CHAPTER 3

UNEVEN DEVELOPMENT

Why is economic growth and development so uneven?

Aims

- To think structurally and systematically about uneven development processes
- To understand the fundamentals of the capitalist economy
- To consider uneven development as an outcome of systemic logics under capitalism
- To integrate an understanding of uneven development with the production of space under capitalism.

3.1 Introduction

In 2004, 24 billionaires (in UK pounds) lived in Moscow. Only New York City was thought to boast more members of this exclusive club. It is estimated that these super-rich Muscovites controlled wealth amounting to around £50 billion (or US$90 billion). Much of the wealth of such 'New Russians' has been derived from the privatization of state-owned industries and resources in the mid-1990s – many of them located far away in the vast Russian periphery. Perhaps the biggest celebrity among this group is Roman Abramovich – a man worth more than £7 billion and best known in much of the world as the owner of London's Chelsea Football Club. Abramovich's story has been presented as something of a Russian fairy tale: a poor orphaned boy, raised by his extended Jewish family in the harsh environment of Russia's North-west, who dropped out of college but went on to wield great economic and political power. Abramovich's wealth was acquired in the Russian oil industry, as shares in collectively owned state enterprises were distributed to workers in the 1990s, but quickly became concentrated in just a few hands. He became governor of the remote Russian region

of Chukotka in 1999, at the age of 33, having rapidly expanded his holdings into airlines, aluminium and real estate.

Abramovich's story reveals some telling features of contemporary economic life – albeit through a somewhat larger-than-life tale. Russia has, since the collapse of communism and the emergence of market-based economic institutions, seen some dramatic concentrations of wealth in a few hands. Of even more interest here, however, is the geographical unevenness of economic development that the story reveals. While 8.6 per cent of Moscow's population was estimated to be living in poverty in 2002, in the remote Chukotka region, the equivalent figure was the 37.7 per cent (World Bank, 2005). Put simply, while some places prosper in the global capitalist economy, others are less likely to do so. In Russia, as well as many other developing countries that are dependent on primary commodities (for example, Niger, discussed in Chapter 1), impoverished peripheral regions have seen booms in economic activities, especially in mining and other resource extraction activities. But much of the wealth generated has been channelled into the bank accounts of a small and fabulously wealthy urban elite. A part of their wealth has, in turn, found its way into, or through, global cities such as London, where Abramovich has added impressive property purchases to his sporting acquisitions. On an even larger geographical scale, from a global superpower, Russia has been reduced to the status of a 'developing country', and Russians are increasingly migrating to seek work elsewhere. At the urban, national, or global scale then, we see the unfolding of a dynamic process of *uneven development*. Overall, it is a pattern of wealth concentration, rather than dispersal, but it is also a volatile process of boom and bust and boom again.

As we move on to Part II, which aims to illustrate the dynamics of economic space, this chapter provides an important conceptual foundation for thinking through *why* our everyday economic landscape seems to be changing and transformed, sometimes for the better and often for the worse. This dynamic of change is closely related to the way in which our economic system is organized and reproduced. In this chapter, we unpack this economic system, often known as *capitalism*, and show how it creates and necessitates uneven development over space and through time. We will deal with more specific dimensions of capitalism such as commodity chains, technology, and nature/resources in the next three chapters.

This chapter starts with a view of uneven development that sees it as either the result of natural (i.e. environmental) conditions, *or* as a natural state of society (Section 3.2). In many ways, this corresponds to the popular perception of why some places are richer and more developed than others. In Section 3.3, we construct an alternative view using ideas drawn from the Marxist school of political economy (see also Box 1.2). We consider how the system of creating wealth might be seen as something human-made rather than natural. These are what we will call *structural* processes, and they involve the ways in which

wealth is generated, circulated, and distributed within society and across space. In other words, uneven development results from inherently *geographical processes*. We then explore in Sections 3.4 and 3.5 the mechanisms that produce uneven development in the capitalist system in particular – the system of wealth production and distribution that now prevails. Having established these fundamental mechanisms, we look at how particular places and the people living there come to reflect the shifting landscape of capitalism (Section 3.6). Finally, in Section 3.7, we note that not all capitalist happenings are necessarily the product of 'the system', but are also mediated by political and military power.

3.2 Uneven Development – Naturally!

In Chapter 2, we explored the notion of development as a discourse – a collective set of understandings, institutions, and technical expertise that diagnoses problems and prescribes solutions for the malaise of underdevelopment. But what is the development, or underdevelopment, that this discourse seeks to describe, explain, and foster? The conventional definition of development presents it as a process of economic growth, i.e. increasing collective wealth, alongside a trend towards social change. Such social change usually implies a movement in the direction of modern, urban, and industrial society – hence the criticism so often levelled against development that it is an *ethnocentric* concept being used to bring traditional 'non-Western' peoples into line with the norms of modern 'Western' life. Here, however, we are less concerned with these social and cultural implications of modern development, including Westernization. Instead, we will focus on the uneven production and distribution of wealth so intimately connected with processes of economic development.

A common approach to the unevenness of economic development is to see it as a *natural state* of affairs – natural either because of the uneven distribution of the bounty of nature (for example, oil fields can only be where oil is located), or because growth has to start somewhere and, under the right conditions, it will naturally spread. Both of these views are very much evident in contemporary debates about why economic development is spatially and socially uneven. At first glance, the notion that human societies are uneven because nature is uneven is a rather tempting explanation. After all, the Industrial Revolution was initiated in the towns of Northern England that had the appropriate endowments of water, coal, iron ore, and other raw materials. And today, nature has bestowed upon countries such as the US, Canada, and Sweden an immense bounty of mineral, agricultural, and forest resources.

But if the list of examples is expanded, this argument begins to unravel. Indonesia has a remarkable array of mining, agricultural, and forest resources, and yet its 218 million people enjoy an income per capita of just over US$3,361 (after adjustments are made for purchasing power differences). Its neighbour

Singapore, a tiny island city-state with no natural resources at all, has a per capita income of around US$24,481. Japan has negligible oil, gas, or mineral resources, and relatively little arable land, and yet it too manages to exceed Indonesia's income almost nine-fold. Likewise, Nigeria sits atop oil reserves estimated at 35 billion barrels in 2004 (3 per cent of the world's total reserves), and yet over one-third of its population lives in poverty (http://www. hdr.undp.org, accessed 6 February 2006). A territory replete with industrial raw materials is not, then, enough to guarantee the economic well-being of a nation's population – indeed there is little correlation between a list of the world's wealthiest nations and a list of those with the greatest resource endowments. Clearly we have to look for other explanations of uneven development.

An alternative argument focuses less on the natural resources of a given country and more on the *type* of society that has developed to utilize them. The characteristics of that society, for example, its political structures, technology, and modes of transport, are thought by some to be closely linked to the available ecology and resources (Diamond, 1999). Hence, over the last several thousand years, some human societies developed advanced technologies, while others continued to use 'primitive' techniques of food gathering, social organization, travel, etc., and these differences reflected the geography – the physical environment and human relationships with it – of particular places on the globe. This created initial inequalities between societies, and when advanced societies expanded and came into contact with other societies, they were able to acquire their resources. Thus, European guns and steel tools were able to conquer much of the globe and establish relationships of trade that continue to be weighted in favour of European (and European-settled) societies. The native societies of North America that Europeans encountered were complex, but they had not developed metal-working skills, nor acquired immunity to diseases that were commonplace among the more densely populated areas of Europe. This and other patterns of *colonialism* enabled Europeans to extract resources and export them to the industrializing colonial heartlands. To this day, one could argue that such a situation has continued to shape global (uneven) patterns of wealth creation and distribution.

The appeal of this argument is that it rejects the notion that there is any difference in the ingenuity, creativity, and energy of different human beings around the world. Instead, it is their societies that are differentially endowed in their physical environments. But such arguments essentially suggest that all of the unevenness in wealth and production that we now see in the world was determined by differences established between societies over the last 13,000 years, and once societies were in contact with each other (from about 500 years ago onwards), the die had been cast and the rest of history was inevitable. Clearly this is an inadequate explanation for understanding recent shifts of fortunes in the global economy. How is the wealth of Ireland and Singapore or the rise of China and India explained? And how is the unevenness of development *within* advanced industrial societies explained, including, for example, the decline of old industrial centres and the rise of new high-tech regions in Europe and North America?

A further set of arguments starts not with the causes of unevenness, but with its presumed levelling out over time through processes of development that spread wealth across societies and spaces. This has been a key argument of mainstream approaches to economic development in the past 50 years. While intellectual fashions have changed, the argument has remained essentially the same: that all economies can develop if they adopt appropriate policies and strategies, and that uneven development is merely a temporary condition that will, naturally, be overcome. One of the earliest manifestations of this perspective was in *modernization theory* – a school of economic thinking prevalent in the 1950s and the 1960s that saw largely cultural and institutional barriers to development in the 'Third World' (i.e. developing countries). Impoverished economies would develop towards the Western model of industrial production, modern society, and high mass consumption, if they first established certain pre-conditions. In early versions of the theory, these conditions included high savings and investment rates, and the removal of cultural resistance to modern science and industrial production. Such models revert to the notion that economic development will tend towards an equilibrium pattern in which differences will be smoothed out over time. This is the assumption of universalism that we discussed in Section 1.2.

More recent incarnations of this kind of economic thinking about development are found in the strong emphasis by powerful global institutions such as the International Monetary Fund, the World Bank, and the World Trade Organization on the role of free markets and democracy in generating wealth and development (see Chapter 7 for more on these institutions). What remains constant, however, is the notion that underdevelopment is an aberration – a problem that will be naturally fixed, if the capitalist system is allowed to operate successfully and more developing countries are fully democratic 'like us'. We will now turn our attention to the fundamentals of such a capitalist system in order to explore an alternative view – one that sees *unevenness* rather than equilibrium as the natural state of affairs under capitalism.

3.3 Marxian Approaches: Conceptualizing Value and Structure

The geography of value

The conventional economic approaches to explaining development in the last section are all deficient in one important respect. None of them actually seeks to explain how wealth is created, focusing instead on explanations for relative

differences in wealth between regions and countries (i.e. the resource endowment approach) and how these differences might be evened out over time (i.e. modernization theory). We can, therefore, take one step backwards and think about the fundamental process through which wealth is generated and how this might have geographical inputs and outcomes.

Wealth is essentially a cumulative share of the rewards created in the economic process of adding *value*, where value is measured by the monetary worth of a good or a service traded in the market economy. The creation of value is, therefore, central to the question of economic development, and uneven development is a reflection of either a relative lack of physical or organizational resources to be used to create value (as in the explanations above), or a failure to capture and/or retain that value in the hands of the person, the household, or the community that created it.

But how is value actually created? Ultimately, value is always created by *people* – living human beings who are engaged in *labour processes* that create or change a good or service. The value of labour is thus reflected in every cost associated with producing a good or service – from building factories and offices to making machinery or transport equipment, and from extracting raw materials to developing production technologies. This is a very important point to bear in mind in order to understand the following Marxian analysis. It is not, therefore, oil companies that actually create the value that is derived from extracting oil from the earth; rather, value is created by the employees of such companies who carry out that process, or manage it, or in some other way contribute. All costs associated with creating value from oil extraction are subsumed in the labour process. The company itself is just an organizational platform that coordinates activities and determines how the rewards of that process will be distributed. Thus, the CEO of a large oil company might be allocated several million dollars per year, while a drill technician might earn a fraction of that amount. A proportion of the value will also be paid to governments in the form of tax revenue, and to shareholders as a return on their investment.

How exactly all these rewards are shared, and where their recipients are located, will affect the *geographical* pattern of development that results from a given economic activity. A key feature of explaining uneven economic development is therefore not so much where companies operate, but how different economic activities are structured spatially and which parts of their spatially dispersed operations will be allocated the most value. This is a point to which we will return later (see also Chapter 8 on the geographical organization of global companies). But for now, let us consider the process of value creation itself. Everybody in a company is involved in the creation of value, albeit some more directly and more visibly than others. The production line worker stitching together a cotton shirt in a Mexican factory is clearly adding value to the thread and pieces of fabric being used. But the advertising executive in New York who conceives a marketing campaign is also adding value. Less directly, the janitors

cleaning either of those workplaces, the security staff guarding them, or the retail assistant selling the finished shirt, are all contributing to, and taking a share in, the shirt's value.

We will return to the organizational details of such commodity chains in the next chapter, but for now the important process to note is that the *distribution of value* among different points in the chain along which a commodity passes is crucial in understanding processes of development and underdevelopment. For example, since the demise of the Soviet bloc in the late 1980s, Eastern and Central Europe have seen large investments by clothing manufacturers exporting to Western Europe. By some estimates, however, less than 10 per cent of the final value of the product actually stays in the place of production. The rest is accounted for by government taxes, retail stores, brand name design and marketing firms, and transportation, i.e. nearly all of the financial benefits from production are allocated to the places where such products are consumed.

Thinking structurally

The examples above, that illustrate how value is created and where it is retained, are useful in establishing how everyday economic processes fit into a larger geographical picture. But we need to make an analytical leap that does not simply involve thinking about small processes aggregated into larger scales. We also need to think *abstractly* about how economic processes work – how they are underpinned by certain fundamental logics. This requires imagining *structures* that shape our economic lives, but which are not necessarily detectable in everyday experiences.

There are numerous ways in which economic life can be structured – peasant economies involve subsistence production so that value is almost entirely retained within the household; feudal economies involve the payment of tribute to a landlord; cooperative or collectivized economies involve the sharing of value such that the value created in productive activities is shared among the group. All of these types of activities exist in today's economic world, but the dominant form that structures contemporary economic life is capitalism.

In Chapter 2, we noted the ways in which an economy has often been presented as a mechanism or an organism with certain internal functions that are explained through economic science. Such mainstream approaches, however, tend to limit their view of these abstract structures to the functioning of the market mechanism for determining the price of goods and services. It is assumed that ultimately the competitive bargaining process of the market place will lead to the most efficient allocation of resources and that the system will find an equilibrium point at which demand equals supply. Likewise, unevenness in economic development will be 'naturally' levelled out over time. The structure in these approaches is given by the working of a market mechanism that partly defines modern capitalism.

Marxist approaches to economic processes, on the other hand, take quite a different view of economic change. Rather than seeing the magical hand of the market resolving efficiently all economic problems, and addressing developmental imbalances, Marxism sees conflict, tension, contradiction, and disequilibrium. As we will find out in the subsequent sections of this chapter, Marxist theory suggests that the unevenness of development is not only an inevitable feature of capitalism, but also a *necessary* one. It is, however, important to note that a structural approach does not seek to unearth the inevitable predictability of specific events. It is not the kind of predictive science that economics purports to be. There will, therefore, always be exceptions – an approach that predicts unevenness in economic development cannot necessarily say where it will occur and with what magnitude. We need to distinguish crucially between the identification of a 'tendency towards' and 'inevitability of' something happening. This is a key aspect of thinking structurally – recognizing that we are identifying the logics or imperatives of the system, not all of its possible manifestations everywhere in our economic life. As will be explained in Parts III and IV of this book, these possible manifestations are mediated by a whole range of different economic actors and socio-cultural processes that makes economic predictions a mostly futile exercise.

3.4 The Fundamentals of Capitalism

We have now established two key building blocks for our explanation of uneven economic development. The first is the importance of understanding the labour processes through which value is created and distributed in any given economic system. The second concerns the importance of thinking structurally about economic systems in order to understand their internal logics. Our task, then, is to explore the ways in which value is created in the labour processes and circulated within the structures of the dominant economic system of the present moment – *capitalism*.

Identifying the fundamentals of capitalism means going beyond many of the connotations it has acquired over time. These range from the implications of a triumphant system of wealth creation that has eradicated oppressive totalitarian states and has generated more wealth than any economic system in history (see Chapter 7) to those of greed and exploitation that motivates an anti-capitalist movement (closely associated with the anti-globalization movement, described in Section 8.6). In many ways, both of these contrasting perspectives correctly identify features of the capitalist system. It is true that capitalism is fundamentally a system in which value is created through exploitation. As with any other economic system, value in a capitalist system is created by human labour in the production process. But a distinctive feature of the capitalist system is that labour itself is something that can be bought and sold like any other *commodity* in the open market (see more on labour in Chapter 9).

Let us look first, then, at exactly how value gets created and distributed in a capitalist system. If labour is a commodity that is being bought and sold, then what is the price for labour? In short, it will tend towards the amount needed to keep a worker clothed, fed, housed, and raising children (future workers!) – an amount that will vary across different places and historical eras. There will, of course, also be variation across different types and sectors of work, but for the system as a whole, it will be the income necessary to sustain and reproduce the workforce that will define the average wages. The capitalist (employer), however, sells the commodity that is produced and is able to keep the difference between the market value of whatever was produced by the labour, on the one hand, and the value of the labour, on the other.

Thus, a capitalist can extract a *surplus value* from the employee – the amount of value that they produce in excess of what they are paid. In our everyday terms, the former represents revenue and the latter the total cost (bearing in mind all costs – materials and non-materials – are subsumed in Marxian approaches under the value of labour). This phenomenon of surplus value extraction is known as *exploitation* in Marxian approaches. This exploitation is only possible because the capitalist owns the *means of production* – machinery, land, raw materials, and so on. At its core, then, capitalism is about a relationship between different social classes – a capitalist class who owns the means of production, and a working class who owns the labour that they 'sell' to the capitalist. Wealth or profit is generated through the extraction of surplus value. And this wealth accumulates to those who employ workers and who have access to this surplus value – the capitalists.

This is, of course, a very simplified picture of the reality of everyday life. Some employees (such as managers, accountants, lawyers, and software specialists) are paid exceptionally high salaries, and we would hesitate to label them as 'exploited'. And the ownership of the firms (or the means of production) is often far more complicated today than it has ever been in the past – most large enterprises are now owned by diverse shareholders, and every employee with a pension plan is effectively benefiting from shares that their pension fund owns (thus the distinction between employers and employees, or between classes, is often quite difficult to establish, particularly in complex and mature capitalist economies). Nevertheless, if our purpose is to identify the structural process of a capitalist system (rather than pigeon-holing every person into a specific and singular class identity), the class relationship between capitalists and workers is an important starting point.

We have also noted that capitalism is immensely *dynamic* and *creative*. The possibilities for accumulating more and more profit mean that systemic incentives exist constantly to create or find new products, new markets, new raw materials, new ways of organizing the production process, and new ways of saving on the costs of everything. There is a fundamental logic or urge for growth in the capitalist system. This does not necessarily mean that every capitalist enterprise is buzzing with creativity and fresh thinking. But in a competitive environment,

Box 3.1 The fundamentals of capitalism

1. *Capitalism is profit-oriented* – the entire system is based upon the incentive to profit from economic transactions. To maintain profit, it is necessary for capitalism as a system to grow continually. Without growth, profits decline. If new opportunities for profit are not continually created, then existing profits will be whittled away through competition.
2. Growth in value rests on the *exploitation of labour* in the production process – that is, the difference between what labour creates and what it gets. In short, capitalism is founded on a class relation between capital and labour.
3. Capitalism is necessarily *dynamic* in technological and organizational terms. The search for profit inevitably demands that new and innovative means of extracting value from labour be devised in a competitive environment.

it is the innovators that the system will reward, while those who fail to innovate will be out-competed. Only profitable firms will survive and provide the sources of growth in a capitalist system. For example, the capitalist system as a whole has continued to design and build better and better television sets over the past 50 years. But there are no longer any major American-owned TV manufacturers, despite the fact that Americans have one of the highest levels of TV ownership in the world. Instead, East Asian electronics firms have dominated the market. American TV makers gradually went out of business as their competitors beat them with product innovations, new manufacturing technologies, and lower costs. Thus, while the capitalist system innovates and grows, some of its participants are always falling by the wayside. We have, then, a system that is simultaneously exploitative and dynamic, and we can summarize this system through the three fundamental features of capitalism in Box 3.1.

3.5 The Contradictions of Capitalism

The inevitability of crisis

A key insight of a Marxist approach to the economy is that when the characteristics of capitalism are put together, they do not create the harmonious equilibrium of commodities and prices predicted in conventional economics. Instead, they create an inherently unstable and contradictory system that is always going

to move from crisis to crisis. In this section, we lay out the basis of this contradiction and crisis tendency.

Since capitalism generates surplus value, or profit, out of the labour process, it will tend constantly to grow and expand in order to accumulate even more wealth. More and more enterprises will employ more and more people and produce more and more goods. This will ultimately, over time, tend to increase the market price for labour, while at the same time dampening the price for these goods as excessive supply is building up. The first contradiction of capitalism, then, is between its internal imperative for growth and profit – growth that increases the price of labour, and profit that requires labour cost to be minimized. One way of dealing with this problem is a 'technological fix' whereby competing capitalist firms are trying to find technological ways of making their production more cost-efficient than their competitors. For these reasons, capitalists will try to push wages down or, where applicable and cost-effective, to invest in machinery in order to replace workers with machines. For individual capitalists and managers of enterprises, this is a rational thing to do.

The result of labour-saving machinery is a *reserve army* of labour (not necessarily in the same country) that is brought in and out of the workforce and always keeps wages low. There will always be someone unemployed who will fill a job if the incumbent prices him/herself out of the market. But if wages are kept low and people are kept out of work, where will the *demand* for the products come from? Workers are always producing more for the capitalists than they earn, so the aggregate demand can never keep pace with the growing supply of products – this is the second contradiction of capitalism. In short, workers just do not make enough money to provide sufficient demand for the goods they have produced.

Ultimately and collectively across the whole system, the economy is driven to what is termed a *crisis of over-accumulation*. Capitalists have more products than they can sell, or idle machinery that cannot be used to full capacity because there is insufficient market demand for the product. Idle capital and idle labour are found in the same place at the same time with no apparent way of bringing them together for socially useful tasks – wealth is accumulated, but on the basis of exploited workers who cannot then afford to buy all of the products they create.

Because of this structural tendency, the capitalist system is prone to crisis and instability. There are ways of forestalling it – such as selling to overseas markets, pressing down wages, or further investing in labour-saving machinery (we will discuss these later). But crisis is only delayed, not avoided. Therefore, capitalism contains within itself a contradiction that will keep recurring. It is not hard to find examples where wealth and surplus exist side by side with shortage and need (e.g. the food supply conditions in Niger described in Chapter 1). Indeed, booms and busts appear to be common cyclical occurrences. Over the course of the twentieth century, a number of business cycles saw the wealth of national or regional economies grow or decline. We will see this phenomenon in the case of

California towards the end of this chapter. Understanding the logic of the capitalist system puts those crises in a rather different perspective than their usual interpretations in economics. Instead of being occasional hiccups, or unpredictable storms, that hit the economy from the outside, they are in fact *inherent* to the capitalist system itself in the first place.

Coping with crisis in the capitalist system

If crises of over-accumulation are inherent features of capitalism, an obvious question to ask is why more have not occurred, and why they have not been more disastrous for the system as a whole? In the nineteenth century, Marx thought he was seeing evidence of a deepening crisis of capitalism that would eventually lead to the rise of workers (the proletariat) in a socialist revolution. Over the course of the twentieth century, it is of course true that socialist regimes rose to power, nationalizing all means of production, and implementing central planning in many parts of the world (e.g. the former Soviet Union, Eastern Europe, China, North Korea, and parts of Southeast Asia). But these socialist states varied in the extent to which they dismantled or undermined the structures of capitalism (see also Chapter 7). Also, in most cases, socialist states did not emerge in places where capitalism was most developed and therefore could hardly be viewed as outcomes of an intensified capitalist crisis. In fact, for Western Europe, North America, and the rest of the capitalist world, the twentieth century was marked by several very successful recoveries from crisis (e.g. the Great Depression in the 1930s, the oil crisis in the early 1970s, and the bursting of the dot.com bubble in 2000).

How, then, has the capitalist system managed to get beyond crises in some cases, and to contain, absorb, or delay crises in ways that do not bring about its own downfall? Here we are thinking at the level of *structures* and therefore we need to remember that we are not necessarily talking about options for particular capitalists or firms for whom crises may still be individually disastrous – leading to bankruptcy and unemployment. Instead, we focus on four ways in which the capitalist system *as a whole* restores the conditions for profitability (Harvey, 1982):

1 *Devaluation*: This process involves the destruction of value in the system – money is devalued by inflation; labour is devalued by unemployment (for example, when an important industry leaves a place); and productive capacity is devalued, in fact literally destroyed, by wars and military encounters. Recreating value gets the system moving, and capital circulating, once again, but not of course without significant political, social, and environmental costs.

2 *Macro-economic management*: This involves devising ways of bringing together idle over-accumulated capital and idle labour. This might involve heavy government spending to create jobs and stimulate demand during periods of recession. It might also involve legislation that curbs excessive labour exploitation by establishing certain standards in working conditions and wage levels. These strategies help to ensure that demand in the economy is maintained and have been conceptualized as part of a broader process of 'social regulation' (see its theoretical analysis in Box 3.2).

3 *Temporal displacement of capital*: This involves switching resources to meet future needs rather than current ones – for example by investing in new public infrastructure (such as the New Deal strategy adopted by the Roosevelt administration in the US during the 1930s), or by using over-accumulated capital as loans and thereby intensifying future production, and hence its crisis tendencies, but averting a crisis in the present.

4 *Spatial displacement of capital*: This involves opening up new spaces for capitalist production, new markets, or new sources of raw materials. Rather than expanding the time horizon of the capitalist system using credit or loans, the spatial horizons of the system are expanded. This might mean the development of entirely new production sites in newly industrializing parts of the world or the *re*-creation or rejuvenation of old spaces.

Box 3.2 Regulation theory

Regulation theory was first developed in the 1970s and the 1980s by a group of French scholars, including Michel Aglietta, Robert Boyer, and Alain Lipietz. They used the word *regulation* in a broader sense than its usual meaning in English, where it is largely limited to a set of rules or procedures for governing action. In the French sense, regulation refers to the wider set of institutions, practices, norms, and habits that emerge to provide for periods of stability in the capitalist system. This mode of regulation involves both state and private sector actors, and when successful can foster a period of sustained capitalist growth and expansion. Essentially, the mode of regulation works by seeking compromises in the inherent tensions and contradictions that exist in the capitalist system. Historical periods of stability, known as regimes of accumulation do, however, eventually end in crisis and a new mode of regulation must be discovered. A regime of accumulation known as Fordism dominated in North America, Europe and Australia in the post-war decades (see Box 5.2), and featured a three-way balance between the interests of corporations, organized labour, and governments (although the precise features of the mode of regulation in each case varied). This regime crumbled in the 1970s and many see neoliberalism as a new mode of regulation in which market-based, rather than state-mediated, solutions are sought for problems of economic management (see also Box 7.1).

This last form of crisis-avoidance is particularly *geographical* in nature and of most interest to us here in our discussion of uneven development. It involves the ways in which capitalism *needs* space in order to function and the process through which the system values and then devalues different spaces according to its structural imperatives at a given point in time. In this sense, space is not just the container in which capitalism takes place. Rather, economic geography is fundamental and inherent to the successful operation of the system.

3.6 Placing and Scaling Capitalism

From our perspective then, capitalism produces spaces at multiple scales. At the *urban* scale, neighbourhoods and buildings can be built up as the vanguard of economic growth. In the nineteenth century, industrial towns in England grew up around the processing of natural resources, such as cotton, tea, and rubber brought in by ship from distant colonies. In the early and mid-twentieth century, large-scale manufacturing of clothing, prepared foods, cars and electrical devices formed the mainstay of urban economies in Europe and North America. In specific places, it was not just industrial landscapes that reflected these times – the small brick row houses of older industrial cities that were occupied by factory workers relatively close to their places of employment are the manifestation of a particular period of capitalist growth on the residential landscape. By the 1950s, industrial suburbs were being built to house the workforce, reflecting the growing use of private vehicles. Looking at the housing stock of any large contemporary city in an industrialized economy is, in fact, an interesting exercise in economic archaeology, as it reveals the built forms that were needed in any given period of economic growth – from the medieval alleyways of central London, just wide enough for a horse and cart, to the car-clogged twentieth-century freeways of Los Angeles.

As the imperatives of capitalist growth changed over time, many of these landscapes became redundant, only to be rediscovered at a later date when they had been thoroughly devalued and could once again be used, except for very different purposes. In some industrial cities of Europe and North America, for example, old garment factories that have been lying idle and derelict since production moved offshore in the 1960s and 1970s are now being renovated. They are prized as studio, office, or even living space by young professionals in growing industries such as graphic design, computer animation, and internet consulting. These poor and depressed neighbourhoods may become the home of the wealthy professionals – a process commonly known as *gentrification*. In this way, a devalued space of industrial capitalism has been re-valued in a new era of post-industrial capitalism.

The same economic-geographical change applies at a *regional* scale. As old industrial regions in Europe and North America succumbed to competition from

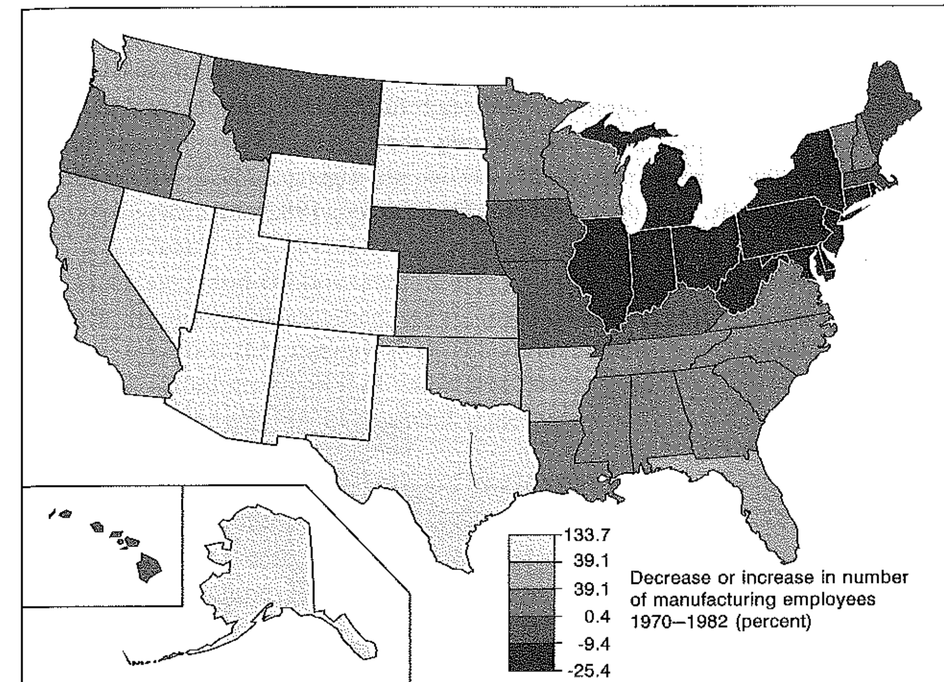

Figure 3.1 Industrial restructuring of the 1970s in the United States
Source: Peet (1983), Figure 9. Reprinted from *Economic Geography* with permission of Clark University.

Newly Industrialized Economies (in Asia in particular), places such as the Rust Belt of the US, Northeast England, and the Ruhr Valley in Germany, fell into decline – their labour forces seen as anachronistic relics of the past in just the same way as their factories, infrastructure, and towns were. Meanwhile, new growth zones were developed in the American South, London and the Southeast of England, and Baden Württemburg in Germany. Figure 3.1 graphically illustrates this process in the United States. Over the course of economic crisis years in the 1970s, manufacturing employment was dramatically reduced in Northeastern states, but at the same time growth was occurring in the South and the West (Peet, 1983).

Finally, at a *global* scale, the shift of development from region to region has been dramatic in recent years. The most striking of these shifts has been the rise of East and Southeast Asia as regions of rapid growth due to investment in manufacturing industry. A first wave of development occurred in East Asia in Hong Kong, Singapore, South Korea and Taiwan, and a second slightly later wave in Malaysia, Indonesia, and Thailand. This came to be known in the 1970s as the *new international division of labour* because labour-intensive

manufacturing activities were increasingly shifting from developed countries to such economies (we will discuss this phenomenon in a later chapter, in Box 8.2). Over the last two decades, it has been the rise of China as an industrial power that has captured popular attention, although India too is rapidly establishing a presence in high-technology manufacturing, service, design, and programming (Figure 3.2). Thus, at the global scale too we see a geographical solution being sought – what might be called a *spatial fix* (Harvey, 1982).

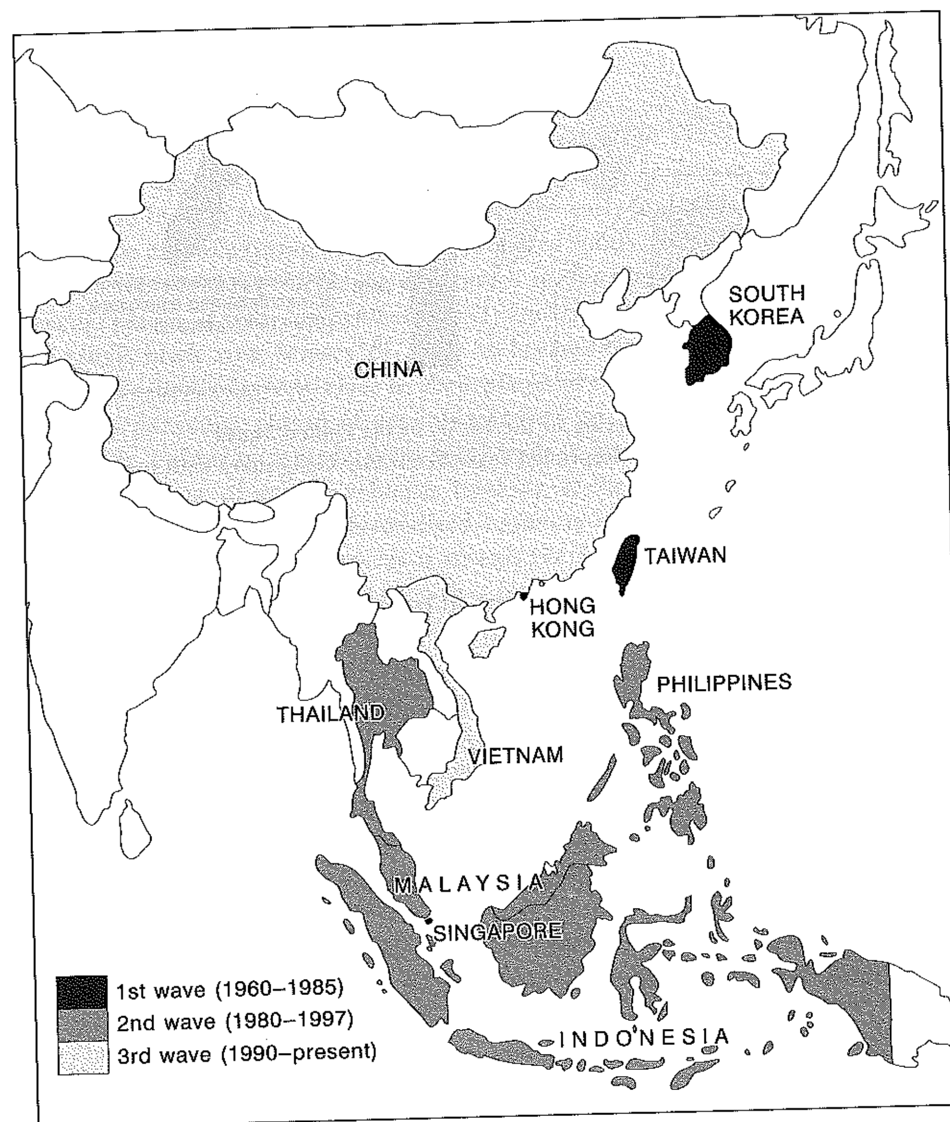

Figure 3.2 Waves of development in the Asian Newly Industrializing Economies

A global shift in development patterns is based upon a movement towards more profitable locations – either because of new sources of labour, or new markets, or, most often both. But there are also plenty of places that are incorporated into the global circulation of value in unequal ways that lead primarily to the extraction of surplus value. The fruit plantations of the Caribbean, mining activities in Africa, and the oil towns of the Russian periphery are all essentially extractive activities that suffer from a high degree of external control and dependency. The circuit of value involved in each sees wealth taken away from its source and concentrated in urban centres far away, and even in global cities in distant countries where such commodities are traded. We should therefore be conscious that for any given economic activity, the ownership, management, and actual production of value now have a complex spatial structure that stretches all the way up to a global scale (see more discussion in Chapters 4 and 8).

These different geographical scales are not, of course, unconnected, and the ebb and flow of investment at the urban scale is a product of development cycles at larger scales. Overall, we see a pattern whereby the capitalist global economy is constantly in flux: always finding new spaces to develop or old spaces to redevelop. This has an interesting implication: capitalism's inherent tensions relate to more than just the processes of capital circulation and accumulation. There is a further set of internal tensions that are related to the spaces, and especially built environments, that capitalism creates at any given moment in time. Whether it is watermills of the eighteenth century, the cotton mills of the nineteenth century, the industrial suburbs of the mid-twentieth century, and perhaps also the export processing zones and high tech parks of the late twentieth century, capitalism creates landscapes that are suited to its needs at a particular time (Figure 3.3). Then, as the system continues to grow and change, those landscapes become outdated, unprofitable, and inhibiting. They become impediments to future growth and must be devalued to make way for a new round of growth and exploitation.

To take a simple example, a city such as Liverpool in North-west England grew in the nineteenth century, reflecting its importance as a seafaring centre and as a point of transhipment for cargos from all over the world. Its prosperity reflected its appropriateness for a particular era of capitalist growth. But container ships began to increase massively in size from the 1960s onwards and to concentrate in larger and deeper ports. Air travel took the places of ocean liners around the same time, and the products of textile industries in Lancashire and the region around Liverpool were replaced with imports from abroad. Liverpool as a city, as a built environment designed to service capitalism at a given point in time, became anachronistic. The city was not just outdated in relation to newer technologies of industrial production and transportation, its whole 'set-up' was an impediment to harnessing their growth potential in a changing global economy. For much of the second half of the twentieth century, Liverpool was

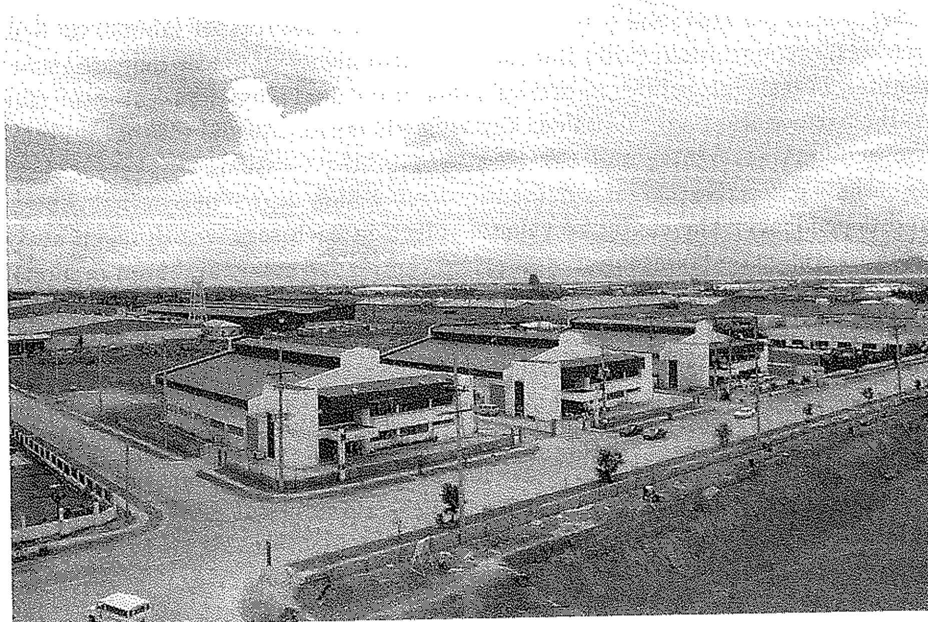

Figure 3.3 A landscape of contemporary capitalism: an industrial estate in the Philippines
Source: The authors.

a city in economic decline. After it has been devalued, however, the infrastructure of the past can be re-valued in another era. Hence, the docklands of Liverpool and elsewhere, which lay derelict for so long are now being refurbished to house new art galleries, tourist attractions, and apartments (Figure 3.4).

Thus, just as capitalism must create physical forms, it must also engage in a process of *creative destruction* to break out of them as it grows and changes. And once old landscapes and spaces are broken down, they can at some future point in time be re-inhabited. This suggests that a core process in capitalism may take the forms of a 'see-saw' of uneven development in which some places are sites of rapid investment and growth, while others decline. But over time, the 'see-saw' can swing backwards so that older spaces are recreated as sites of new investments. The see-saw continues as the needs of the system to perpetuate growth and avoid crisis are satisfied (Smith, 1991).

We have arrived, then, at an argument suggesting that uneven development is far from being a reflection of the relative abundance of natural resources in different places (as suggested by some perspectives in Section 3.2). Nor is it a condition that awaits the intensification of capitalism in order to be eradicated (i.e. more growth, more investment, etc.). Instead, we can now see that uneven development is a prerequisite of the capitalist system – to continue growing and

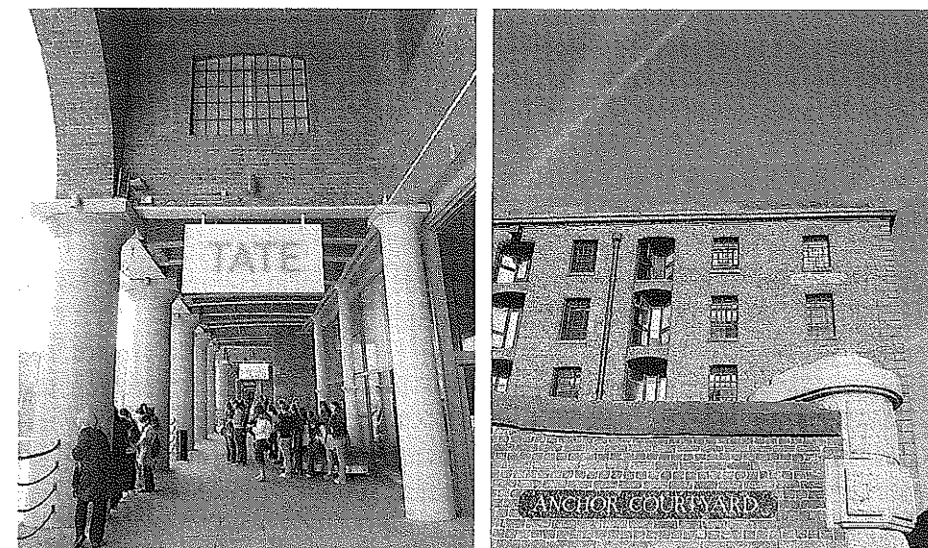

Figure 3.4 Galleries and apartments now occupy nineteenth-century industrial infrastructure in Liverpool
Source: © Mark McNulty Photography, reproduced with permission.

to avert crisis, the swinging of the see-saw from one place to another is a necessity inherent in the system. Clearly this is radically different from the perspectives that we started with in this chapter.

3.7 Putting People in the System

We have developed an argument suggesting that an outcome of the logics of the capitalist system is uneven development between places on the economic map, and the constant shifting of growth from one place to another. But with the focus on logics, fundamentals, and internal tensions in capitalist structures, we have rather lost sight of the fact that capitalism is a system inhabited by *real people* – working, playing, talking, praying, travelling, consuming and studying. Growth or underdevelopment are, after all, essentially measures of human well-being. The places created by capitalist restructuring contain real lived experiences and are therefore *social* spaces. Within these places, ways of life emerge with particular cultural practices, social bonds, class structures, traditions, labour force characteristics, and so on.

Steel towns, for example like Sheffield in the UK, Pittsburgh in the US, Hamilton in Canada, or Kitakyushu in Japan, developed working-class cultures that valued manual work, prized a collective working-class identity through trade union

organizations, and were based on male-oriented cultural institutions, such as working men's clubs and professional sports teams. Gender relations were, at least in the past, based upon the assumption of a male breadwinner in each household and a role for women based on domestic work, and possibly the generation of a secondary income. There were, then, a distinctive set of social relations that emerged in association with a particular industrial sector – public institutions, gender relations, masculine and feminine identities, and class politics. The same could be said for mill towns, mining towns, export processing zones, and high tech districts. Their economic and socio-cultural relations do not determine each other, but they are inseparably interconnected.

When a particular place becomes the site for a new round of growth and investment in the ongoing dynamism of the capitalist system, it does not just develop new transport infrastructure, technology, institutions, housing, workplaces, etc. that are appropriate to that epoch. It also develops an evolving set of social relations. This economic-geographical process is nicely captured in a concept known as the *spatial division of labour* (Massey, 1995; see Box 3.3).

A further implication of the emergence of social relations associated with particular industries is that future investment decisions may be made based upon these relations. When, for example, Japanese auto manufacturers locate production facilities in North America, it is known that they seek a workforce that is flexible and open to the particular forms of work organization favoured by Japanese employers. This means seeking people who are not steeped in big-city, heavily unionized workforces with long industrial legacies (see Section 8.5). One option is to locate in small rural towns – places close to highways and air transport infrastructure, but without any historical legacy of industrial development and thus unionization (Mair et al., 1988). In other cases, though, industrial towns may be preferred where a period of decline has 'broken' the union movement, or where labour has been devalued to the point that its collective ability to make demands is greatly reduced (see also Chapter 9). Hence, Nissan's manufacturing plant near Sunderland, a former mining and shipbuilding town in the Northeast of England, established entirely new work practices, but did so in a town desperate for new investment and jobs (see also the example of central Romania in Chapter 6).

So, we have a picture of a landscape that is swept by new waves of investment as the cycles of boom and bust pass by. Each one creates particular social forms and lifestyles, and builds on past social forms and lifestyles. Different metaphors have been used to try to capture this process. Some think of it as a sequence of sedimentary layers of investment overlaid on top of each other – rather like the geological deposits left by oceans. This nicely captures the ebb and flow of investments and the record they leave behind, but it ignores the effects that past 'sediment' (or capital) has on future sediment, and the erosion of value that occurs between sedimentations (or rounds of investment). Another image is of a recurring swarm of locusts descending upon a particular area and eating

Box 3.3 Spatial divisions of labour

In a geographical account of regional development in Britain, first published in 1984, Doreen Massey (1995) describes how a contemporary capitalist economy develops a spatial structure that assigns distinct roles or functions to particular places. In Britain, coal mining towns developed in South Wales, while heavy industries emerged in the cities of the North and Midlands of England. The functions of headquarters and business services (such as law, accountancy, banking, advertising etc.), meanwhile, were concentrated in London. Massey shows how these separate functions constituted a spatial division of labour – analogous to the technical division of labour within a factory whereby different workers performed separate functions in the creation of a final product. Associated with each regional function was a structure of social relations – gender relations, social institutions, class politics, and so on – which both reflected historical rounds of growth and development and shaped the type of investment that would be attracted to the area in the future.

One example involves the reduction of coal-mining employment in South Wales during the second half of the twentieth century. This led to the dismantling of a masculine working-class culture and the social institutions that went with it. New forms of employment emerged in branch plants established by manufacturing firms, for example, in the auto sector. But the new firms sought non-unionized, female employees, and often greenfield sites outside old centres of industrial activity in the coal and steel industries. The social structures left behind and devalued by an earlier decline were effectively establishing the conditions for future investment in different industries looking for different kinds of workers.

vegetation until there is nothing more to take, and then later returning when the foliage has grown up. While these capitalist locusts provide a grimly vivid analogy of surplus extraction, and the image recognizes the distinctiveness of each place (in terms of the 'vegetation' that will eventually return), the metaphor ignores the fact that it is a very *different* round of 'locusts' that appears each time, and that regeneration is an *outcome* of capitalist development rather than its precursor (Smith, 1991).

A better metaphor for capturing the process we have described is perhaps to be found in a game of playing cards, whereby different players represent different places or regions in the capitalist space economy (Figure 3.5). Each round of investment is represented in a different suit, and the role of a place in the spatial division of labour is shown by the card itself. The characteristics of a place (the hand of cards being held) can then be seen as the product of past rounds of

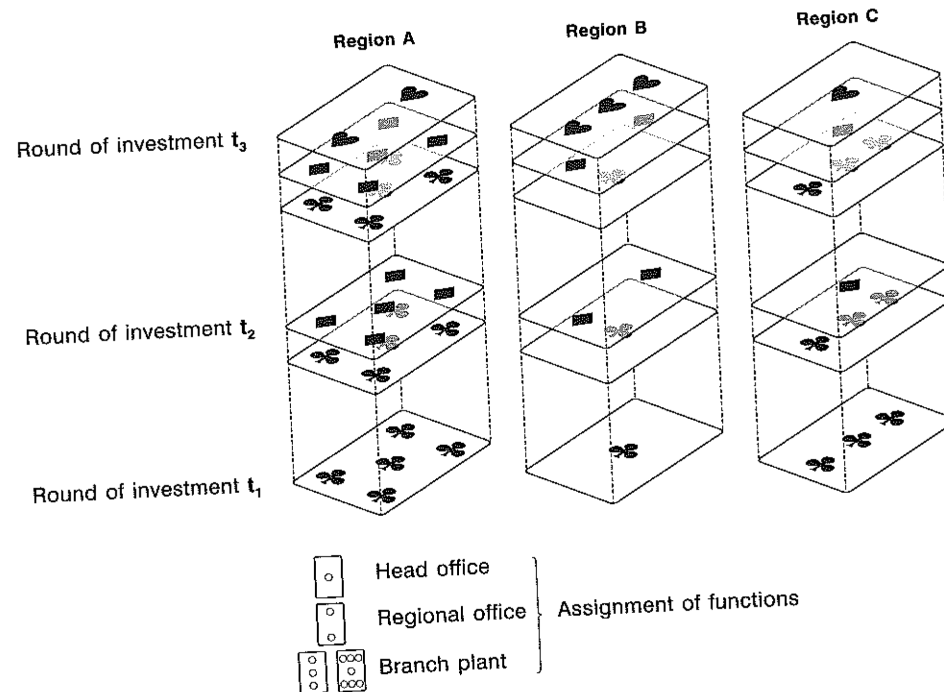

Figure 3.5 Spatial divisions of labour
Source: Adapted from Gregory (1989), Figure 1.4.2.

growth or decline, when the place was inserted into the spatial division of labour in a particular way. This metaphor also illustrates how a place can rise or decline over time in its importance. What it cannot capture, however, is the way in which cards already in a hand can affect the new card that will be dealt, which is, of course, a critical feature of the system we have described.

Whatever the metaphor used, our purpose is to highlight the fact that in order to understand the development over time of a particular place or region, we need to understand not just the present nature of the economy, but also its *historical* and *geographical* background – the previous layering of rounds of investment (Box 3.4 describes this process in the case of California's historical development). And once the social and cultural lives of people living in particular places are added into the analysis, we begin to see not just the systemic logics of uneven development under capitalism, but also the human consequences as ways of life are in turn created and dismantled. New growth will often not arrive until old social norms have been broken down – hence old industrial areas with strong working-class traditions have not seen new growth until after a period of decline that has broken the strength of unions and other embedded institutions and practices. A key part of capitalist restructuring is therefore a painful process of social adjustment and, perhaps, cultural change.

Box 3.4 Bringing it all together in California

The economic fortunes of California epitomize the ups and downs of capitalist development and the geographical unevenness that it creates (Walker, 1995; 2001). Prior to the gold rush of 1848, California was sparsely populated and relatively unproductive. The discovery of gold brought a frenzy of economic activity as prospectors and merchants arrived in droves and agricultural activities were expanded to feed a growing population. The completion of a transcontinental railroad in 1869 permitted Californian farmers to export their increasingly bountiful food crops to Eastern states and the rest of the world. The migration flow westwards, the opening up of new agricultural land, the development of growing urban centres, and the connections with all of this created by the railroad can be seen as the production of new spaces for American capitalism in the late nineteenth and early twentieth centuries. Essentially, California, and westward expansion more generally were providing a *spatial fix*, and the new opportunities for profit that the system required.

But devaluation was also going on. The workers that planted, harvested, and processed California's crops were often migrant labourers, many from the Dust Bowl states of Oklahoma, Texas, and Arkansas in the 1930s, others from China or the Philippines. Their labour was often devalued to the point of barely sustaining their survival – hence maximizing the surplus value being accumulated by California's farmers and the agro-food corporations that dominated the state. In the 1920s and 1930s, aerospace emerged as a new industry and California became a major centre for building and testing aircraft. The Second World War sparked massive federal government expenditures in this sector and the state manufacturing output tripled during the war years of 1939–45. When a new round of defence-related investment arrived, driven by the Cold War of the 1940s to the 1980s, California's already existing aerospace corporations were poised to move into missile and satellite production. Perhaps more than anywhere else in the US, California bore witness to the economic growth potential (unevenly distributed) that follows the destructive devaluation of warfare.

Aerospace and other defence-related expenditures also laid the seedbed for an innovative electronics and computer industry in latter decades of the twentieth century. Californian corporations such as Hewlett-Packard, Intel, and Apple were the driving forces behind the personal computer revolution of recent decades and Silicon Valley, south of San Francisco, remains the global epicentre of the high tech sector. Movie production also emerged in California in the early twentieth century, and following the movie industry came high fashion designers, and later clothing manufacturers. By 2000, California accounted for 20 per cent of America clothing production.

But as with agriculture, much of the actual production work was carried out by low-paid immigrants.

California has, however, also seen the realities of economic crisis. The Great Depression of the 1930s saw massive migrations of displaced farm workers and a slump in demand for California's agricultural and manufactured products. In the 1990s too, the state experienced a prolonged recession, this time itself the victim of a spatial fix that saw investment in electronics industries increasingly redirected towards the growing economies of East Asia. But on both occasions, the devaluations (of labour in particular) associated with recession have seen economic output bounce back afterwards. Over the course of its development, then, California has shown the growth potential of devaluation, spatial fixes, and government involvement in the economy. Wealth creation requires the extraction of surplus value from labour. In California, a constant stream of immigrants, lowly and highly skilled, has made this possible. It has also demonstrated the role of pre-existing patterns of economic activity in attracting future rounds of investment – a process that has historically worked in California's favour.

3.8 Going beyond Capitalism

Over the course of this chapter, we have demonstrated the way in which the internal logics of capitalist production need an uneven economic landscape – the booms and busts of development are a process of devaluation and revaluation that help the capitalist system avert crisis. But there is an anomaly here that has been quietly with us since we began the chapter with the oil wealth generated by resource extraction in the Russian periphery. Why is it that peripheral areas remain rich in resources, and alive with activity to extract them, or attractive to new manufacturing industries, and yet many are still relatively poor and underdeveloped? What has gone wrong in the 'catching up' process?

To find the answer, we have to look at the *political-economic arrangements* through which capitalism as a system of production enacts the spatial fixes described in this chapter. We must, for example, examine the exchange relationships between core country/region and periphery and the way in which value gets concentrated in some places and not others. Until around 50 years ago, the processes that determined how 'developing' countries were paid for their resources were shaped by the unequal power structures of colonialism. By taking over territories through military force, European and American colonialists asserted their ability to capture resources and establish the prices that would be paid for them. In this way, a much greater component of the value created was located in the countries of the colonizers than in those of the colonized. Think of the historical relationships between Britain and Sri Lanka in the tea trade or between Britain and the Caribbean in the banana trade. This created what has been called *dependency* or *unequal exchange*.

In most of the world, however, the formal colonialism that took hold in the nineteenth century has dissipated, but *power* in the contemporary global economy is still wielded by dominant states – it is not just capitalists who determine what, and where, economic activities will take place, and on whose terms. The wealthier nation-states of North America and Europe (in particular, the so-called G8 group of countries) are so dominant, financially and militarily, that they have ample opportunities to dictate the terms upon which less powerful countries will engage with them economically (see also Chapter 7). In particular, it is the dominance of financial centres in New York, London, and elsewhere, and their power to concentrate the accumulation of wealth among those involved in *financial* transactions, rather than production relations, that is central to the supremacy of certain core regions over peripheral ones (even when rich resources lie in the latter). This relates to global core regions and global peripheries, but also national core regions and national peripheries (as in the case of Moscow and Chukotka).

This power might be used to force peripheries to open up their economies to the activities of core-based corporations, to expose their domestic markets to imported products, to allow outsiders to operate in their financial markets, to export their natural resources while importing higher value-added good and services, to limit labour rights and working conditions, to permit environmental degradation, or to privatize common property resources such as genetic material and natural environments. Self-interest among local elites in such places will likely motivate them to collaborate in this process. The implication is that we see crises of accumulation averted not just through the *intensification* of the capitalist production process, but also through the geographical *expansion* of capitalist processes into formerly communally or socially owned spheres – for example, common property resources, citizenship rights, or national assets. In the terms described in Chapter 2, we see the *alternative* economy being encroached upon by the *capitalist* economy. The possession of communal resources (e.g. oil and gas) is transferred from local communities to global traders who concentrate their corporate wealth elsewhere. This process, through which collective resources are appropriated by private interests, has been described as *accumulation by dispossession* (Harvey, 2003).

But we also see a global situation in which this process is advanced by one capitalist *state* over another, often through direct negotiations between governments (e.g. trade agreements) or through multilateral arrangements (e.g. the structural adjustment programmes imposed by the International Monetary Fund, described in Box 7.3). This new form of political-economic domination has been dubbed the *new imperialism* (Harvey, 2003).

There are two broader points to make here. One is that the power of the financial sector (central banks, private banks, investment houses, currency traders) is such that the benefits of production are often channelled into financial centres rather than benefiting the places in which production actually takes place. The second is that the nation-state plays a key role in the process of capitalist development (see also Chapter 7). Often, the logics of the global economic system are constructed from the interests of nation-states rather than capitalist enterprises, although it is the latter that actually carry out the process of production.

3.9 Summary

We started this chapter with the great social and spatial unevenness of development in the newly capitalist economies of the former Soviet bloc. In part this represented the extractive nature of development in a peripheral area. While resources, and a manual labour force to extract them, might be located above oil fields and mines, the value that their activities create is accumulated in urban centres elsewhere in the same country or even beyond. This focus on value and its creation led us to a fundamental consideration of the processes underlying a capitalist economy – how value is created, how it is circulated, and the contradictions that exist in such a system. The result was an understanding that unevenness is not an accidental by-product of capitalist development, nor is it something that our economic system naturally levels down over time. Instead, it is quite fundamental to the workings of the capitalist system and something we should expect to continue. Indeed, if unevenness did not exist, we might expect that the see-saw of capitalist development would create it. In other words, uneven development is both a cause and an outcome of capitalist growth.

As we work through various other themes in this book, it will be worth bearing in mind the structural analysis that we have developed in this chapter. The following three chapters will explore the organization of capitalist production through commodity chains, the technological dynamism of capitalism, and the commodification of nature in more detail, along with its implications for spatial patterns of investment, wealth creation, and environmental change. Subsequent chapters on the state, transnational corporations, labour, and consumers will all, in different ways, highlight the actors involved in the contestation over the creation and distribution of value – between social groups and between places. Finally, chapters on culture, gender, and ethnicity will highlight place-based characteristics that capitalism, as a system, often incorporates and uses. Thus, while this chapter has established *why* capitalism fundamentally needs an uneven economic geography, much of this book will go on to examine precisely *how* distinct places and uneven spaces are actually created and used.

Further reading

- The single most important figure in the development of geographical approaches to studying the structure of capitalism has been David Harvey. For an introduction to, and retrospective on, his work, see Castree and Gregory (2006).
- For an early review of Marxist influences in geography, see Peet (1977). For state-of-the-art reflections at what was probably close to the peak of interest in Marxist theory in geography, see chapters by Peet and Thrift, Smith, and Lovering in the edited volumes by Peet and Thrift (1989). A more recent review is provided by Swyngedouw (2000).
- For other studies of regional economic restructuring, see Massey (1995) and Allen et al. (1998) in the UK; Gibson and Horvath (1983) in Australia, and Smith and Dennis (1987) in the United States. Soja et al. (1983) also provide a case study at the urban scale for Los Angeles.
- For a geographical review of theories related to international development, see Peet (1999).

Sample essay questions

- Explain the key differences between conventional accounts of uneven development and a Marxian approach.
- Is development inevitable for the 'developing world'?
- Why is space so integral to the survival of capitalism as an economic system?
- Using a specific example, describe the ways in which a particular era of capitalist production became imprinted upon the landscape and social characteristics of a particular place.

Resources for further learning

- Several Marxist scholars maintain extensive and informative websites with excellent introductions to the field. See, for example, http://www.ssc.wisc.edu/~wright: Erik Olin Wright's website at the University of Wisconsin; and http://www.nyu.edu/projects/ollman/index.php: Bertell Ollman's site at New York University.
- http://www.chukotka.org/root/?lang=en: the Chukotka autonomous region of Russia, mentioned in the introduction to this chapter, has an elaborate English-language website.
- International organizations such as the United Nations and World Bank have extensive websites containing studies of developing areas. See, for example,

http://www.unmillenniumproject.org: the UN Millennium Project, and http://www.worldbank.org: the Data and Research page at Development.

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CHAPTER 4

COMMODITY CHAINS

Where does your breakfast come from?

Aims

- To demonstrate how capitalism serves to conceal the conditions of commodity production
- To introduce commodity chains and their basic components
- To appreciate the differentiation of commodity chains in terms of their structure and geography
- To recognize the possibilities for, and limitations of, more ethical ways of organizing commodity chains.

4.1 Introduction

Wal-Mart is the world's largest retailer by far. In 2004, the company recorded profits of just over US$10 billion on sales of US$285 billion across 4,900 stores in 10 countries, and its 1.6 million workers sold goods to some 138 million customers each week. While the huge size and ongoing rapid growth of Wal-Mart have been well documented, where do the products it sells come from? For many of the non-perishable consumer goods on the store shelves – such as toys, clothes, and electronics – the answer is increasingly likely to be *China*. Attracted by the availability of good quality, low price goods, the retailer is rapidly expanding its purchasing activities there. In 2004, Wal-Mart sourced US$18 billion worth of goods from China, representing 3 per cent of the country's total exports for the year (US$593 billion), and a remarkable 13 per cent of China's exports to the US (US$136 billion) (http://www.chinadaily.com.cn, accessed 9 September 2005). These figures placed Wal-Mart as China's eighth largest trading partner, ahead of entire national economies such as Australia, Canada and Russia.