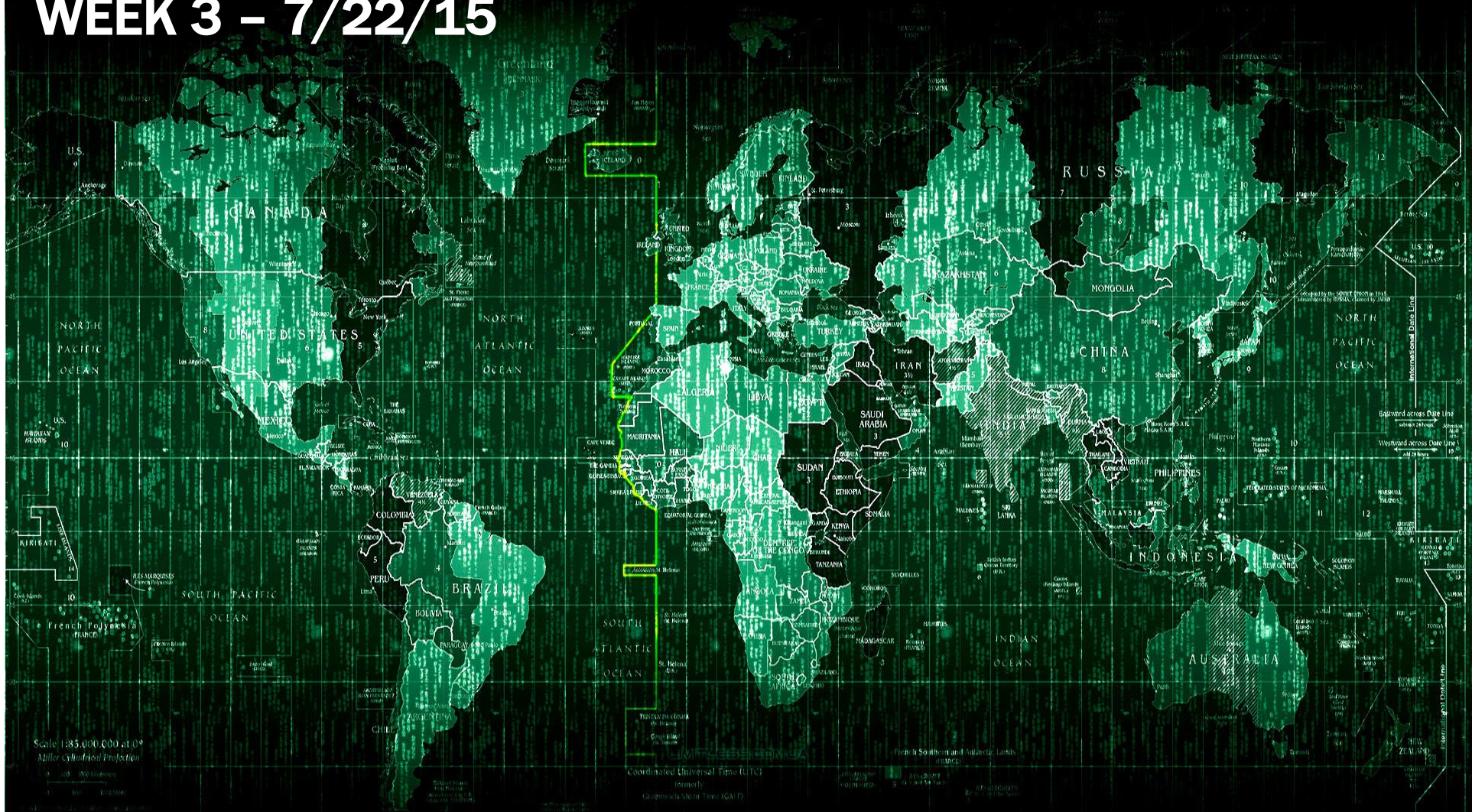


GEOGRAPHY N20

WEEK 3 – 7/22/15



geographies of neoliberal capitalism I:

commodities, capital, and the 'hidden fist'

Summer Sessions 2015
UC Berkeley Dept. of Geography
Lecturer: Meleiza Figueroa

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



Figure 1.5 The 'Volcker shock': movements in the real rate of interest, US and France, 1960–2001
Source: Duménil and Lévy, *Capital Resurgent*.



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
- Intensified with the Reagan Doctrine (1981-1989)
 - 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

TABLE 1: 1980s LATIN AMERICA DEBT CRISIS AT A GLANCE

	Sovereign Default Year	Peak External Debt (% of GDP)	External Debt (Year Before Crisis, % of GDP)	Real GDP Growth in Year of Default
Argentina	1982	85.2	45.3	-3.2%
Brazil	1983	49.7	30.9	-3.4%
Chile	1983	124.0	40.0	-2.8%
Colombia	-	46.8	-	-
Mexico	1981	78.0	29.5	-0.7%
Peru	1984	147.3	59.3	4.6%
Venez.	1983	76.8	41.9	-0.2%

Sources – World Bank, Capital Economics

Latin American debt

In billions of dollars for 1985

Brazil \$103.2

Mexico \$95.8

Argentina \$48.3

Venezuela \$34.5

Chile \$21.2

Peru* \$13.3

Colombia \$10.6

Uruguay* \$4.9

Cuba \$3.25

*1984 figures

Chicago Tribune Graphic;
Sources: Wharton Economic Forecasting Associates, World Bank

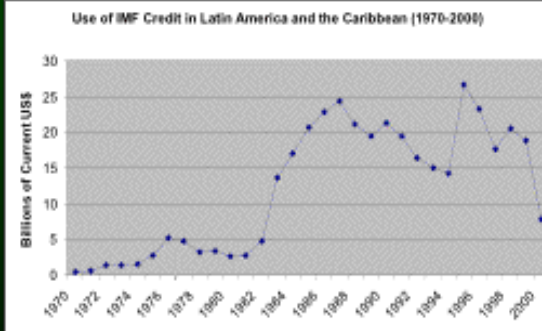
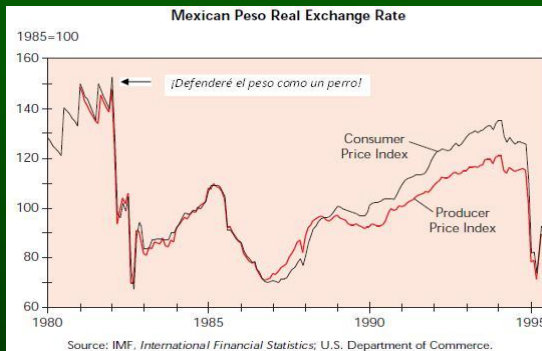
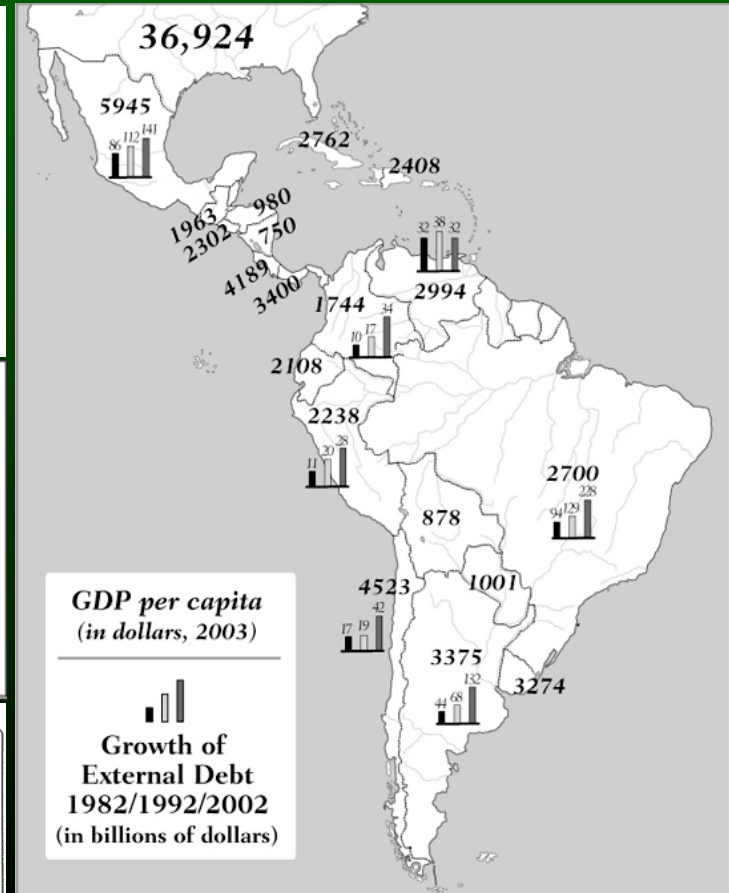
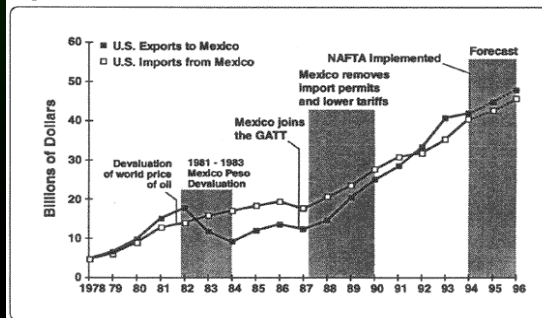


Figure 2. U.S.-Mexico Trade



GDP per capita
(in dollars, 2003)

Growth of
External Debt
1982/1992/2002
(in billions of dollars)

Neoliberal
Economies

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

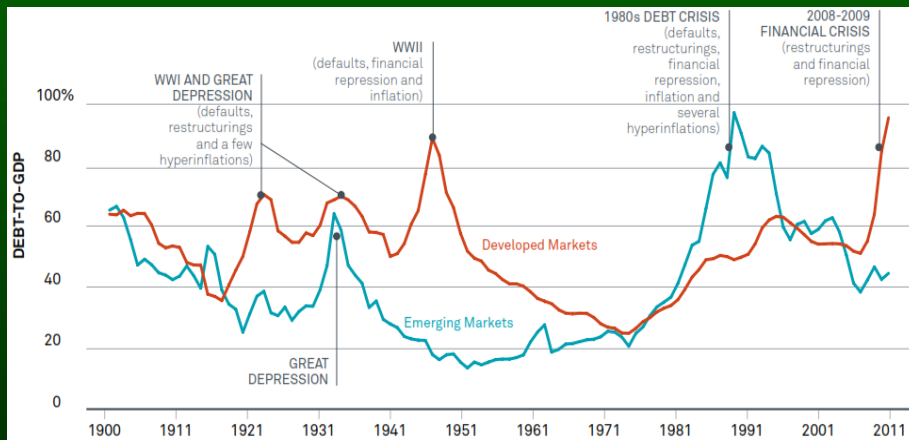


Figure 4. IMF Financing Arrangements in Effect, 1953-90

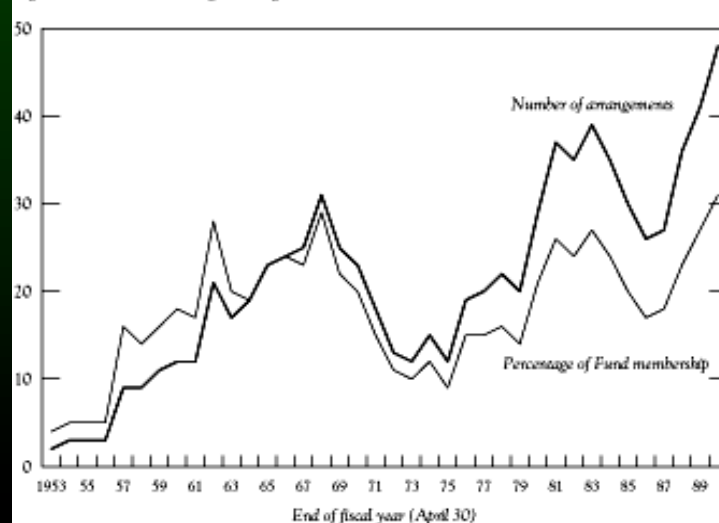
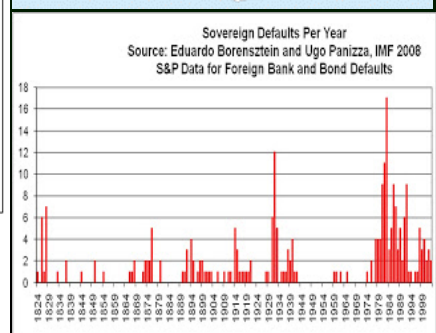
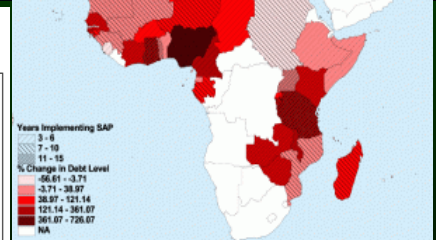
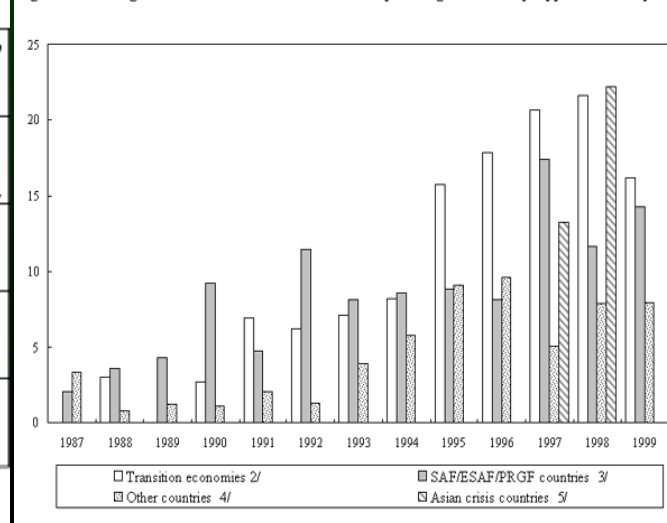
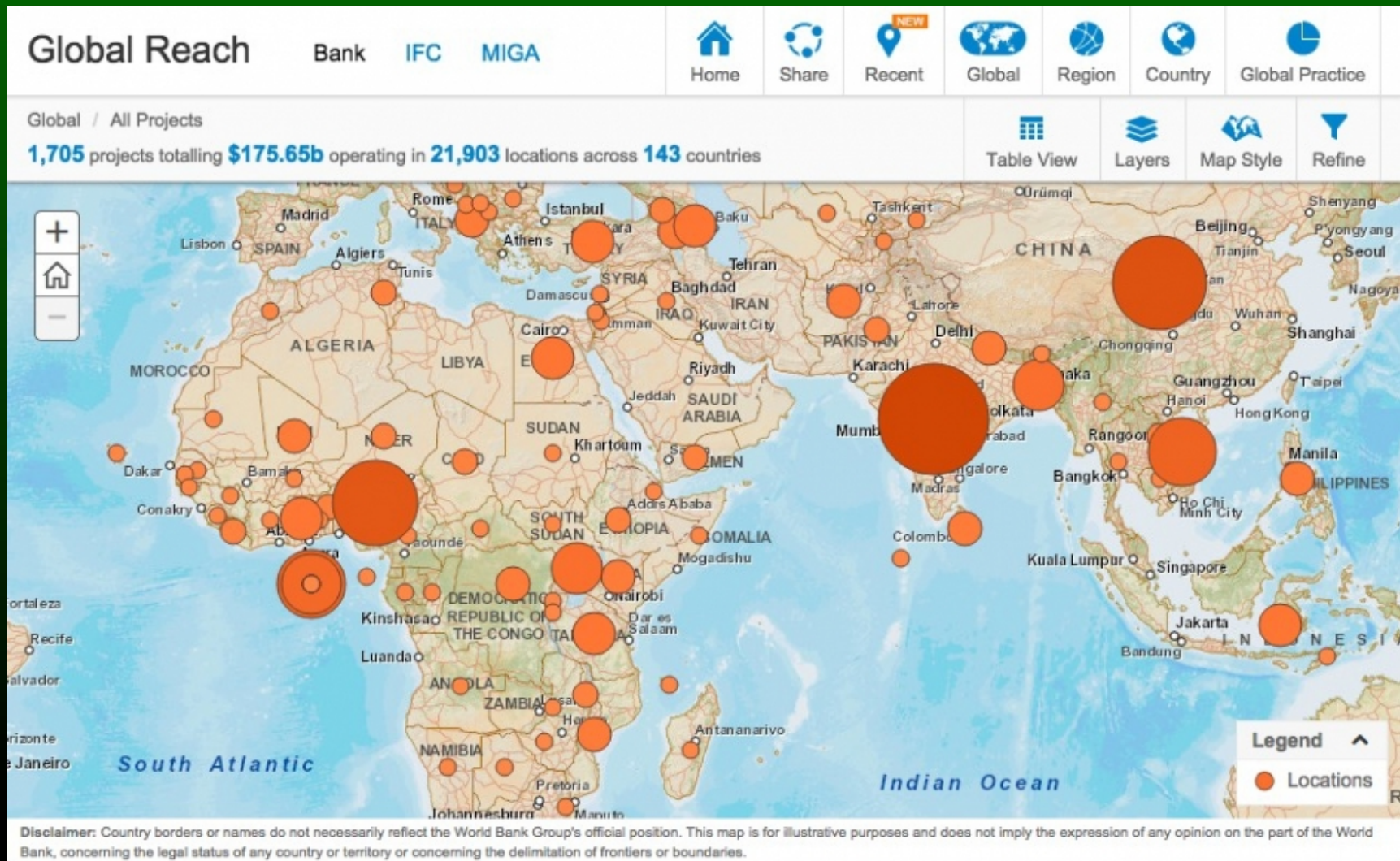


Figure 2. Average Number of Structural Conditions per Program Year by Type of Country1/



NEOLIBERALISM GOES GLOBAL: world bank development loans in the global south



IF MERKEL SAYS
'TAKE A BREAK'...

**YOU WILL
TAKE A
BREAK!!!**

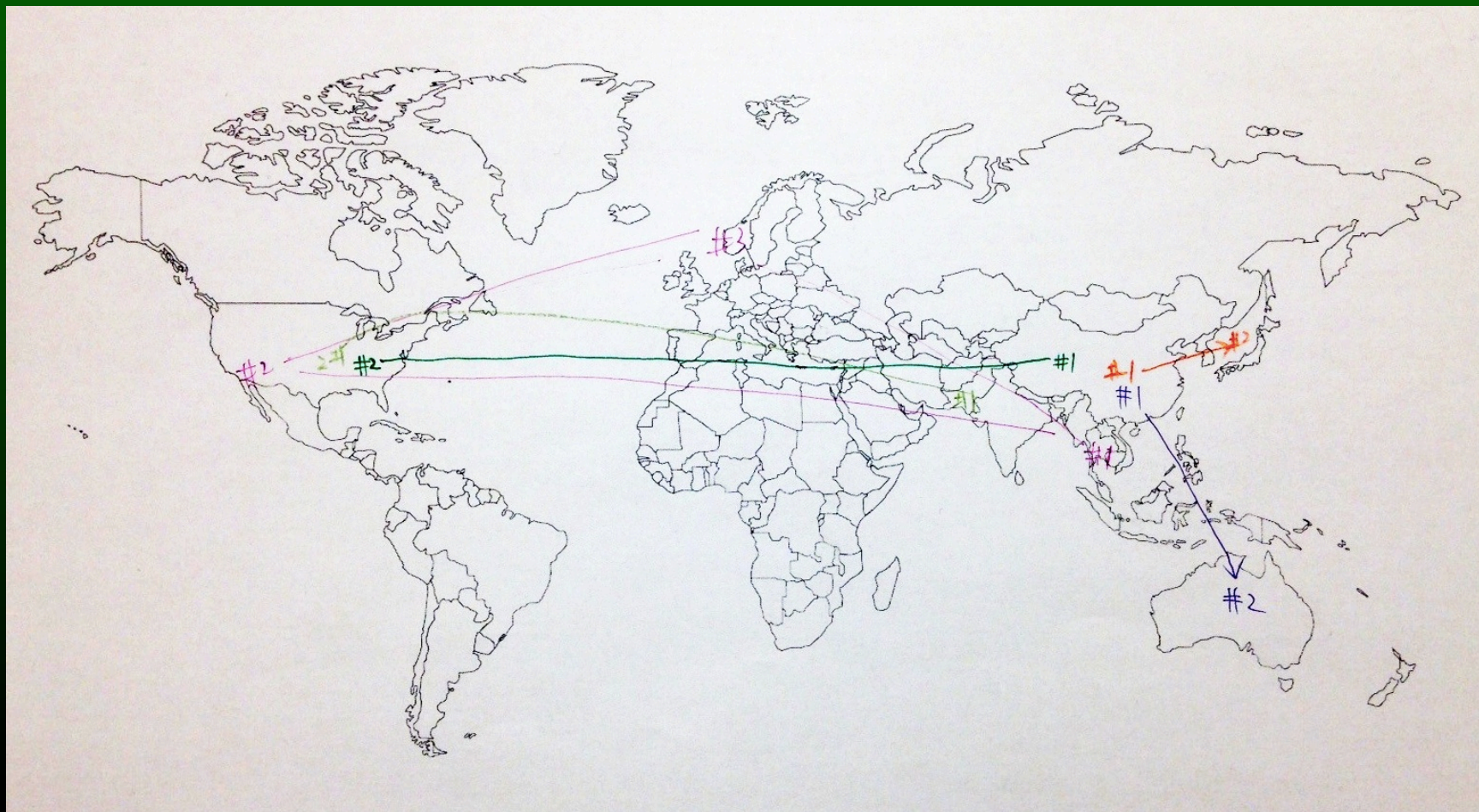


GROUP EXERCISE

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 → #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 → #3.

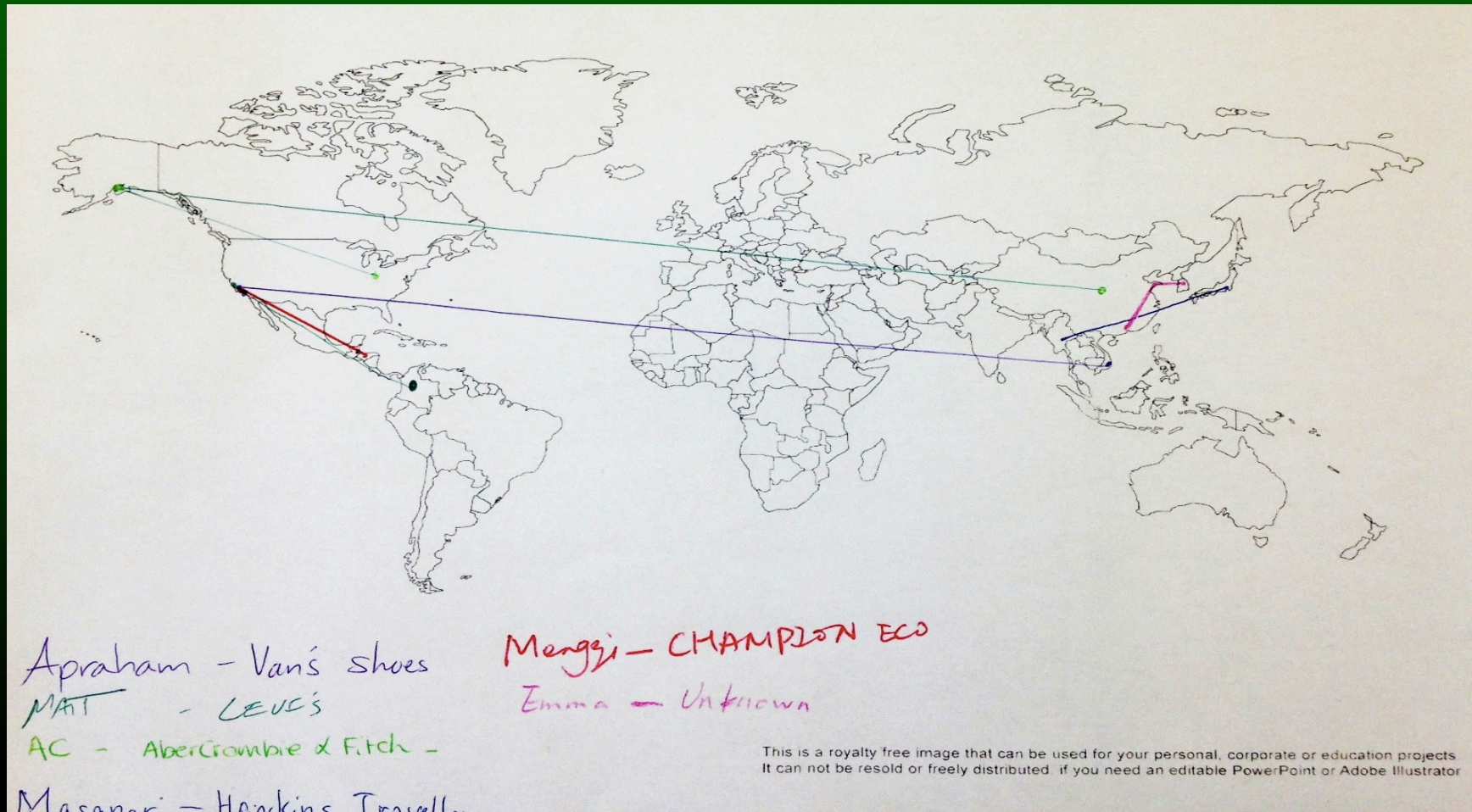
Group 1



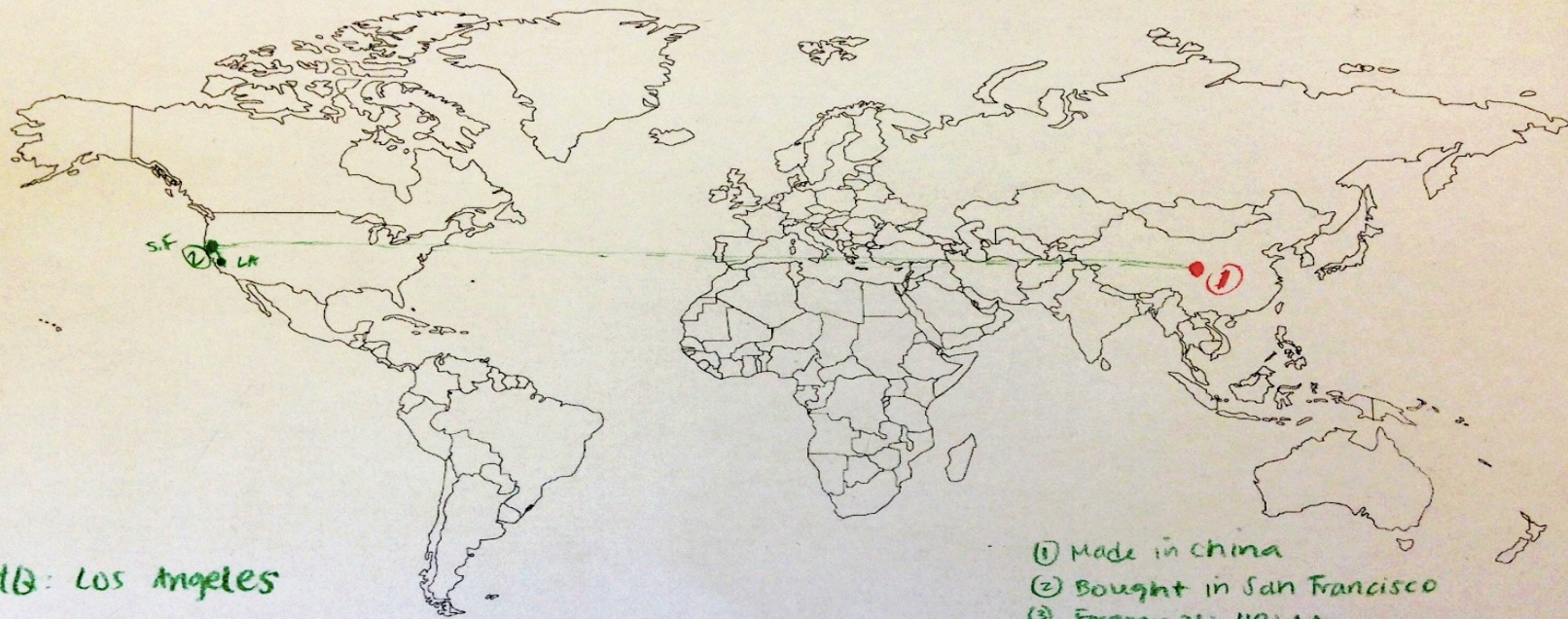
Group 2



Group 3



Group 4



- HQ: Los Angeles

Forever 21 - founded in 1984.

- violates labor issue = receive less than min. wage,
a lot of copyright issues, clothing's products creates a health hazard.

- 60% of clothings are made in China

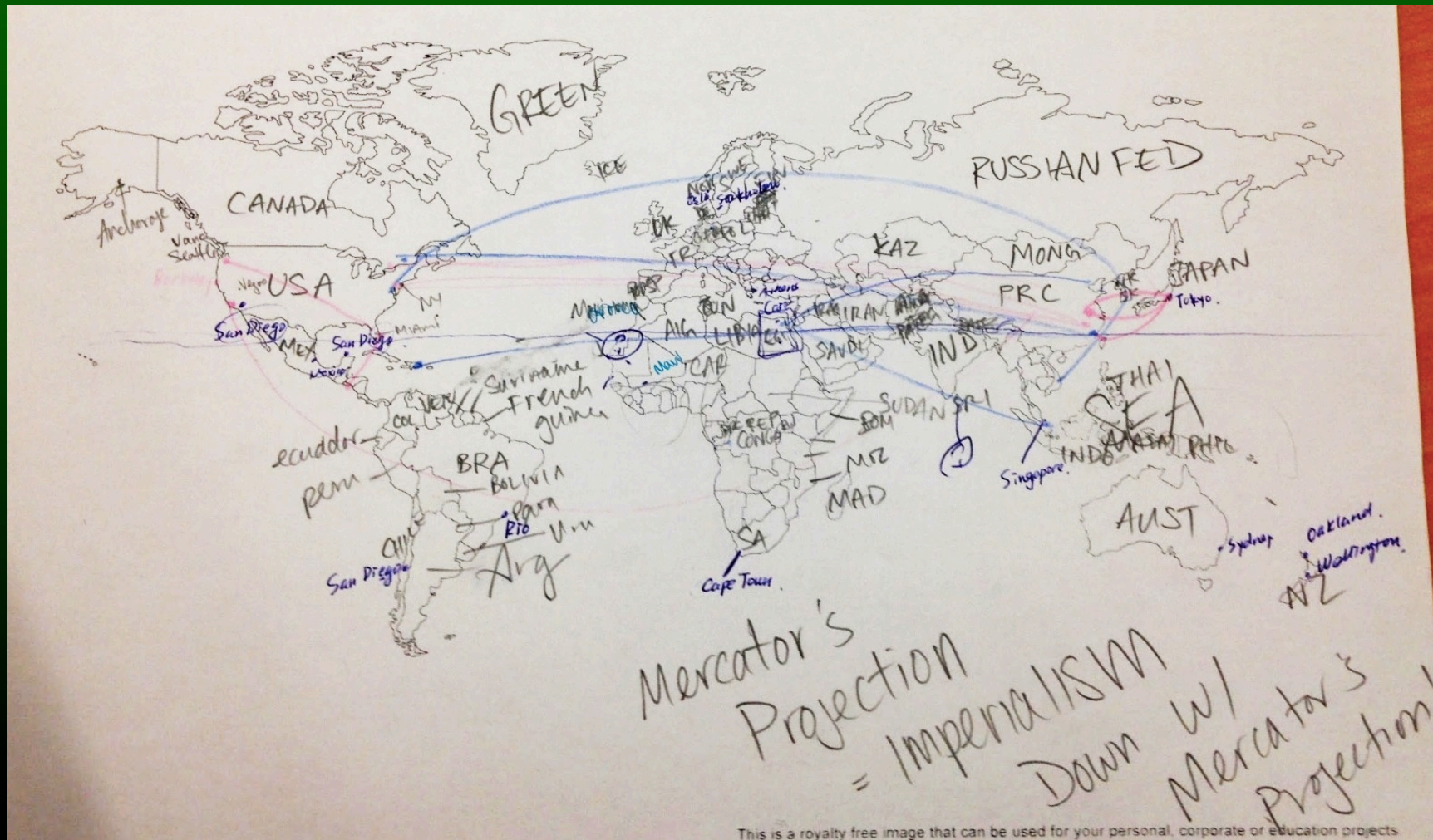
- Became an international retailer in 2001

- ① Made in China
- ② Bought in San Francisco
- ③ Forever 21, HQ: LA

~~Forever 21~~

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Group 5



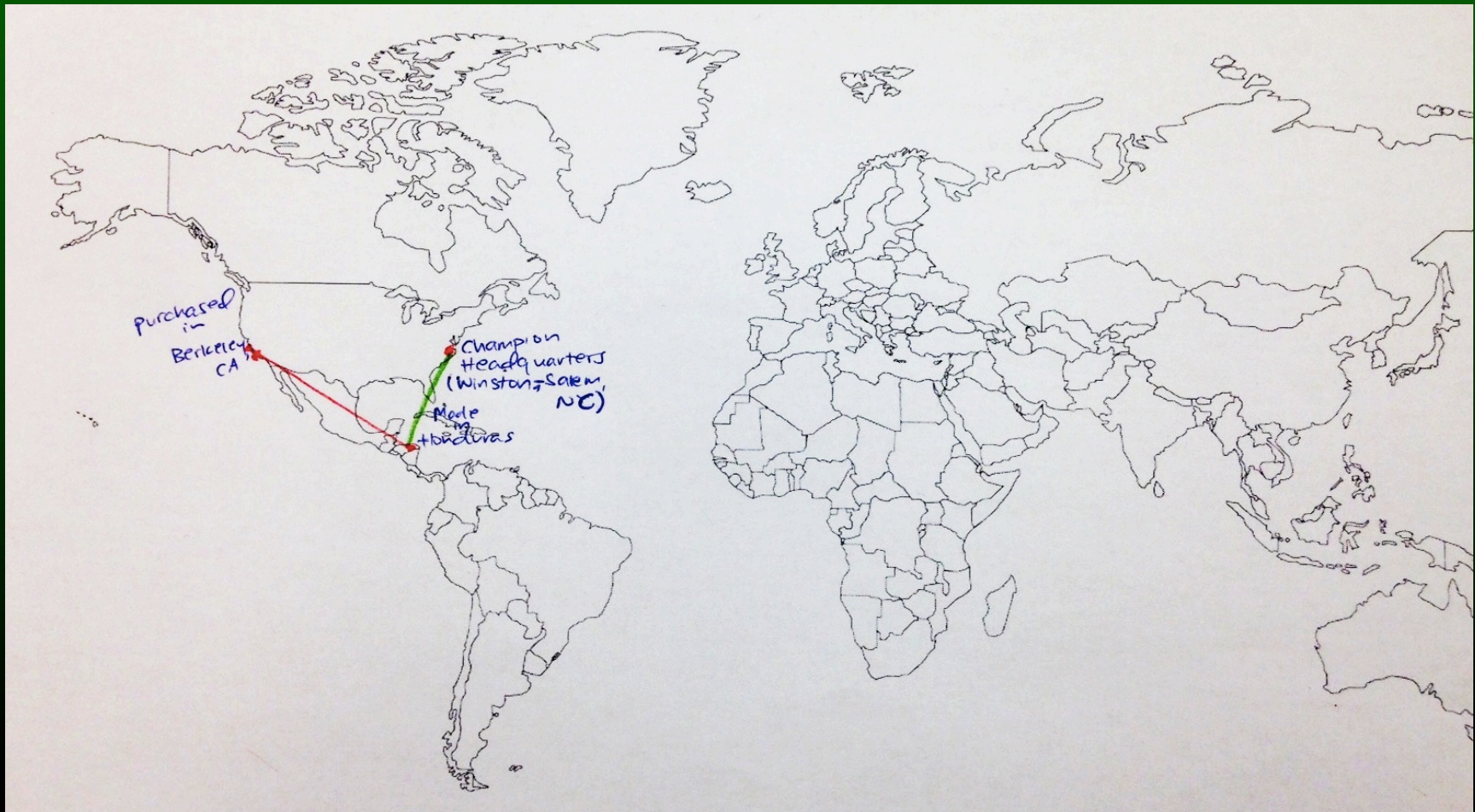
Group 6



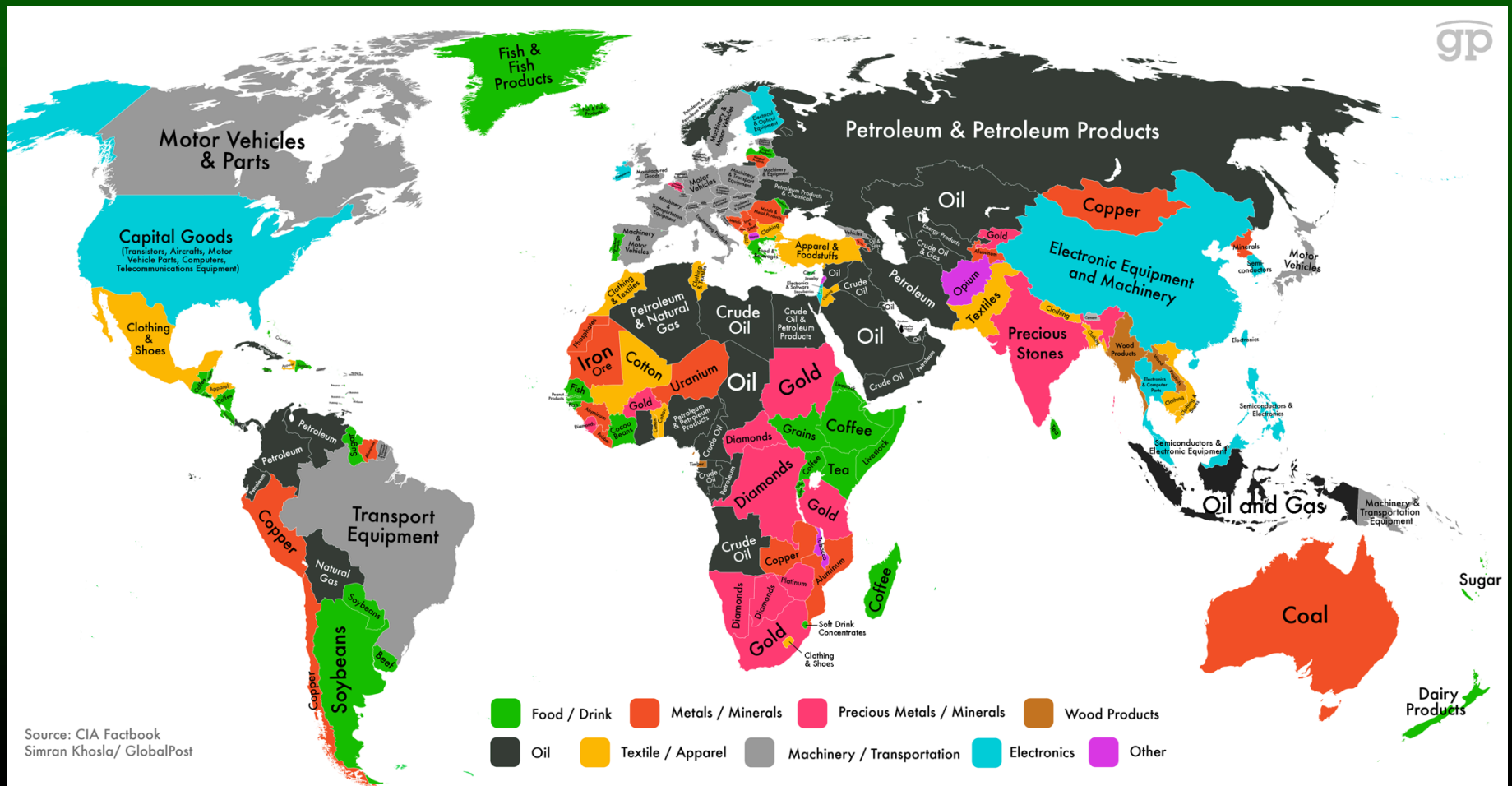
Group 7



Group 8



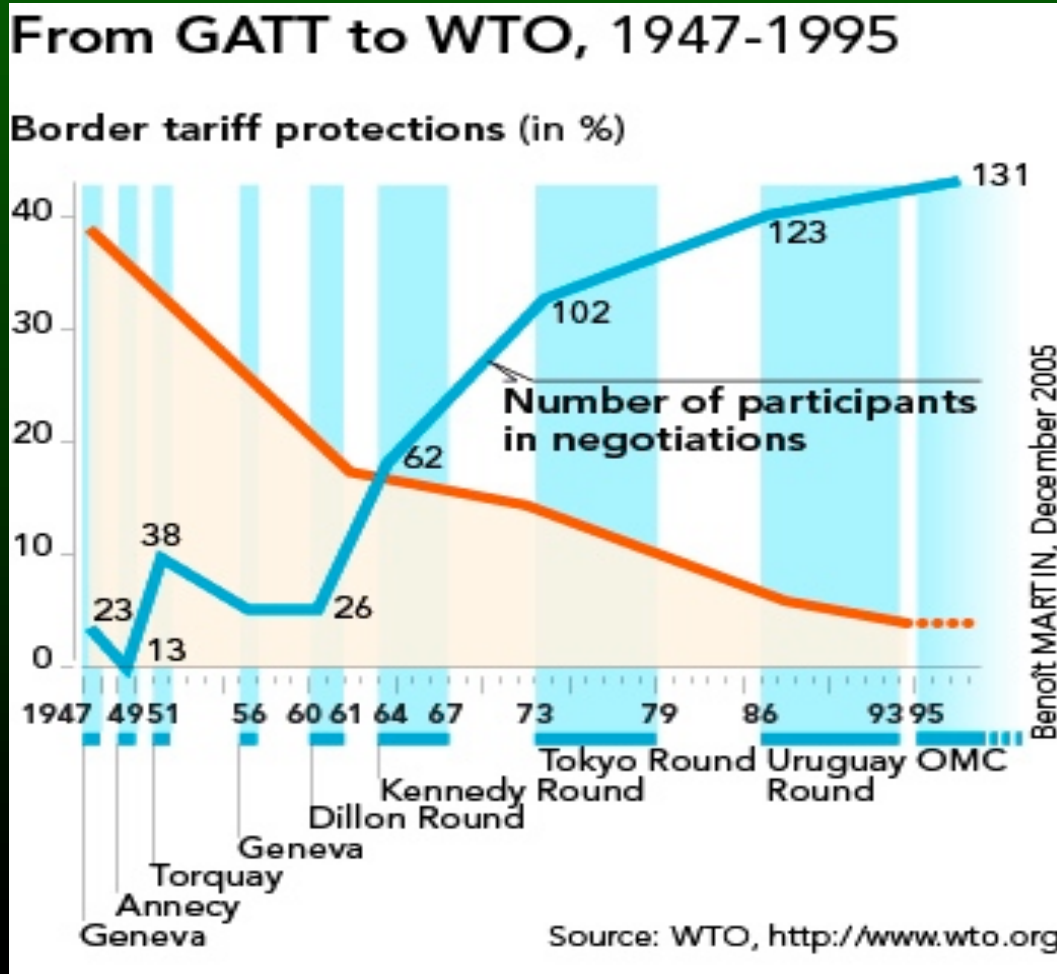
Important Commodity Regions (CIA Factbook)



How other Americans see it (LOL)



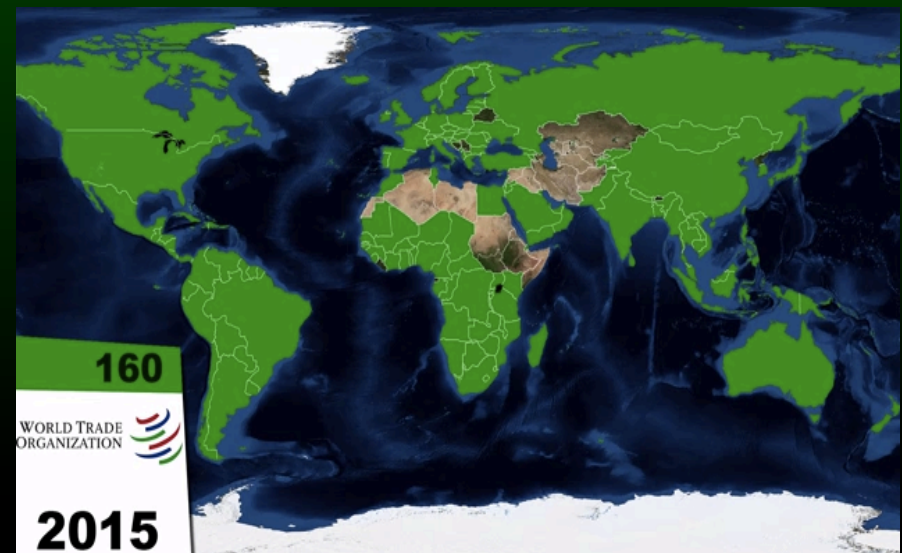
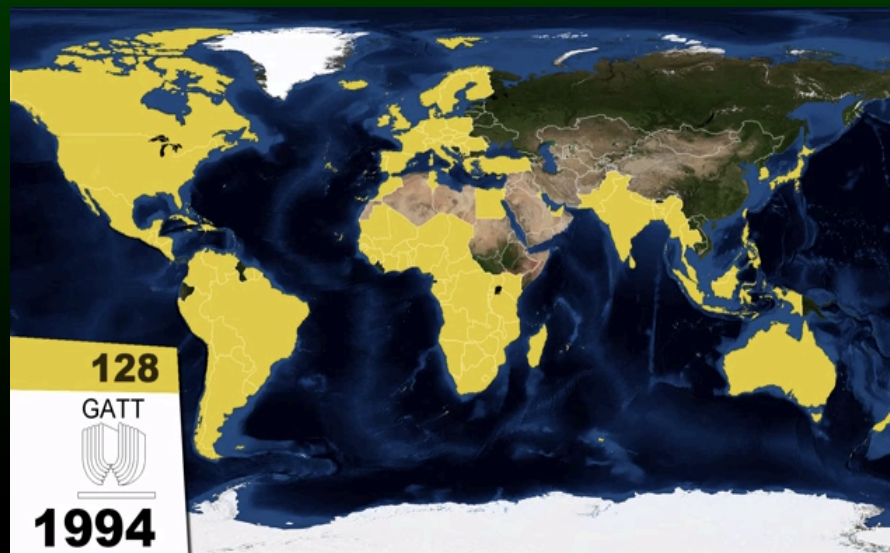
The meteoric rise of Free Trade & WTO



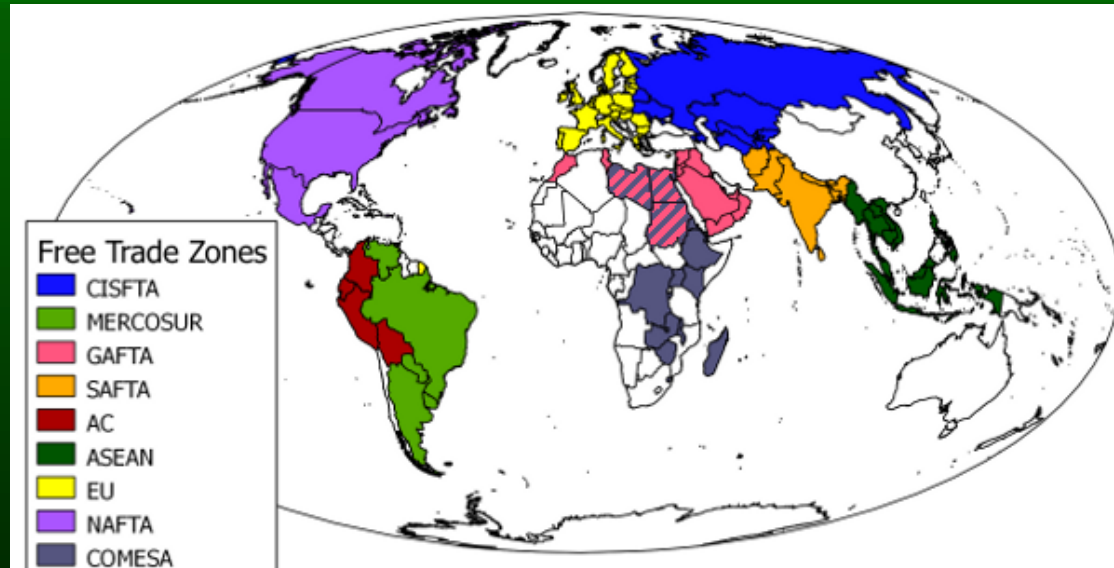
GATT = General Agreement on Trade and Tariffs (Bretton Woods)

WTO = World Trade Organization

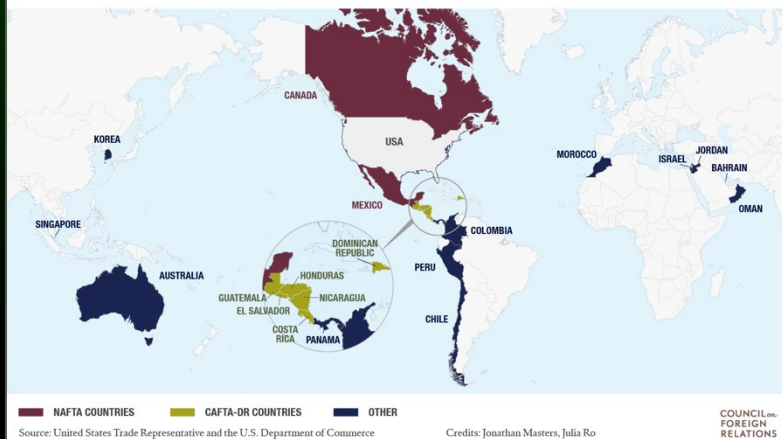
GATT → WTO membership



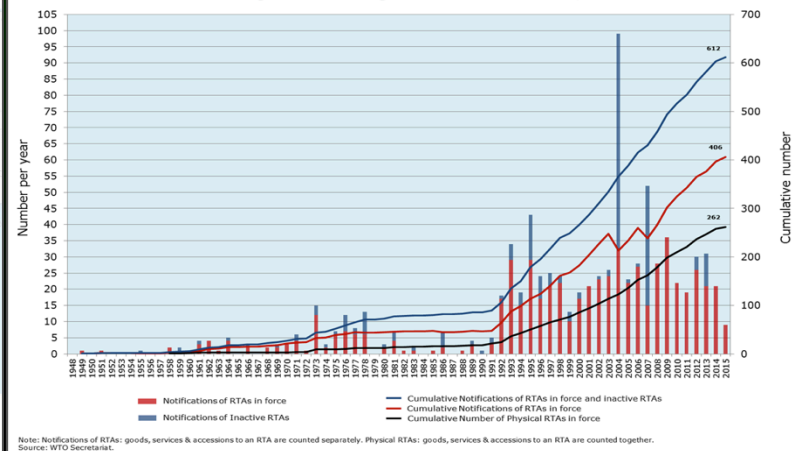
Regional Free Trade Agreements



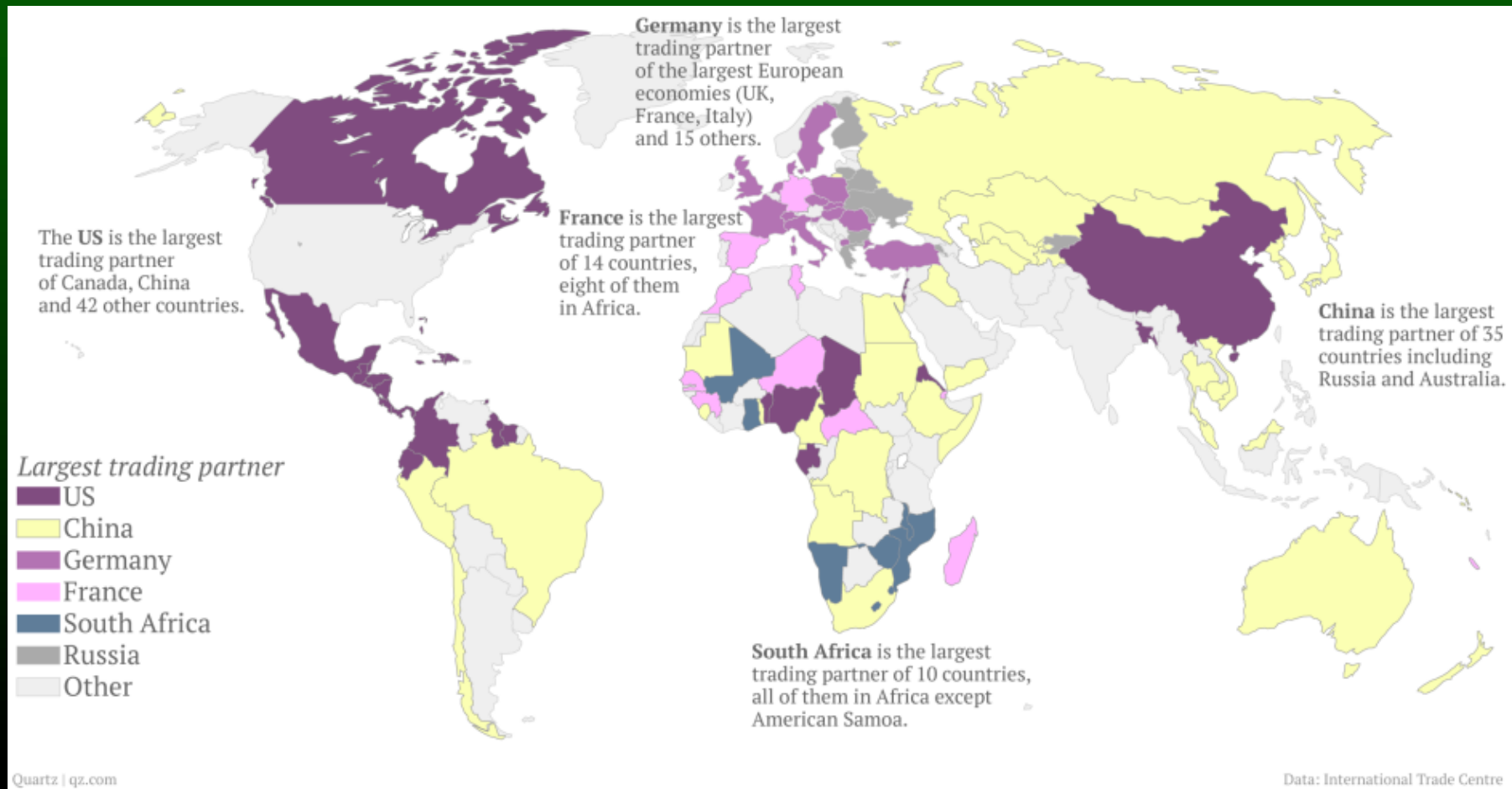
U.S. FREE TRADE AGREEMENTS (FTAS)



Evolution of Regional Trade Agreements in the world, 1948-2015



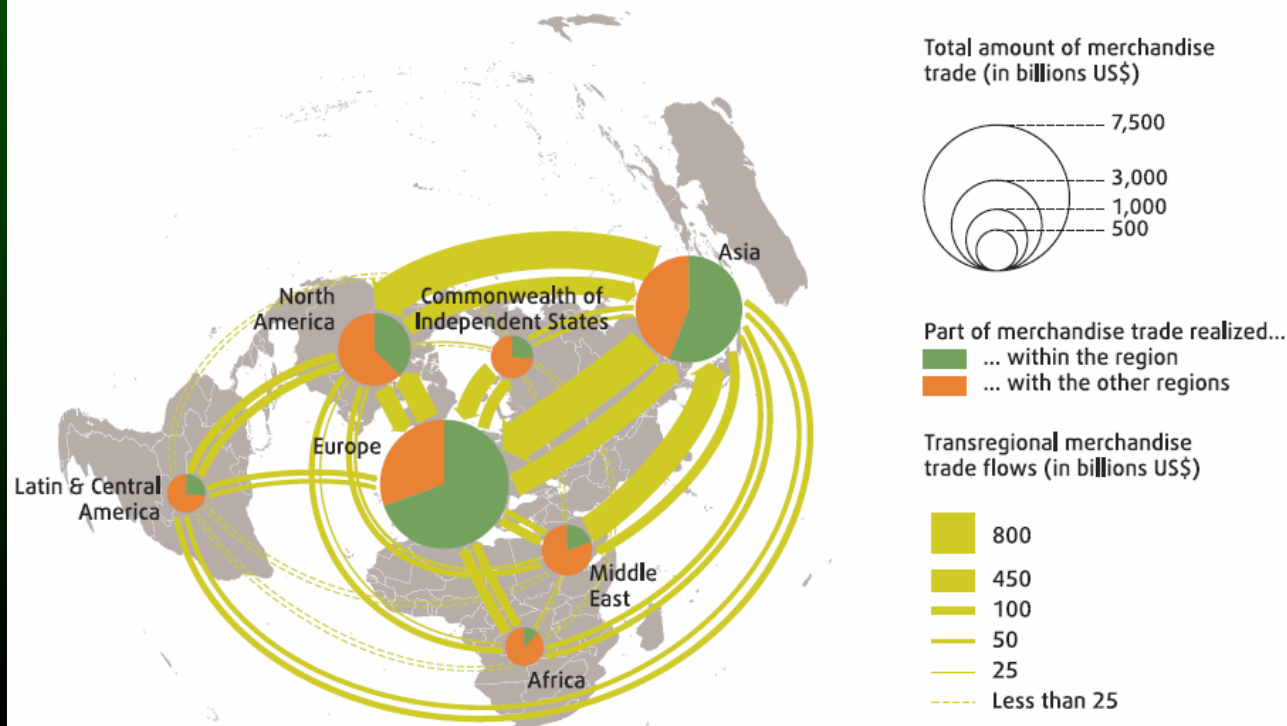
'Poles' of Global Commodity Trade



Europe-Centered Commodity Trade

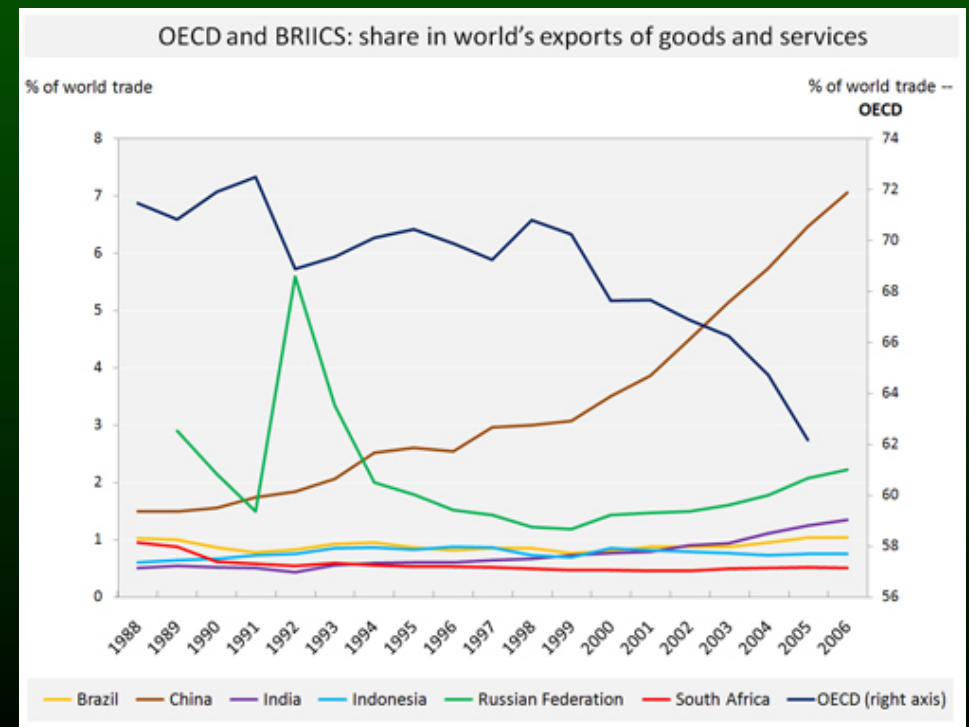
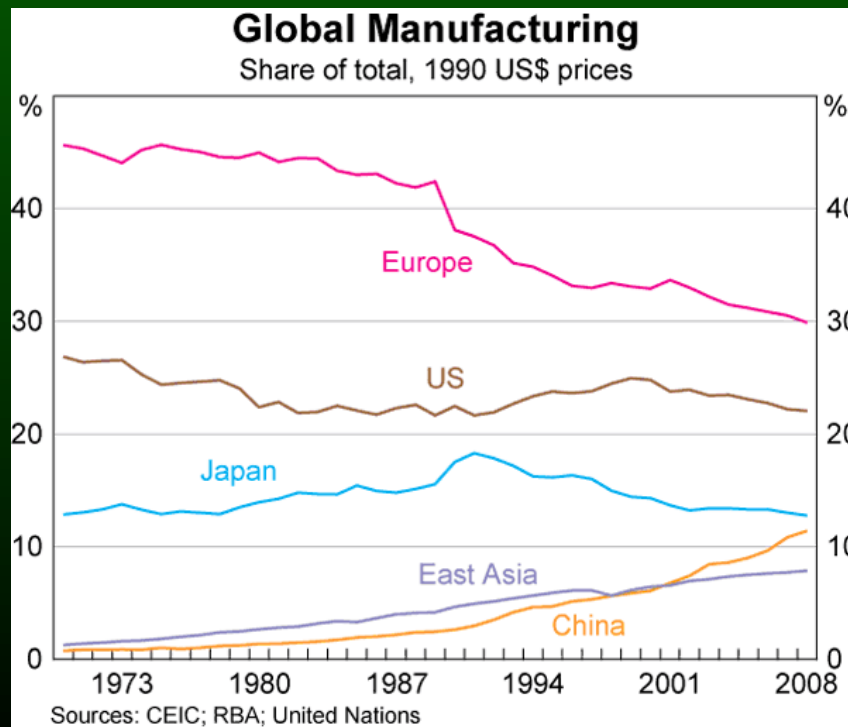
Manufacturing of machinery, industrial equipment, other durable goods (especially Germany) – import oil, raw materials; export to manufacturing nations (China)

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

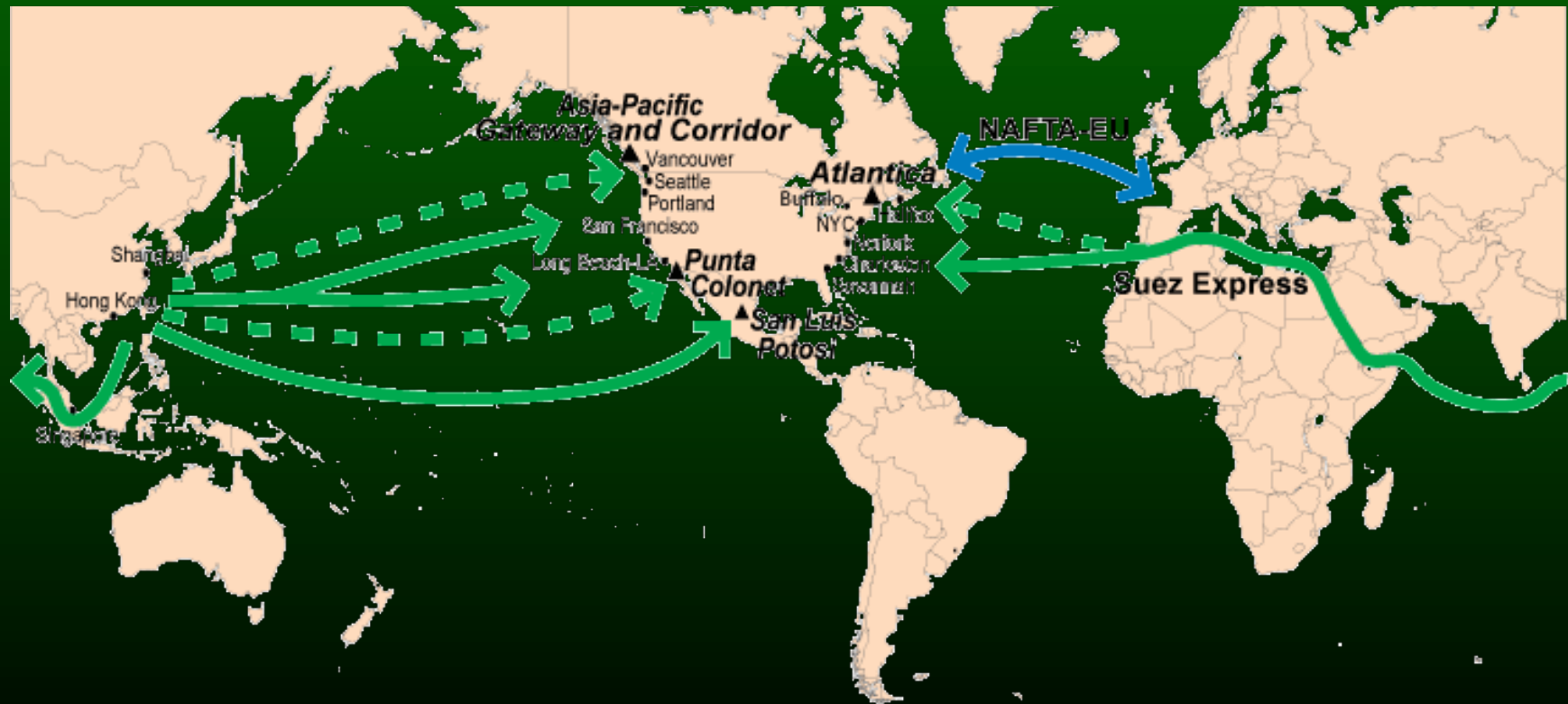


Source: World Bank staff, based on WTO (2009); see chapter 2.

Trends in Manufacturing & Trade: Rise of BRICS/Asian Tigers



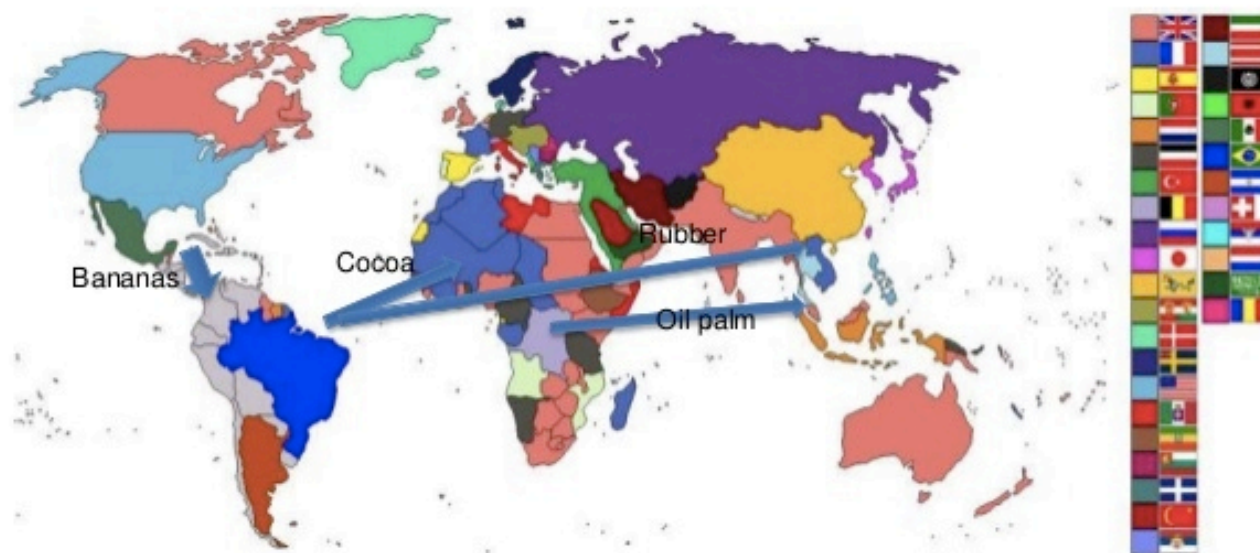
Global Manufacturing: Free Trade/Special Economic Zones



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

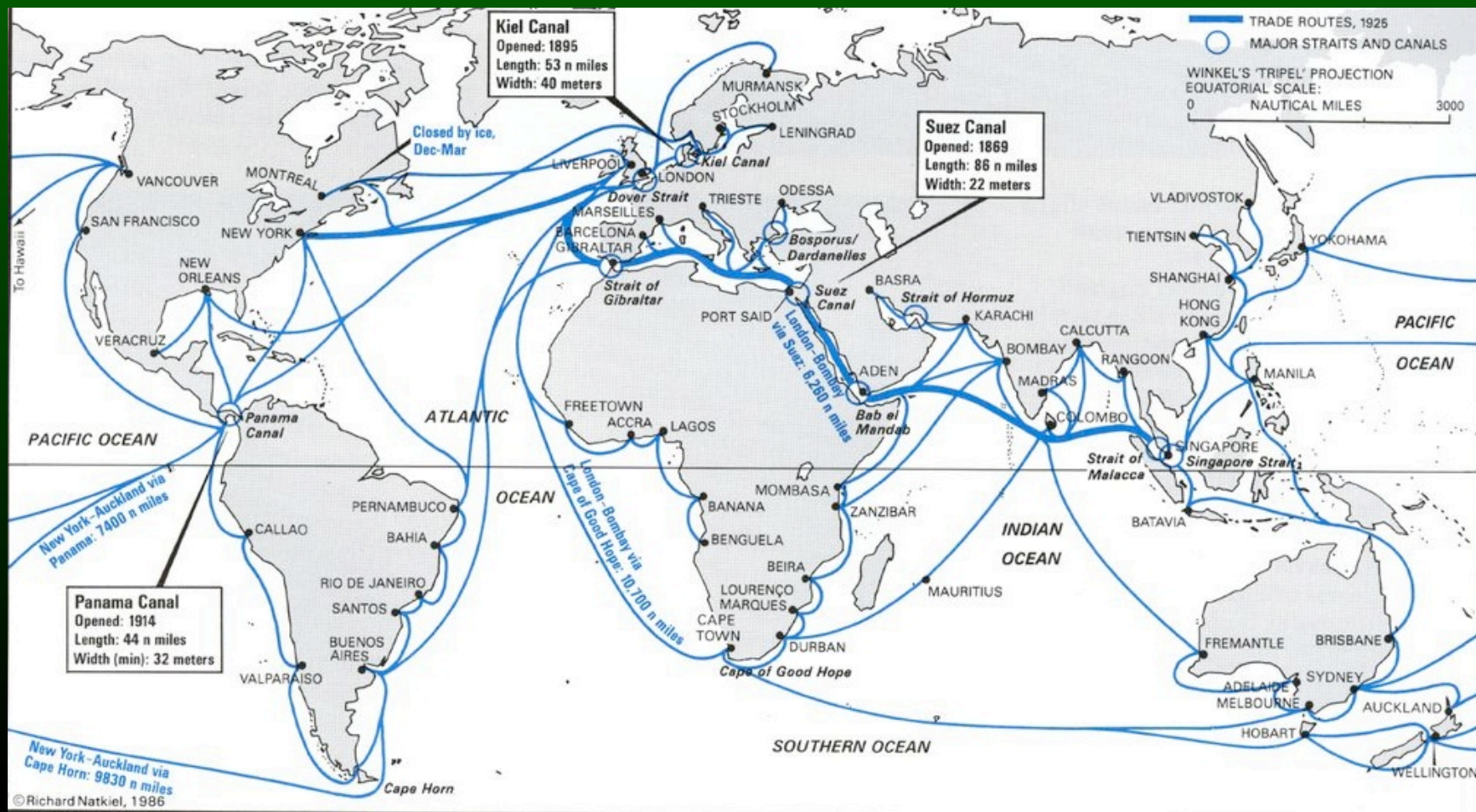
Source: Byerlee and Rueda, 2013

Center for International Forestry Research



Global Commodity Transport: Logistics and 'Choke Points'

(*In reader: Bernes)

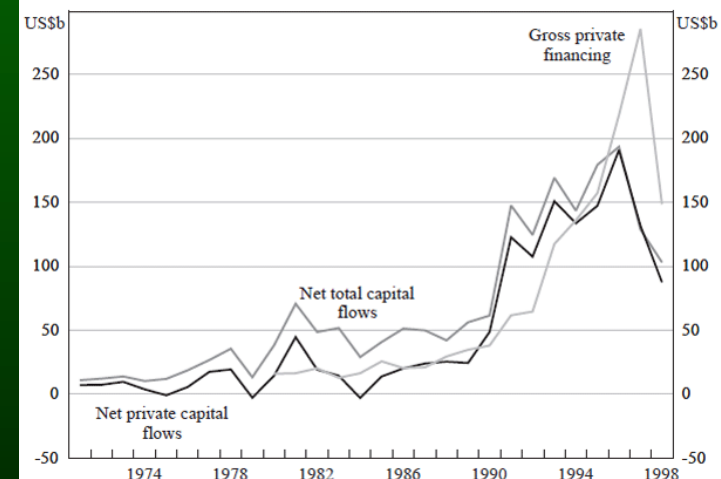


Global Capital Flows: Foreign Direct Investment (FDI)

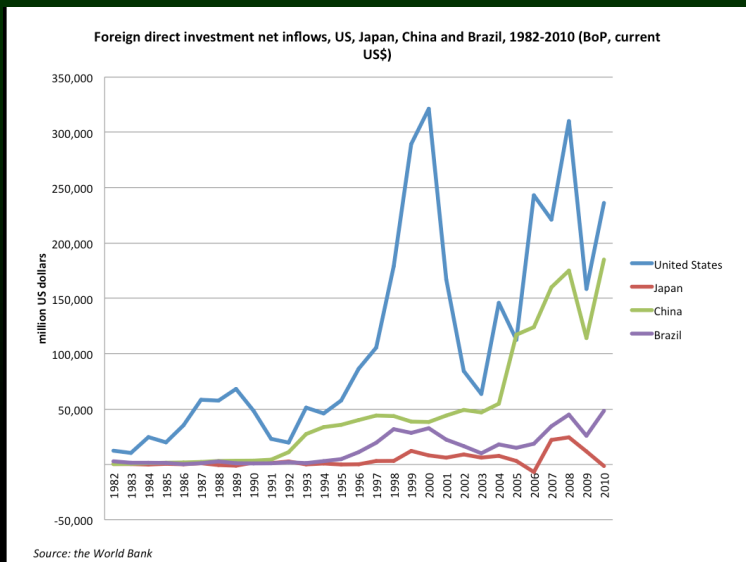
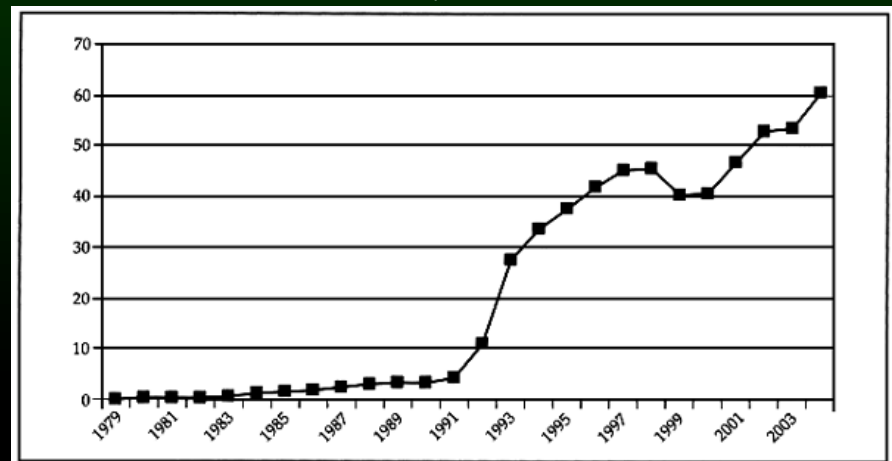
	Selected Years									
FDI Inflows (%)	1970	1975	1980	1985	1990	1995	2000	2005	2010	
Brazil	2.94	4.53	3.53	2.54	0.48	1.29	2.34	1.53	3.90	
China	NA	NA	0.11	3.50	1.68	10.96	2.90	7.37	8.50	
India	0.34	0.32	0.15	0.19	0.11	0.63	0.26	0.78	1.98	
Russian Federation	NA	NA	NA	NA	NA	0.60	0.19	1.31	3.31	
South Africa	2.50	0.71	-0.02	-0.80	-0.04	0.36	0.06	0.68	0.13	
FDI Outflows (%)										
Brazil	0.01	0.38	0.71	0.13	0.26	0.30	0.19	0.29	0.87	
China	NA	NA	NA	1.01	0.34	0.55	0.07	1.39	5.14	
India	0.00	0.00	0.01	0.01	0.00	0.03	0.04	0.34	1.11	
Russian Federation	NA	NA	NA	NA	NA	0.17	0.26	1.45	3.91	
South Africa	0.12	0.44	1.46	0.08	0.01	0.69	0.02	0.11	0.03	

Source: UNCTAD (2010).

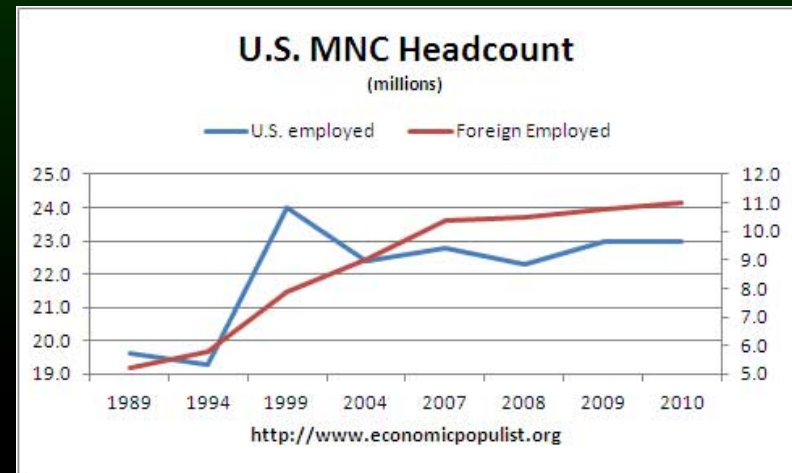
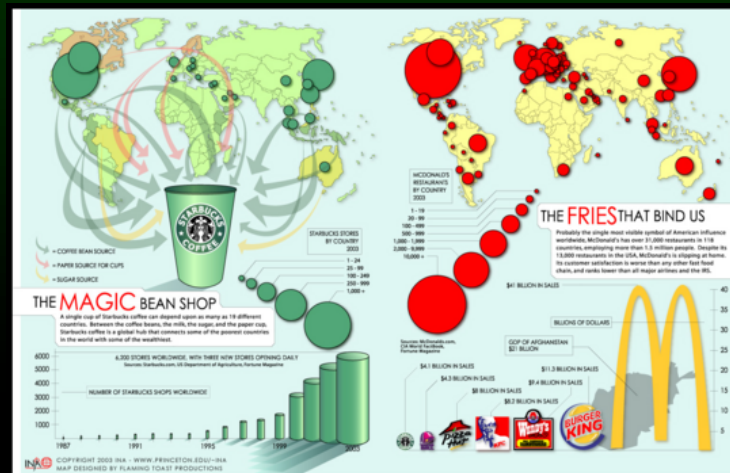
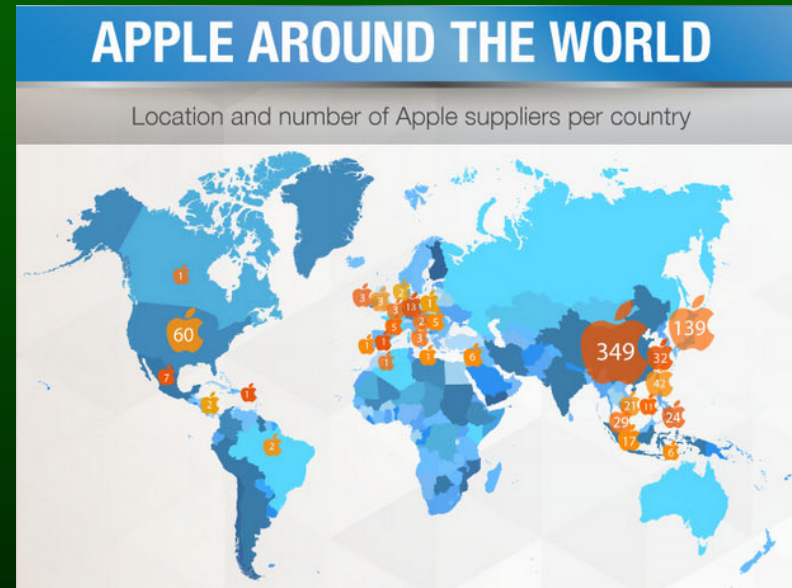
Figure 2: Developing Countries: Total and Private Capital Flows



FDI in China, 1979-2005

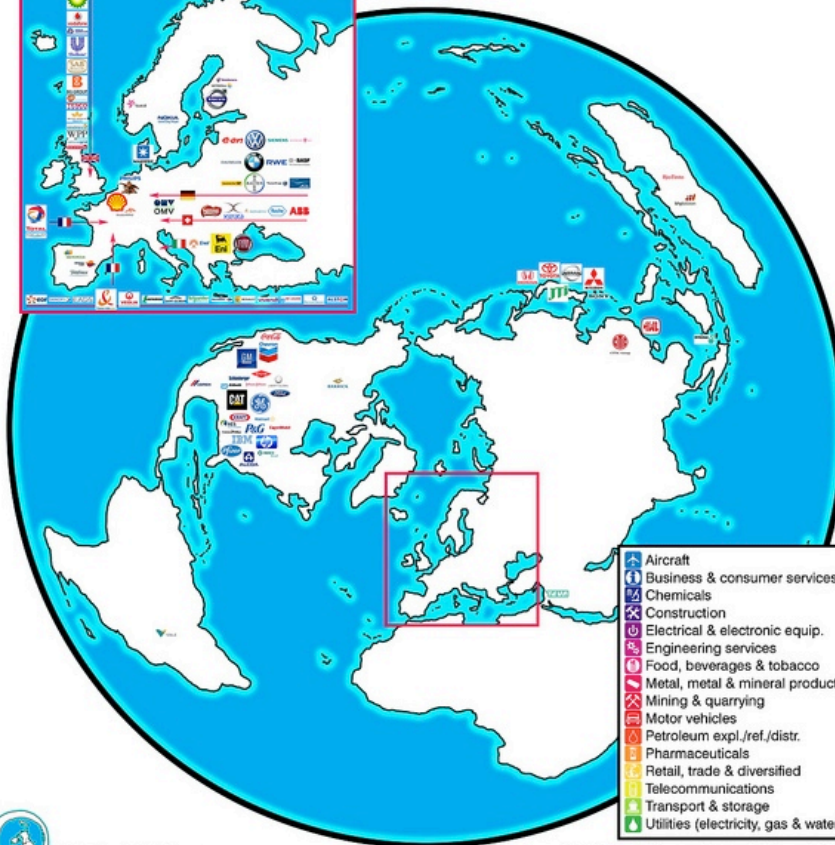


Multinational Corporations (MNCs)



Transnational Corporations (TNCs)

TRANSNATIONAL CORPORATIONS



Stephens Planning & Design LLC

Source: United Nations Conference on Trade and Development, 2011

1	General Electric Co	\$502,612
2	Royal Dutch Shell PLC	296,449
3	BP PLC	263,577
4	Exxon Mobil Corp	214,231
5	Toyota Motor Corp	214,117
6	Total SA	211,314
7	GDF Suez	194,422
8	Vodafone Group PLC	171,941
9	Enel SpA	153,665
10	Telefonica SA	147,903
11	Chevron Corp	139,816
12	E.ON AG	133,006
13	Eni SpA	122,081
14	ArcelorMittal	117,023
15	Nestlé SA	116,130
16	Volkswagen Group	115,081
17	Siemens AG	112,356
18	Anheuser-Busch InBev NV	106,336
19	Honda Motor Co Ltd	105,151
20	Deutsche Telekom AG	102,047
21	Pfizer Inc	100,394
22	Mitsubishi Corp	98,171
23	EDF SA	95,001
24	Daimler AG	94,157
25	Iberdrola SA	88,048
26	Sanofi	85,768
27	Fiat SpA	85,238
28	ConocoPhillips	82,683
29	BMW AG	79,351
30	EADS NV	77,793
31	Hutchison Whampoa Ltd	77,291
32	General Motors Co	77,092
33	Ford Motor Co	76,998
34	Wal-Mart Stores Inc	74,660
35	Sony Corp	73,839
36	France Telecom SA	73,082
37	Nissan Motor Co Ltd	71,912
38	Xstrata PLC	71,771
39	Procter & Gamble Co	68,077
40	Anglo American PLC	68,036
41	RWE AG	66,384
42	Rio Tinto PLC	65,723
43	Statoil ASA	65,556
44	Hewlett-Packard Co	64,969
45	Novartis AG	64,548
46	Unilever PLC	59,897
47	Repsol YPF SA	58,336
48	Johnson & Johnson	58,243
49	IBM Corp	57,819
50	BASF SE	55,377

Foreign Assets
(Millions)

51	SABMiller PLC	\$55,112
52	Kraft Foods Inc	54,439
53	CITIC Group	53,251
54	Veolia Environnement SA	52,657
55	Roche Group	52,643
56	BG Group PLC	52,623
57	Lafarge SA	52,244
58	Vattenfall AB	51,940
59	Compagnie de Saint-Gobain	49,786
60	GlaxoSmithKline PLC	48,283
61	Vale SA	48,045
62	Barrick Gold Corp	46,605
63	AP Moller - Maersk A/S	46,035
64	Schneider Electric SA	45,629
65	Nokia OYJ	44,767
66	BHP Billiton Group Ltd	41,158
67	Tesco PLC	41,084
68	British American Tobacco	40,922
69	Deutsche Post AG	40,739
70	Volvo AB	40,637
71	ThyssenKrupp AG	40,354
72	Carrefour SA	39,710
73	Caterpillar Inc	39,645
74	Bayer AG	39,206
75	Linde AG	37,911
76	Teva Pharmaceutical Ind	37,840
77	Koninklijke Philips Electronics	37,658
78	AstraZeneca PLC	37,078
79	The Coca-Cola Co	36,917
80	Renault SA	36,531
81	Merck & Co	36,453
82	Liberty Global Inc	35,873
83	Petronas—Petroliam Nasional	35,511
84	Vivendi SA	35,482
85	Dow Chemical Co	34,606
86	Cemex SAB de CV	34,601
87	Schlumberger Ltd	34,493
88	Abbott Laboratories	34,080
89	WPP PLC	33,157
90	Japan Tobacco Inc	32,789
91	OMV AG	32,447
92	ABB Ltd	32,116
93	National Grid PLC	31,771
94	Air Liquide SA	31,635
95	TeliaSonera AB	31,294
96	Pernod-Ricard SA	31,246
97	Alcoa Inc	30,671
98	Alstom SA	30,651
99	AES Corp	30,449
100	BAE Systems	29,783

Foreign Assets
(Millions)

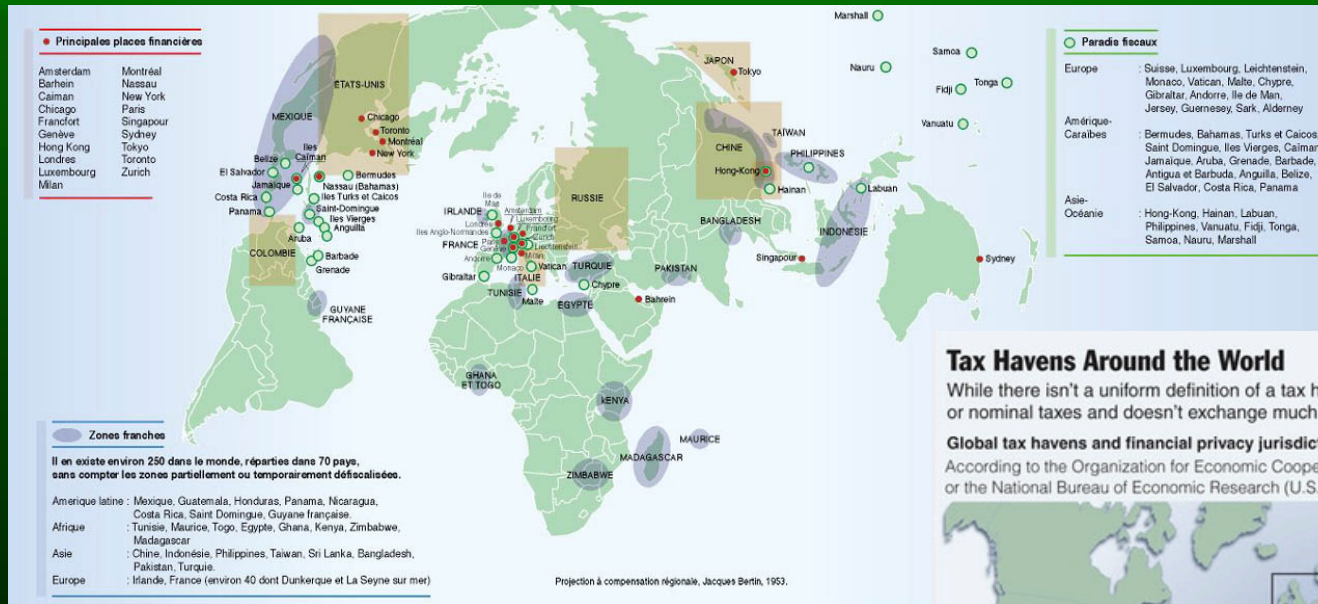
Capital Flows: Corporate Profits

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

Capital (non)Flows: Offshore Tax Havens



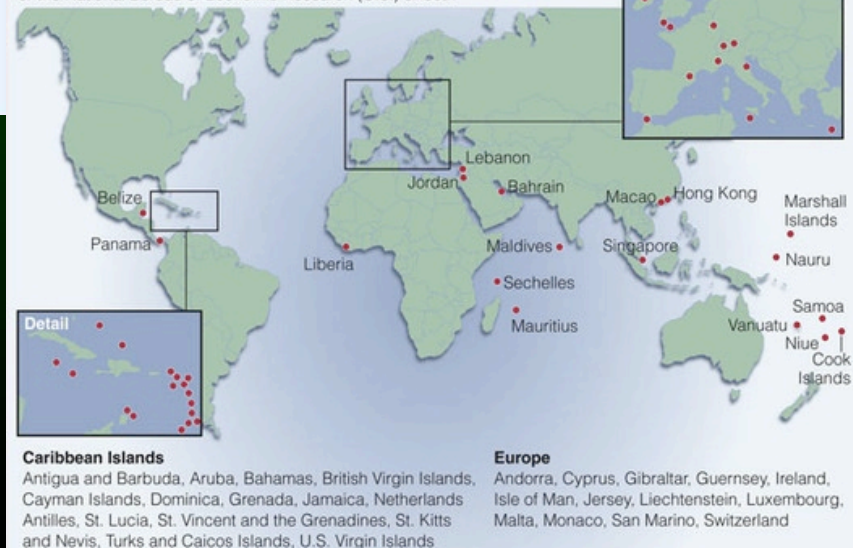
Around \$13 trillion in non-productive capital (cash, valuable goods) stashed in tax havens

Tax Havens Around the World

While there isn't a uniform definition of a tax haven, it's often described as a jurisdiction that has no or nominal taxes and doesn't exchange much information with foreign tax authorities.

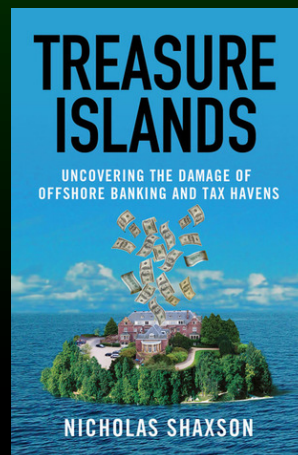
Global tax havens and financial privacy jurisdictions

According to the Organization for Economic Cooperation and Development or the National Bureau of Economic Research (U.S.) or both

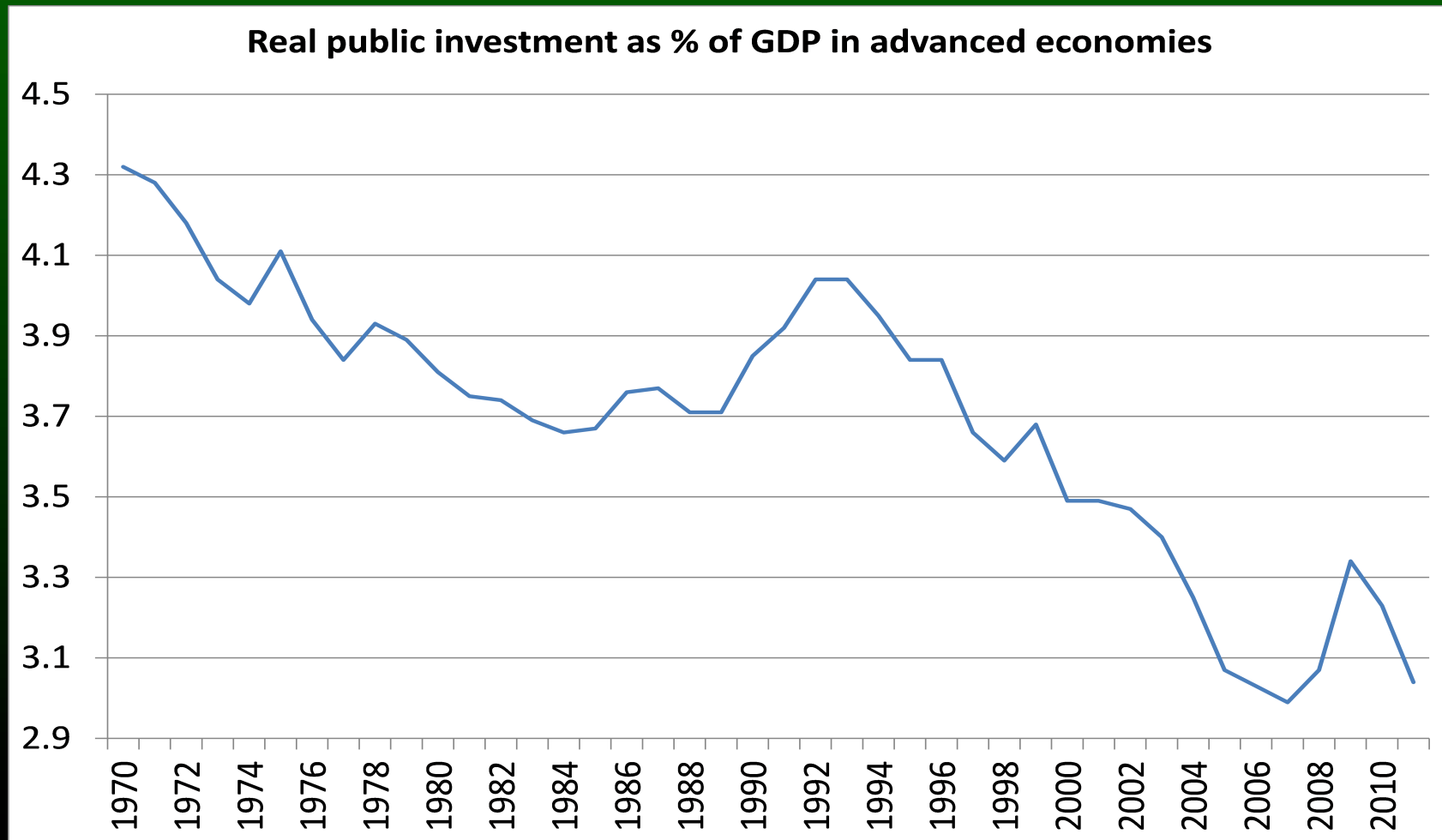


Interesting book re tax havens:

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



Privatization & Public Spending Cuts



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

