geographies of neoliberal capitalism I:
commodities, capital, and the ‘hidden fist’
REGIME CHANGE:
the neoliberal paradigm in social/political practice

- Harvey (*in reader): Neoliberalism as restoration of class power
  - Market ideology – good for business, capitalist elites
    • Political relationships built between think tanks, conservative politicians/parties
  - Re-configuration - deepening & broadening of accumulation
    • Necessitated by ‘long downturn’ – fall in the rate of profit (Marxist theory of crisis)
    • Quest for new frontiers of capitalist expansion/accumulation – the ‘spatial fix’
  - State role in increasing market access – policy structure
    (*In reader: Martinez & Garcia)
    • Free trade; cuts to public sector; deregulation; privatization; devaluation of public goods

- ‘Polycentric’ theory of neoliberalization (Jamie Peck)
  - No single origin; convergence of political & class forces, historical events
    • Keynesian economic crisis: new discourse benefitting corporations, financial elite
    • Cold War geopolitics: emerging anti-socialist alternative to welfare-state socialism
  - ‘Neoliberalization’ of the social order via ‘travelling policies’
    • Think tanks/academia → Isolated social experiments → Generalized political framework
    • Obstacles: national-level democratic structures, political/social opposition
      • Popular ‘leftist’ leaders, governments; protests from labor unions, vulnerable social groups
      • Power Struggle: ideological/political offensive to impose neoliberal values/policies
  - First Experiment: Chile, 1973
‘MAKE THE ECONOMY SCREAM’: the neoliberal ‘shock doctrine’ experiment in Chile, 1973

“Only a crisis – actual or perceived – produces real change.” –Milton Friedman

FILM:

“The Shock Doctrine: Rise of Disaster Capitalism”
Renegade Pictures/Revolution Films (2009) | directed by Michael Winterbottom
Based on the book ‘The Shock Doctrine’ by Naomi Klein

Entire film available online here: https://vimeo.com/26718047

Excerpt: (8:00-21:49)
The First 9/11: The ‘Chicago Boys’ & CIA-sponsored regime change in Allende's Chile
POLITICAL IMPOSITION OF ‘FREE MARKET’ RULE: Reagan & Thatcher overthrow the Keynesian state

• May 1979: Margaret Thatcher elected Prime Minister in UK
  – Devotee of neoliberal ideology; Keith Joseph (IEA) as adviser
  – Launched political/rhetorical offensive against public sector
    • ‘No such thing as society’ / ‘There Is No Alternative’ (TINA)
    • ‘Economics is the method; the object is to change the soul’

• October 1979: ‘Volcker Shock’ (*In reader: Harvey)
  – Paul Volcker–head of Federal Reserve (US central bank)
  – Immediately changed policy strategy to fight inflation
    • Departed from Keynesian monetary policy (full employment)
    • Tightened money supply & raised interest rate up to 20% by 1981
    • Plunged US (& nations w/dollar-denominated debt) into recession

• November 1980: Ronald Reagan elected US President
  – In close consultation with Milton Friedman & Chicago School
  – Immediately implemented neoliberal reforms
    • Tax cuts, deregulation; relaxed restrictions for US banks/investors
    • ‘Military Keynesianism’ – ran deficits to fund military ventures
IMF’S ‘SILENT REVOLUTION’ IN THE THIRD WORLD: debt, structural adjustment, and covert war

Strategy for ‘developing’ world: Crisis → Economic ‘shock therapy’
- Sovereign debt crises → Structural Adjustment Policies (SAPs)

Mexico debt crisis (1982) – test case for SAPs
- Postwar role of IMF, World Bank after completion of Marshall Plan
  - US banks w/ excessive surplus encouraged to lend to developing nations
- Effect of Volcker Shock: raised interest on $-denominated loans forced default
- IMF/World Bank ‘bailout’: debt restructuring in return for neoliberal reforms
  - Model for rest of Third World/developing econs thru debt crises of 1980s & 1990s

Cold War, military-industrial complex = vehicle for neoliberalization
- Retains prerogative of anti-Communist military intervention/regime change
  - Also becomes the ‘hidden fist’ of neoliberal shock therapy
  - Stepped up aid, training, money to anti-Communist insurgencies around the world
  - Latin America: Nicaragua (Iran-Contra scandal), Grenada, El Salvador, Guatemala
  - Middle East: Afghanistan (Al Qaeda), Iraq (Saddam Hussein), Lebanon civil war
  - Africa/Asia: Angola, Libya, Indonesia, East Timor
NEOLIBERALISM GOES GLOBAL: the latin american debt crisis opens the door
DEVELOPMENT WITH CONDITIONS:
a sampling of the IMF’s structural adjustment policies

- Currency Devaluation
  - (to reduce balance-of-payments deficit)
- Trade liberalization
  - (lower tariff barriers)
- Privatize state-owned enterprises
- Fiscal Austerity
  - Cut government spending
  - Cut social benefits/services
- Cut subsidies for domestic production
  - (usually food/agriculture)
- Lower/repeal state regulations (labor, enviro)
- Retool economy on direct export & resource extraction
- Agree to surveillance from the institutions
NEOLIBERALISM GOES GLOBAL: global debt crises & IMF-financed loans
NEOLIBERALISM GOES GLOBAL:
world bank development loans in the global south
IF MERKEL SAYS ‘TAKE A BREAK’...

YOU WILL TAKE A BREAK!!!
GROUP EXERCISE

Each member choose ONE piece of clothing.

1. Look on the tag to see in what country that item was produced, and place a dot on the map in that country.

2. Where did you buy that item of clothing? Place a dot on the map in the city (or general vicinity) where you bought the item, and draw a line connecting #1 $\rightarrow$ #2.

3. What company label is on the item? (e.g. Nike, Adidas, etc.) Look up where the headquarters of that company is located, mark it with a dot on the map, and draw a line from #2 $\rightarrow$ #3.
Group 2
Group 3

Abraham - Van's shoes
MATT - LEVI'S
AC - AberCrombie & Fitch -
Masarri - Hawking Travell

Mengji - CHAMPION ECO

Emma - Unknown

This is a royalty free image that can be used for your personal, corporate or education projects. It cannot be resold or heavily distributed, if you need an editable PowerPoint or Adobe Illustrator
Group 4

- Violates labor issue: receive less than min. wage,
  a lot of copyright issues, clothing’s products create a health hazard.
- 60% of clothes are made in China
- Became an international retailer in 2001
Group 6
Group 8
Important Commodity Regions
(CIA Factbook)
How other Americans see it (LOL)
The meteoric rise of Free Trade & WTO

GATT = General Agreement on Trade and Tariffs (Bretton Woods)

WTO = World Trade Organization
Regional Free Trade Agreements

Free Trade Zones
- CISFTA
- MERCOSUR
- GAFTA
- SAFTA
- AC
- ASEAN
- EU
- NAFTA
- COMESA

U.S. FREE TRADE AGREEMENTS (FTAs)

Evolution of Regional Trade Agreements in the world, 1948-2015
‘Poles’ of Global Commodity Trade

The US is the largest trading partner of Canada, China and 42 other countries.

Germany is the largest trading partner of the largest European economies (UK, France, Italy) and 15 others.

France is the largest trading partner of 14 countries, eight of them in Africa.

China is the largest trading partner of 35 countries including Russia and Australia.

South Africa is the largest trading partner of 10 countries, all of them in Africa except American Samoa.

Largest trading partner
- US
- China
- Germany
- France
- South Africa
- Russia
- Other

Data: International Trade Centre
Europe-Centered Commodity Trade

Manufacturing of machinery, industrial equipment, other durable goods (especially Germany) – import oil, raw materials; export to manufacturing nations (China)

Figure 2: Almost half of the global goods trade involves Europe
(merchandise trade in 2008, US$ billion)

Source: World Bank staff, based on WTO (2009); see chapter 2.
Trends in Manufacturing & Trade:
Rise of BRICS/Asian Tigers
Global Manufacturing: Free Trade/Special Economic Zones

Major Trade Routes and North American Free Trade Zones (FTZs)
The Green Revolution: shifts in world agricultural production

Major shifts in dominant producing regions, 1900-2000

Map indicates colonial boundaries in 1900

Source: Byerlee and Rueda, 2013

Center for International Forestry Research
Global Commodity Transport: Logistics and ‘Choke Points’

(*In reader: Bernes)
Global Capital Flows: Foreign Direct Investment (FDI)

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Source: UNCTAD (2010).

FDI in China, 1979-2005
Multinational Corporations (MNCs)

WAL-MART WORLD

Multinational Corporations (MNCs)

APPLE AROUND THE WORLD

Location and number of Apple suppliers per country

U.S. MNC Headcount (millions)

http://www.economicpopulist.org
Transnational Corporations (TNCs)
Capital Flows: Corporate Profits

Headquarter cities according to the 'Fortune 500' companies
2008, as % of revenues and profits

Source: Own calculation, based on Fortune 500, 2008
Cartography: Martje Petersen, 2009

Note: Considered are cities with headquarters representing more than 0.5% of the revenues and profits of the 'Fortune 500'.
Capital (non)Flows: Offshore Tax Havens

Around $13 trillion in non-productive capital (cash, valuable goods) stashed in tax havens

Interesting book re tax havens:

Treasure Islands: Tax Havens & the Men Who Stole the World
(author: Nicholas Shaxson)
Privatization & Public Spending Cuts

Real public investment as % of GDP in advanced economies


2.9 3.1 3.3 3.5 3.7 3.9 4.1 4.3 4.5
Neoliberal fiscal austerity for producers, Keynesian debt spending for consumers, military

Reagan – ‘Military Keynesianism’
- Cost of the ‘hidden fist’ (military hegemony)
- Massive gov’t deficits to fund US bases, military interventions/foreign assistance
- Costs of Iraq/Afghanistan wars: ~$3 trillion (2001-present)

USA = Consumer Nation
- Power of US $ as world reserve currency allowed for deficit spending, liquidity of credit
  - Fed interest rates → credit availability
- Financialization & Investment banks
- Household/consumer debt