only be summarised here. The contribution to the periphery's capital investment is much less than it appears to be, because much of the direct cost of a project is usually covered by local private capital (e.g. through bank loans), and the government has to provide much of the infrastructure. Moreover, the contribution to technology is also doubtful: research facilities typically remain in the core, and production would hardly continue to be competitive in overseas markets without the continued injection of innovations devised outside the country. Besides, the technology may be too capital-intensive for the needs of the periphery - a familiar problem for 'developing' countries.

The gain to the balance of payments may be limited: while the worker would be spending his wages largely in his own country, these may well be less than he would have remitted home as a migrant worker (and one should also allow for the import content of his consumption, especially in a food-importing country). The addition to taxable capacity may ~~also~~ be illusory, because of fiscal concessions and inadequate administration, especially in handling 'transfer pricing'.

The government of a peripheral country also loses some of its control of its own economy. It has to rely on the companies concerned for marketing the output. The destination of their exports (like the origin of their imports) is therefore partially outside state influence: so are their levels of investment, output and employment. And since a threat to foreign companies would become a threat to the jobs of their local employees, trade union officials would lobby ministers on their behalf. Foreign capital also often reinforces internal dualism, flowing into cities, especially ports, rather than into the rural areas where it is most needed. Internal migration is then stimulated.

In any case, the employment provided by foreign firms is hardly likely to make as significant an impact on local labour markets as international migration did in the 1960s, especially since capital movements are also highly sensitive to political changes. Yet the population of working age in the periphery continues to increase steadily. So foreign investment may not avert the appearance of heavy and chronic unemployment and other social problems in the periphery. The tendency of the peripheral countries, and peripheral areas within them, to become more dependent would continue.

There is no space here to analyse the political developments in other continents but the combination of dualism and heavy unemployment has contributed to the spread of authoritarian regimes, especially in South America. The same dangers exist throughout the European periphery

The attempt to make do without TNC investment would also involve problems. There are questions about the ability of any conceivable bureaucracy to carry out radical development strategies, about the strength of internal support for them, about the feasibility of ~~other~~ new sources of external support ~~from elsewhere~~ (e.g. the Soviet Union) and about the willingness of core governments to tolerate such a development.

Enlargement of the EEC?

There is another possible solution: membership of the European Economic Community. Formal applications by the governments of Greece, Portugal and Spain are being considered. This would guarantee the right of migration into recipient countries (no doubt after a transitional period) as well as providing a degree of political support for the status quo, and opening up new sources of official and private capital. It is therefore likely to be favoured by capitalist and workers who are linked with TNCs and by the professional class, including the state bureaucracy.(1)

However, against greater access to the markets of the core must be set the further opening up of their own markets to competition that would destroy many small businesses. It would be (eventually) impossible to close national markets again by tariffs, import quotas or exchange controls (or perhaps, in the end, by devaluation). This obligation is potentially costly for countries with chronic payments problems - it has weighed heavily on the quasi-peripheral members, Italy and Britain. In Portugal, which in this respect is not atypical of the group, a large fraction of the manufacturing labour force (notably in textiles and

(1) Similar alignments could be seen in discussions about regional integration in Latin America - and also in the British debate about applying to enter the EEC.

clothing) is employed in small firms which could hardly face the full competitive power of the giant corporations of the core, despite the difference in wage levels. EEC membership might lock a country like this into dependence on exporting labour. Moreover, it would involve increased reliance on European TNCs, with the associated problems previously discussed. Foreign political and cultural penetration[1] would increase, mainly into the national cores, reinforcing dualism.

Further polarisation of Europe could in principle be mitigated by a European Fiscal System - just as national dualism is restrained by redistributive taxation. In the EEC, however, fiscal arrangements are very weak and far from egalitarian. Expenditure by all Community Institutions in 1977 was 0.7% of the aggregate gross produce of EEC members, or less than 2% of the total public expenditures (EEC 1977). The effect was only about 1% of what would be needed to eliminate regional and state disparities.[2] Its one clearly peripheral member, Ireland, does not seem to have benefitted greatly from membership.[3] Nor has Southern Italy.[4] A successful

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(1) On the other hand, some regional separatists consider European integration as a way of preserving local culture from national domination, and a nationalist, especially in a core country, might consider it a form of protection from domination by the United States or the Soviet Union.

(2) (EEC 1977) Vol II, Chapter 14. This is because the bulk of expenditure is agricultural (not social or regional) with benefits mainly for relatively rich members (Belgium, Denmark and the Netherlands). One poor country (Ireland) has also gained, but there is only a very limited impact on the other countries needing aid (Britain and Italy). The loan operations (mainly through the European Investment Bank) have little grant element and small redistributive effect.

(3) Unemployment there has grown to more than 10% of the labour force. This is partly due to the recession, of course, and to a decline in 'confidence' affecting tourism.

(4) Robert Wade points out that capital grants to Southern farmers have been small; there has been no intervention to change the structure of land ownership; and price supports are of little help (IDS Discussion Paper 106, 1977)

enlargement would involve at least much bigger resources for the Regional Fund, the Social Fund and the European Investment Bank (and lending policies by the Bank that took more account of social needs), but perhaps more fundamental fiscal arrangements to institutionalise the transfer of incomes from the richer areas of the Community to the poorer.

It would require a transformation of the Common Agricultural Policy (which, in the view of many, is needed anyway) so as to enable French and Italian farmers to move out of products - such as wine - in which the new candidates for membership have considerable productive capacity. It would necessitate structural changes in the manufacturing sectors of the core to accommodate supplies of steel (from Spain), of textiles (from

~~supplies of~~ steel ~~(from Spain), of textiles (from~~ all three) etc. And it would necessitate enlarged capacity in equipment industries in the area to meet the consequential investment needs in both the existing nine and the three. In brief, what would be involved would be not merely a shift away from the EEC's laissez-faire ideology, but the creation of a new European system to replace one that had ~~floundered~~ major flaws and anyway has ceased to operate. This means a European Development Plan covering ~~also~~ the restructuring of all economies. Otherwise, indeed, labour migration, which would be both permitted and stimulated by the enlargement, would be on a scale very hard for the core to accommodate: more important, the tendency of Europe to polarise would continue.

While the economic and political costs of this adjustment would be considerable, they would not be unmanageable. ~~The reasons are these: the tasks are~~ It would to provide employment for the unemployed labour and capital in the core. Moreover, capital could be directed to this task. Transfers amounting to $30 billion a year, or 2% of the GDP of the enlarged community would have a dramatic effect. ~~(284)~~ (1) Much flows from Europe, to Africa, Asia and Latin America in the form of aid programmes (about $6 billion in 1977) as well as private investment. Indeed policy in these respects might switch its emphasis to the periphery. Aid has been stimulated in part by humanitarian motives, including guilt feelings over colonial exploitation: ~~indeed~~ in Britain and France, especially, its geographical pattern suggests a lingering colonial influence. But the resources for continuing to play this role are more difficult to extract from economies which are strained by internal demands, (especially for investment in new sources of energy). So the justification for aid has increasingly stressed the importance to the core of long-term world economic progress and therefore

(1) Ref MacDougall report.

political stability. This line of argument would, however, point to a greater priority for using the limited available resources on the ramparts of Europe itself. The total population of Greece, Portugal, Spain and Ireland (51 millions in 1970) is about the same as that of France, or one-sixth of the total enlarged EEC. So the cost of, in effect, converting a group of welfare states into a welfare continent would not be implausible. ~~(29)~~ (11)

A further enlargement of the EEC would mean a profound change in its nature. At present, it is essentially a core organisation, dominated by West Germany, France and Britain, small enough for an eventual federation to be conceivable. The addition of Portugal, Spain and Greece - and perhaps eventually Cyprus and Turkey - would make it less closely-knit and increase the number of governments with strong interests in correcting continental imbalances.

An immensely important choice is emerging for the core governments of Europe. The possible continental rationalisation of industrial and agricultural production, and the stability of an enlarged EEC would be attractive for core business. A policy of 'collective self-reliance' would reduce dependence on the United States and other outside powers, and the risk of Europe being drawn into war would be lessened. However, the necessary redistribution of income would be resisted as would the removal of immigration controls, especially if the rate of growth of the core did not pick up.

Yet if EEC does not open its doors and reform itself, the pressures in the periphery could lead to the emergence of highly nationalist governments. The same interaction of declining 'confidence' and economic activity that normally discourages radical policies could

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(29) The demographic balance in Europe between core and ? countries is very different from that of the world as a whole.

produce the opposite effect in some circumstances. It is ~~time~~ true that the resultant governments may well stress social reform rather than revolution and national interest rather than international proletarian solidarity (i.e. be 'Eurocommunist') but they might nonetheless involve a partial detachment from the European system and perhaps political links with the Soviet Union. ~~(30)~~ 1) Conceivably, one or two political shocks of this kind to the governments of the core countries could help bring about the consolidation of the remaining countries in a reformed EEC ~~EEC~~. Where would the expansion of the EEC stop.
Cyprus and Turkey would be obvious candidates. Eastern Europe might also be co-opted in time. There are already signs of its penetration by West German TNCs, especially through joint ventures, ~~(31)~~ 2) and also by West German tourists. Many East Europeans, especially Poles, work in West Germany as temporary migrants.

A further shift eastwards in the core in the future is not inconceivable, involving the consolidation of Europe as a whole, with the Rhine-Ruhr at its heart, under the leadership of an economically reunited Germany - i.e. the peaceful achievement of the German government's political and economic aims in the 1939-45 war, the 'new order in Europe'.

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1) ~~(30)~~ The resultant strains may make political repression unavoidable, whatever the motives of the political leadership.

2) ~~(31)~~ Michael Shanks cites as sone of the reasons why the reunification of West and East Germany was becoming a possibility that "at considerable cost, West German industry has bought its way back into the traditional economic hinterland of Eastern Europe and the Balkans. Anybody who has travelled recently in these countries can testify to the extent to which German businessmen have seized the opportunity." (The Times, 9.8.76).

But the complete integration of Europe would put greater strain on the fiscal resources of the core, and could hardly take place until after Southern Europe had been digested. It is also likely to be inhibited by the dependence of Eastern and Western Europe on the Soviet Union and the United States, respectively. Institutions such as the Warsaw Pact and NATO are not easily eliminated - they become centres of political power in their own right. The Soviet government, in particular, would perceive such a development as a serious threat.

Are the economic systems fundamentally too different for such a merging to be feasible anyway? This may seem to be the case if one plays down the importance of location, size and resources, factors which have been largely ignored, like the force of nationalism, by neo-classical theorists (Chicago or Marxist); even certain dependence writers would reject the implication that any government of a small country, poorly endowed by nature, near technologically powerful neighbours would face fundamental and permanent constraints. Yet the analysis above suggests that this is so.

Any expansion of the EEC would have major political consequences in the world system as a whole. It would strengthen the bargaining position of the European core, vis a vis the two major outside powers, and also vis a vis the outer periphery, facilitating the finance of a further extension.

Presumably, an enlarged EEC would not be very outward-looking. Redistributive systems inside European nations have been developed to some extent at the expense of international redistribution, and this might well also be true of the continent of Europe if it set up its own fiscal system. As has been pointed out above there is to some extent a choice. The more concessions that are made to Southern Europe, the fewer can be made to other continents (though in the long run one could imagine an enlarged Community stretching down to the Sahara, its natural and historical boundary). The effect of greater self-reliance in Europe could be to stimulate national and continental self-reliance elsewhere. ~~(32)~~ 1)

~~(32)~~ 1 For a discussion of the world hierachy of dependence, see my paper "A New Look at the Three-World Classification" IDS Bulletin Vol 7 No. 4, April 1976), a new version of which will appear as "Patterns of Dependence" in"Sussex Essays in Dependancy", ed. Jose J. Villamil (Harvester, 1978). Most Western European countries are there described as 'semi-dependent'.