The category “periphery” is useful for describing positions in the international system. The analytical content however, is limited: Under capitalist conditions, overcoming “underdevelopment”/peripheral positions in the world system do not depend on the availability of surplus. Instead, overcoming “underdevelopment” has been achieved by devaluation-driven, export-oriented manufacturing, and therefore, by deliberately accepting exploitation for achieving comparative advantage. With regards to the MENA region, this “East Asian strategy” seems unfit because of limited capacities in wage goods production, especially food.

Keywords: Development; World Systems; Euro-Arab Cooperation; Imperialism; Export-Led Manufacturing

Introduction
The center and periphery are fashionable concepts. They found their way from economic geography to all disciplines of social, and even economic sciences. In this expansion, they have taken several guises, but have remained most often descriptive concepts. Their relevance in explaining the actual state of global structures is the claim that a position within the international hierarchy determines countries’ possibilities for dealing with the challenges of growth, autonomy and equality— one’s growth or “underdevelopment” are considered to result from this position within the international hierarchy. Local economies are ultimately shaped from their position in such a global system.

The Center and Periphery as Labels
Wherever there are divisions of labor with products important for human life, there are centers and peripheries. Agriculture requires, as do recreational activities, large areas. Other activities require the close proximity of the producers who participate in a production chain. Cities are an early manifestation of the formation of such centers and peripheries. For long periods of time, it was believed that industrial activities were concentrated in the most technically developed regions i.e. the core areas. However, industry increas-
ingly migrates to “less developed” areas. Industries move from their coastal centers to the interior, as is happening in China. With the exception of some long-standing geopolitical routes, there seem to be few stable distributions between the roles of the center and the periphery. The aforementioned exceptions include: The Bay of Bengal to the branches of the Indian Ocean that surround the Arabian Peninsula, the routes from the Indus Valley to the mouths of the Ganges, and the passages from central Asia to China and India. In nearly all of these cases, the centers are at the endpoints or the crossings of trading routes and are privileged as the collecting points of monopoly rents—normally the regions of high agricultural surpluses. Hierarchical relations are linked to politics and culture. The pre-capitalist city was the center of administration and the “dominant culture”. From the city, began the process of state-building in the Indian and African contexts—even if dynasties had established their own cities outside the urban economy with its concentration of rising rebellious social classes. Fatehpur Sikri was built (late 16th century) as a political center in the Mughal Triangle (Delhi, Agra, Jaipur) but did not replace the commercially much more important cities of Agra and Delhi. By imitating the Asian quest for unlimited state power, the absolutist European monarchies displaced their centers of government from Paris to Versailles (17th century), and from Berlin to Potsdam (18th century). From the phenomena of cities dominating their surroundings, theories developed that explained inequality as the inevitable consequence of specialization. In the most diverse cultural settings, it was argued that solidarity of the brain and the stomach did not allow the stomach to revolt against the brain and the brain’s claim to superior income. Those who opposed such organic interpretations of the political order claimed that the center did not serve the periphery but rather exploited it and contributed to its further decay. From such theories, the stable dichotomies between center and periphery are deduced.

Center and Periphery as Analytical Instruments for Modeling the Dynamics of the Global System

An uneven development with the continuous growth of the center, and with its continued dominance over a periphery that it exploits, has become dominant in Western and Southern interpretations of the global system—the result being that changes in this set-up are believed to come only from conscious modification of the position of a local area in the global unequal hierarchy.

This view is not shared by mainstream neoclassical economics, which expect the convergence of different localities. Growth is interpreted as the result of capital formation such that an increase in the use of a production factor leads to diminishing returns. When capital is combined with more labor, its productivity declines. Capital will migrate from industrially more advanced regions, defined as regions with higher capital intensity of production, to less advanced regions where labor is still plentiful. The periphery is less advanced but is favored in its growth by the declining capital productivity in the center. The periphery is catching up with the center in economic growth and productivity. Although they introduce exploitation of the periphery by the center, Marxist theories of imperialism agree with this perspective. Rosa Luxemburg (286-87) expects capital to migrate to the not-yet-capitalist areas, which are perceived as being dominated by the natural economy, until the natural economy is absorbed and capitalist relations of production have become generalized. Lenin (279) shares a similar view as he assumes that capital in the periphery will create capitalist societies and technical development and not “underdevelopment” as...
argued later by dependency theory. In both theories, the periphery becomes transformed by being instrumentalized for resolving the contradictions in capitalist growth in the center. Ironically, it is the periphery that becomes developed by this instrumentalization. It was only when the limits of the capitalist growth impact in not-yet-capitalist countries was diagnosed, as happened mainly during the 1930s Great Depression, that economic theories claimed that capitalism led to “underdevelopment” and even deepened polarization. Development-thinking as a means of correcting the spontaneous tendencies of the market, initially in the form of an obligation of the late colonial state, developed most when the national liberation movements strived for their freedom subsequent to World War II. From the Indian complaints about the drain of India in the early 19th century to modern anti-imperialist discourse, there is continuous argumentation that the periphery has been blocked from development and equality in performance in comparison to Europe and North America—those blocking factors being the conscious or unconscious working of multiple interests in the “developed” world, be it trade interests, financial interests through economic rents, political and strategic interests, etc. This discourse is becoming a material force in the “underdeveloped” world that imperialist powers can no longer afford to neglect. These views became prominent in the wake of the economic depression of the 1930s when the “underdeveloped” world was particularly hit, especially by declining terms of trade. The deteriorating terms of trade were only the consequence of structural blockages, which kept the societies of the periphery from being able to accede to the mechanisms of capitalist growth—mechanisms which worked rather successfully in the center despite all their contradictions. New theories were developed, initially by the nationalist Right in Europe (Manoïlescu), which alleged that the unregulated capitalist world economy would inflicts the periphery with “underdevelopment” by exploitation and by imposing unequal specialization—a problem that the periphery could overcome only by gaining independence in order to avail itself of state power as an instrument in the hands of newly rising dynamic national elites. Marxist positions had to accept that their idea that the metropolitan working classes would carry out their historical mission of replacing capitalism by socialist revolution was misguided. Marxists in the West, but also in the Soviet Block, took notice of the nationalist revolutions in the South. Western Marxism, more than the Marxism of the Communist world movement, increasingly perceived in the Wretched of the Earth (Fanon) the new revolutionary subject. Capitalism had not established capitalist growth in the periphery, yet, a revolutionary subject had emerged without capitalism. Marxism joined dependency theory while very few Marxists stuck to the old idea of imperialism as a pioneer of capitalism (Warren). Post-war Marxism, World Systems theory, and Soviet-style Marxism converged in accepting that polarization was inevitable under the conditions of dominance of a capitalist world system. New variants of a Marxist critique of political economy and World Systems theory became prominent in debates on why the periphery was locked into “underdevelopment” under capitalist dominance. World Systems theory (Wallerstein, Modern World System I esp. 350f.) argued that more “developed” nations were able to draw resources from “less developed” countries and so could further their own development by blocking the development of others. Thus, peripheries were necessary for the welfare of the centers. Dependency theory (Furtado; Cardoso and Faletto; Frank) completed this argu-
ment: Not only is the economic dependency of the peripheries favorable to the centers, but also in the interest of the privileged classes in those peripheries—maintaining this dependency kept the peripheries from modifying their unfavorable relationship with the centers.

**Why Do Some Countries “Develop” while Others Do Not?**

The Arab world fits well into the theories that emerged to explain the locked in “underdevelopment” of the periphery. However, resource-poor countries (Singapore, Taiwan, South Korea, Hong Kong), followed by the “emerging” countries (People’s Republic of China, Vietnam, but also Mauritius or Brazil), began industrializing from the 1970s onward. Some of these newly industrialized countries achieved the level of technical development of the West, even overtaking some Western countries. Notably, China has become the workshop of the world and is ranked second among the world’s superpowers.

The discourse about a center and periphery therefore needed to account for the empirical reality of overcoming “underdevelopment” in large tracts of the periphery. However, this change in discourse did not take into account the Arab world and was mostly ignored by the Arab world itself.

The aforementioned approaches, dependency theory and World Systems theory, both believe in stable hierarchies, and insist that inequality enhances the character of the global capitalist economy. The greed of capitalist enterprises pushes them to reduce the cost of labor and resources wherever possible. This allows for the appropriation of surplus produced in the periphery and its use in the center. This additional surplus feeds growth in the center and deprives the periphery of necessary financial resources for investment. This additional surplus feeds growth in the center and deprives the periphery of necessary financial resources for investment. By introducing the category of the “semi-periphery”, World Systems theory protects itself from being criticized by pointing at the emergence of industrializing countries in the periphery. This is a category for labelling economies that have to be perceived as being more than exploited and locked in to “underdevelopment.” World Systems theory describes these economies as having greater resources, having achieved some level of technical improvement, and having disposed of a coherent state apparatus. However, World Systems theory does not explain how these advances in overcoming “underdevelopment” have been achieved either by the effects of the international economy or by the emergence of local forces of resistance. In addition to exploitation of the periphery, Amin (172) sees the periphery as locked in to a system of relative prices, which are based on relative productivities in the leading industrialized countries. Technologies that promote production in the periphery are blocked because they are too costly in comparison to the specialization of older products.

The appropriation of financial resources through rising prices for raw material exports on the basis of differential rents provided further proof that availability of financial resources does not necessarily lead to “development.” Rather, it leads to specialization in those products that Amin did not consider to be growth-promoting. New wealth blinded the Arab elites and forced them to compete for positions within the state apparatus. Because of self-privileging practices, state clashes occurred practically everywhere and resulted from the disparity between the necessity to “develop” and the derailment of that initial commitment to “development.” This rendered state classes ultimately dependent on old imperialist powers for the defense of their political power. Neither coherent states nor available financial resources are at the basis of developing the periphery. The vehicle of growth was export-oriented industrialization, with or without multinational corporations. When export-oriented industrialization gained momentum, state
apparatuses emerged that no longer exploited their own economies for political purposes, as strong states in the periphery used to do. These new types of state apparatuses were able to accompany the process of export-oriented industrialization by changing the comparative advantage of their economies by acquiring competitiveness in technology-promoting branches of production. Among these economies, the more successful were those who were able to enlarge their internal markets by social reforms, mainly agrarian reforms, which increased the incomes of large masses of previously impoverished rural populations. There were increased real mass incomes and low international prices for their labor, which was achieved by currency devaluation. This combination of increased real mass incomes and low labor costs was made possible because such exploitation was accepted by the exports’ countries of destination. The exporting countries added labor to their export branches, but simultaneously earned less for their labor than met the costs for survival. They therefore needed to be supplied with necessities from a locally produced surplus of wage goods. At low levels of real mass consumption, the share of food in household spending is high. Because of the success of the Green Revolution in some countries, an increasing local surplus was available to feed this additional labor. Furthermore, the success allowed for the marginalized poor to work on their own small farms for the first time.

The theory of the center and the periphery lost two important supportive arguments: Firstly, as countries accepted low prices for their exports, the argument regarding the importance of financial resources lost its weight. Secondly, the insistence on the role of the state as a major and efficient instrument for modifying the unfavorable positions imposed on some countries by the world system was proven equally inaccurate. The “catching up” process did not imply the appropriation of surplus from abroad, but rather the acceptance of exploitation in order to enter new markets. The local surplus of agriculture constitutes a rent and could have been taxed away by the government, as is common in oil production, and subsequently used for employment-creating, state-controlled investment programs. Export-oriented industrialization is a form of mobilization of rent, as is state-financed spending programs (Elsenhans, Relevance), however the former is safer from corruptive practices.

The Arab-Mediterranean Periphery

Arab countries have been kept from productively using oil rents. Both social and political discipline was lacking in the state classes, and therefore the rent largesse was not wisely appropriated and allocated. Inefficiency in the realization of investment projects and the lack of coherence in the planned industrial structure only intensified with increasing financial resources. The implications of these political-economic models of the rent-based ruling classes have been discussed in length in the analysis of the state classes of the bureaucratic development societies (Elsenhans, State, Class and Development; Ouaissa).

The Arab world has not been able to shift to the strategy that was so successful in East Asia. Not one Arab nation opted for the alternative of devaluation-driven exports. The international price of local labor was higher in the Arab countries than in the East Asian Tiger nations. The nearly unlimited availability of foreign exchange did not make the international competitiveness of local labor imperative for the foreign exchange incomes of incumbent governments. Huge oil revenues were distributed without simultaneously producing internationally competitive products with local labor—that compulsion to be competitive was miss-
The Arab elites were, and still very much are, too rich to feel any necessity to resolve the contradiction between wealth and “underdevelopment” by an intelligent use of rents. These oil economies are so rich that devaluation-driven development is politically difficult to impose because the rich, as well as the poor, oppose it. Intellectuals indulge in pre-Keynesian scenarios of either type: neoliberals are convinced that wealth creates development, whereas at least some Marxists, especially in rent-dominated countries, assume that fighting against exploitation verbally is enough. There is, however, an additional problem for the Arab countries. In contrast to East Asian countries, the Arab countries are food-dependent (See the contribution of Jörg Gertel in this issue). If the local currency devalues, imported food becomes more expensive. Even if this food is paid for by oil revenues in many countries, which do not decrease in the case of devaluation, devaluation still appears harmful for a country's capacity to import food. Granted, food-dependency in the Arab world is an obstacle for any strategy of industrial diversification. The obstacle is not overcome even if devaluation is rejected: New products do not earn less on the world market if the exchange rate and the Arab international labor costs are lower. In reality, all Arab countries must enter the markets for manufactured goods on the basis of the low prices offered by the East Asian Tiger nations. Neither lack of competitiveness nor food-dependency can be avoided if devaluation is rejected; devaluation would protect the local market better than custom duties, which are always vulnerable to cheating and corruption. Marginalized labor could be hired in order to produce substitutes for currently imported and expensive goods, mass incomes in local currency would increase through higher levels of employment, and those higher mass incomes would contribute to launching new industries with new jobs. I have argued (Elsenhans, Comment approfondir 30) that the food problem could be alleviated by a European-Arab cooperation on the basis of concessional supply of European food surpluses to the Arab world. The success of development policies in the Arab world would make it a large market for imported food because the Arab world will never be able to produce enough food, at reasonable prices, for its current and future levels of population. In a Mediterranean space where both shores contain “developed” economies, Europe would become the granary of the Arab world. In Algeria however, all my contributions in this direction have been blocked from publication since 2009.

The dependence of the contemporary Arab regimes on rent becomes dramatically clear when, as in 2015, world oil prices fall or the reserves in conventional oil diminish. The wealthy fight against devaluation in order to defend their purchasing power for imported goods, even while it keeps the poor jobless. Redistribution of income in favor of the poor is blocked, which means that any locally-supplied mass market cannot be created let alone increased dynamically. The poor however, remain ambivalent about such inequitable arrangements as long as they receive a small share of the rent. The appropriation of rent by the periphery is not the inevitable consequence of the center's interest in maintaining hierarchy over and deprivation of the periphery. It is the result of fundamental characteristics of the power structure in capitalism: Capitalism is not maintained by the interests and behavior of the capitalist class, but rather capitalism is maintained by the pressure from the lower classes for higher incomes—a pressure which the lower classes can articulate provided they are empowered, normally by employment (Elsenhans, Kapitalismus global; Saving Capitalism). If there is no pressure from the working class to create mass con-
sumption, outcomes are determined by the short-sighted interests of the capitalists. The “underdevelopment” of the Arab countries cannot be explained by resource transfers but rather by the greed of Western capitalists, Arab rentiers, state classes and middle classes. However, although the protests of Western capitalists against increases in oil prices were originally voiced loudly, in the end, the redistribution against Western countries through the rise of OPEC was only mildly opposed by Western capitalists as it did not directly threaten their profits.

The Pragmatic Relevance of Center-Periphery Dichotomies

The rise of World System Theory in the 1960s takes its origins from the critique of the exploitation, especially deteriorating terms of trade, of the Global South. It was still linked to the rise of the new left, first in the South and later in the West. Even if not developed by Marxists but by Singer and Prebisch, the theory behind the deterioration of the situation of the Third World and the rise of the new left strengthened each other. In an effort to maintain their audience in this new emerging market for leftist ideas, a substantial part of economists attempted to rapidly integrate themselves into Marxism. Especially outside Paris with its long tradition of Marxist thinking (i.e. Samir Amin; Bruno Bettelheim), the result was the adoption of a relatively simplistic version of Marxism for which contributions in the Monthly Review could be quoted. In its crudest form, it took the world system to be a mechanism only for extracting surplus from the exploited “underdeveloped” world. In its slightly more sophisticated form in the Wallerstein (The Essential Wallerstein 88-91) model, it required the periphery to be continuously exploited in order to maintain the center. This was made politically possible by some states, which Wallerstein coined as the semi-periphery, that were less deprived of resources than the periphery.

The whole architecture of these theories collapses however, when it became clear that the periphery is neither needed for the sale of excess production nor as a source of additional surplus to maintain the center. Excess production disappears if wages increase. Increasing real wages do not endanger competitiveness as it is the exchange rate, not the bargain on real wages, which determines the international cost of an economy’s labor. The realization of total production (the sale of the production including an average profit rate) requires only appropriate wage increases, a solution which Rosa Luxemburg (116) had excluded because she thought that capitalists were powerful enough to block real wage increases. Indeed, the capitalists hold such power but only for as long as the expansion of mass demand does not create high levels of employment.

As any investment finances itself, capitalism and capital accumulation do not require a periphery to be exploited in order to maintain the actual accumulation process. Profit is determined by spending on investment and the demand of workers in investment-goods production. The idea of unlimited accumulation, as Wallerstein contends (The Western Capitalism 569), is perhaps useful for morally discrediting capitalism, however, it has no basis in serious analysis of the real economy. It can occur only in expanding financial markets where money, which is without counterpart in the real economy, is created through the banking system. Accumulation as investment in the real economy cannot take place if final demand does not increase. The rich cannot increase their consumption because they risk becoming uncompetitive. Without outlets for their money in real investment, and when still having to use money in order to maintain their competitive position, they resort to the financial markets. The extension of the financial markets is itself a sign of the destruction of capitalism, which results from capitalists irresponsibly curtailing
The very small variations of the capital-output ratio show that one description of capitalism does not apply: Capitalism is not characterized by the accumulation of endlessly increasing capital. In real terms, the value of capital does not increase in relation to total production and therefore also not in relation to total consumption. Capitalists essentially fight against the devaluation of their capital, which technical obsolescence permanently brings about. There is no increase in the working hours embodied in the stock of capital: Because new capital goods are produced by labor receiving higher real wages, capital stocks in industrialized countries normally grow in parallel with the growth of the real wage.

This does not exclude the “periphery” as being a useful concept. It allows one to distinguish between societies where capitalism works for general prosperity and where capitalism has penetrated societies from the outside thereby destroying the conditions for capitalism to develop. In the latter scenario, capitalism introduces some form of capitalist regulation without eliminating rents and the marginality of labor. Where I depart, is the use of “periphery” as an analytical concept. The periphery does not explain why capitalism emerges or why it grows. Economic contributions of the periphery to the center may exist in the form of resources or markets, and may even have an impact on the capitalism to which they flow, but would be replaced by the center’s internal resources and sources of demand if they did not exist. The relation between the core and the periphery matters. However, if this relation would not exist, capitalism still would. The capitalist system is capable of overcoming its own contradictions. These contradictions are the consequence of the inexistence of a class that authoritatively speaks the truth about what is necessary for economic development. The result is that the two contending main classes, capital and labor, develop in a trial-and-error process while bargaining on demand expansion. This simultaneously represents the fundamental requirement for further accumulation. This mechanism works, however, only if labor is not disempowered, leaving capitalism in a fragile state. Capitalist contradictions are not rooted in a deficient architecture of capitalism, but rather in the functional dependence of capitalism on the empowerment of labor—a dependence which capital permanently opposes.

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Notes

1 According to Rosa Luxemburg’s thinking, the natural economy refers to those spheres of economic activity that have not yet been subsumed into the predominant capitalist economy.

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