Impact of capitalism on global development

Is geographically uneven development an inevitable outcome of capitalism?

Harris (2006, p. 2) claims that in ‘ examining the general character of the process of capitalist development as it has appeared historically across many different countries over a long period of time, one of its most striking characteristics is the phenomenon of uneven development.’ However we choose to define the terms ‘ development’ and ‘ capitalism’, it is undeniable that in recent centuries capitalism – of one kind or another – has been the dominant economic and social system throughout the world and the development has been geographically uneven – whether considered at the local, national, regional or global level. Whether the former is the cause of the latter is open to debate. Further, whether the former must necessarily cause the other, as suggested by the title question, is even less clear. This essay will first provide definitions and explanations of development and capitalism. Next it will consider the argument – most famously put forward by David Harvey, but also expounded by many others – that capitalism inevitably leads to geographically uneven development.

Development can and has been defined in many different ways. Until the 1970s it was generally accepted that increasing GNP per capita was the primary – even the exclusive – objective of development. Thus development was measured exclusively in terms of GNP per capita. Since 1970, however, many criticisms have been levelled against the use of GNP as a measure of societal well-being, and various other objectives of development have been suggested to replace it. The criticisms encompass both the theoretical and the empirical, but broadly speaking they arise from the fact that use of GNP per capita as a measure of development treats economic growth as synonymous with development whereas in fact development must incorporate the enabling of individuals to achieve basic aims such as to live long, to be well-nourished, to be healthy and to be literate (Sen, 1999). Furthermore, since development was viewed in terms with GNP per capita, it was concerned with the average or aggregate income, rather than with the incomes of the poorest. As Arndt (1983, p. 1) explains, ' disappointment was increasingly widely expressed that, after two decades of unprecedentedly high rates of economic growth in most of the Third World, hundreds of millions remained in abject poverty and in many countries income distribution appeared to have worsened.' Arndt goes on to argue that at this time, a myth emerged that something called ' trickle-down theory' had existed in the 1950s and 1960s, but that no development economist ever actually subscribed to any such theory. This alleged theory posits that the benefits of the accumulation of capital by the elites would ' trickle-down' to the masses through the creation of jobs and other economic opportunities. Whether trickle-down theory was originally part and parcel of the view of development as increasing GNP per capita, or whether it was appended to such a notion of development *ex-post* , it is certainly clear that the benefits of economic growth did not trickle down to the masses. On the contrary, in fact, the world has witnessed increasing inequality. It is this inequality – or unevenness of development – with which we are most concerned in this essay. As Harvey (2005, p. 55) describes it, a ' convergence in well-being has not occurred and geographical as well as social inequalities within the capitalist world appear to have increased in recent decades. The promised outcome of poverty reduction from freer trade, open markets and " neoliberal" strategies of globalization has not materialized. Environmental degradations and social dislocations have also been unevenly distributed.'

Capitalism refers to an economic and social system in which the means of production are mainly privately-owned and operated for profit. It is defined by Bernstein (2002, p. 242) as '(a) Production of goods and services for market exchange (commodities), to make profits; (b) founded on a definitive social (class) relation between owners of capital and owners of labour power; (c) to which other social relations and divisions are linked, e. g. those of gender, urban/rural differences, nationality.' The private owners of capital determine investment, distribution, income, production and pricing according to their own self-interest. Within these parameters, however, there are various forms of capitalism. Historically, it can be said that capitalism has gone through various stages: from merchant capitalism, through industrial capitalism; finance capitalism and monopoly capitalism to state capitalism. Further, in any stage of capitalism, any given economy can be more or less purely capitalist. In the world today, for example, every economy is in reality a mixed economy with elements of capitalism and elements of regulation and planning – it is the balance between free market policies and private ownership vs. regulation and public ownership that determines the extent to which an economy can be said to be capitalist or otherwise. According to Marxist accounts of capitalism, capital is created through buying commodities in order to create new commodities with an exchange value – as distinct from the use value – higher than the cost of the original commodities. Most importantly, under capitalism, labour had become a commodity itself and surplus labour is extracted by the capitalist who gains greater value from the labour (through the sale-value of the produced commodities) than the exchange value of the labour (i. e. the wage that the capitalist pays). For Marx, it was this cycle of extracting surplus labour that forms the basis of the class-struggle.

Harvey (see, for example, 1982, 1985, 2005, 2006) has provided what is arguably the most significant contribution to the discourse on capitalism as inevitably resulting in geographically uneven development. Harvey points to the geographic contradiction between the fixity and mobility of capital as central to understanding geographically uneven development. In order to produce value, capitalists invest in infrastructure – a form of capital with a long life and fixed location. Over its long life, this capital facilitates the production of commodities which are sold to recoup the original cost of the infrastructure and to make a profit. Meanwhile, social infrastructures are built up as the local labour force develops skills specific to the production of these commodities, relations develop between the capitalist and local suppliers, clients, politicians and banks, and knowledge is gained of local industrial processes. However, the value – or profit – produced is not spatially restricted in this way and can circulate to be invested in labour power and means of production elsewhere. Thus it may be invested in competing businesses or in different sectors of the economy. Cheaper labour and other means of production are sought and tapped in other locations within the country, in other countries in the same region, or beyond. As a result firms in a particular locality may close or reduce their level of output thus reducing employment and/or wages in the area. In turn, state agencies will receive less income through taxation, and local businesses such as those in the retail sector will suffer as the local population has less income. Home-owners may default on their mortgage payments and lenders will be forced to sell the properties at lower prices as the economy declines. Yet these state agencies, shops and shopping centres, and houses are spatially fixed – they cannot be moved elsewhere to where they could produce more value. Also, while firms have the option to move to locations where profitability would be higher, they are also likely to have become somewhat embedded in the local area (as a result of relationships built up with customers, suppliers, employees, state officials and banks) and they have to assess the benefits of moving against the cost of building all of these relationships from scratch in a new location. The end result is the attempt (by the different stakeholders – individually or collectively) to defend exchange values in any given place to guarantee future streams of profits, wages, rents and tax revenues. Since local capitalists and local labour classes both have a vested interest in the continued existence of local industry, territorial cross-class allegiances are formed, and geographically uneven development ensues.

While it is important not to conflate globalisation with capitalism since globalisation refers to a much broader process of increasing interdependence that goes far beyond the economic, Coe & Yeung (2001, pp. 370-371) provide interesting input to the debate on uneven development with a consideration of globalisation, arguing that ‘ one needs not be a Marxist to appreciate the uneven outcomes of the globalisation processes… First, globalisation impacts differently in different sectors and industries even in the same country and/or region. While global restructuring tends to favour high tech industries, it has serious repercussions for such labour-intensive industries as textiles and clothing… Second, global restructuring can produce geographically uneven impact on producers and/or countries specialising in different stages of the same production chain.' This ties in with the explanation of how the expansion of capitalism produces new forms of unevenness, and the stagnation of certain localities. According to Walker (1978, p. 34), for example, as capitalism expands it develops new distinctions of space thus creating a spatial mosaic of development in which none of the parts are truly independent or particularly susceptible to regional development programmes. Additionally, the expansion of capitalism intensifies its penetration of space thus increasing its mobility giving capital a strategic advantage over labour. As a result, local development becomes increasingly reliant on external capital. ' Thus, although there is a certain evening up of development as the capitalist core expands, uneven development of a new kind necessarily emerges within what can be considered a fully developed capitalist space. This kind of unevenness is implicit in the use-value nature of capital's relation to space, in fragmenting tendencies of the capitalist division of labor and its class hierarchy, and in the tendency of capital constantly to reduce the time of circulation.' Agnew's (2001, p. 6) perspective also demonstrates how globalization has accentuated the uneven development that results from capitalism, arguing that in this context, for example, the ' need for rapid access to information has privileged those ' world cities' that have good connectivity to other places. The local availability of entrepreneurship, venture capital, technical know-how, and design capabilities differentiate ' attractive' from ' unattractive' sites for investment. At the same time, [niche] markets associated with different social groups increasingly cross national boundaries, giving rise to cross-national markets that can be served by factories located in any one of them or, for labor-intensive goods, produced wherever labor costs are lower.'

What, then, of the role of the state in today's mixed economies? As Brenner (1998, p. 11) has pointed out, in the past century, it has been the state – and not private capital – that has planned, produced and regulated large-scale infrastructure projects (including transport infrastructure, public transport systems, utilities, energy, subsidised public housing and education systems, communications systems) to direct the ways in which labour power and capital reproduce. This highlights the fact that a purely capitalist system does not exist in any country in the world. As Harvey (1982, p. 404) explains, the state control of large-scale infrastructure enables it to direct infrastructural development differentially as the ' territorial organisation of the state … becomes the geographical configuration within which the dynamics of [infrastructural] investment is worked out.' Thus the territorial organization of the state could in theory at least be used to channel infrastructure development in such a way as to produce geographically even – or at least more even – development. Yet Brenner (1998, p. 12) argues that in fact the state direction in practice leads to ' new forms of uneven geographic development' and that in so doing it produces an equilibrium. Walker (1978, p. 30) claims that geographically uneven development is indeed inevitable in advanced capitalist economies, claiming that no ' critical observer would imagine that there is something less than systematic in the nature of capitalism producing the inevitable juxtapositions of poverty and wealth, growth and stagnation, and diverse functions in the capitalist city.'

Like Harvey, Walker claims that uneven development occurs as a result of spatial differentiation and capital mobility, two components of any capitalist system. According to Walker, (1978, p. 30), uneven development is the corollary of uneven spatial location of use-values, and the spatial organization of use-values is not random but is ‘ a systematic product of capitalist development, varying only in form and in degree among advanced capitalist nations.’

Both Harvey and Walker provide a convincing argument for the inevitability of geographically uneven development in a capitalist system thus painting a bleak picture for development and effectively invalidating any claims of regional development programmes or any other policies aimed an evening out development. However, this last point by Walker does offer some scope for optimism. If uneven development in advanced capitalist nations varies in form and, more importantly, degree then the intuitive conclusion would be that it could vary so far that the degree of unevenness reaches zero and thus development is even. Even if in practice development can never be perfectly even, the variance in degree suggests that policies can be implemented to make development more even, if not totally even. In order to devise such policies, it is necessary to understand what aspects of certain capitalists systems have enabled them to produce more even development than others. According to Perrons (2000, p. 24), it is possible to direct policies against uneven development and to do so requires a holistic approach to social theory that explores the differences of experience in different national contexts and at different spatial scales: ‘ the nature and pace of change differs between nation states and between different organizations depending on the legislative framework and social and cultural norms leading to different regional and local outcomes. Recognising and understanding these different experiences within capitalism provides a foundation for mapping alternative futures.'

If geographically uneven development is an inevitable outcome of capitalism, then we cannot hope to even out development within a capitalist world system. Short of radical calls for an overthrow of the existing system of economic and social organisation, then, policies directed at evening out development could only ever meet with partial success. However, given the importance of the state in defining and directing spaces of development, and given that every economy in the world today is a mixed economy, it must be conceivable (in theory at least) that the state could provide definition and direction in such a way as to promote even development. In order to do so, however, it is necessary to understand just what it is that causes uneven development. From the analysis above it is clear that uneven development is indeed a characteristic of capitalism; indeed it seems to be one that is inevitable. However the form and extent of that unevenness vary from place to place. Thus a better understanding of exactly what determines the form and extent is necessary to reduce the extent and produced the most desirable (in other words, the least bad) form of uneven development.

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