

GEOGRAPHY N20

WEEK 4 – 7/28/15

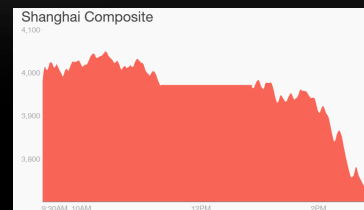


Globalization's Fallout: Inequality and Debt

CURRENT EVENTS: CHINESE STOCK CRASH

- Chinese stock market posts lowest 1-day plunge since 2007

- Economic reports showing lower growth
 - 0.3% fall in industrial/mfg profits for Q2
 - Apple loss of \$40bn last week
 - Largest losses in mfg-related companies
 - Raw materials, transportation, energy
- Falling commodity prices (metals, oil)
 - Copper, aluminum, platinum, etc.; over 12,000 jobs lost
 - Oil price at lowest since April: further erodes raw materials prices
- Global markets falling: Wall St., Europe, Asia
 - Wiped out FTSE gains in 2015; \$39.8bn in US wealth



BOTTOM PERFORMERS TODAY		
Name	Last	% Chng
Pangang Group Vanadium Titanium & Resources Co Ltd	3.75	-10.07%
Guangshen Railway Co Ltd	5.270	-10.07%
China United Network Communications Ltd	6.440	-10.06%
Huaneng Power International Inc	9.860	-10.04%
Shenenergy Co Ltd	8.060	-10.04%
China Shipping Container Lines Co Ltd	7.260	-10.04%
China COSCO Holdings Co Ltd	9.950	-10.04%
China Gezhouba Group Co Ltd	8.970	-10.03%
Beiqi Foton Motor Co Ltd	6.550	-10.03%
Yanzhou Coal Mining Co Ltd	10.850	-10.03%

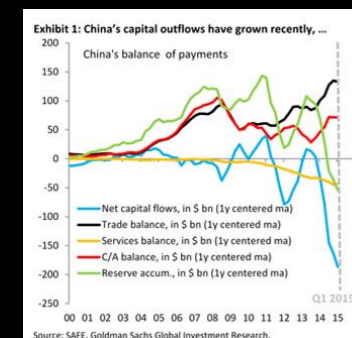
FTSEUROFIRST 100	4,364.38	-1.99 %	-88.65
FTSE 100 INDEX	6,510.10	-1.06 %	-69.71
XETRA DAX PF	11,090.37	-2.27 %	-257.08
CAC 40 INDEX	4,945.42	-2.21 %	-111.94
FTSE MIB	22,958.30	-2.34 %	-549.40

- Capital outflow: ~\$800 billion in past year

- \$224 billion in Q2 2015 alone – “beyond anything seen in history” (Goldman Sachs)

- Neoliberal ‘shock therapy’ for China’s financial ailments?

- IMF report: China should end state intervention in stock mkt
- Western business media calling for liberalization of Chinese economy
 - Privatization of state-owned enterprises, natural resources, energy (coal)
 - End state controls on speculation, suspension of trading (‘investor mobility’)
 - ‘Free up’ household savings to boost consumer demand



- We will explore the crash and its implications – Today, Thursday, next week

CURRENT EVENTS: PLOT THICKENS IN GREECE

Greece: Varoufakis drops political bombshell - secret parallel banking plan

- Leaked tape of call to British investors 10 days after resignation, 3 days after bailout deal
- Had obtained permission from Tsipras to explore creating digital parallel currency

- The Plan B: Government-backed IOUs exchangeable 1-1 for euros
 - 'Parallel Liquidity' to circulate euros – with push-of-a-button conversion to drachma
- Recruited Columbia University tech to handle logistics & code software
 - Realized Greeks owned hardware, but Troika controlled software – like IRS or “Inland Revenue in the UK being controlled remotely from Brussels”
 - Hacked into their own government systems to obtain tax info(!)
- Never got greenlight from Tsipras to implement
 - “I always told Tsipras...this is the price you have to pay for liberty”
 - Led to resignation after referendum; thought Tsipras should have been more aggressive in using threat of Grexit as leverage

- Bombshell revelations re Germany's collision course w/ France

- Schauble: Believes that Eurozone not sustainable as is



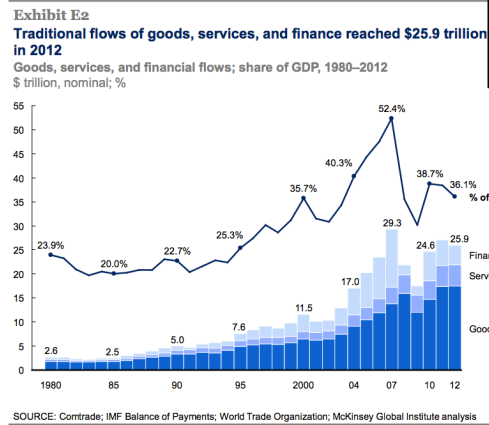
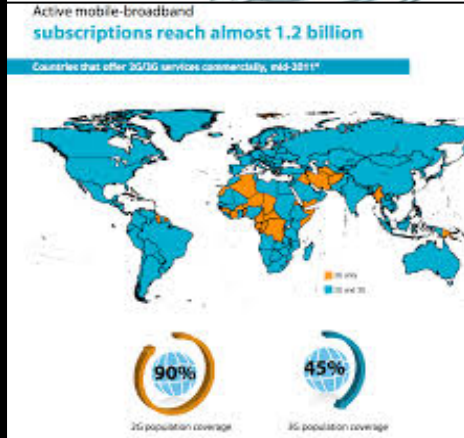
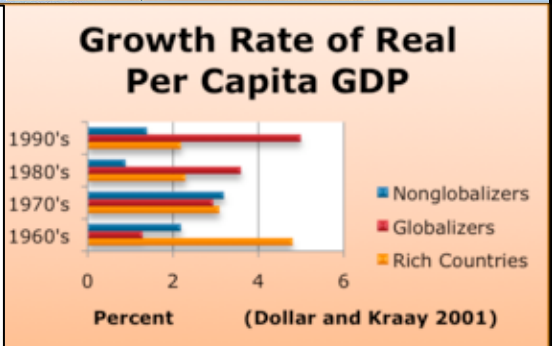
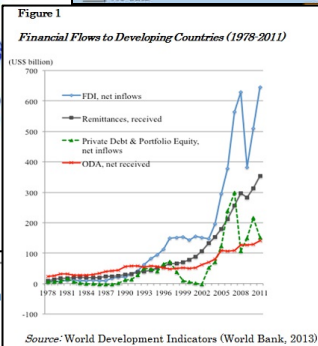
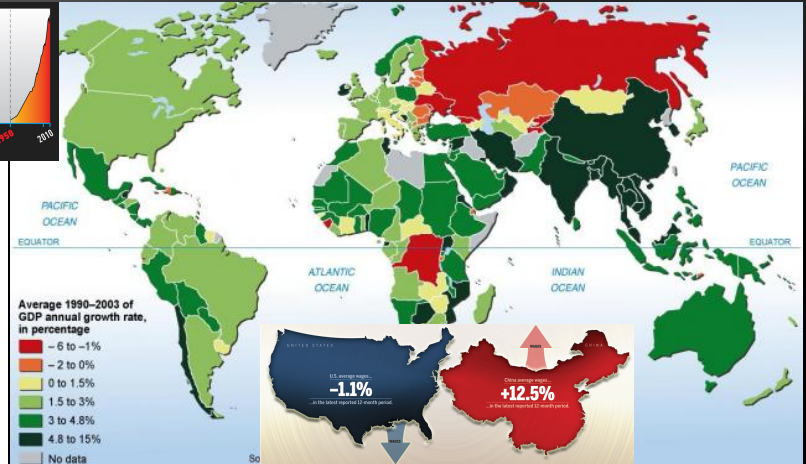
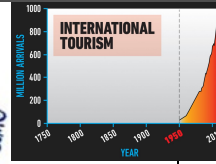
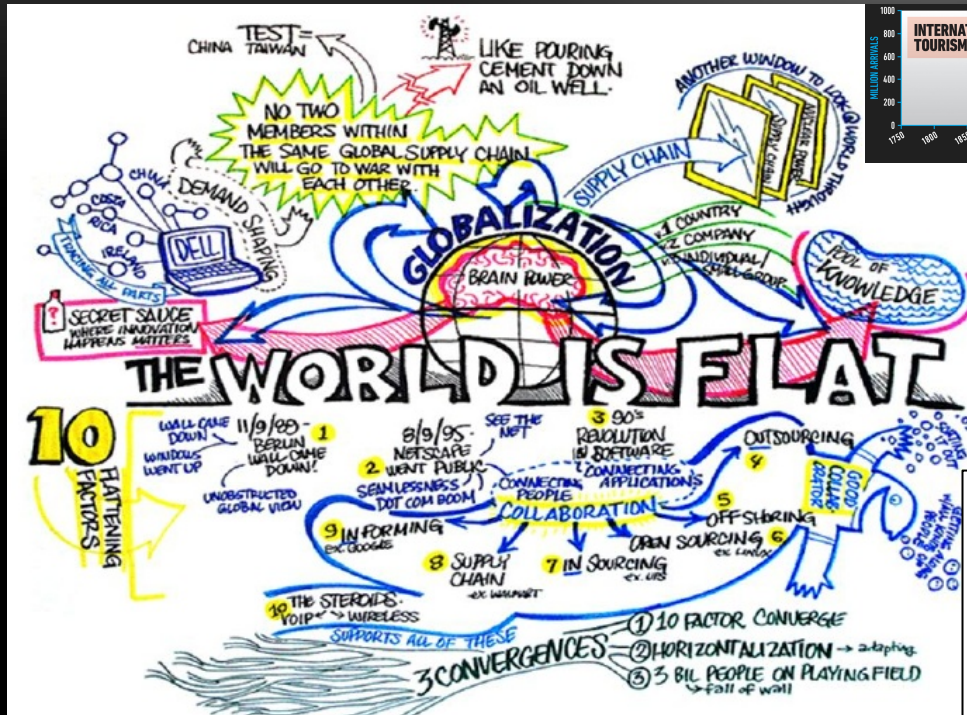
- Without political union/authority: “It will have to be done in a very disciplinary way”
- “He said explicitly...Grexit is going to equip him with sufficient **terrorising power(!)** in order to impose upon the French that which Paris has been resisting: a degree of transfer of budget-making powers from Paris to Brussels”
- “The French are terrified. They are terrified because they know that if they’re going to shrink their budget to the levels that Berlin demands, the Parisian gov’t will certainly fall...there is no way that they can politically handle the kind of austerity that is demanded by Berlin.”



Source: <http://www.telegraph.co.uk/finance/economics/11764018/Varoufakis-reveals-cloak-and-dagger-Plan-B-for-Greece-awaits-treason-charges.html>

GLOBALIZATION: THE GREAT LEVELLER?

REVISITING GLOBALIZATION'S DISCOURSES



ECONOMIC INDICATORS:

WHAT DO THEY MEASURE & HOW? WHAT'S MISSING?

- **GDP** = 'Gross Domestic Product' (total production of goods & services)
 - World GDP = Aggregate of national GDPs
- **FDI** = 'Foreign Direct Investment' (inward capital flows)
- **GNI** = 'Gross National Income' (GDP + FDI)
- **GDP per capita** = Average of GDP across national population
 - Different from *median* wealth/income
 - *Distribution* of wealth? Within / between nations?
- **GINI Coefficient** = measure of inequality (wealth distribution)
- **HDI** = 'Human Development Index'
 - Life expectancy / Education / GNI per capita

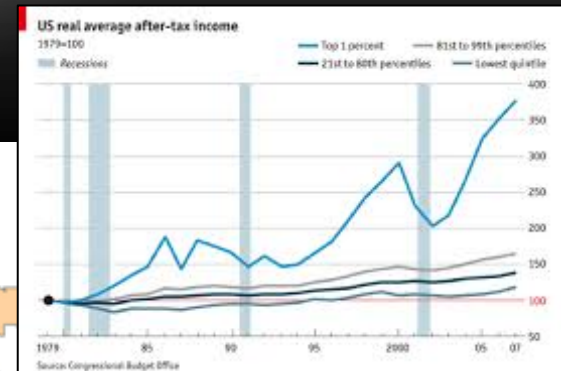
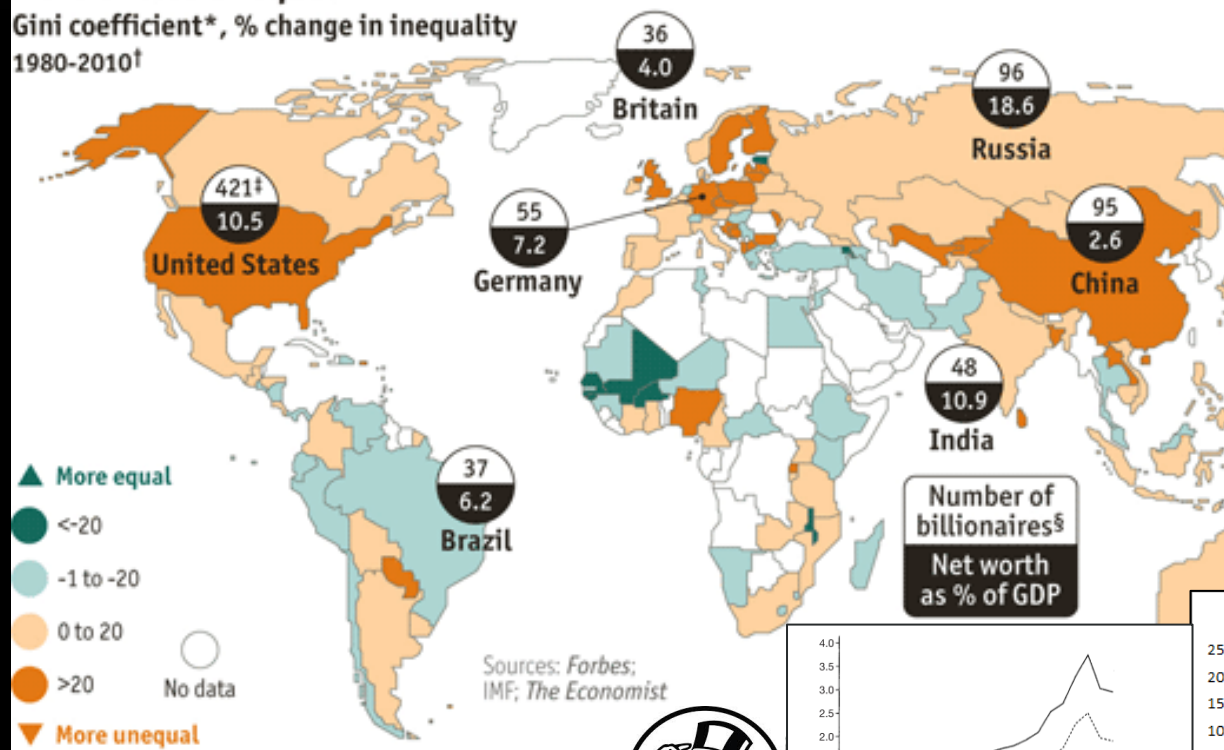
GLOBALIZATION = MORE INEQUALITY

OECD COUNTRIES & EMERGING ECONOMIES (BRICS)

Latin America gets less unequal because of **conditional cash transfers (CCTs)**

More or less unequal

Gini coefficient*, % change in inequality
1980-2010†



Uneven Prosperity

In the U.S., incomes of the top earners have grown at a faster rate than incomes of rest of the population.

Average family income, excluding capital gains, adjusted for inflation:



****Wealth distribution *within* countries gets MORE unequal w/ neoliberal globalization**

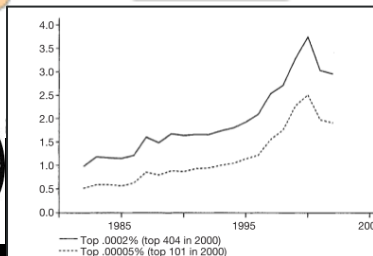
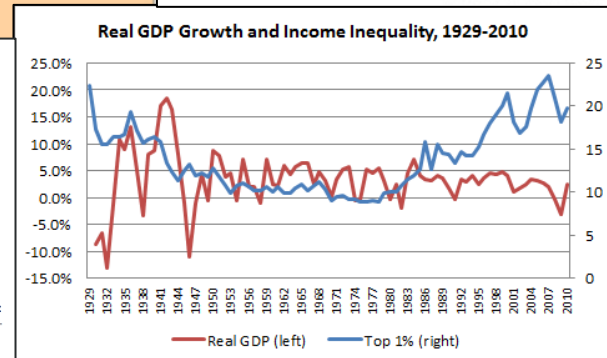
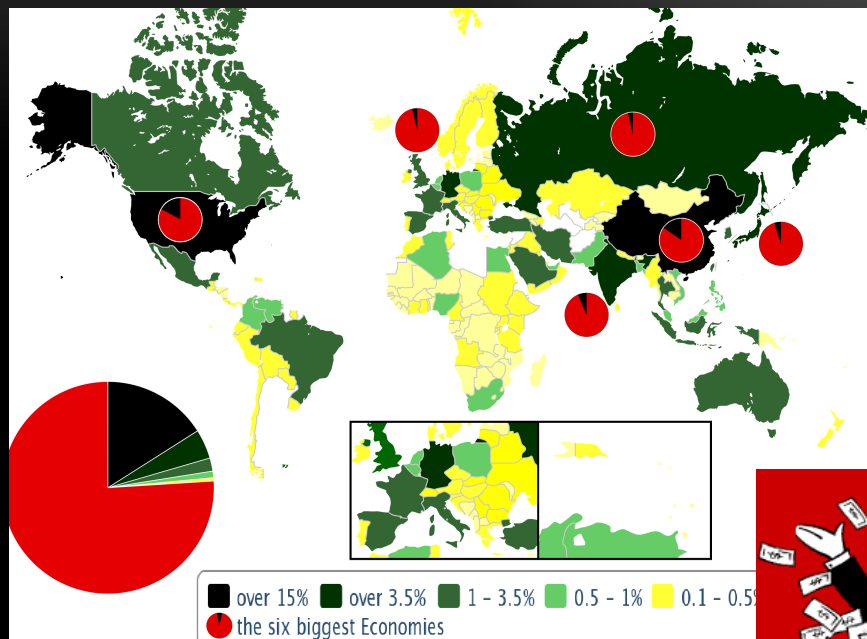


Figure 1.4 The concentration of wealth and earning power in the U.S.: CEO remuneration in relation to average US salaries, 1970-2003, and wealth shares of the richest families, 1982-2002
Source: Duménil and Lévy, 'Neoliberal Income Trends'.



INEQUALITY ON A WORLD SCALE



Share of World GDP PPP 2011, World Bank, ICP

World income gap

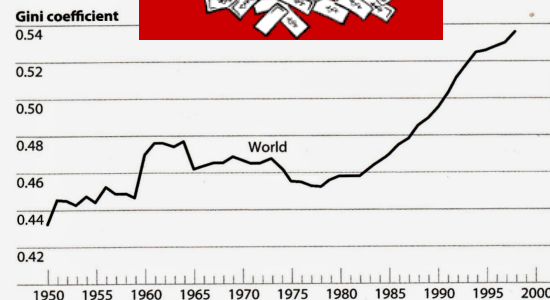
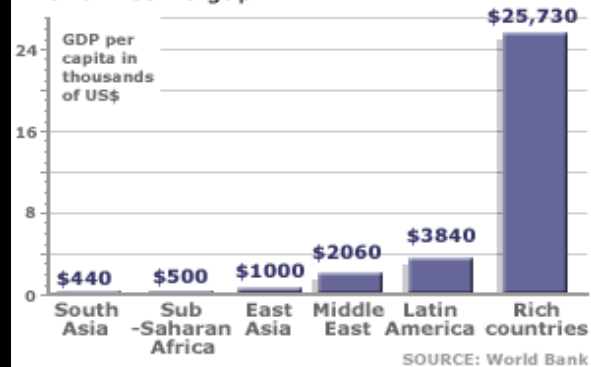
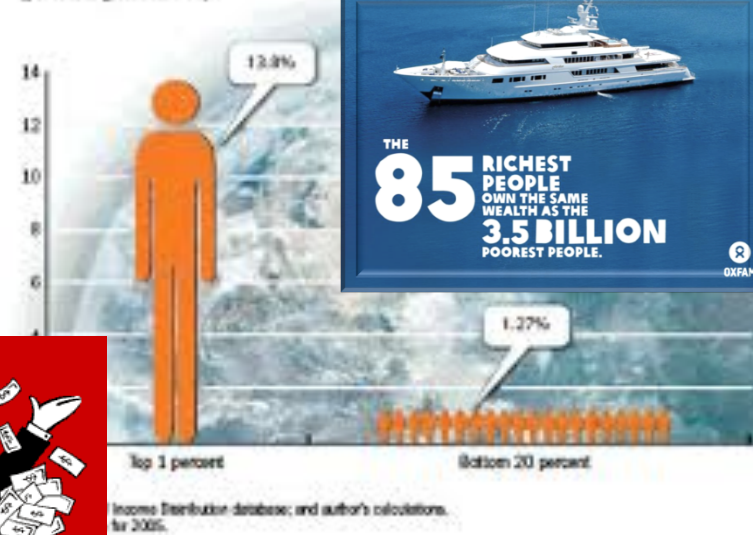


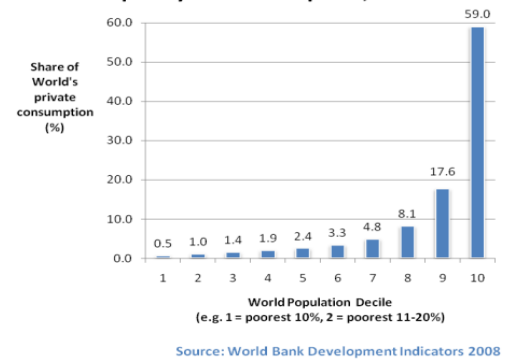
Figure 7.2. Gini coefficient: unweighted intercountry inequality, 1950-1998. Each country is one observation. Branko Milanovic. 2003. "The Two Faces of Globalization: Against Globalization as We Know It," *World Development* 31(4): 667-683, p. 675, figure 3. © Elsevier.

What a difference!

The richest 1 percent of people in the world receive nearly 14 percent of global income while the poorest 20 percent receive just over 1 percent.
(percent of global income)



Inequality of Consumption, 2005

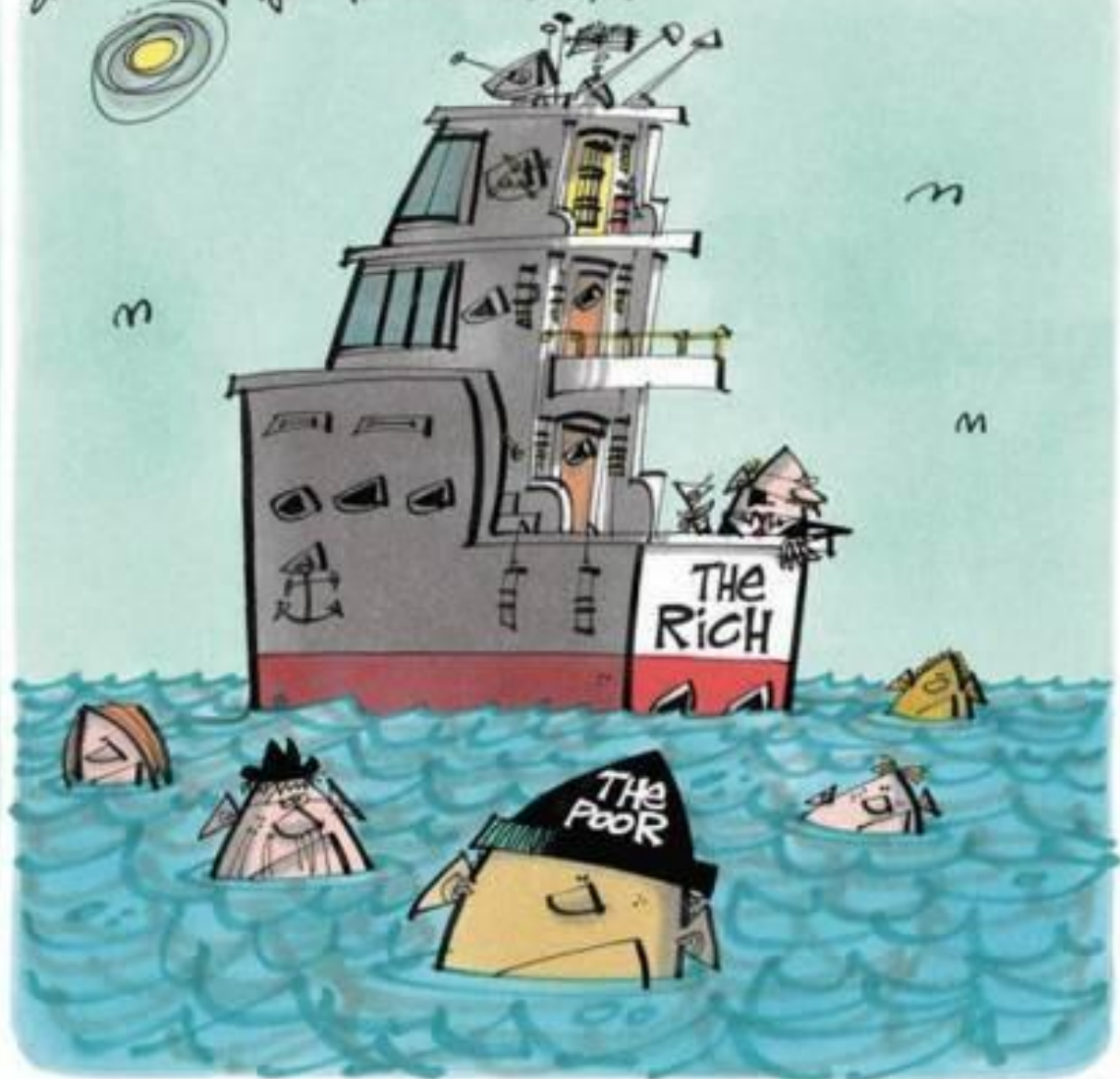


Judge ©2013 KANSAS

A
RISING
TIDE
LIFTS
ALL
BOATS...



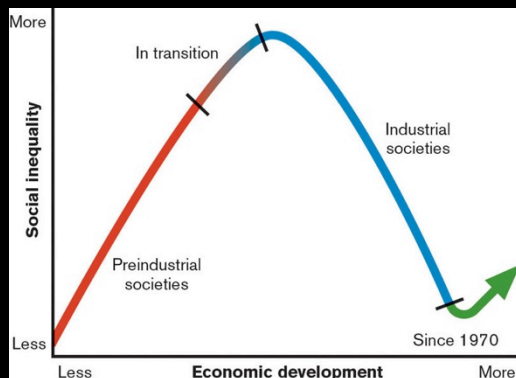
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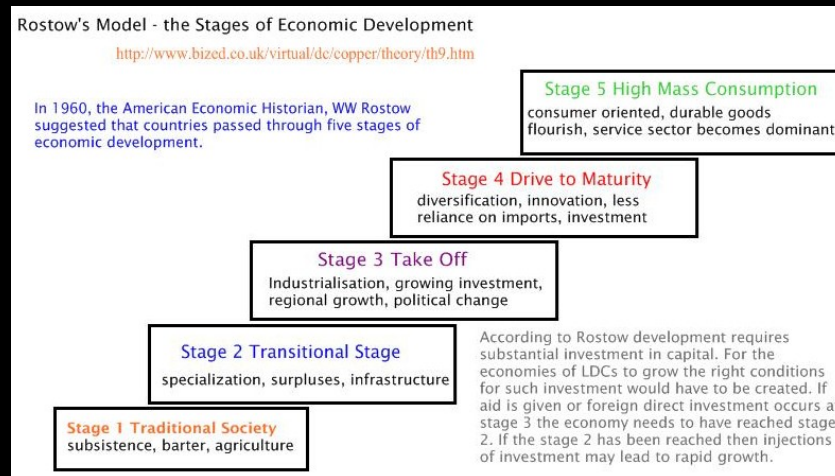
"WHICH IS GREAT NEWS IF YOU OWN A BOAT."

THEORIES OF GLOBAL CONVERGENCE: ECONOMIC DEVELOPMENT & INEQUALITY

- **‘Convergence’**: Theory that inequalities will tend to disappear with increasing capitalist economic development, global integration
 - An ‘implied norm’ that lies underneath the ‘flattening’ discourse of globalization
 - Inequalities & social conflict = ‘growing pains’ on path to development
- **Assumed models of development: Modernization & ‘Take-Off’**
 - Kuznets Curve: theoretical model showing increased inequality during take-off stage, but gets better as economy ‘matures’ to mass-consumption society
 - Rostow’s Stages of Economic Development (below)
 - Abstract, ‘universalized’ models based on specific history of Europe & US in 20th century
(*In reader: Piketty)



Kuznets Curve

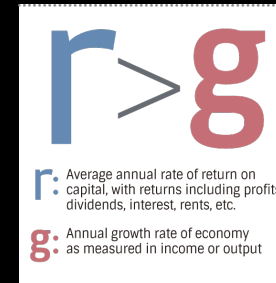


Rostow – Stage Theory

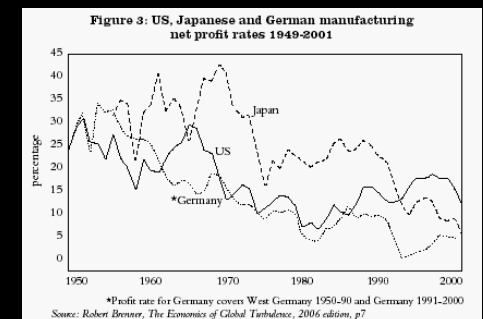
PROMISE VS. REALITY OF GLOBALIZATION: INCREASING INEQUALITY & CRISIS IN A SO-CALLED 'FLAT WORLD'

- **Convergence: Inequality in development tends to disappear over time**
 - What's missing from those convergence models??
- **Dissenting theories: Capitalist development *tends* toward inequality**

- Piketty's formula (*In reader):
 - Theoretical model based on historical trends
 - Rate of return on capital ('r') *always* greater than growth of real economy ('g')
 - Tendency for inequality to grow, not decline
 - True for most of history (except postwar era)



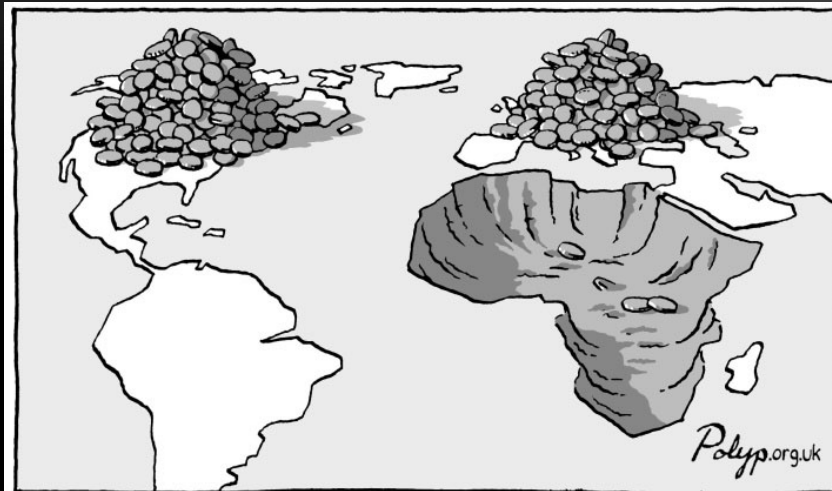
- Marxist thesis: Rate of Profit / Organic Composition of Capital (*In reader: Brenner & Harvey)
 - For Marx: Profit = *surplus value* (extracted from labor thru exploitation)
 - Profits from capitalist production must be re-invested in order to grow
 - Materials/equipment (fixed capital), labor/wages (variable capital)
 - Mounting fixed capital costs cut into rate of profit: **overproduction**
 - Cuts to labor spending (variable K) → lower wages, unemployment
 - *Class struggle* over jobs, layoffs (strikes, union busting, revolts)
 - Less people employed → less consumption → **underconsumption**
 - Historically: crisis of 1970s (Europe, USA)



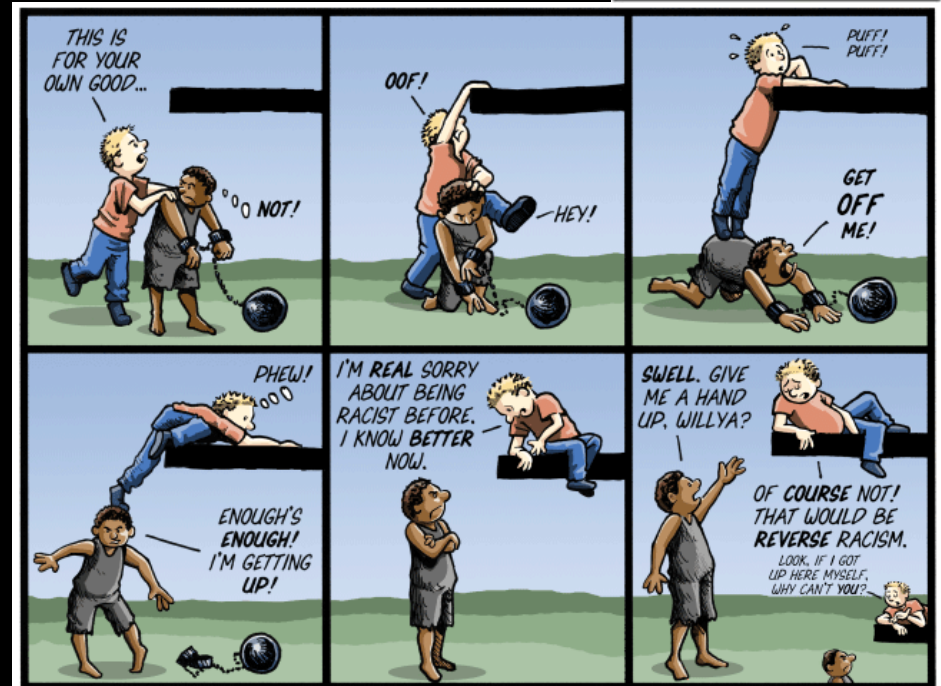
UNEVEN GEOGRAPHICAL DEVELOPMENT: HISTORICAL PRODUCTION OF WORLD INEQUALITY

- Major Premise: Economics *never* separate from politics or history
- Colonial division of labor = uneven integration into world market (*week 2*)
 - Historical disadvantages: tied to political subjugation, colonial economy
 - **Vulnerability** to external shocks, crises (**In reader: Davis, week 2*)
 - Uneven power relations (various classes/groups w/ relation to colonizer nation)
 - Histories of traumatic disruption: colonization, violent struggle, civil wars, coups
- 'Development' ideology, practice also carries legacy of colonialism
 - (**in reader: Stiglitz*) Contemporary 'White Man's Burden' = assumption that Western institutions always know what is best for developing/postcolonial nations
 - IMF assistance → debt, structural adjustment; neoliberal priorities
 - Money never goes to actual projects to help the country or its economic growth
 - Buildup of unpayable debts → subject to IMF surveillance = erosion of *sovereignty* (Greece?)
- Underdevelopment / Dependency Theory (**In reader: Galeano*)
 - Latin American intellectual tradition tied to Marxism, revolutionary movements
 - Imperial nations ('West') *developed at the expense* of the Third World
 - No 'convergence' is possible because First World development is *dependent* on historically organized, continuing relations of power that allow them to exploit Third World resources, labor
 - Developed nations do not apply their own rules of 'free trade' to themselves; only for Third World
 - Mutual 'dependency' that keeps Third World nations in an economic "straitjacket"

THE DEVELOPMENT OF UNDERDEVELOPMENT: HISTORICAL PRODUCTION OF WORLD INEQUALITY



'GOLD DIGGERS'



A CONCISE HISTORY OF BLACK-WHITE RELATIONS IN THE U.S.A.

BRINGING IT DOWN TO THE GROUND:

INEQUALITY & UNDERDEVELOPMENT ON A HUMAN SCALE

FILM:

“Life and Debt”

PBS (2001) | dir. by Stephanie Black

How the IMF and structural adjustment policy
transformed Jamaica

