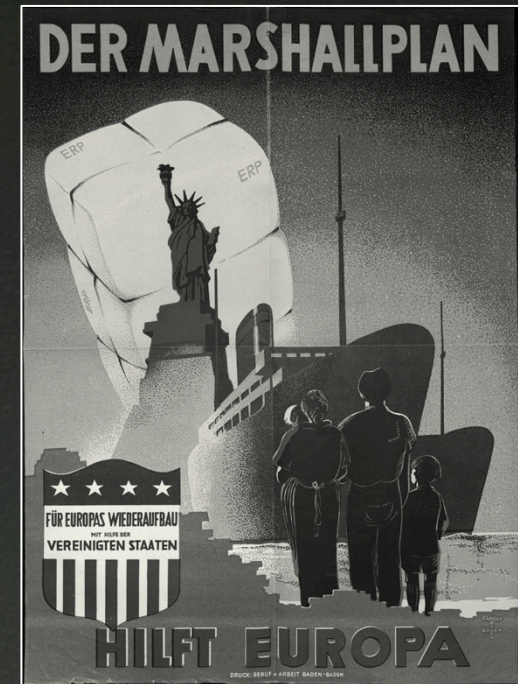
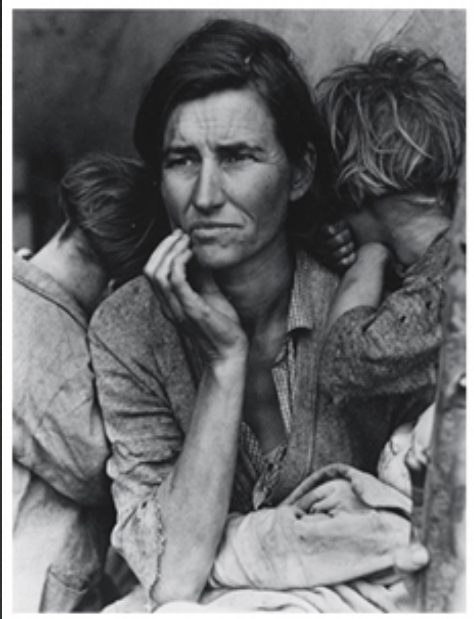


Geography N20

Week 2 – 7/15/2015

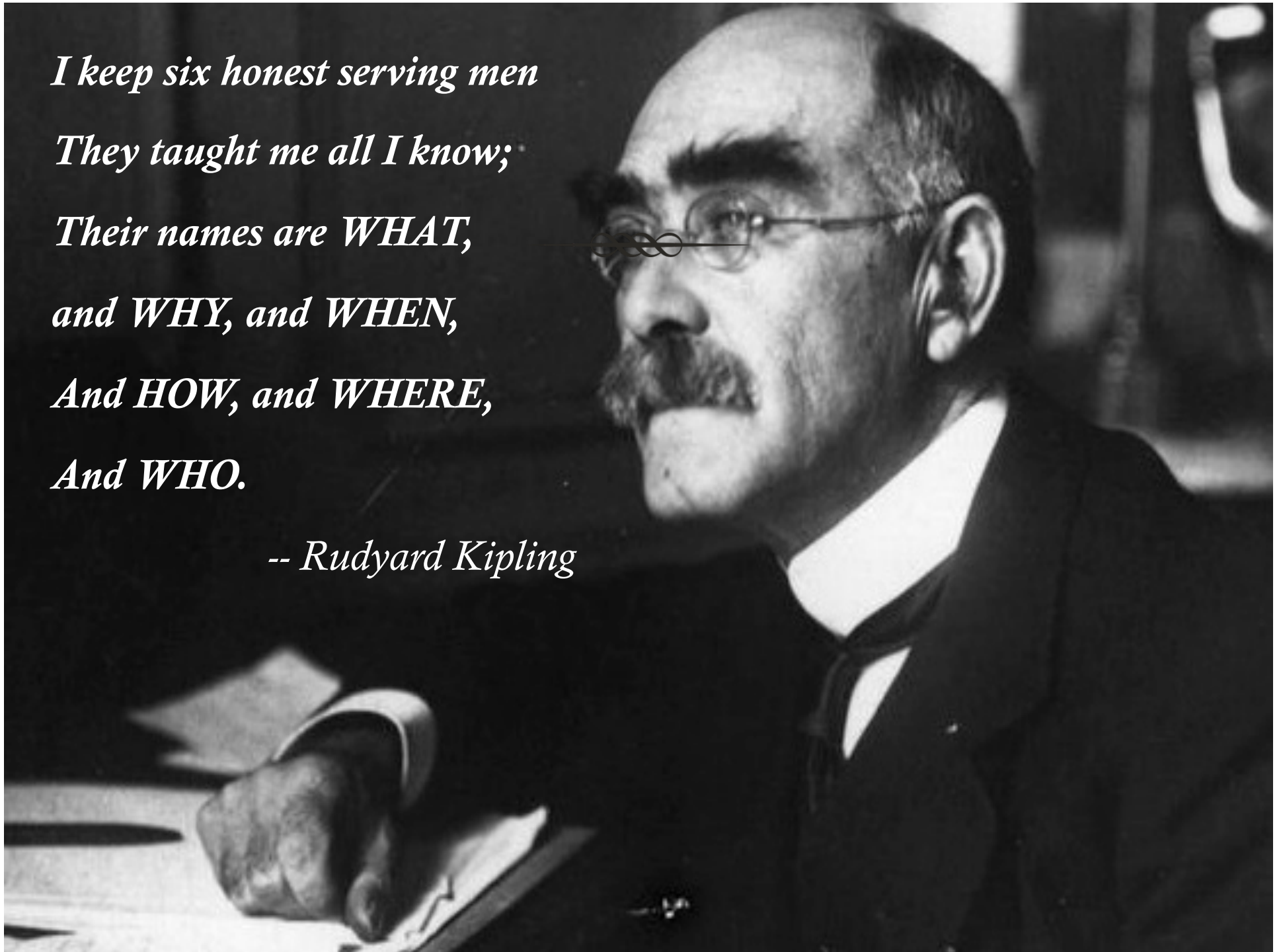
*Summer Sessions 2015
UC Berkeley Dept. of Geography
Lecturer: Meleiza Figueroa*



A New Paradigm Rises from the Ruins of War:
Keynesianism, Bretton Woods & the Golden Age of Capitalism

*I keep six honest serving men
They taught me all I know;
Their names are WHAT,
and WHY, and WHEN,
And HOW, and WHERE,
And WHO.*

-- Rudyard Kipling



Review Questions: 'Regimes' of Globalization



- ❧ **WHAT** is the paradigm on which the regime is based?
 - ❧ What changed from the previous paradigm?
- ❧ **WHY** does it make sense to some, and not to others?
 - ❧ What are its dominant discourses? Implied norms, values, internal logic?
 - ❧ Who are its major theorists, proponents, dissenters?
- ❧ **WHEN** in history does the regime emerge?
 - ❧ What crisis/rupture/series of historical events prompted a paradigm shift?
- ❧ **WHO** is the power behind the regime? Who benefits?
 - ❧ What state has *hegemony*? What are its 'repertoires'?
 - ❧ How did it become dominant? What factors aided its rise to power?
- ❧ **WHERE** are its circuits of trade – people, commodities, capital?
 - ❧ What is its geography? Where are its nodes and flows? (*commodity chain*)
 - ❧ What are the major institutions/agents that shape the global economy?
- ❧ **HOW** does it encounter (or generate) instability and crisis?
 - ❧ What counter-movements rise up in response to its effects?
 - ❧ What alternative paradigms & power struggles emerge at the point of rupture?

FILM:



“The Untold Story of the United States”

Showtime TV series (2013) | directed by Oliver Stone

Selections:

Prologue A (6:16-51:55)

Rise of the US Empire; Industrial War in Imperial Europe; Communism & Russian Revolution

Prologue B (9:32-26:21)

The Great Depression & the New Deal; Fascism; economic causes of WWII

Interwar Period: Two World Wars, One Titanic Rupture in the Global System



- ❧ WWI as crisis point of European imperialist regime
 - ❧ Inter-imperialist rivalries → Oil War
 - ❧ Gold Standard & non-viability of fixed currency standard
 - ❧ Treaty of Versailles: punitive war debts, economic catastrophe for Germany
- ❧ Woodrow Wilson & rise of a new USA-centric paradigm
 - ❧ Emergence of United States as major financial player (debtor → creditor nation)
 - ❧ Military Interventionism: 'Making the world safe for democracy'
 - ❧ The 'Peace': League of Nations & idea of global governance system
- ❧ 1929 Stock market crash; Great Depression of 1930s
 - ❧ General strikes; Dust Bowl; Growing revolutionary Communist & Fascist movements
 - ❧ Roosevelt & The New Deal: State must step in to save capitalism
- ❧ 'The center cannot hold': countermovements, polarization of society
 - ❧ Workers' movement: Russian Revolution & Rise of Communism
 - ❧ Militant nationalism: Hitler, Mussolini & Rise of Fascism
- ❧ WWII: Devastating global 'shakeout'; climax of crisis period
 - ❧ Smashed Europe's productive capacity, its state & economic institutions
 - ❧ US war manufacturing boom + lack of destruction: emerges as hegemon



KEEP CALM

AND

TAKE A BREAK





Aftermath of WWII



- ∞ Complete economic & geopolitical reconfiguration
- ∞ Unprecedented scale of destruction
 - ∞ Up to 50 million lives lost / Most major cities destroyed
 - ∞ Military capacity / end of colonial project / atom bomb
 - ∞ Anxieties re nationalism & protectionism
- ∞ USA in hegemonic position re world capitalism
 - ∞ Beginnings of Cold War geopolitics;
 - ∞ Mission to contain Communism
 - ∞ Only country with more productive capacity at end of war
 - ∞ Fordism / Large industries / Automobiles / Food & Agriculture
 - ∞ Most technologically advanced (mechanics – atom bomb)
- ∞ Urgent need for new frameworks to rebuild the global economy

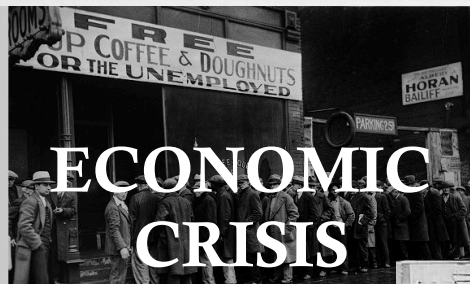


Debating the Causes of Crisis & War:

“How the hell did we get here??”



Economic/Social theory post WWII: literally a matter of life and death



CRISIS



HORRIFIC &
UNPRECEDENTED
SCALES



A New Paradigm Emerges From the Rubble: Keynesian Macroeconomics



∞ John Maynard Keynes (1883-1946)

∞ British economic theorist, public intellectual

∞ Upper middle-class background: Eton, Cambridge

∞ Part of vibrant intellectual/artistic circles (well-rounded)

∞ WWI: Worked in UK Treasury Dept.

∞ Delegation negotiating Treaty of Versailles (1919)

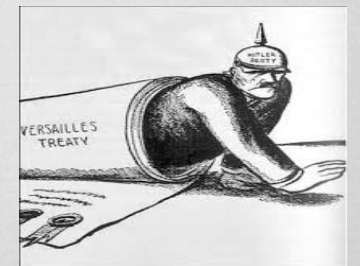
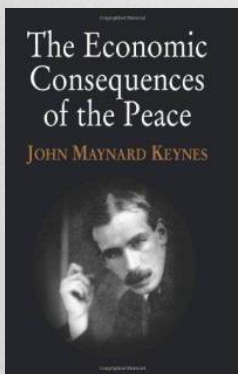
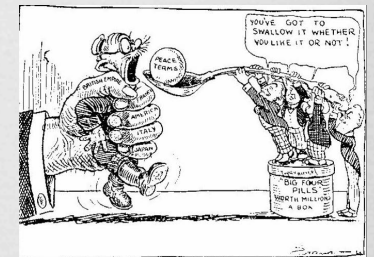
∞ Argued passionately against Allies' punitive & unrealistic enforcement of German war debt

∞ Quit in disgust at political posturing of Allies in talks (*sound familiar?*)

∞ Wrote *The Economic Consequences of the Peace* (1919)

∞ Warned of dangers of plunging Germany into poverty

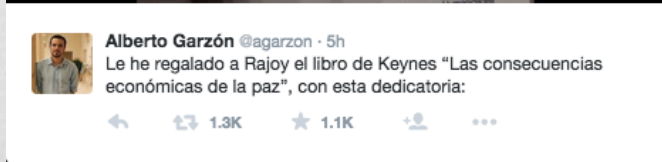
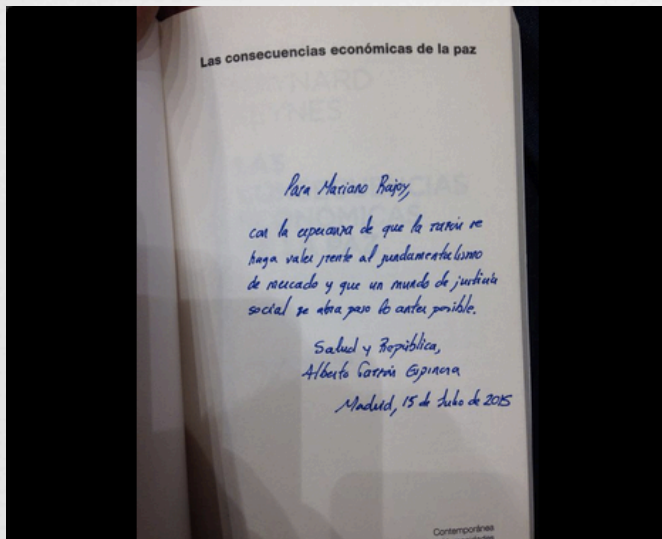
∞ Rise of Nazis only seemed to reinforce this point



The Economic Consequences of the Peace: Its relevance for today – LITERALLY!



☞ TODAY: Spanish Prime Minister Mariano Rajoy gets a present from MP Alberto Garzón: Keynes' *Economic Consequences of the Peace* (!!)



Dedication reads:

“With the hope that reason will assert itself in the face of market fundamentalism, and give way to a world based on social justice as soon as possible.”

Polanyi: The Gold Standard, The Impossibility of Free-Market Society, and the Double Movement

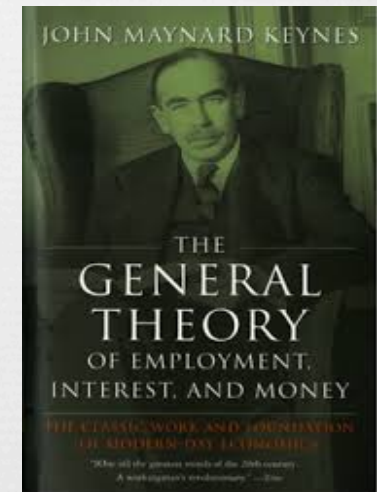


- ❧ Like Keynes: took a 'macro' (systemic) approach to global economy
 - ❧ Also very concerned with question of the rise of fascism in Germany
 - ❧ Envisioned expansive state role in 're-embedding' market in society
 - ❧ International economic order: Shaped by democratic governance institutions
- ❧ Gold Standard: International single-currency zone (Europe 1870!)
 - ❧ Different currencies set to fixed value (gold) as universal equivalent
 - ❧ Allowed trade across systems of value; integrated free-trade zone (EZ?)
 - ❧ 'Puts theory of self-regulating markets into practice'
 - ❧ In Practice: suffered devastating consequences
 - ❧ When a nation's internal price structure fails to keep track w/international mkt, the *only* way to adjust accordingly is through *deflation*
 - ❧ Lowers the cost of *all* commodities (including wages); hits farmers esp. hard
 - ❧ Long cycles of unemployment → underconsumption/underinvestment, crises
 - ❧ In an international currency zone, internal shocks → global crises (contagion)
 - ❧ Pressures of Gold Standard → Protectionism at home, imperialism abroad
 - ❧ 'Stalemate' of global vulnerability, protectionist barriers
 - ❧ Choice between monetary system & lives of citizens; spurs counter-movements

State Mediation vs. 'Free Markets': The Keynesian Paradigm



- ❧ Rivalry w/ free-market dogma of Austrian School
 - ❧ Von Mises, Hayek, Friedman (*later: neoliberalism*)
 - ❧ Retained commitment to capitalism; wanted to 'save' it
- ❧ Nature of Capitalism & causes of crisis
 - ❧ Hayek: General Equilibrium is natural state of the market
 - ❧ Crises are random shocks; will eventually self-correct
 - ❧ Keynes: Economy tends toward stagnation/crisis
 - ❧ Needs state intervention (*General Theory of Employment, Interest, and Money*, 1936)
- ❧ Macroeconomics (Keynes) vs. Microeconomics (Hayek)
 - ❧ *System* of 'global economy' (K) vs. aggregate actions/'rational choices' (H)
 - ❧ State Policy: Deficit spending (K) vs. Austerity (H) in downturns
 - ❧ Stimulus: Boost aggregate demand by creating jobs, income (public projects)
 - ❧ 'Multiplier effect' (spending creates more production, jobs, economic growth)
 - ❧ Protections in stock market: block over-speculation (K) vs 'self-correction' (H)
 - ❧ Example: Glass-Steagall Act (*repealed in 1999*)



The Postwar Regime (1945-1973): Bretton Woods & Global Institutions



- ❧ Bretton Woods Conference (1944)
 - ❧ Created continent-wide economic governance framework
 - ❧ Precursor to Eurozone
 - ❧ Facilitated FDI & other capital flows for transnational corporations
 - ❧ New Institutions – Global Financing & Development
 - ❧ IMF (International Monetary Fund)
 - ❧ World Bank (Lender for national infrastructure projects)
 - ❧ GATT (General Agreement on Trade and Tariffs)
- ❧ United States as hegemonic power
 - ❧ US Dollar as global reserve currency
 - ❧ Pegged to gold, oil ('petrodollars')
 - ❧ Huge consumer market for global products
 - ❧ Largest military power in the world; the new 'hidden fist'
 - ❧ Maybe not as 'hidden' - in context of Cold War and Third World

The Postwar Regime: International Investment & Stimulus



Keynesian Paradigm: Macroeconomics

- ☞ Systemic view of economics + politics; state intervention in economy
- ☞ Deficit spending during downturns/crises to stimulate growth, demand
- ☞ Welfare state policies to alleviate poverty, raise effective demand & consumption

Debt Relief to Germany (!!)

- ☞ London Conference of 1953: Wrote down ½ of German war debt

Economic Stimulus as solution to crisis: Marshall Plan

- ☞ Massive rebuilding project for Europe – Infrastructure, housing, transportation
- ☞ Venture capital – investing in industrial capacity for Germany, Japan
 - ☞ Provided jobs & markets (for US firms);
 - ☞ Political alliances – Cold War, project of deterrence against Communism
- ☞ ‘Informal bargain’ between USA & rebuilding economies (Brenner)
 - ☞ US could run large deficits (based on \$ reserve status) to fund military bases,
 - ☞ Rebuilding countries: can use protectionist policies to cultivate domestic markets
 - ☞ Also sets up pattern of ‘uneven development’ (setup for 1970s crisis)

The “Golden Age of Capitalism” (1945-1973)



- ❧ Benefits of the Postwar Regime for First World workers
 - ❧ Unprecedented wealth, standard of living
 - ❧ US: GI Bill + buildout of suburbia = ‘Consumer Republic’
 - ❧ Market for construction, housing, automobiles
 - ❧ The Welfare State & Social Contract
 - ❧ Put money (demand) in hands of workers, they will spend it
 - ❧ Explosion of Manufacturing = Good jobs w/ good wages
 - ❧ Strong public sector, civil service jobs w/ benefits
 - ❧ ‘Bargain with Labor’ – pegged union wages to econ growth
 - ❧ In return for strike restrictions (Taft-Hartley Act)
- ❧ Paved the way for cultural transformations of the 1970s
 - ❧ Free higher education (at the time)
 - ❧ Explosion of art, music, literature; Sexual Revolution
 - ❧ Later: Civil Rights struggles, anti-Vietnam, etc.