

The uneven development as an intentional and structural characteristic of the geography and the dynamics of capitalism*

El desarrollo desigual como una característica intencional y estructural de la geografía y la dinámica del capitalismo

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Abstract

The present text is an intertextual analysis of Neil Smith's affirmation wherein he states the uneven development as the main characteristic of the geography of capitalism. The main goal is to effectively validate Smith's affirmation by contrasting his hypothesis with the authors and theories in political economy that offer relevant arguments to the discussion. A brief historic framework is drawn to account for the history of the geography of capitalism

* Artículo de revisión que presenta una mirada crítica de la geografía y dinámica del Capitalismo, en relación con el desarrollo desigual.

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underlying four main periods: the agrarian capitalism, the 19th century, Keynesian Consensus and neoliberal era. Some of the most important authors in the theories of uneven and combined development are used to draw a line tracking the inequalities intentionally created from the dispossession, to the modernization and neoliberal practice of capital accumulation fostered by increasing inequalities in the context of uneven development.

Keywords

Composition of capital, Global capitalism, Inequality, Social property relations, Structure of capital, Uneven Development.

The following text will engage into a critical reflection upon Neil Smith's statement on the uneven development as an inherent characteristic of the geography of capitalism. The first part of the text briefly the theories in political economy relevant to the main discussion on this statement, addressing theories that include the period from the origin of agrarian capitalism until the industrialisation. Secondly, uneven and combined development and catch-up theories will be analysed from the perspective of the most relevant authors who have successfully spelled out the link between the inequality between nations and the dynamics of global capitalism using their own cases of study. Finally, a reflective conclusion will be found at the last part, whereby the main points stated by the analysed authors are expressed in a tentative affirmation from one particular author.

According to Neil Smith, the uneven development is defined by "...the systematic geographical expression of the contradictions inherent in the very constitution and structure of capital" (Smith, 2008, p. 6). That is, in the context of Ricardo's value theory, one of these contradictions may well be represented by the use value vis-à-vis exchange value. The contradictions are geographically expressed

as the capital is continuously invested in and out of the built environment to both extract surplus value and attain higher rates of profit. (Smith, 2008, pp.7-10) Hence, capitalism engages in a process of producing space and nature in order to attain these goals. And in that process, it exposes its own geography of uneven development. (Smith, 2008, p. 9).

It is also important to acknowledge that there are several economists that have argued an opposed thesis to this essay, from academics such as Romer or Mankiw until Nobel Laureates such as Milton Friedman or Friedrich von Hayek.

Both Nobel Laureates state that the dynamics of free trade and capitalist globalization have brought about development to those nations that lacked of enough foreign capital to start with, before trade liberalisation. (Friedman, 1995, pp.124-132) Their approach obliterates the uneven development theme, since the question rather becomes one about the efficiency and Pareto optimality in which the capitalist system cannot be judged as socially unjust by itself. Their argument is underpinned by the alleged impartiality of its result, which is able to benefit those who are willing to engage effectively in the maximization of utility and benefit. (Hayek, 1976, pp.15-20). This essay will prove this point to be inaccurate, since there is enough evidence to state that this process has been unfair from its very beginning, bringing about a highly attached inequality within and between nations as an intentional process.

I will now move on to the first part of my essay in which a historical framework of analysis will be used to introduce a background discussion to analyse Smith's statement.

The discussion is opened with Ellen Wood's social property relations approach to understand in the context of the origin of agrarian capitalism, how inequality was fostered as the capitalist system

of property and propertylessness was introduced. In this system, the surplus value extraction took place from a market based coercion, which resulted in the compulsion for the working class to sell their labour power for a wage to access the means of production. (Woods, 2003, p.17).

Afterwards, capitalism engaged in a more complex process of accumulation and reproduction of capital in which the so called “third world” emerged only after 1800 (O’Brien, 1984, p. 43). This was a period when the world economy became interconnected with flows of merchandise, labour, and capital that affected a country’s local prices and incomes. (O’Brien, 1984, p. 43). During this period, Britain assumed a protagonist role as it was the first to start trading with the periphery on a larger scale, (O’Brien, 1984, p. 55) evidenced when it repealed the Corn Laws, guided by the law of Ricardo’s competitive advantage to attain cheaper labour and wages. (O’Brien, 2010, p. 100).

The period during which Britain took the lead of the international system serves as an example to the pertinence of Rosa Luxembour’s definition of imperialism. She defines imperialism as “the political expression of the accumulation of capital in its competitive struggle for what remains still open of the non-capitalist environment” (Callinicos, 2009, p. 42). In other words, smaller capitals are being absorbed by larger ones whilst economic power is concentrated. (Callinicos, 2009, p. 51).

Moreover, Hobson’s vision on the expansion and consolidation of empires proceeding along with the development of capitalism (Waltz, 1979, p. 35) becomes also accurate. According to them, imperialism can be proven to be a phase inherent to the global capitalist system, leading in the end to the formation of financial capital, by which the political economy converges at a point of state capitalism. In addition, Alex Callinicos contributes to the discussion

by underlying the importance of state capitalism and the way its convergence in some countries helped develop economic and geopolitical competition. (Callinicos, 2009, pp. 49-54).

Britain's process of industrialization can be argued to be a dynamic closely linked to imperialism. According to Eric Hobsbawm, Britain needed overseas markets to export its surplus production, some of which it already had but were not sufficient. In Hobsbawm's words, industrialization "Enabled production –within certain limits– to expand its own markets, if not actually to create them" (Hobsbawm, 1969, p.41). Thereby imperialism comes as the British government assumed the role of an institution in charge of waging wars and colonizing for the benefit of national manufacturers so to open new markets. (Hobsbawm, 1969, p .49).

As a preliminary conclusion of these theories in political economy, it can be said that imperialism during the period of colonization and industrialization, was a phase in which the state acquired a protagonist role. Hence, uneven development was materialized as the imperialist countries started to "intensify and widen the flows of commerce" (Hobsbawm, 1969, p. 52).

Moving on to a different period, state capitalism had a very specific dynamic during the post-World War II Consensus, which consisted in the fostering of mass production and consumption within the Fordist mode of production, changing most importantly the way of life and global political economy. (Harvey, 1990, p. 135) This happened in a context when labour markets were divided into a monopoly and competitive sector, having the second one as far from privileged. (Harvey, 1990, pp.138-139).

The Bretton Woods agreement took place during the Keynesian Consensus, meaning that the dollar "was turned into the world reserve currency (...) tying the world economic development firmly

into US fiscal and monetary policy” (Harvey, 1990, p.136). As a result of this, modernization was promoted to the “third world” nations causing “destruction of local cultures, oppression, and various forms of capitalist domination in return for rather meagre gains in living standards and services” (Harvey, 1990, pp. 138-139).

David Harvey explains with this historical example the link between imperialism and modernization as the US engaged in a demand stimulating model driven by several monopolies to build a strong economy and development discourse to export. As a result of this and the Bretton Woods agreement, the US was able to lead the world economy and draw a development pathway for peripheral countries to follow and foster the dynamics of global capitalism.

It is important to acknowledge that this modernization ideal was underpinned by several theorists, among them is Seymour Martin Lipset, who argued that economic development is tantamount to democracy (Lipset, 1959, p. 75) given that continuous economic development is able to provide enough legitimacy to the democratic system within a country. Consequently, equality can become a central issue both in socio-economic and political perspectives (but only within a nation). (Lipset, 1959, pp. 75-76).

Having stated the context and a historical framework of analysis, the second part of the essay discusses the link that can be drawn between the inequality between nations and the uneven development of capitalism as a structural element.

The international financial institutions play a key role in this part, because it is in their actions and interest, where the uneven development of the geography of capitalism can be clearly evidenced. The main purpose of the International Monetary Fund (IMF) and the World Bank (WB) is to support the international financial sys-

tem while promoting development in the capitalist way across the globe. (The World Bank, 2005, pp. 2-4). They try to achieve this by eliminating government deficits, promoting structural adjustment, and then creating an export-led growth, exhibited in the Washington Consensus. (Thomas, 2008, p. 426).

However, according to Liarson, this belt tightening produced an economic downturn, higher unemployment, and lower inflation, which were expected to lead to higher exports and lower imports. (Liarson, 2003, p.75) This result was completely opposite to the purpose of the structural adjustments. In addition, a country's ability to sustain effective exchange rate policies, was undermined. (Brett, 1983, p. 179).

To sum up, the effect of the development ideals promoted after the 1980's were equivalent to fostering uneven development between countries. This was evidenced when the specialization to produce commodities and attract foreign investment in the underdeveloped countries, diverted them into a type of activity that offered less technical progress along with very unequal terms of trade. (Singer, 1950, p. 477). For instance, the fact that the developed economies have a considerable subsidy for their agriculture. The results of these neoliberal measures included lower economic growth than expected, increased indebtedness, failure to shift production into technology-intensive products, social polarization and a wider gap of income inequality. (Thomas, 2008, pp. 430-431). In the long run, this economic interdependence "considerably reduced the capacity of many countries to pursue full-employment policies" (Gilpin, 2001, p. 241).

The economic interdependence is linked to the drivers of inequality, as Andre Gunder Frank has shown the process by which production of space with geographically and economically isolated regions of South America takes place. Having created a space for

capital accumulation exemplified with the manufacturing exporters in Brazil, Colombia and Mexico, these regions are later incorporated as satellites into the colonial capitalist system. (Gunder Frank, 1970, pp. 5-6). It can thus be seen how Underdevelopment is not original or traditional since the “past nor the present of the underdeveloped countries resembles in any important aspect the past of the now developed countries” (Gunder Frank, 1970, p. 4).

Elizabeth Hatton has executed a remarkable research in Australia, where she proves that the differences between privileged and working class schools generate certain patterns that foster advantages and disadvantages related to class, evidenced in better staff personnel, more capacity of influencing the school bureaucracy, and so on. (Hatton, 1985, p. 270). This shows how it is easier for the rich to isolate themselves from the poor and “monopolize their resources to exercise social exclusion against the disadvantaged”. (Dwyer, 2010, p. 114) Although this is a case of inequality within a country, a similar dynamic of inequality and segregation is seen in the developing countries that underwent high economic growth, such as Brazil and China (Saad Filho, 2014, pp. 583-584) where the income gap dramatically increased and low-income households were marginalized (Sutton, 2011, p. 4).

More general examples of this are found in the United States where racial segregation ideologies were promoted as a way that would allow a separation of the white and black working class, “preventing them from joining forces to claim a collective bargain” (McNally, 2002, pp. 127-128). This proves that Joseph Stiglitz hypothesis is still right, when he claims that “growing inequality has been promoted by a system easily manipulated by the top 1% well-off” (Stiglitz, 2010, p. 3). On the one hand, the American dream is promoted but on the other hand the consumerism and greed values are used to create a false legitimacy to the inequality of the system. (Hooks, 2000, p. 77).

The importance of the production of space within the geography of capitalism extends to the case of Mexico, during the revolutionary uprising of the *Ejército Zapatista de Liberación Nacional* (EZLN). The Zapatistas took control over land and recovered a big proportion of space in the State of Chiapas in order to rebuild a new political and socio-economic structure that would thereby stand as opposed to the capitalist imperatives embodied in the NAFTA. (Hesket, 2014, pp. 6-10).

The conclusions drawn from the authors' case studies such as the United States and the developing economies, provide a useful evidence to attain the main goal of the essay, which is showing how the uneven development has been fostered from the beginning of capitalism, moving across the industrialization, the Washington Consensus and the neoliberal era in order to shape inequality within and more importantly between countries. The imperatives of capital accumulation and trade liberalization between countries have proven to be a structural promoter of inequality and thus uneven development between nations, with no sights of change in the already attached hierarchical economic order.

As a conclusion from this essay, a structural link between the inequality within and between nations and the dynamics of uneven development in the capitalist system was drawn by using several theories in political economy. From the first part, the social property relations approach of Ellen Woods and David Harvey displayed how the initial process of accumulation took place by dispossession and the creation of a new system of property and propertylessness further exported to start a new capitalist system. Britain's position in the world economy during the 19th century and the industrialization process allowed several authors such as Patrick O'Brien, Alex Callinicos, Eric Hobsbawm and David Harvey to elaborate a basic link between imperialism, global capitalism expansion and creation of inequalities given an asymmetrical relation of economic power.

From the second part, Lairson, Brett, Thomas, Singer and Gilpin contributed in spelling out the dynamics by which inequality was institutionalized and dependency of the peripheral countries was created within the development measures promoted by the international financial institutions who established a country's position in the global value chains. Finally, Andre Gunder Frank, Alfredo Saad-Filho, Hatton, Hesketh and McNally applied the dynamics of the geography of capitalism to the uneven dynamics of neoliberalism in the United States, Mexico and Australia concluding that this process has been harmful to the social tissue and compelling to constrain the development within and between some of these countries. In the words of Saad Filho in the case of Brazil, it has suffered negatively the current era of neoliberalism characterized "... by uneven and combined development, (which) has created unprecedented prosperity for some countries, provinces and households, while others have declined in relative and even in absolute terms, and suffered significant poverty and exclusion effects" (Saad Filho, 2014, p. 595). In an interdependent world, this structure thereby can only be changed by a more radical, interdisciplinary and revolutionary transformation that could foster a new principle of having the economy at the service of the people and not vice versa.

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