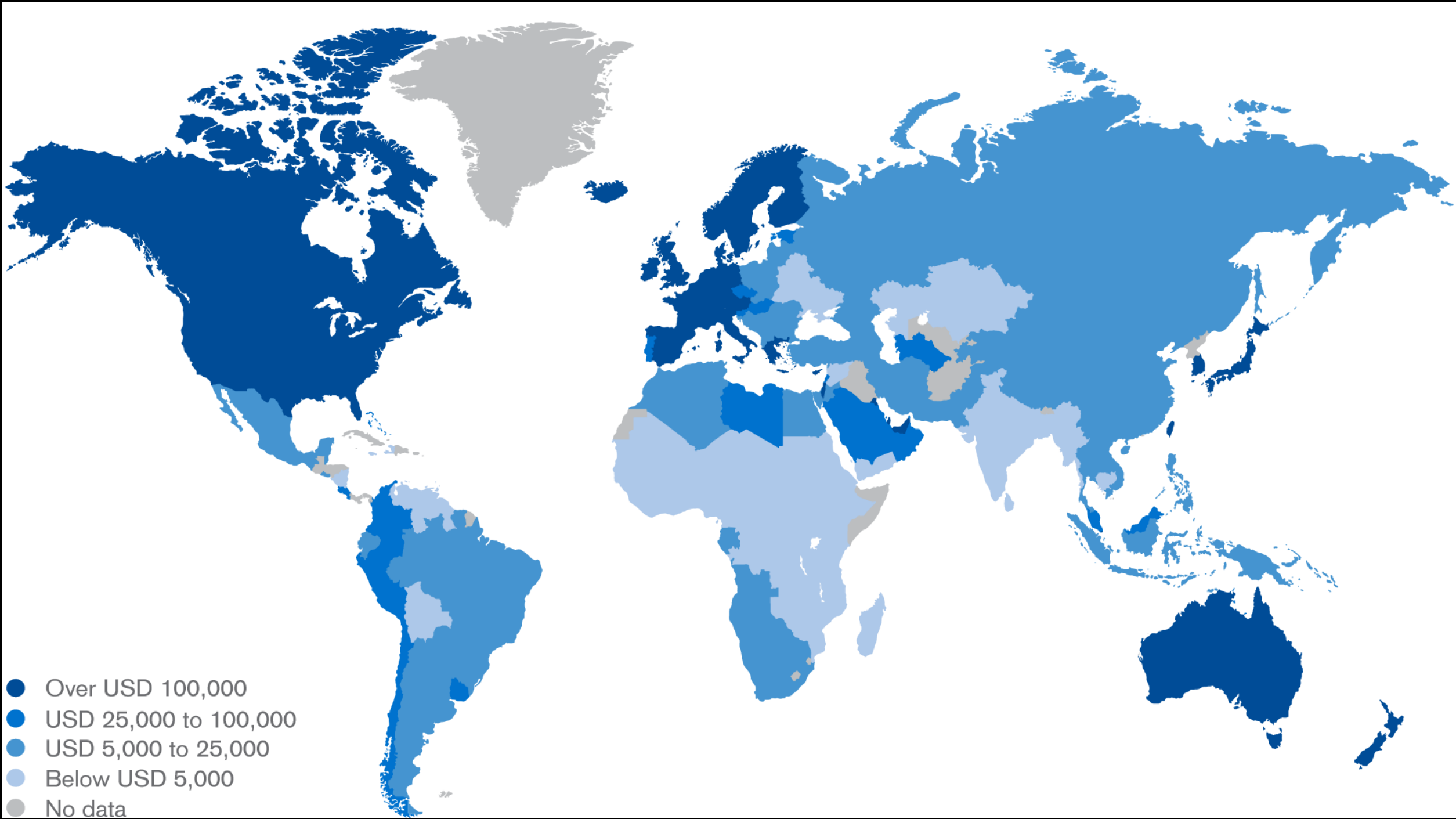


The Changing Contours of the World Economy: Uneven and Unequal Development – North and South

Alf Gunvald Nilsen – August 2017

The top 1% controls
46% of world's wealth.
— Oxfam





How can we map and understand unequal and uneven development in the world economy in the twenty-first century?

Understanding Globalization

WHAT IS GLOBALIZATION?

Not simply a quantitative increase in international trade and investment ...

... nor a borderless world in which the authority of nation-states no longer matter ...

... but a QUALITATIVE CHANGE in the spatial organization of the production, distribution, and consumption of goods and services in the world economy ...

Globalization is manifest in the form of a huge transformation in the NATURE and DEGREE of INTERCONNECTIONS across global space.

Speed

Intensity

Stretch

Globalization entails a fundamental change of the way the world economy is integrated:

“Shallow” integration

→ Arm's length trade in goods and services between independent firms/through international movements of portfolio capital & simple direct investments.

“Deep” integration

Organized through geographically extensive and organizationally complex
GLOBAL PRODUCTION NETWORKS

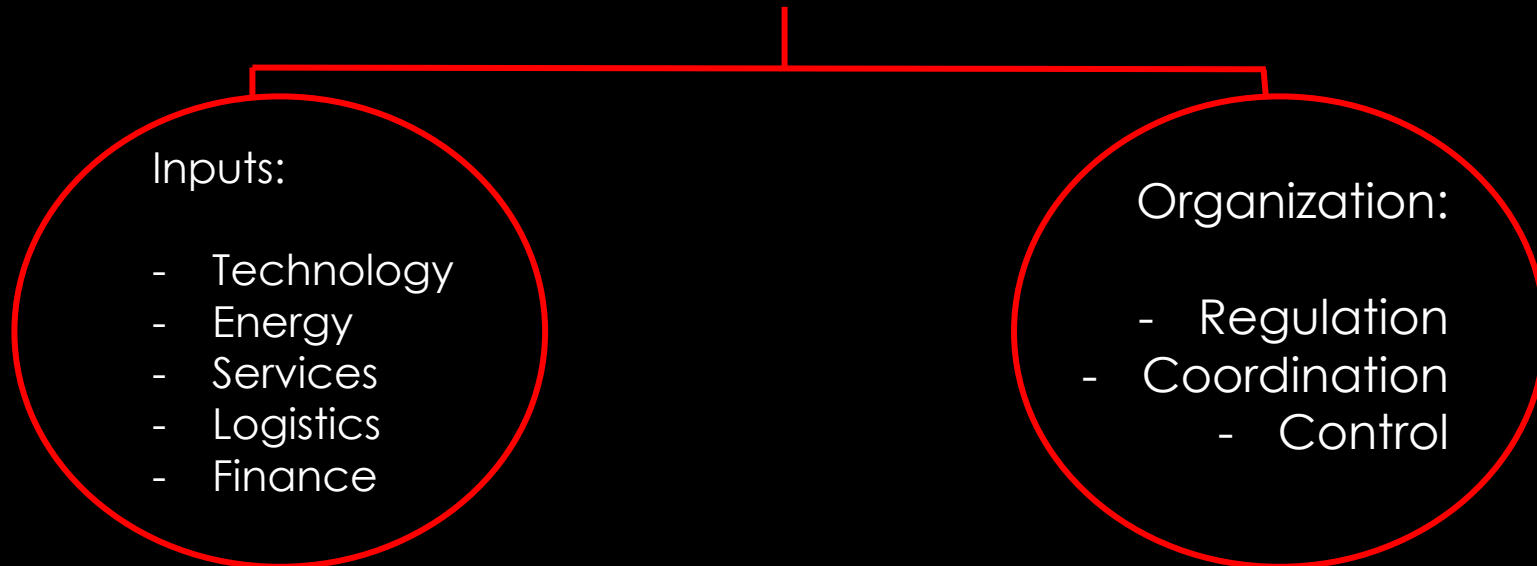
“The crucial characteristic of a ‘global economy’, therefore, is *the qualitative transformation of economic relationships across geographical space*, not their mere quantitative geographical spread.” (p. 6)

GLOBAL PRODUCTION NETWORKS

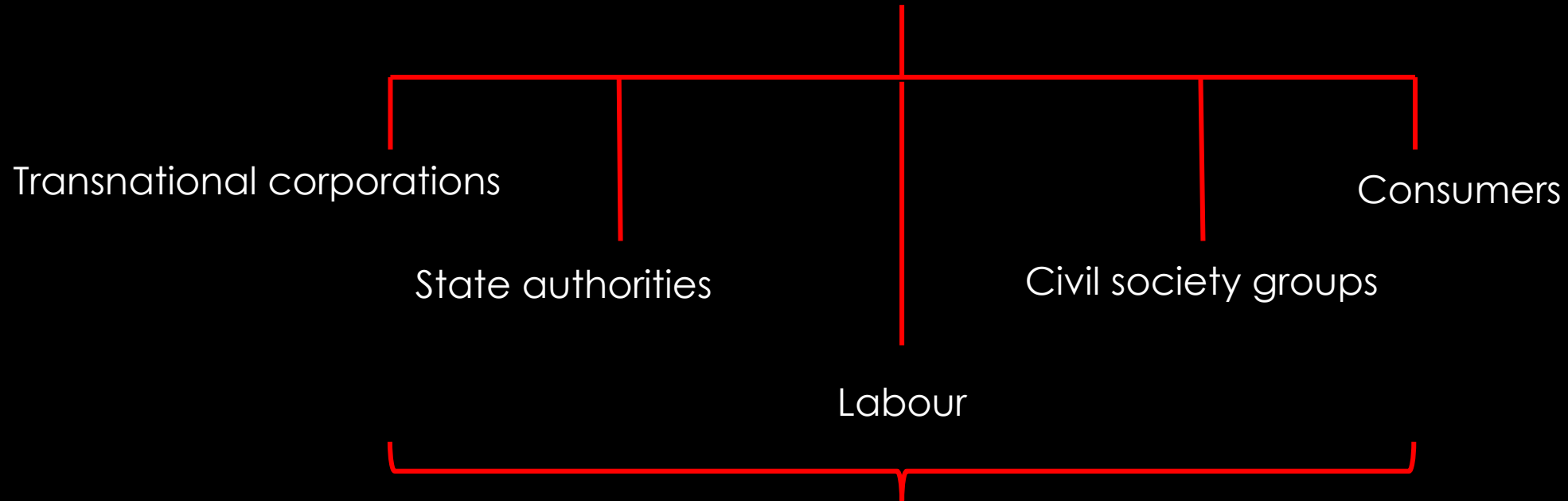
“The core of a GPN is the circuit of interconnected functions, operations and transactions through which a specific commodity, good or service is produced, distributed and consumed.” (p. 54)

Inputs ↔ Transformation ↔ Distribution ↔ Consumption

These four basic operations are woven into layer upon layer of inputs and public/private organizational structures.



NB! Whereas technology facilitates their emergence and operation, the specific FORM and DYNAMIC that GPNs assume is shaped by conflict and cooperation between multiple actors!

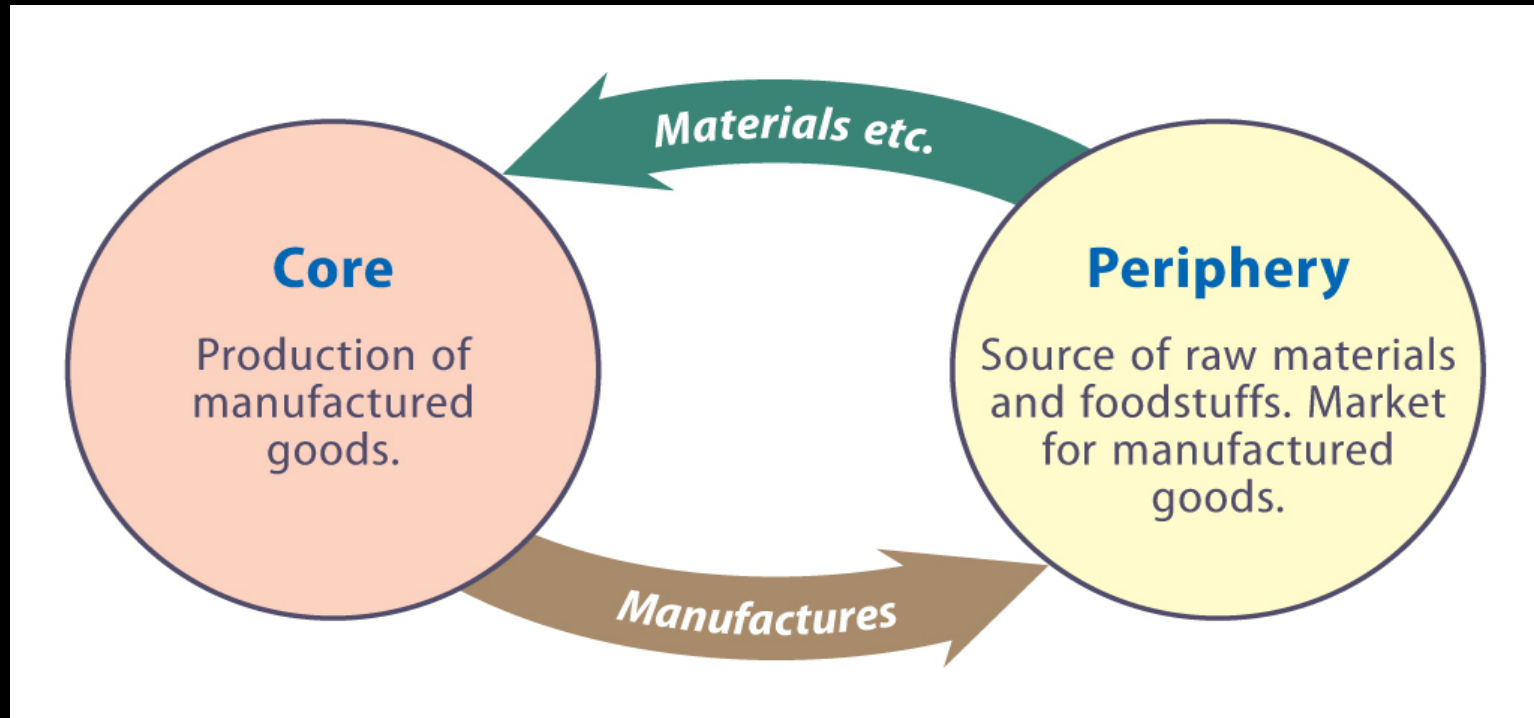


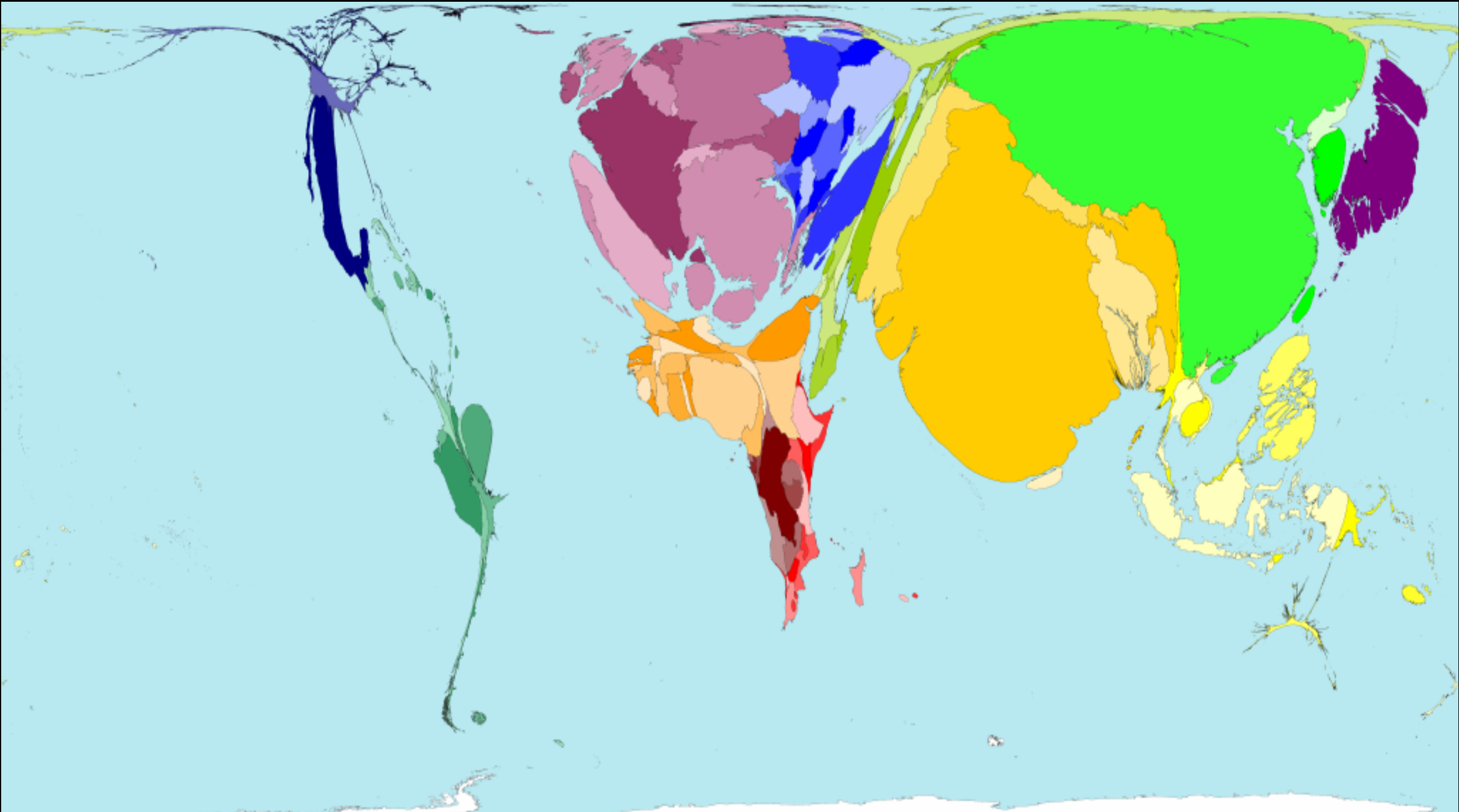
In order to map and understand uneven and unequal development in the world economy, we have to decipher how the workings of GPNs ultimately express the ASYMMETRICAL POWER RELATIONS that exist between different actors.

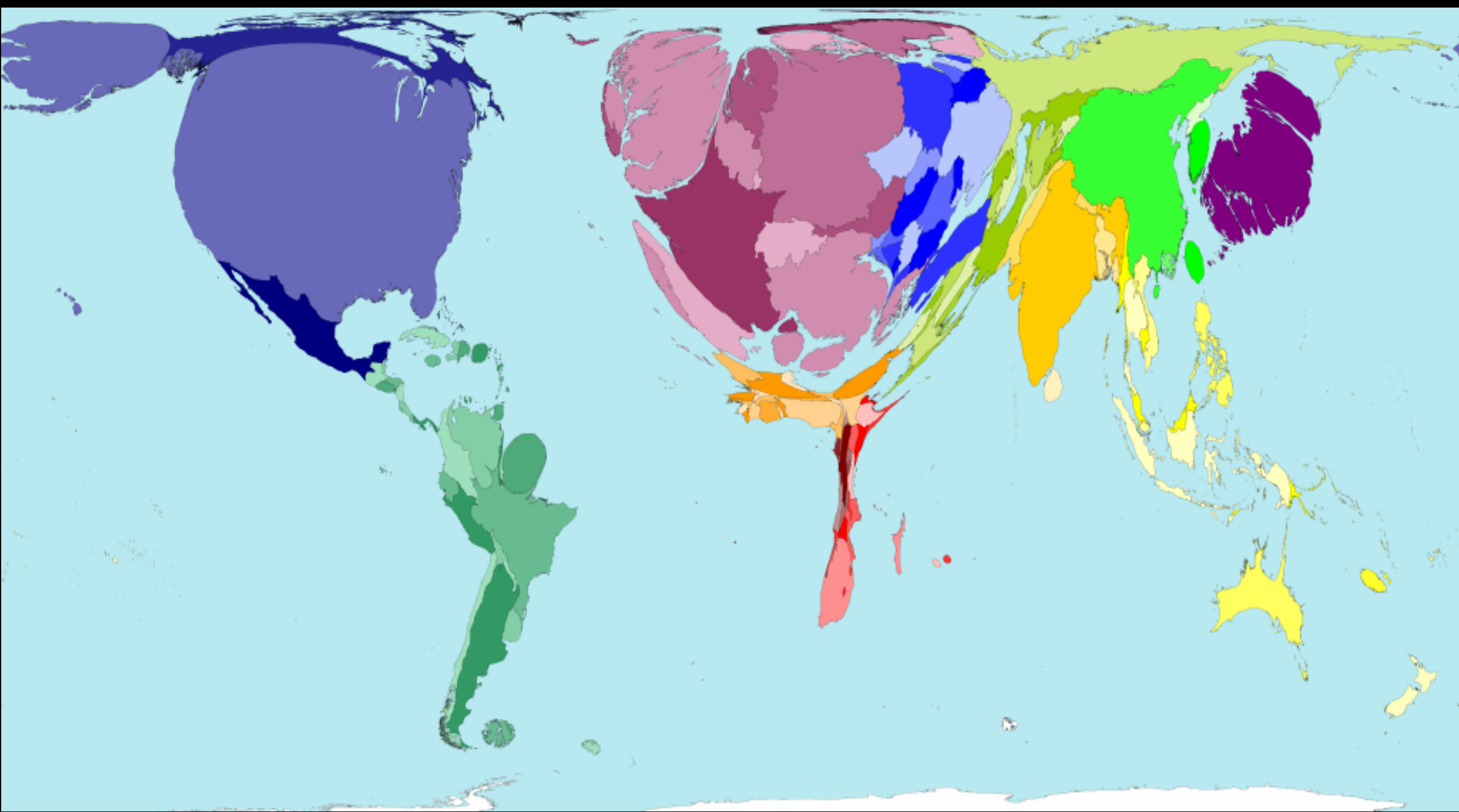
Mapping Unequal and Uneven Development

“Old geographies of production, distribution and consumption are continuously being disrupted and new geographies are continuously being created. The new does not totally obliterate the old; what already exists constitutes the preconditions on which the new develops.” (p. 14)

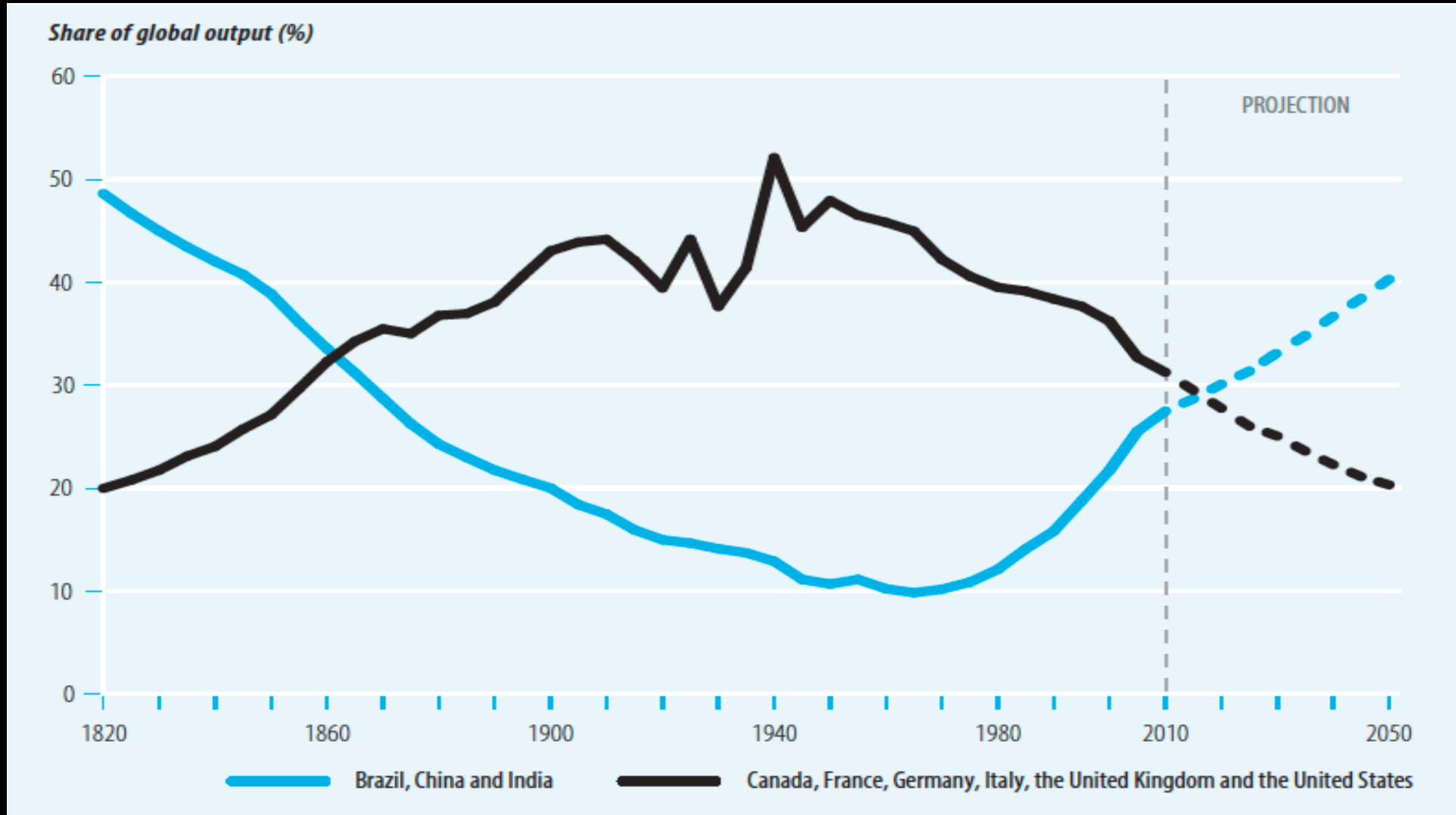
The period from 1700 to 1950 witnessed the emergence of a GLOBAL DIVISION OF LABOUR with a clear CENTRE-PERIPHERY STRUCTURE – that is, the world economy was polarized between a Northern centre and a Southern periphery.



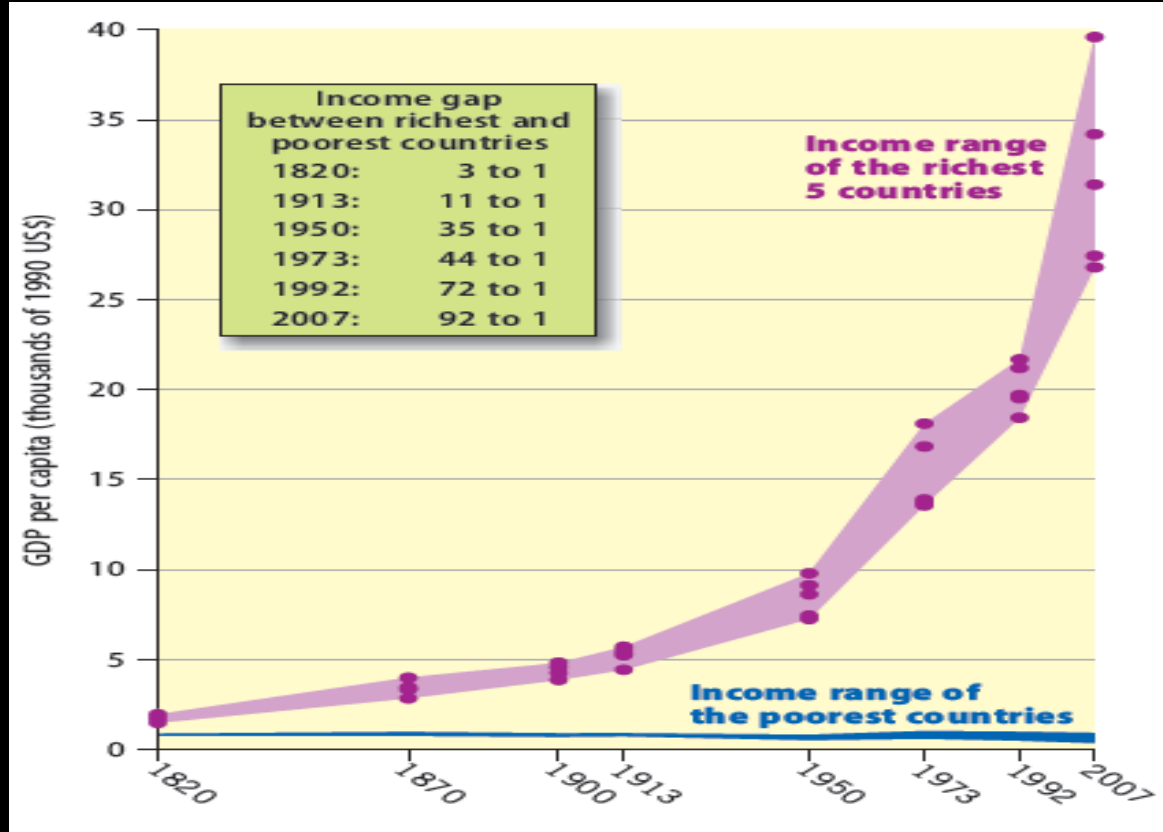




The period from the 1970s to the present has witnessed a significant change in this structure – a NEW GLOBAL DIVISION OF LABOUR has emerged as industrial manufacturing has relocated from the global North to the global South.



But - this has not entailed a wholesale transformation of North-South hierarchies of wealth:

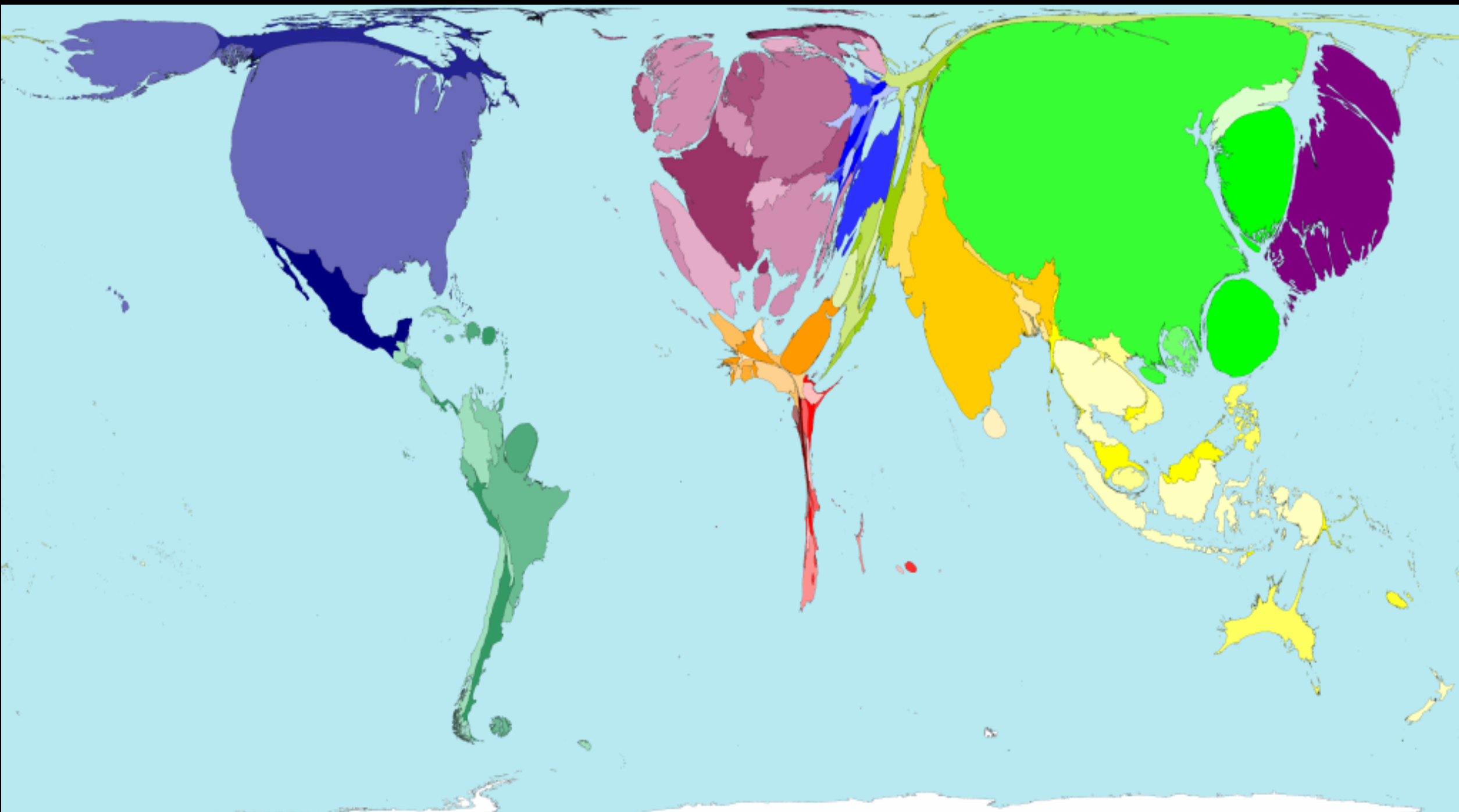


In 1820, the income differential between the richest and poorest country stood at a ratio of 3:1

In 2007, this ratio had increased to 92:1

This does not mean that Southern countries are uniformly marginalized in growth processes of the world economy.

It means that (a) there is substantial regional variation in terms of incorporation in GPNs and (b) that incorporation in GPNs does not in itself guarantee a positive developmental trajectory.



But – an exclusive focus on global inequality would be incomplete.

INEQUALITIES WITHIN COUNTRIES HAVE INCREASED STRONGLY SINCE THE EARLY 1980S.

This is true for the global North – and also for emerging economies in the global South.

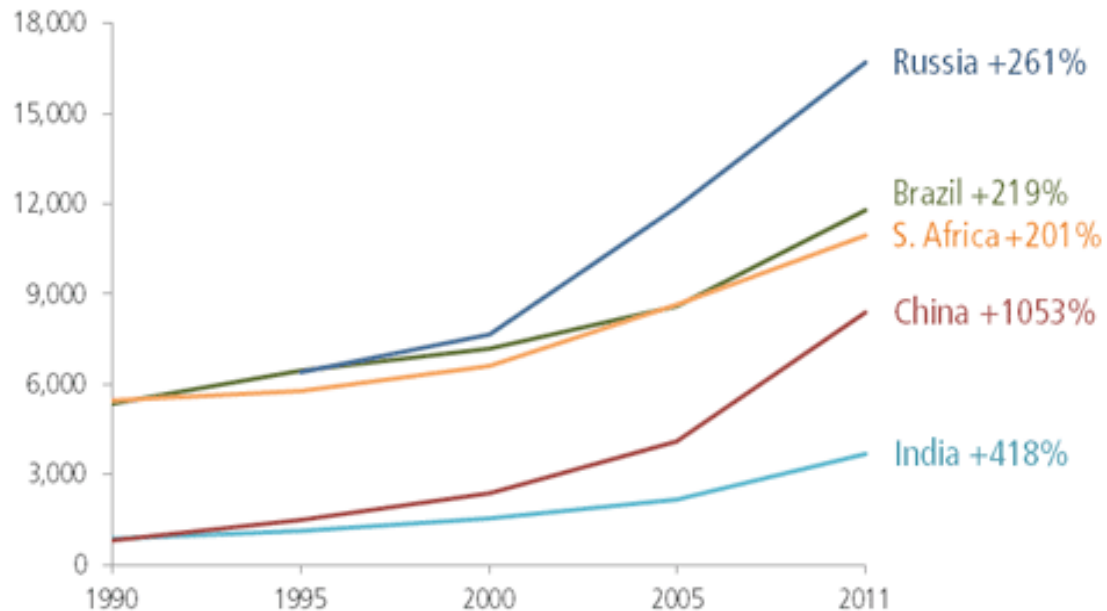
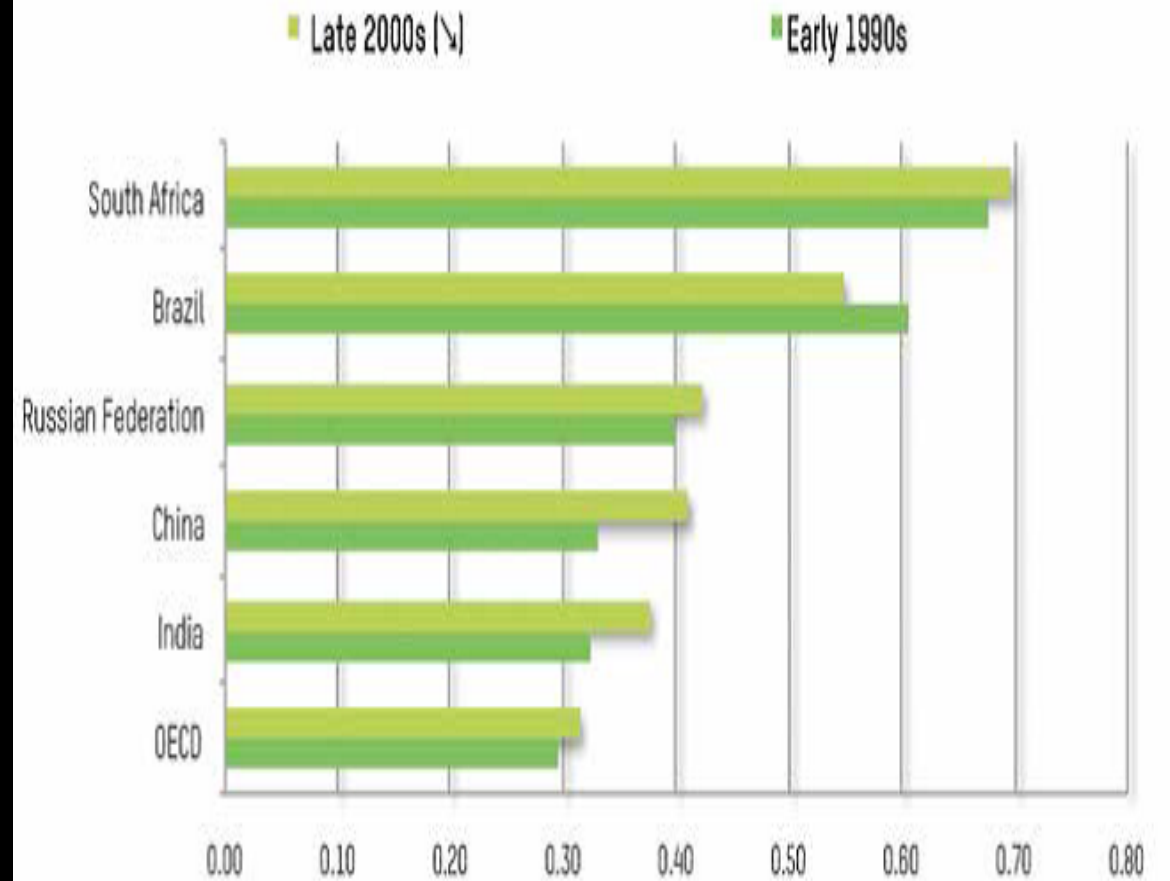
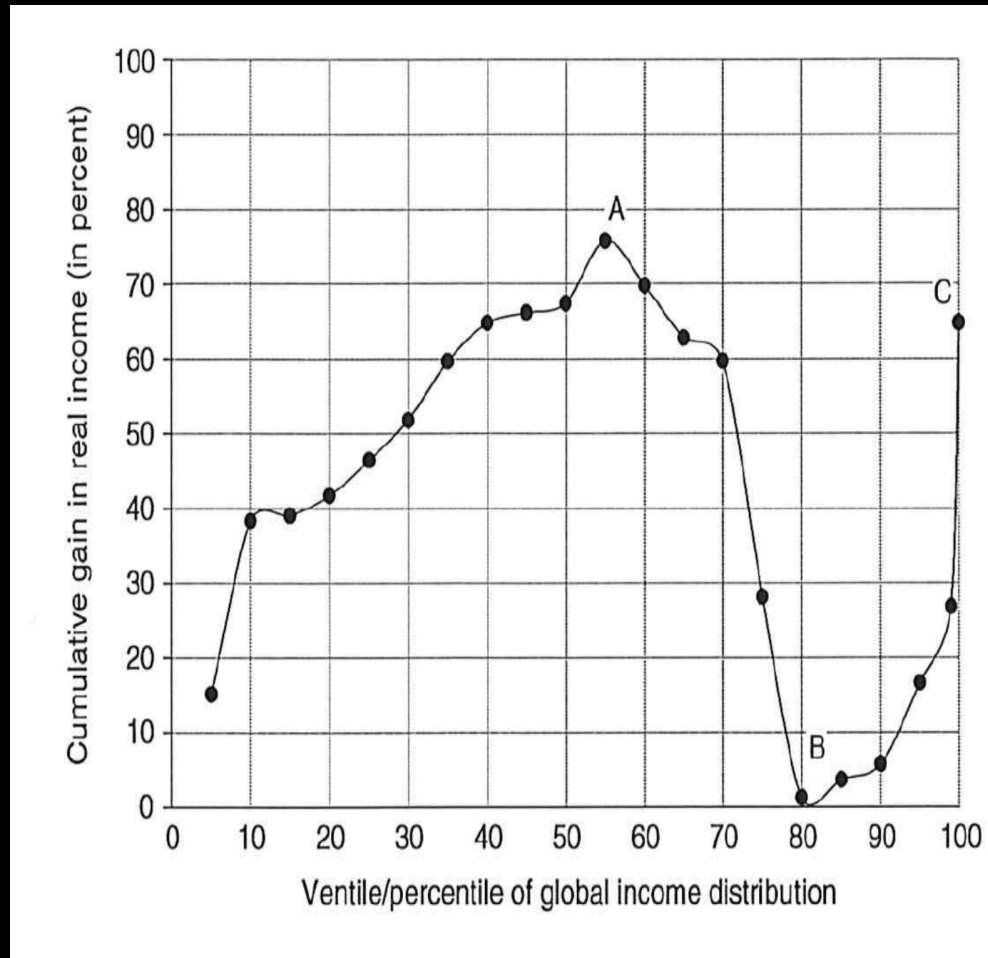


Fig. 2: GDP per capita in the BRICS (US\$, PPP, 1990–2011)

Source: IMF, World Economic and Financial Surveys, World Economic Outlook Database (April 2012)



In terms of within-country inequalities, a pattern is emerging across the North-South axis:



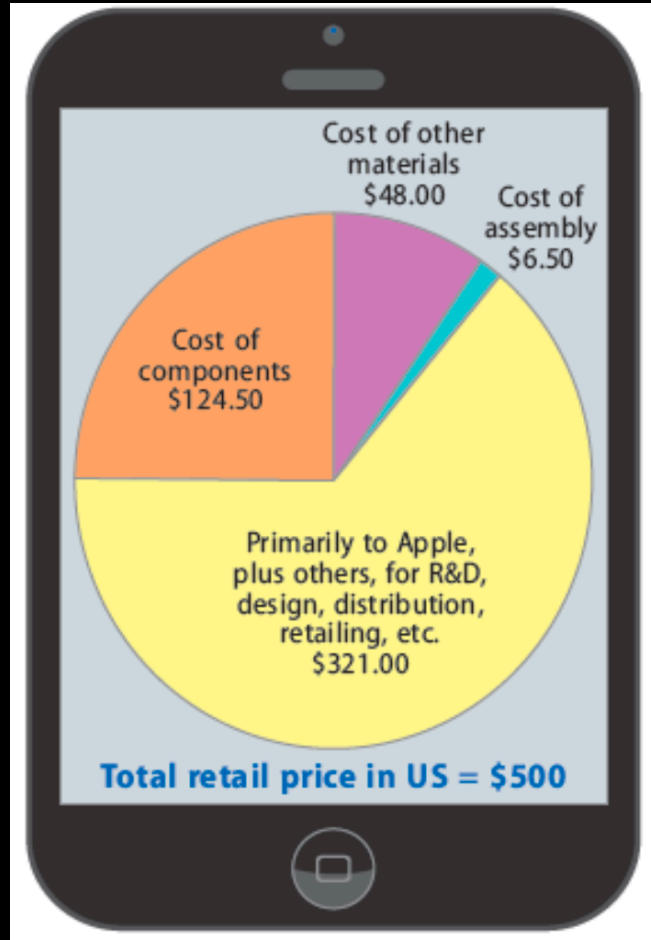
- 1) Global plutocrats (point C) – the top 1% in terms of income and wealth, overwhelmingly but not exclusively located in the global North.
- 2) The new middle classes (point A) – mainly located in the global South, particularly China and the other BRICS countries.
- 3) Surplus populations – groups across the North-South axis that survive on the margins of the world economy, through precarious work, and with restricted access to education, health care, and social protection.

NB! The majority of the world's poor live in mid-income countries, and 50% of the world's poor live in the BRICS countries.

Globalization: Unequal and Uneven

So – how does globalization, understood a set of new spatial patterns of economic organization, mediated through global production networks, help us understand this scenario?


Trajectories of economic development depend to a large extent on how specific regions, states, and places come to be integrated in global production networks – specifically in terms of the ability to capture value.



Value capture:

- Value is produced in each phase of a circuit of production.
- But different phases of a given circuit produce different amounts of value.
- Different actors – firms, states, workers – involved in different phases of production in a global network capture different amounts of value.
 - The largest amounts of value are captured in the upper tiers of the GPN (design, marketing, distribution, sales) while the least amount of value is captured in the lower tiers (manufacturing).

When we try to understand the nature of economic development in a particular region, state, or place or when we analyze why different groups face different life chances, we have to understand how they have come to be inserted in GPNs in ways that give unequal access to the value created in those networks.



The answers that we find are likely to be determined by the convergence of several asymmetrical power relations ...

... between corporations and workers ...

... and between lead firms and subcontractors/suppliers.

... between states and corporations ...

NB! For the vast majority of people across the North-South axis wage labour constitutes the foundation of their livelihoods – The global working class quadrupled in size from 1980 to 2005.



This means that the vast majority of people access the value created in GPNs through work – Consequently, the key questions related to how globalization affects their life chances revolve around work and employment: (a) how many jobs are created in and through GPNs, and (b) what kind of employment do these jobs actually offer?



In a context where there is a global employment deficit and where work is increasingly precarious (low pay, insecure employment, poor working conditions) these are also key questions in global development and planning.