

## Again on “Core” and “Periphery”

The current post should show that the terms “core” and “periphery” have to be regarded in relation to an “imperial division of labour”. The term has been specifically introduced and elaborated by the Hungarian historian Ivan Berend. We have taken it from his book “History Derailed. Central and Eastern Europe in the Long Nineteenth Century” (2003), which we make use of, including quotes from it. The book also explains why the end of the socialist attempt in around the Soviet Union has made the central and eastern European countries return to the periphery of Europe (and of the entire world).

“Imperial division of labour” - this notion means that the development of concrete production and consumption patterns is essentially determined by the interests of agents based in other regions resp. countries – i.e. in the core – and that this dependent development – i.e. in the periphery – is connected with the production and reproduction of hierarchies in the inter- and transnational division of labour . On this basis, the organizers of the accumulation of the capital (owned above all by agents from the core) are able to appropriate products of labour and redistribute incomes realized in the periphery, as well as within the core. These agents, therefore, effectively determine inter- and transnational developments, societal developments in the periphery, as well as in the core.

Berend takes a look at Central and Eastern Europe the development of which has started in the 16<sup>th</sup> century. In this perspective, he describes and explains the reproduction of peripheries by analyzing their interrelations, not only considering the history of one country in isolation. And he analyses this development a long term perspective.

Before the end of the socialist attempt the societies and economies had lost the ability for reproduction and innovation and had to deal with the consequences of debts.

In the 16th century, Western European countries have responded to a scarcity of peasant labour by falling rents, by decreasing labour services and by increasing mobility, while opposite measures have prevailed in Eastern Europe. The overall effect of this has been a special kind of development of urban centres in Western Europa that has not taken place in Eastern Europe. In the Balkan subregion, a divergence from these western trends has taken place, because of the rise of modern Atlantic trade that has marginalized Central and Eastern Europe (CEE). After this, arrival the of the Ottoman has sharpened all problems of an autonomous cultural and economic development of the Balkans and it has effectively cut the connections to an emerging world system. The region has been integrated into the bureaucratic military regime of the Ottoman empire, which has used the agrarian surplus of the region for financing the occupation and further aggressions. The regional elites have become a bureaucratic military Ottoman class and the Balkan societies have become “incomplete societies” (Berend) where blood relations continued to be the main principle of social organization, while peasants still lived in communities dividing the fruits of their labour equally among themselves. Ideas of the enlightenment have

come to Poland, to Hungary and to the other CEE countries above all by traveling elites and their impact on the population has remained extremely limited.

The French revolution of 1789 as “the revolution of its time” has become a “landmark in all countries” (Hobsbawm) and put the existing feudal systems into question everywhere. The British Industrial revolution has not been less important. “Like the French Revolution in the sociopolitical arena, the advances of the British Industrial Revolution also penetrated the Western half of the European continent. This process, however, was somewhat delayed.” A “modern Western Europe emerged and became the world’s first highly industrialized zone. ... The structure of the workforce radically changed together with the settlement pattern ... The Industrial Revolution replaced the old civilization with a new one.

*Per capita GNP in 1800 and in 1860*

	1800	Britain=100	1860	1860 as % of 1880	Britain=100
Great Britain	345	100	558	162	100
Continental Western Europe	211	61	454	215	81
Austria-Hungary	190	55	288	152	51
Eastern Europe	170	49	180	105	32

... the industrialized West built up strong nation-states with homogenized populations that spoke the same language, read the same newspapers, served in the same army, learned the same history, and proudly shared a new national identity. The new modern nation-states that adopted the British parliamentary system and the French *état de droit* all accepted democratic constitutions and demanded equal citizenship and human rights. Western Europe emerged as the rich, the industrialized, urbanized core of the world with its strong nation-states and democratic parliamentary system.

...

Serfdom and noble privileges, the manorial system and *robot* work in the fields, lack of modern credit and mechanized industry in Central and Eastern Europe, and a seminomadic system of hillside grazing and subsistence farming in the Balkans remained almost unchanged until the mid of the nineteenth century”.

Between 1794 and 1914 a process of “national awaking” and nation-building triggered by romantic nationalism and the modern idea of freedom has spread in the CEE countries. This has been connected to uprisings, wars, revolutions and reforms, on the one hand, and with attempts to overturn the establishment and adopt modern Western ideas and institutions – “to join Europe”, on the other. But Western institutions have been introduced only partially and “after at least a century-long delay. The ‘deeply rooted traditions’ of a democratic society were totally lacking, and power of the authorities remained intact.” The peoples in the CEE countries have been “shifted to the periphery of the emerging modern world system between the sixteenth and eighteenth centuries, had begun their journey on the Western road to modernization”. The “journey” was linked with railroads, industrial constructions,

credit, social, political and economic instability and an unlimited Western market for food and raw materials. “The greatest potential for expanding world trade was ... the trade between industrialized Western Europe and the agricultural and raw materials producing Mediterranean, Scandinavian, and Central and Eastern European countries.”

For the “journey to Europe” the immigration of Western entrepreneurs and skilled workers was highly important. The major industrial firms in the CEE countries have been founded by Englishmen, and by French, Swiss, Austrian and German entrepreneurs. Thousands of Western foremen and skilled workers have been employed in the CEE countries in the second part of the 19<sup>th</sup> century.

With the development of transportation networks, the division of labour and the internationalization of European Economy have received many more inputs. From the 1870s on, “the peripheral areas’ rail network grew more than fivefold. Before World War I, the peripheries’ network was as long as the core’s.” This development has mostly been financed by Western banks and investors. The inflow of Western capital has been the prime mover of economic modernization in the CEE countries. While Great Britain lost interest in investments, 28% of French and 52% of German capital exports went to CEE. The Deutsche Bank financed the Orientalische Eisenbahnen in the Balkans, the French Banque Impériale Ottomane also contributed heavily. The modern banking system in the CEE countries has been created prevalently by investors from the West. Western capital has achieved the creation of an economic sphere in its interest by opening up a large space of cheap labour, of food products and of raw materials.

With the development of free trade, of the laissez-faire in the international system, of convertible currencies based on the gold standard, and of international economic connections, institutions and associations the process of economic modernization in the CEE countries has begun to be politically challenged.

“The rising interconnection between Central and Eastern Europe and the West ... can be interpreted as a core-periphery interrelation (Wallerstein 1974) ... The Central and Eastern European periphery ... was dependent on the core ... The division of labour between highly industrialized and agricultural regions ... was endlessly reproduced on the regional level. The core-periphery pattern was replicated between rising industrial metropolies and unindustrialized agrarian regions within each country ...

In many respects, a core-periphery type of division of labour emerged in the frameworks of the common market of multinational empires. In the Russian empire ...the occupied and politically subordinated ... provinces on the western rim became industrial suppliers of the more backward agricultural, but extremely large, Russian imperial market. St. Petersburg and Moscow, huge urban centers on a European scale, formed the core of a backward empire. The huge nearby market of Istanbul played an important role in the development of the infant Bulgarian handicraft industry. **The imperial division of labour thus played a determinant role in the economic development of the interrelated regions of the empires.**”

In this process, the Austrian and the Czech areas have emerged as a newly industrialized regional core. It had peripheries in the Austro-Hungarian empire, as well as in neighbour countries on the Balkan. "The European regional and local cores exhibited a pull effect because of their markets, investments, and other stimulating inputs. The long nineteenth century was a period of building modern infrastructure, banking, education, the realization of a belated agricultural revolution, and – in the relatively more advanced Central European countries – also the beginning of industrial development."

Industrial development in the core states also destroyed traditional guild and cottage industries in the Ottoman periphery.

From 1903 to 1914, the German Steua Romana, Standard Oil's Romano-Americana, and Royal Dutch-Shell's Astra Romana controlled 94,5% of the oil industry in Romania. Gas and electricity were 95,9% foreign-owned, sugar – 94%. Before World War I more than 80% of Romanian industry was established by foreign investors. Six large joint stock companies controlled ca. 50% of industrial stocks. But industry produced less than 20% of the national income.

In the Balkan countries with between 7% and 10% of an industrial population only 1% of the active population have been employed in modern large-scale industry. In Poland 54% of the male workers and 56% of the female workers have been illiterate.

In the CEE countries the processes of agricultural modernization, accompanied by radically increased export activity, have not been able to induce structural changes in the economy. The internal economic weakness did not allow the establishment of processing industries in order to change the role of these countries within the international division of labour.

20-30 years before World War I, a new social group had developed in the CEE countries: a well-to-do peasantry as a group of the national elites. But a great part of skilled workers have remained foreigners, "non-indigenous". The population has grown rapidly and therefore also new needs have grown considerably.

These processes, acting together, have provoked trade wars, increased competition and fostered the development of an "economic nationalism" or – with regard to the pre-World-War-I decades – of a "proto-economic nationalism" (Berend, David, Spilman) in the CEE countries. Accordingly, protectionism and nationalism have risen not only in the periphery, but also (or even especially) within the core. "By World War I, only Great Britain, Holland, and Denmark remained committed to free trade."