**JOURNAL FÜR ENTWICKLUNGSPOLITIK**
herausgegeben vom Mattersburger Kreis für Entwicklungspolitik
an den österreichischen Universitäten

vol. XXIV 4–2008

# UNEVEN GLOBAL DEVELOPMENT
## Origins and current developments

Schwerpunktredaktion: Rudy Weissenbacher

mandelbaum *edition südwind*

# Inhaltsverzeichnis

Journal für Entwicklungspolitik XXIV 4-2008, S. 78-121

**Rudy Weissenbacher**

**Keeping up appearances: uneven global development in a system of structural imbalances**

Structural imbalances in the capitalist world economy cause socially and spatially dispersed developments. They can display convergent or divergent tendencies, with a resulting production of space and socio-spatial developments. In the 21st century, these developments continue to be highly uneven and polarizing. Uneven development has a variety of facets, which express socio-economic inequalities. The current financial crisis seems to be an expression but in some respects also a turning point in the global system of uneven development. It has affected the real economy: "A mild global recession is the best that can be hoped for" (Economist 2008). The widely used model for comparison of current events appears to be, however, the *Great Depression* of the 1930s. Economic crises like this bear a chance for regions in the periphery, because they may gain room to maneuver for more independent developments (Becker 1999: 46ff). In times when system contradictions affect regions in the centers of capitalist developments more severely, the predominant ideologies and theories of development are being questioned more widely.

In this paper I will revisit origins, main arguments, and contradictions of orthodox economic theory of development, and contrast it with approaches of radical geography. I will depart from the unfolding current crisis (chapter 1). In chapter 2 I will assess the origins and underlying assumptions of orthodox economic theory, as it has built the base for mainstream development discourse in recent decades. It constitutes the background for chapter 3, which presents approaches to uneven development, on the one hand the neoclassical theoretical conception of regional development, on the other hand, in contrast, the more historical and empirical theory of radical geography (and some of its Marxist influences). I will refer to *theories* of uneven development, although strictly speaking orthodox economics does not need a theory of uneven development (because orthodox economics implies equilibrium anyway), and radical geography deals with a theory of uneven development still in the making (Harvey 2006). The approach of radical geography suggests that the unfolding current crisis is rooted more deeply than in just a failure to regulate the financial markets. It can be seen as the result and symptom of an over-accumulating world economy. The United States have dominated the world economy. Although US American hegemony was impaired in the 1970s, the power formation after World War II has shown remarkable persistence, despite decades of crises. In chapter 4, I will offer a few possible explanations for this. In the final chapter 5, I will present a brief outlook.

## 1. A brief sketch of the current crisis

"It is tempting […] to see this all as some prelude to a financial crash that would make 1929 look like a footnote in history." This is not a current quote from 2007 or 2008 but from 1989 (after the severe stock market crisis of 1987), when David Harvey analyzed the political-economic capitalist transformation from the early 1970s on, leading to an era of flexible accumulation (Harvey 1989: 194). A decade later, the economic historian Harold James drew parallels between the 'current crisis' and the world economic crisis before World War II (James 1999). The inherent instability of the current capitalist system was labeled a 'globalization crisis' but, as Peter Feldbauer and Gerd Hardach (1999: 18) point out, a crisis that lasts for 25 years cannot be called a crisis if one follows habitual language use, but rather a 'condition'. This "Condition of Postmodernity" (Harvey 1989) is based on deep structural changes in capitalist production, alongside the rise of postmodernist cultural forms.

With the current financial crisis, severe turmoil has returned to the countries of the capitalist center of world development, and justifies analogies to the Great Depression. "The financial market crisis that erupted in August 2007", wrote the International Monetary Fund (IMF 2008) in its *World Economic Outlook*, "has developed into the largest financial shock since the Great Depression, inflicting heavy damage on markets and institutions at the core of the financial system". The economist Paul Krugman (2008) calls it "willful amnesia": "We chose to forget what happened in the 1930s – and having refused to learn from history, we're repeating it. Contrary to popular belief, the stock market crash of 1929 wasn't the defining moment of the Great Depression. What turned an ordinary recession into a civilization-threatening slump was the wave of bank runs that swept across America in 1930 and 1931. This banking crisis of the 1930s showed that unregulated, unsupervised financial markets can all too easily suffer catastrophic failure."

The current crisis originates in a US housing boom financed by cheap loans (with low interest rates), a consequence of policies by the US Federal Reserve Bank after the Dotcom-Bubble that burst in 2001. Investors borrowed money cheaply and poured it into the real estate market; people borrowed in order to buy homes, or speculated on higher prices for easy profit. When demand slowed down, riskier loans were offered to home buyers without reasonable securities. Some home buyers were lured into taking mortgages by offers of no or low interest rates in the early period of the loan. Only in a later stage were steep increases in repayments and interest scheduled, a strategy that was, it was claimed, low risk, since prices would increase, houses could be sold or credits rescheduled. Banks often did not know the credit takers, while real estate agents made *Ninja* deals to people with no income, no job or assets. The business of *subprime mortgage* was born. The cycle worked as long as prices increased, which they did as long as there were enough buyers. The logic of this snowball-system became known as Ponzi's Law of speculation, named after a con man in the 1920s who promised high profit without having any capital base for it. Frédéric Lordon (2007) has concisely analyzed the phases of the current financial crisis, and the transmission mechanism from the real estate bubble to the financial crash, and argues that the miraculous transmission instrument that makes credits tradable on financial markets is derivative products. "Wall Street […] was transforming the mortgage business from a local one, centered around banks, to a global one, in which investors from almost anywhere could pool money to lend" (Leonhardt 2008a: 10). Derivatives are instruments that are used, for example, to secure present deals against future insecurities (weather conditions etc.). They make uncertainties tradable and promise high profits compared to the real value of the 'underlying asset'. The English term is 'securitization'. In the case of the real estate market in the US, the risk was the loan repayment. Many economists proposed that, in this case as well, securitization would add to the stability of the system (Schuberth 2008: 35). Banks sold their loans in the form of derivates and thus removed risks from their books. Bonds with risky loans ('junk bonds') where bundled together with safe bonds, and still acquired AAA-trading status from rating agencies. (These were in close contact with market institutions, made money assessing derivates, and seem to have chosen to ignore the risk). These *Residential Mortgage Backed Securities* were again traded as 'debts on debts' in so called *Collateralised Debt Obligations*. The most risky and profitable tranche of these bonds (so-called 'toxic waste') would be hit hardest in case the actual debtors would not be able to repay their loans. This global distribution of risks among very many financial institutions created the illusion that this snowball system could prevail, and further loans could be offered.

'Toxic waste' bonds infected sectors originally unrelated to the bubble. Furthermore, companies in the real sector became subjects of buyouts or takeovers by private equity companies/funds (Huffschmid 2007: 31ff; Köppen 2007) which take companies from the stock exchange, 'restructure' them, and resell them at a profit. The bill was paid with credit; it was intended that current payments would be taken from the companies' accounts. With the market turbulence, some of these companies got into trouble alongside the financial funds. Moreover, the contraction of the credit market severely impeded the real economy (IHT 2008b).

The morning after the party started with a hangover. The financial crisis has spread globally, led to the socialization of banks in Europe, and has added pressure to countries that had already been vulnerable, due to current account imbalances (cf. Becker 2007; Landler 2008). So far, there is no account of exactly how much money has to be written off or how many 'toxic waste' bonds are still not accounted for. The numbers that circulate are beyond an average person's imagining. In April 2008, the IMF talked about losses of one trillion US dollars (IHT 2008b). Other estimates suggest several trillion US dollars (Blackburn 2008: 71f). G-7 governments (Canada, France, Germany, Italy, Japan, United Kingdom, USA) discussed concerted action in spring 2008, including buying 'toxic assets' with public money. Ad-hoc interventions of national banks were undertaken in order to pump liquidity into the contracting credit markets and to save or support banks and financial institutions that had tumbled or crashed (Blackburn 2008; Waki 2008). When this was not enough to stop the domino effect, a concerted cash infusion of 180 billion US dollars into the drying-out US credit market by the US Federal Reserve Bank, the European Central Bank, and other central banks was announced on September 17, 2008. Carter Dougherty (2008) referred to a "lesson rooted in the Great Depression": "[u]nlike the approach in the 1930s, it is a global effort, driven by a close-knit community of central bankers who are aware that the mistakes of the Depression era erased their credibility for years afterward." Nevertheless, another bank (Lehman Brothers) crashed. When American International Group (AIG) threatened to collapse, it seemed clear that a major bailout was unavoidable. AIG insures financial market transactions but is also home to many US workers' pension funds. The *Wall Street Journal* called the consequence of the recent US government's action the "end of traditional investment banking" (Hilsenrath et al. 2008).

For the most part, radical market approaches seem to have lost momentum during current events. "Adam Smith's invisible hand has a puppeteer: the U.S. Federal Reserve", wrote Sorkin (2008), reporting the fire sale of an investment bank (Bear Stearns) on the verge of bankruptcy. It became evident that a) the moral hazard that rewarded bad lending practice (Leonhardt 2008b) could not be avoided (if measurements to save the system as a whole were undertaken), and b) that state intervention and state ownership has returned to the agenda (Andriani 2008). "The gamblers bet on the state", as Frédéric Lordon (2008) puts it. Governments and central banks are leaving market rhetoric behind, and are subscribing to the political regulation of financial markets (Phillips 2008; Steinbrück 2008; Vucheva 2008; IHT 2008f). While euro-zone governments are proposing securities for interbank loans, many of them are also considering the socialization of banks. "I have never been a proponent of intervention", said US Treasury Secretary Henry Paulson at a Senate Banking Committee hearing to defend his bailout plan of 700 billion US dollars, but "[t]here's no way to stabilize the markets other than through government intervention" (Scannell et al. 2008: 1). Interestingly, Henry Paulson had played a role in the subprime debacle, working for more than three decades at a major US financial institution (Goldman), and profiting from selling subprime mortgages. As a reaction to criticism against speculators, he was quoted as saying that penalizing Wall Street for packaging mortgage loans "is not the answer to the problem" (Pittman 2007: 16).

The dominant narrative for the current crisis seems to run along the following lines: unregulated financial markets have enabled irresponsible behavior and speculation on the part of financial investors. Politicians and economists must now contain the crisis by using public money. Otherwise, the real economy will be seriously impaired. When the crisis has been mastered, international "traffic rules" must regulate the financial sector; the current situation shows that *laissez faire* capitalism is an outdated concept, as the German Secretary of Finance, Peer Steinbrück (2008), pointed out in the German *Bundestag*. This would not lead, however, to the end of market societies but might even strengthen the idea of a (regulated) social market economy. Since the center of world finance was hit hard this time, some regulation is already following the rhetoric (for example, some speculative deals are being outlawed).

The last time around, this appears to have been different. The Financial Stability Forum (FSF) has been playing an important role in the coordination (and re-regulation) of international financial policy since 1998 (FSF 2008: 1; IHT 2008d). FSF was founded as a response of G-7 finance ministers and central bank governors to the Asian and Russian Crises a decade ago in order to *prevent* another crisis (FSF n/y a and b). The FSF intended to examine "the scope for strengthened prudential regulation in industrial countries to encourage sound analysis and careful weighing of risks and rewards, including consideration of appropriate transparency and disclosure standards for all financial market participants" (FSF n/y b). Politicians of the center may not have been sufficiently concerned. The rhetoric was in part directed towards emerging markets. After all, the crisis of 1997 had been mostly limited to countries in the periphery.

## 2. The allocation promise

There seem to be conflicting approaches as to whether the world heads for more *convergence* (more equality) or *divergence* (more inequality). Judgments seem to depend on the data one employs, the methods, and the definitions of inequality. Branko Milanović (2007) from the International Bank for Reconstruction and Development (IBRD, 'World Bank') has published a critical and instructive overview. Bob Sutcliff (2007: 67f) has pointed out that the "debate is undoubtedly infected with a good deal of inequality denial. This is what is behind the considerable interest shown in suggestions that divergence has been replaced by convergence in the last two decades. Even if this was true, it is important to stress that there are signs that it will be shortlived, and world inequality, however measured, remains very close to its highest historical levels." To put it more pointedly: how well organized or socially advanced is a global society that sends missions to Mars but does not provide decent lives for many of its members? I don't think that the basic data are disputed: "The extent of global inequality is breathtaking. The income of the world's 500 richest billionaires exceeds that of its poorest 416 million people. Every minute of every day, somewhere in the developing world, a woman dies needlessly in childbirth or pregnancy, and 20 children are killed by avoidable diseases such as diarrhoea or malaria." (Green 2008: 2) The allocation of resources is still hugely shaped by priorities of military spending. The president of Costa Rica, Óscar Arias Sánchez (2008), described it in a recent speech to the United Nations General Assembly as follows: "World military spending has reached $3.3 billion per day, but international aid continues to reach the poorest countries at a snail's pace, while failing to reach middle-income countries altogether. [...] On a planet where one-sixth of the population lives on less than a dollar a day, spending $1.2 trillion [a year] on arms and soldiers is an offence and a symbol of irrationality, because the security of a satisfied world is more certain than the security of an armed world. [...] I know no greater perversion of values, and no greater misplacement of priorities. With a small percentage of world military spending, we could give potable water to all of humanity, equip all homes with electricity, achieve universal literacy, and eradicate all preventable diseases." A trillion is a fascinating figure. In US-American English it's a one with twelve zeros: 1,000,000,000,000. As we have seen, this is also the amount the IMF has estimated (in April 2008) as what has been lost in the current financial crisis. The director of the United Nations Food and Agricultural Organization (FAO), Jacques Diouf, also used the figure US$1.2. trillion spent on arms every year to contrast – in an appeal to world leaders – the need "for US$30 billion [30,000,000,000 or 1/40] a year to re-launch agriculture and avert future threats of conflicts over food" (FAO 2008a).

However, the story is also about the allocation of existing production. While from "an aggregate perspective, there is enough food available to feed the world" (FAO 2008b: 4), allocation by 'the market' still seems to have widespread appeal.

The way we look at uneven development is shaped by knowledge production and communication in social science. It is important to remember that many of the difficulties in today's development discourse stem from the perception that *the* social science discipline with the utmost influence – economics – does not belong to social science, and therefore stands outside its theoretical framework. From the $19^{th}$ to the $20^{th}$ century, political economy turned into economics and was related to nomothetic sciences (dealing with abstract, general, universal statements or laws). Social science and humanities were deemed idiographic sciences (dealing with concrete, individual, unique knowledge, processes etc.). Nomothetic neoclassical economics has been defined much the same as mechanics in physics (Rothschild 2002: 438; Pirker 2004: 91; Fullbrook 2005: 2c). In the process and aftermath of the "dual revolution" (French Revolution and British Industrial Revolution, Hobsbawm 1996a: 2), science took the role theology used to have in pre-industrial times under hereditary (religious) rules: it coins and helps to establish/justify ideologies. Political economy was at the heart of the matter, because it dealt with the economy, the central phenomenon of industrial society (Zinn 1987: 20; Fullbrook 2005: 1f).

### 2.1 Some features of neoclassical economics

Neoclassical economics is by no means a uniform theoretical concept. Interestingly, it has been argued that *anti-classical economics* could have been a more appropriate name, due to its anti-Ricardian character (the reference is to the classical political economist David Ricardo [1772–1823]). "Instead, the definition of 'neoclassical system' originated with reference to the work of [Alfred] Marshall, from which it spread to embrace the whole modern world of orthodox theory; and it is an independent definition from the Marxian one of classical economics. Marshall wished to stress the continuity of a tradition which linked him to [John Stuart] Mill and [Adam] Smith without excluding Ricardo" (Screpanti/Zamagni 1993: 150). We will return to the preoccupation of contemporary mainstream economics with Ricardo in a moment. Here are six main characteristics of neoclassical thinking as put forward by Screpanti and Zamagni (1993: 147-149): the "marginalist revolution", as the neoclassical success story has been labeled, was characterized by (1) a "disappearance of interest in economic growth, the great theme of Smith, Ricardo, Marx, and all the classical economists. Attention, instead, was focused on the problem of the allocation of given resources"; (2) "human behavior is exclusively reducible to rational calculation aimed at the maximization of utility"; (3) the "substitution principle", that is, "the substitutability of one basket of goods for another", is assumed; (4) the economic agents who were to maximize individual goals (utility, profit) were "individuals, or at most, 'minimum' social aggregates characterized by the individuality of the decision-making unit, such as households and companies. Thus the collective agents, the social classes and 'political bodies', which the mercantilists, the classical economists, and Marx had placed at the centre of their theoretical systems, disappear from the scene"; (5) as already mentioned, "Economics was likened to the natural sciences, physics in particular, and economic laws finally assumed that absolute and objective characteristic of natural laws"; (6) "the substitution for the objective theory of value of a subjective one". Individuals can accept or reject values but are "not able to establish their cogency". "[D]istribution of income becomes a special case of the theory of value, a problem of determining the prices of the services of the productive factors rather than of sharing out income among social classes."

Here is not the place for a detailed analysis of problematic neoclassical assumptions and emphases, or the variety of approaches and differences in the different branches of neoclassical economics, let alone adaptations (for a detailed insight: cf. Screpanti/Zamagni 1993). I will pick instead briefly and very generally a few aspects that seem relevant to the general discourse of uneven development. For one, the emphasis on growth has all but disappeared from the economic discourse. Neoclassical theory seems to have difficulties, however, in explaining growth. Long-term growth in the neoclassical model is only guaranteed by technological progress, which "appeared like manna from heaven" (Maier et al. 2006: 57). This led to attempts to improve the basic model (i.e. new growth theory). The production of technological progress is dependent on external effects. While in the basic model of neoclassical theory technological progress could only be introduced via capital (investments) over a period of time, later attempts were made to insert another factor (human capital as the carrier of knowledge) into the *endogenous growth model* (or *externalities model*). The theoretical problem appears to have remained the same: human capital is not compensated (only capital and labor are) in this growth model; therefore, it must be available free of charge externally. Technology cannot be treated as a market good but does have characteristics of a public good; knowledge used by one company can be used by another without the need to reproduce it (it is 'non-rivaled'), developers are limited in their attempt to prevent competitors from using it ('non-excludable') (Maier et al. 2006: 56, 95). However, intellectual property rights represent an effort to make knowledge/technology a market good.

Regarding the 'rationality' of 'utilitarian' humans, Kurt Rothschild has pointed out that "the concentration on egoistic and competition-oriented incentive and motivation not only underestimates the human predisposition to solidary and altruistic behavior but also obstructs them in their development" (Rothschild 1980: 32). For anyone interested in human development, the contradictions that found their ways via neoclassical thought into today's mainstream (sometimes also into 'common sense'), the following assertion must be mind-boggling. "Whereas Newton", as Fullbrook (2005: 2) put it bluntly, had been "backed by a century of empirical research" before he "identified fundamental properties of the physical universe and then modeled them, [William] Jevons [1835–1882] and [Léon] Walras [1834–1910] set about *defining* a set of concepts that could be combined in a manner formally analogous to the physical relations modeled by classical mechanics." Jevons and others seem to have constructed (neoclassical) economics from the drawing board, following their respective logic(s), in the process incorporating *or* repudiating arguments from the classical tradition. It was thus legitimized mathematically. Jevons perceived economics as belonging to the class of sciences which "besides being logical, are also mathematical"; "our science must be mathematical simply because it deals with quantities" (quoted in: Screpanti/Zamagni 1993: 155). Walras saw "this pure theory of economics [as] a science which resembles the physico-mathematical sciences in every respect" (quoted in Fullbrook 2005: 3).

Equally startling for scholars interested in the development(s) of societies are the two characteristics Jevons used in order to define individuals as economic agents: they derive utility from the consumption of goods, and act "on the basis of a rational plan aiming at the maximization of utility"

(Screpanti/Zamagni 1993: 156). If we take the words of Jevons, a member of the English 19th century elite, it does seem to make a lot of sense that neoclassical economic thinking fitted so well with neoliberalism and postmodernism (chapter 4): "To satisfy our wants to the utmost with the least effort … in other words to maximize pleasure, is the problem of economics" (as quoted in: Screpanti/Zamagni 1993: 156).

## 2.2 Allocation in the free market universe of the rational individual

Distribution of wealth in a society, or between societies, or in a global society is one of the major issues in today's world, and for scholars dealing with its problematic aspects. Classical political economists (like David Ricardo) had seen distribution between social classes as an important part of their theories. Neoclassical economists disregarded classes (and *distribution* between them), and concentrated on the *allocation* of resources for the well-being of the individual. The edifice of neoclassical *allocation* as distributive means operates on the assumption that economic agents (households and companies) act rationally to reach maximum utility. They are perfectly informed about all relevant prices. The prices, which indicate and communicate scarcity of resources, are flexible and adapt to the market situation immediately. The market, finally, is one of perfect or atomic competition. No single competitor can influence the market price (Maier et al. 2006: 55).

The theoretical structure of neoclassical general economic equilibrium originates with Léon Walras, and again we find a set of defining assumptions: "(1) in each market the demand equals supply; (2) each agent is able to buy and sell exactly what he planned to; (3) all the firms and consumers are able to exchange precisely those quantities of goods which maximize, respectively, profits and utilities" (Screpanti/Zamagni 1993: 166). Marginalists satisfied their utility via the perfect market, and considered utility 'diminishing': the more of a good one consumed the less pleasure would be created, ultimately turning into complete satisfaction. "[T]he whole of this brilliant construction is based on one crucial assumption: that the utility an individual derives from the consumption of a good is a quantity that can be measured cardinally – a value that is unique in regard to linear transformation" (Screpanti/Zamagni 1993: 204). Vilfredo Pareto (1848–1923), who succeeded Walras into the chair of economics at the University of Lausanne, introduced a distinction between *utility* as a "property of an object which is beneficial to society" and *ophelimity*, which is beneficial to the individual. "[H]e put forward", as Screpanti and Zamagni (1993: 205) succinctly write, "the argument that an individual (or a group) always chooses, among the accessible alternatives, that which is preferable to all the other alternatives; the idea did not even cross his mind that the individual may not be able to choose".

By the end of the 19th century, however, human needs and pleasure were stripped from the neo-classical theoretical framework but the alleged rational behavior motivated by utility prevailed: the "foundation of utility was placed in the virtual behaviour of an individual who has to choose. This behaviour is defined only in terms of certain conditions of consistency. All references to happiness and individual satisfaction of needs disappear, while the underlying motivations for the choices lose their importance" (Screpanti/Zamagni 1993: 206).

However, measuring and comparing the utility of individuals did not work out and had to be abandoned in this process. But Pareto thought of a new criterion in order to be able to advance welfare propositions. *Pareto-efficiency* labels a situation when no economic unit can be enhanced without reducing another. In the case of social welfare, "it is impossible to improve the welfare of an individual without worsening that of another" (Screpanti/Zamagni 1993: 206). One can picture, however, many situations that might fit Pareto's criterion; above all it seems to preserve existing structures and only gives the individual (limited) room to maneuver.

### 2.3 Monopoly capitalism: market society becomes marketing society

The basic model of neoclassical economic growth is described (Maier et al. 2006: 56) by an *aggregated production function*, a formula that shows output (Y) as a function of capital (C) and labor (L) input. The assumption of a perfect market leads to a situation of constant scale in production, which means no production unit or region has an advantage of size. Technological progress, new financing options, and a tendency towards cost-reducing mass production lead, however, to a situation which favors the advance of large and market dominating production. (Rothschild 1980:

18) Most neoclassical economists were most likely not unfamiliar with this process. Karl Marx (1967: 626) had, as early as 1867, analyzed the 'scale of production' phenomenon, and the tendency of capitalism to concentrate and centralize (Marx 1967: 628).

The reality of capitalism changed in the last decades of the 19$^{th}$ century. Germany had passed through a period of growth in industrial production before World War I, characterized by an 'organized capitalism'. It was second behind the USA in the world's steel production with a share of 25 percent. The success of German industry was based on regional and organizational (vertical and horizontal) concentration, new inventions and technologies (not as strong after as before 1880), and a new type of managerial corporate leadership (Feldman/Homburg 1977: 27ff; Weissenbacher 1993: 5f). In the US, the first anti–trust law was introduced in 1890. Gabriel Kolko pointed out that in the following decades "[c]ompetition was unacceptable to many key business and financial interests, and the merger movement was to a large extent a revolution of voluntary, unsuccessful business efforts to bring irresistible competitive trends under control" (Kolko 1972: 22). He considers anti-trust laws and federal government's intervention into the economy as driven by big business ("political capitalism") (Kolko 1972: 23). Lenin, a contemporary of this early monopoly phase of capitalism, emphasized the co-existence of monopoly and competition: "Monopoly is exactly the opposite of free competition; but we have seen the latter being transformed into monopoly before our very eyes […]. At the same time, monopolies do not eliminate the free competition they accrued from, but exist over and beside it and thereby cause a series of jagged contradictions, frictions, and conflicts" (Lenin 1988: 270). Market economies, however, have turned out to be resistant against a linear development towards monopoly in the classical sense (concentration of production of a commodity in one company or a few companies) (Rothschild 1980: 22).

Screpanti and Zamagni (1993: 249f) argue that a contradictory empirical reality was less a challenge to neoclassical economics than theoretical defiance. The attack of Piero Sraffa (1890–1983) in 1925 "on the logical coherence of the Marshallian edifice was more devastating than criticism concerned with its scarce empirical relevance". The "Marshallian theory of competitive equilibrium cannot escape from the following dilemma: either it is contradictory or irrelevant". If the costs of production were not constant, the results were similar to the thesis of classical political economists: prices are determined by the cost of production, "while the conditions of demand only contribute to determine the quantities produced". Sraffa abandoned free competition and turned to monopoly production. Market imperfections were not simply frictions but forces by themselves, producing "cumulative effects on prices and quantities". He opened a new field of research that tried to adapt theory to the shortcomings: the theory of monopolistic competition (Edward Chamberlin, 1899–1967) and the theory of imperfect competition (Joan Robinson, 1903–1983).

The existence of monopolies allows regional price differentiation (different prices for the same product), a practice which clearly undercuts allocation efficiency. Equally important and dominant phenomena that run against the model of the atomistic market economy are advertising and marketing. The assumptions of neoclassical economists had envisaged the well-informed consumer who bought homogenous (undistinguishable) goods at a uniform market, deciding between different producers. If there is no multiplicity of producers (but an oligopoly), or if commodities are differentiated or discriminable, price loses its absolute (determining) nature, and sales can be stimulated by marketing. Competition changes from price to marketing, while extensive marketing leads to further oligopolistic tendencies because high marketing costs impede entrances for new companies. The manipulation of consumer preferences causes further distortions, and consumer sovereignty is being breached. These distortions also create a gap between the private sector (pushed by marketing) and the public sector (less or no advertising) (Rothschild 1980: 22ff). When market society turns into marketing society, there is still more at stake. With the ever-growing importance of advertising in financing media, businesses distort not only the 'perfect information' of *consumers* but basically each and every aspect of public life concerning *citizens*.

### 2.4 Power promotes models of powerless societies

This very brief sketch indicates a few theoretical and empirical contradictions in the neoclassical model. One has to accept far-fetched assumptions in order to work with it, and often ignore empirical reality. We have seen that this theory was constructed as a natural science with its own inner logic. However, even early neoclassic scholars seem to have had an ideological agenda, one that was aimed against socialism and its scientific foundations: "In order that the criticism of socialism, and of Marxism in particular, should not seem too ideological, it was necessary to focus on their scientific foundations. But these were the same as those of classical economic theory. It was necessary, therefore, to 're-invent' economic science, reconstructing it on a foundation which would allow the deletion of the concepts themselves of 'social class', 'labour power', 'capitalism', 'exploitation', 'surplus', etc. from the body of science. […] There is no doubt that, when Jevons, Menger, and Walras presented a theory capable of averting attention from unpleasant problems, they were launching onto the market exactly the theory that was demanded" (Screpanti/Zamagni 1993: 154). In his paper on *The Absence of Power in Contemporary Economic Theory*, Kurt Rothschild (2002: 440) suggests that the success story of neoclassical theory is based on the "utility maximization" of economists: "The ideological preference of powerful socio-economic groups for a neoclassical type of theory is, of course, not the *cause* of the existence or even the dominance of the neoclassical theory, but it would also be naïve not to see that adherence to that theory eases acceptance in influential circles and secures additional funds for research. […] Extremely formulated, one could say that societal power promotes the study of models of powerless societies."

## 3. Theories of uneven development: contradictions and convergence

The study of *uneven development* is about the comparison of, and the differences, relations, and processes between entities. However, these 'entities' are not static but dynamic, since they constitute developments in and of societies. Social sciences, which include development studies, face an immense task when trying to analyze *uneven development* (Weissenbacher 2007: 38f). *Uneven development* includes a variety of social phenomena. In contemporary society, it gives social inequalities in capitalism a spatial dimension (Wissen/Naumann 2008: 88). Dominant development theories after World War II tended to focus on the development gap between regions (countries, states, nations), insinuating that socio-spatial differences can be overcome. Less fortunate societies would have to close gaps to achieve wealth and decent lives for their members. This would happen by applying the right economic policy. Models that proposed stages of development had a special appeal, and offered conservative solutions in the sense that they postponed the remedy of current contradictions (Fischer et al. 2007: 13ff). Historical research has shown, however, that the recipes that have been described during recent decades in order to reach socio-economic nirvana contradict the very reasons behind the success of today's rich nations. Some of the ingredients of success were conscious state development and the protectionism of infant industry rather than *laissez faire* and free trade (Ha-Joon Chang 2002). Moreover, it does not seem to have been ingenuity and a particular social formation alone that initiated the dynamics that caused such an impact after the dual revolution. Janet Abu-Lughod (1989) has described as *restructuring* the mutual influence and incorporating of influences from different parts of the world: the West European success story – uneven development inside Europe has a long story, too – had been based on layers of Arab and Chinese culture, knowledge, and technology that lived on (cf. Weissenbacher 2007: 38ff).

After the end of the bipolar system of the cold war, history certainly did not end and with it the search for explanations of contradictions in contemporary capitalism. 'Contemporary capitalism<u>s</u>' might be the more appropriate term, if one follows the (heterodox) *varieties-of-capitalism* approach that critically focuses on different national capitalisms and their relations and developments. It seems to touch essential areas of development studies: "With neoliberalized capitalism – in the form of a stylized rendering of both 'the market' and the American model – as its foil, the varieties rubric helped establish positive notions of 'regulated capitalism' [...] This defined the light side to the American model's dark side" (Peck/Theodore 2007: 737). The speech of the German secretary of finance (Steinbrück 2008) suggests that a 'regulation'-paradigm is being formed to overcome what is considered an unethical excess of speculative capitalism, and to stress the benevolent form of tamed regulated capitalism and social market economy. Such a paradigm could obstruct a confrontation with underlying contradictions. Peck and Theodore stress, however, that differences are in form not degree, and that they are part of a joint evolution (Peck/Theodore 2007: 752f, 761).

I am returning to the incumbent hegemonic theory, and contrast it with one of the most challenging explanations from *radical geography*, and approaches of the Marxist tradition in which it is rooted. The neoclassical tradition originally departed from the idea that regions with different factor endowments would converge, predicting mutual benefit as the outcome of trade and exchange. Later theory development accepted that divergence was possible. Regional policy in older neoclassical models was expected to furnish a working market, while newer neoclassical models demanded from politics to enable the development of endogenous potentials of regions (Wissen/Naumann 2008: 90f). Approaches of radical geography derive from a Marxist tradition. They started from contradictions in the capitalist system that perceived convergence (if at all) as the final stage of capitalism. Later attempts included a dialectic of differentiation and evening out, which enabled the capitalist system to continue despite severe frictions.

Neoclassical approaches use a formalistic image vision of relations between regions. Factors (capital, labor) can move without restrictions, and so can goods and services. It is a world, as Maier et al. (2006: 72f) describe it, that does not know distance (between regions) and the costs of overcoming this distance: "the curious phenomenon of a theory of regional development without a spatial dimension". More sophisticated models try to integrate costs to overcome distance. They tend to ignore, however, the fact that markets are then being spatially segmented which can produce spatial oligopolies or monopolies (contradicting neoclassical atomic competition). Moreover, the assumption of perfect information eliminates spatial differentiation. All individuals ('labor', 'employees') are thought to have the same information on the state of other regions, far or near in spatial and temporal terms. The basic neoclassical model suggests a convergence between regions even if they do not trade or exchange factors. It is assumed that poorer regions with lower capital endowment grow faster. Without technological progress there would be, however, a 'natural' end of growth. The *endogenous growth model* (or *externalities model*) employs, as we have seen, the factor human capital that grows with the factor capital. This seems to give the technologically advanced region an advantage, and opens different development paths in addition to neoclassical convergence, from not changing development gaps to divergence. As a consequence of these findings, the "question of convergence cannot be answered by theory but must be passed on to empiricism" (Maier et al. 2006: 101).

It had been exactly such empirical observations that led to a heterodox critique of neoclassical orthodoxy very soon after World War II. Observing a different empirical reality than the promise of an evening out, these critics have become known as polarization theorists. They assume uneven political-economic dynamics that become visible in polarized developments (Becker et al. 2008). One common element of this approach constitutes the claim that non-economic factors (including power that is excluded from orthodox theory: Rothschild 2002) are necessary and essential factors in treating development issues. Gunnar Myrdal talked of *circular causation* as a vicious circle, when negative *backwash effects* (which are seen stronger than positive *spread effects*) of a more advanced region on a less advanced region are cumulating. If free market forces were left unregulated (his vision was a democratic world government, presumably similar to the social welfare regime of Sweden), regions would become more socially and economically polarized. Another example is François Perroux, who focused on a sector analysis of companies that led to agglomeration effects and respective dominant positions. Paul Krugman has attempted to mathematically formalize suggestions of polarization theory and approaches of monopolistic competition. An empirical reality conflicting neoclassical theory making was to be combined into a 'new economic geography'. "To make sense of the world, we need to have a story about how nations that participate in the same markets can pay wages that differ by a factor of five, ten, or twenty" (Fujita et al. 2001: 263). However, the "analysis depends crucially on what might perhaps best be called modeling tricks: assumptions that reflect not so much a realistic view of how the world works as a judgment about what will make the analysis of geographic issues manageable without doing too much damage to the relevance of the analysis" (Fujita et al. 2001: 6). Using 'modeling tricks', the 'new economic geography model' allows a combination of polarization and equilibrium. Again, this model uses a variety of assumptions: perfect monopolies (sectors), transport costs, a two-sector model (manufacturing-agriculture), comparative advantage, and equilibrium as a starting point. Much of the historical, geographical, and social reductionism of neoclassical theory seems to apply to new economic geography as well (Goodacre 2006: 251ff; Frieling 2008: 178ff).

Polarization theory influenced *structuralism* and *dependency theory*, the "first significant contributions to political economy to arise from the Latin American periphery" (Saad-Filho 2005: 128); the former "claims that capitalist development is possible in the periphery through industrialization and comprehensive social reforms", while the latter "is more pessimistic, arguing that capitalism systematically *underdevelops* poor countries" (Saad-Filho 2005: 128).

### 3.1 Comparative advantage: whose benefit?

The mutual benefit of free trade between regions is one of the best-known theoretical approaches in orthodox economics, and one that turned into contemporary common sense. It is still present in more recent theory developments; as Fujita et al. (2001: 309) argue, "comparative advantage still explains much, perhaps most of world trade". The theory of comparative (cost) advantage has derived from classical political economy (David Ricardo) into neoclassical theory building (Maier et al. 2006: 69). The theory assumes that trade (two commodities) between two regions (same technology but different factor [C,L] endowment) is beneficial for both regions even if one region can produce both commodities cheaper than the other. The less privileged region should concentrate on the commodity that it can produce with less disadvantage as compared to the other region. The more privileged region would concentrate on the commodity that has a larger cost differential, and neglect the other product. Both regions would gain output (welfare) benefits from trading with each other. Utsa Patnaik (2005) has disputed the apparent logic behind this argument. She argues that the logic only works for two regions with a similar production structure, which means that both regions can actually produce both goods: "It becomes an inapplicable argument when considering trade between temperate advanced countries and tropical developing countries, because such trade involves goods which cannot ever be produced at all in temperate regions, and for which cost of production and transformation frontiers cannot even be defined" (Patnaik 2005: 32). There is no 'cost of production' for tea, coffee, sugar cane, or natural rubber in Germany or the United Kingdom, she argues. Ricardo had used in his famous example the production of cloth and wine in Portugal and England. A commercial production of both is possible in Portugal but England can only, because of climatic reasons, produce cloth. What Ricardo did to the argument was a) assuming that both products could be produced in both countries, and b) "failing to distinguish between production of the agricultural raw material and processing of the raw material" (Patnaik 2005: 34). He used the phrase "growing wine" for "growing grapes and then processing grapes into wine", but a country can no more "grow wine" than "grow cloth", or "grow shoes". Patnaik also refutes the argument that Britain could have had an technological advantage and so process raw material more efficiently: (1) Grapes had been too perishable to transport to Britain and then produce wine; (2) the technology of processing cloth only developed during a 150 year period of British protectionism that prohibited imports of cloth from Asia; Ricardo's advocacy of free trade was aimed only at tariff free import of raw material and corn; Portugal, the 'mutual benefiting' country, had not been part of a free trade agreement with England based on Ricardo's theory but was rather forced to open its markets to British goods, leading to a deindustrialization: "Improvement did not and could not take place for both countries, only for the one that was militarily and politically the more powerful. In fact, an actual welfare worsening is very much on the cards for the country that is obliged, owing to extra-economic pressure, to specialize as primary goods exporter. To the extent that it faces a land constraint, increasing the output of primary traded crops very commonly has an adverse impact on availability of non-traded crops like domestically consumed foodgrains, and undermines nutrition levels of its population […]" (Patnaik 2005: 37). Departing from 'Ricardo's Fallacy', the theory of comparative advantage has been further abstracted (i.e. Paul Samuelson), and accepted as a general theory. This must be understood, stresses Patnaik, "in terms of the important apologetic function it continues to play in the modern world. By positing necessary mutual benefit from all trade without exception – thereby tacitly including trade between advanced countries and developing countries – the theory helps to intellectually rationalize and justify all those past and present actually existing trade patterns that have been in fact the outcome of the asymmetric exercise of economic and political power, and which have served to widen the economic distance between nations" (Patnaik 2005: 40).

### 3.2 Uneven development in the marxist tradition

Radical geography has made more visible threads of Marxist and neo-Marxist theory regarding uneven development. Karl Marx (1818–1883) had observed a progressive – if polarizing – tendency of capitalism. With new means of communication and transport, more and more regions were included into the sphere of capitalist production, and non-capitalist conditions were destroyed. The new conditions of production are, however, producing new spatial hierarchies, lifting new places and locations, and downgrading older ones. The capitalist development is differentiating space. Marx is often viewed as an analyst of 19th century capitalism with not much to say about the interdependence between advanced and less advanced regions. Prabhat Patnaik (2005) stresses the "dichotomy between the developed and the underdeveloped segments of the world" in the writings of Marx. Continuous expropriation and centralization has a spatial dimension: the "expropriation is spread over a large universe" while "the employment of labour for capitalist production occurs over a smaller area, confined only to the metropolitan countries, leaving a vast pauperized mass outside in the 'outlying regions'". The reason why Marx never drew systematic attention to this dichotomy lies in his preoccupation with a European revolution: when Marx made his famous remarks in the preface of Capital, Volume I, arguing that the more developed country showed the less developed the image of its own future, he was referring, so Patnaik, "exclusively to the metropolitan countries", talking to an "audience that could work for a European revolution". While Marx was already working on Volume I of the Capital, stresses Patnaik, he was writing – in 1853 – a series of articles for the *New York Daily Tribune* dedicated to subjects related to development economics. Marx had argued that the British rule in India had a destructive and regenerative effect, turning India in a reproductive country that produced raw material for Britain in exchange for imported manufactured goods. By intruding into the colony, Britain laid down the material premises for eventual developments in India that might lead to a non-European anti-colonial Bourgeois revolution (predating a European socialist revolution). All in all, he observed a surplus drain from India to Britain that resembled a *primary accumulation* that continued even after capitalism was established in Britain, damaging prospects of capitalist development in India itself.

Rosa Luxemburg (1871–1919) pointed out that the *extended reproduction* makes an expansion into non-capitalist regions necessary: competition forces capitalists to invest parts of the surplus they generate in order to produce more varied products in higher quantity and more cheaply; this transformation from surplus into capital is called accumulation. *Extended reproduction* depends on pre-capitalist societies that consume products from capitalist societies. Following Luxemburg, capitalism needs expansion and so converges ever more areas into capitalist societies. The end of expansion would also mean the end of capitalism. (Luxemburg did nor foresee, for example, the ability of capitalism to advance 'domestically' into non-fully capitalized areas of capitalist societies, as happened after World War II, or into sectors of society that have been restricted from capitalization (as in the privatizations of health care, education etc. in recent years). Vladimir I. Lenin (1870–1924) focused, as we have seen, on the concentration of capital. While Luxemburg emphasized commodity export, Lenin argued that capital in advanced societies of monopoly capital lacked utilization, and that hence concentration, integration with bank conglomerates, and export of excess capital were shaping an expanding process of imperialism that at the end of the day led to war between competing imperial powers. Luxemburg's theory of capitalist development was based on the existence of non-capitalist regions; Lenin's theory included a dialectic of differentiation and evening out. Capitalist expansion included ever more regions but Lenin held that a new distribution of power was also possible, as was a balance of interest among imperialist powers. This opened a backdoor for a continuous instable existence of capitalism although the highest stage of capitalism had been reached (Wissen/Naumann 2008: 92-99).

Around 1905, Leon Trotsky (1879–1940) began to develop a theory concentrating on the interdependence between regions of different political-economic levels. He called it *uneven and combined development*. Trotsky (1932: chapter 1-3) tried to explain developments in Russia, which was backward compared to countries of Western Europe but exposed to their influence: "A backward country assimilates the material and intellectual conquests of the advanced countries. But this does not mean that it follows them slavishly, reproduces all the stages of their past." Global capitalist development has a converging tendency, in the sense that once a backward country is exposed to capitalist influence, the path of development is being changed, a society 'leaps forward'. He calls it "the privilege of historic backwardness" that "permits, or rather compels, the adoption of whatever is ready in advance of any specified date, skipping a whole series of intermediate stages". This would lead to a "peculiar combination of different stages in the historic process. The development of "backward nations […] as a whole" would acquire "a planless, complex, combined character". But the "skipping over intermediate steps is of course by no means absolute", as can be seen in Russian history, when Western technique and training, and loans strengthened "serfdom as the fundamental form of labour organization". "The laws of history have nothing in common with a pedantic schematism. Unevenness, the most general law of the historic process, reveals itself most sharply and complexly in the destiny of the backward countries. Under the whip of external necessity their backward culture is compelled to make leaps." From unevenness "derives another law which, for the lack of a better name, we may call the law of combined development – by which we mean a drawing together of the different stages of the journey, a combining of the separate steps, an amalgam of archaic with more contemporary forms".

The theory of *uneven and combined development* as put forward by Trotsky opens up different possible development paths. "Backward" countries can have an advantage "but 'not infrequently' the result is only a form of modified backwardness" (van der Linden 2007: 149). Van der Linden calls the development of this theory the "Trotsky-Novack-Mandel approach". Ernest Mandel (1923–1995) and US philosopher George Novack (1905–1992) have further developed the theoretical framework. Mandel observed that inter-imperialist competition would cause further differentiation. With the rise of imperialism, however, the advantage of leaping forward and repeating *completely* the process of industrialization (as Germany had done), seems to have disappeared (van der Linden 2007: 151ff). Whether (the development of) China and India will belie this latter perception remains to be seen.

### 3.3 Radical geography

Capitalism has persisted despite frequent crises and restructuring. David Harvey has traced this endurance. He explored the way capital produces space, and integrated the findings into the Marxist theory of capital accumulation (cf. Harvey 2004). Harvey calls the core concept of his theory "spatio-temporal fix". Wissen and Nauman (2008: 103) argue that today's double meaning has developed through a genesis in Harvey's work. A 'fix' in Harvey's theory means two different things: 'to repair' (or 'stabilize') and 'to localize' (or 'lock in a position'). Harvey departs from the observation that capitalist production is plagued by over-accumulation crises. We have already seen that in Marxist terms transformation from surplus into capital is called accumulation. These crises are marked by an excess of capital (in the form of commodities, unused productive capacities, and money capital that cannot find profitable investments) and labor (unemployment) that cannot be employed profitably in order to pursue necessary tasks in a society. In order to avoid the devaluation or destruction of assets, ways must be found to absorb excess. Harvey observed two solutions: geographical expansion and spatial reconstruction. Absorption of this excess in a capitalist society works via (1) a temporal postponement into the future, which means investments in long-term projects or social expenditure (education, research); (2) a spatial expansion into new markets, or outsourcing of production capacities into other regions, or investment into new fields of employment in other regions; (3) a combination of both; hence the phrase 'spatio-temporal fix'. The notion of fixing (locking in a position) capital is more than the immediate Marxist idea of fixed capital (in combination with variable capital or labor) in the production process but also (long-term) investments in the *built environment* (infrastructure, train tracks, airports, hospitals …). Investments in the *built environment* (by society/the state) stimulate economic activities and create demand. They are financed via loans on the financial markets. Capitalists that use the infrastructure pay a rent for the use of the infrastructure. If ends meet, the debt-financed investments are paid off; if not, the state acquires a higher debt (up to insolvency) or has to increase taxes. In any case, there seems to be a built in contradiction as well: temporal fix most of the time means that the amortization period of investments into the *built environment* lasts longer than in the usual 'primary circulation' of capital.

The concept of spatio-temporal fix is a way to demonstrate how the underlying problem of the current crisis is more than just regulatory failure. The transmission of credit to 'fix' over-accumulation is a strategy followed via financial markets. While the distribution of loans is a necessary mechanism, the excess of virtual capital has led to recurring speculative booms. It thus seems as if immense profits can be made by speculation. This makes early participants in the gamble rich, yet the snowball scheme has a natural flaw. The rate of profit is becoming decoupled from accumulation, as Michel Husson (2004: 136) has pointed out: capitalization and securitization can fluctuate and be traded but real value is only produced by labor (= the 'real' economy). Virtual wealth can grow as long as it does not claim conversion into real purchasing power. With the current situation, we can now study what happens if it does.

There are strategies to temporarily prevent (or postpone) a meltdown on financial markets. If sufficient money supply is available, one speculative bubble can re-inflate another. This is what happened when the Dotcom-bubble turned into the real estate-bubble, which then tried to inflate the agrofuel/food-bubble when the markets crashed. The regular business of late financial capitalism sounds less idyllic. The basic idea is to incorporate sectors of a society into the capitalist production system that have had up to then been public domains. These sectors are the product of past collective efforts and include health, water supply, education, state pension funds, energy sector and electricity, and public transportation.

Debt obligations have traditionally been the mechanism with which to implement privatization policies at the periphery. The energy sector in California and the English or New Zealand railway system are acknowledged examples in the center, however, for what happens if investments are curbed (and prices for once 'public goods' rise) for profit. This strategy has been observed for a while. "The adjective neo-liberal expresses well the dialectics between the old and the new", as Michel Husson (2004: 148) argues: under the pretense of modernity, capital turns back the clock and applies methods similar to those used in the early days of capitalism. Harvey (2004: 195f) takes up Marx' analysis of this primitive or original accumulation, a use of force that needed state power to enforce and safeguard it. This process involved (1) the commodification and privatization of land (farmers were expelled – 'freed' – from their land); (2) the conversion of public/collective property into private property; (3) the commodification of labor and suppression of alternative forms of production; (4) colonial, neocolonial, and imperialistic processes of appropriation; (5) monetization of trade and taxation; (6) the slave trade; and (7) extortion. Harvey argues that these processes can be observed also today. He calls them *accumulation by dispossession*. He follows Lenin, Luxemburg, and Rudolf Hilferding with the observation that fraud, Ponzi-financing, intended devaluation through inflation, dispossession of assets (pension funds) and so on, are characteristics of contemporary capitalism. Examples are the collapse of Enron in the US or speculative manipulations before the Asian financial crisis of 1997, a prelude to massive dispossession.

The whole arrangement is embedded in inner-imperialist competition. The establishment of the powerful alliance between financial markets and the US government is a result of the hegemonic weakness of the US in the 1970s. The quick economic recovery post-1945 in Europe and Japan does not seem to be out of the ordinary. As the Hungarian economist Ferenc Jánossy (1971: 9ff) pointed out, "all economic miracles are reconstruction periods". Wars and severe crises would sometimes break the regular tendency of production. A post-war (post-crisis) development would then take an above average course (if the necessary knowledge of workers for production was still available). This would last not only until a pre-war (pre-crisis) level was reached, but until the respective economy arrived at the point it would have reached without an interrupted pace of development. For David Harvey, the US Marshall Plan for Europe after World War II is a typical example of how regions are capitalized to pay for commodities or repay capital investments in a *spatio-temporal fix*. (Another one was the accumulation of debts in peripheral countries, leading to the debt crisis in the 1980s.)

Ernest Mandel (1987: 34) pointed at another 'norm': he counted 21 over-accumulation crises since the development of the industrial capitalist world market, from 1825 until the second global recession after World War II, in 1980–1982. He reasoned that it was illogical and implausible to diagnose particular and unique causes for a disease that has occurred more than twenty times. With the end of the postwar 'miracle' and the first postwar global recessions, imbalances again produced more severe instances of friction. The US government was pressed to give up the regulated Bretton-Woods System, enforcing a world-wide system of liberalization and privatization.

## 4. The consolidation of uneven development

The spatial construction of uneven development in the capitalist world economy is one of the most important topics in the field of development studies. I use as a point of departure discussions from the 1960s/1970s, when structuralists pointed out that the strength of the working class in the center enabled it to benefit from unequal exchange on a global level. As Saad-Filho (2005: 134) put it: "in the centre, unemployment is low, the workers are unionized and they resist nominal wage cuts. In this case, productivity growth reduces unit costs but prizes do not fall: the gains are appropriated by the workers and their employers through higher wages and profits. Since primary product prices tend to fall while the prices of manufactures remain constant, the periphery's terms of trade tend to decline over time." While structuralists maintained that the problem of uneven development (backwardness of the periphery) was a lack of capitalist development, dependency theorists saw the problem in an ongoing subordination and exploitation of the periphery by the capitalist center. "Therefore, the periphery can develop only after radical political change including, for many *dependistas*, the elimination of relations of dependence (and the *comprador* class) and the institution of socialism" (Saad-Filho 2005: 139). The focus on revolutionary change in the periphery alone (because the working class in the center was too *reformist*, i.e. weak or socio-economically corrupted) has been countered by contemporary criticism.

The economist Ernest Mandel (1970) described as "*Third Worldism*" the approach that perceived the dependent relation between imperialism and the peoples of the Third World as the main contradiction of the time. He agreed that "national liberation movements in colonial and semi-colonial countries" were "part and parcel" in a process of change. He doubted, however, that "loss of an important or even a decisive part of foreign colonial domains will automatically create a revolutionary situation inside the imperialist countries" and therefore argued that the focus should be on the center. Imperialism had united "the world economy into a single world market" but not "world society into a homogeneous capitalist milieu". He argued that "to speak of the world as one society, as one single framework for political action, is an impermissible metaphysical abstraction".

Why was there no decisive action in the center against global inequalities? As with the English working class in the 19$^{th}$ century, the US working class benefited from advanced productivity, argued Mandel, and enjoyed the highest standard of living in the world. The "relative social and political quiescence" in the US was the base that enabled global inequalities to be upheld. This could only be upset by two factors: "absolute impoverishment" and "increasing insecurity and instability of employment" in the US. But US imperialism would neither threaten "the standard of living of the working class, nor shatter the relative stability of employment" as long as international competition operated in its favor. Although the common enemy at that time (state socialism) united the capitalist camp, competition prevailed among the capitalist rivals.

The current financial crisis has sparked the idea of an end of US hegemony (Duménil/Lévy 2008). This notion is rooted in the 1970s, when the US countered hegemonic difficulties by supporting and furthering global financial markets and policies of liberalization and privatization. Because the US identified itself with globalization and supported it, argues Bob Jessop (2001: 156), it could manage to increase its global influence after its hegemonic position had been endangered. US allies, especially Germany and Japan, had caught up as economic rivals to the US. Anton Kausel (1985: 27) offers GDP statistics that document this change. Until 1973, the European Community (EC) safeguarded a Keynesian development model which was heavily regulated (in the monetary sector) and protected (in the farm sector). The industrial development of Western Europe caught up using US-American technology ('catching up *Fordism*') and some protection against the world market (Ziltner 2000: 85ff). Andrew Glyn and Bob Sutcliffe (1994) analyzed export and productivity: if development trends had continued linearly after 1973, so their argument goes, Europe would have overtaken the US in productivity no later than 1988, and Japan even earlier in 1983. The changes that saved US relative superiority were enforced at the expense of the more socially embedded and state supported capitalist systems of continental Europe, and had severe consequences for countries in the periphery. It is worth noting that this situation of hegemonic challenge began before the disintegration of the state socialist world system. The effects of these liberalization and privatization policies that were permeated worldwide are still being felt today. Meanwhile, Russia and China, the US' main former ideological rivals, became competitors within the logic of the capitalist world market. It remains to be seen whether these countries, plus India and Brazil, are becoming the primary challengers of US supremacy.

Mandel (1970: 38) argued that stability in the US society was a prerequisite for the ability to keep a contradictory world system stable. It depended on the "capacity of the system to 'deliver the goods'". With the policies that have become known under the catchphrase "neo-liberal globalization", this stability has certainly been impaired. The Reagan administration "shifted government spending away from social spending and toward defense spending (all told, government spending increased); [...] the Reagan administration sought to 'deregulate' the economy wherever possible [...]" (Duffey 1988: 83). The social consequences of the Reagan years have been described: social indicators deteriorated (child mortality, poverty, and so on), while income was redistributed from the lower strata of society towards the rich and wealthy sector (Martin 1990; Phillips 1990). It is widely agreed that the US has experienced a deterioration of income equality since the 1970s, and "the highest dispersion of wages and earnings and the highest inequality of standards of living in the industrialized world" (Gangl 2005: 142). Since 1913, there seems to have been only one year that saw an unequal wealth distribution in the US equal to that of 2008: 1928, the year before the stock market crash (Anderson 2008).

### 4.1 Consolidation despite polarization

Several factors seem to have added to a relatively consolidated situation despite growing social polarization. Firstly, we know that the US had become the world's biggest debtor nation (and acquired a trade deficit) during the Reagan years (Lamm 1988: 15). With growing inequality in the US, consumption should have declined. On the contrary, inequality seems to have "given way to an endogenous development of credit markets, increasing the credit supply in response to rising inequality", and the credit supply "was most notable among low-income households" (Boushey/Weller 2007: 195f). This credit-financed demand stimulated the world economy but also seems to have fed the current financial crisis: "the vital ingredient in consumer buoyancy was build-up of personal debt" (Blackburn 2008: 66). This cannot be seen as 'sustainable', either for the US or the world economy. Secondly, globalization seems to have curbed domestic frictions at the expense of workers abroad. A good deal of unskilled mass production has been transferred abroad. This situation has left working conditions to the regulatory system of the respective regions (out of sight of the domestic consumer), and has 'imported' stability via low import prices and inflation. In the language of a study by the Organization of Economic Cooperation and Development (OECD), this reads as follows: "The empirical analysis highlights a number of important ways in which the behaviour of consumer prices appears to have changed over the past decade. Of these, the most notable is the extent to which import prices have become a more important determinant of consumer prices over time in all OECD countries, implying that foreign economic conditions have become a more important influence on domestic inflation. At the same time, domestic inflation is found to have become less sensitive to temporary changes in the domestic output gap. Other notable changes include evidence that inflation persistence has declined in most OECD countries and that the speed of adjustment towards the 'desired' price level has slowed over the past decade" (Pain et al. 2006: 34). This situation has also contributed to the current financial crisis: "The maintenance of the boom", as Blackburn (2008: 66) put it, "was made a little easier by cheap Chinese imports". Only with recent hikes in food and energy prices has the situation changed. "The free ride is ending", writes Keith Bradsher (2008b): "For decades, Westerners have imported goods produced ever more inexpensively from a succession of low-wage countries – first Japan and Korea, then China, and now increasingly places like Vietnam and India. But mounting inflation in the developing world, especially Asia, is threatening that arrangement." Meanwhile, however, the recession on world markets seems to be producing again contrary effects, easing inflation in China and lowering some commodity prices. (Jacobs/Barboza 2008, BBC 2008) Thirdly, for the US, a decades long subsidized gasoline price has enabled cheap individual mobility to be a base for its development model. Fourthly, the US development model is supported by the most extensive military and armament production system in the world (Cerfati 2004). Fifthly, a study conducted at the University of Princeton suggests that "rising economic inequality is not only associated with higher rates of imprisonment, it is also associated with increasing inequality in imprisonment". It envisages "two kinds of collective experience: one among college-educated whites who were largely unaffected by the prison boom, the other among non-college blacks, for whom imprisonment became a common life event" (Western et al. 2005: 28). Recent figures show that the US is in first position in the world as far as number of prisoners are concerned (751 per 100,000, compared to 222 in Iran, 119 in China, 151 in England, 91 in France, and 32 in India) (Liptak 2008). Last but not least, the fabric of hegemonic ideology has bequeathed a severe legacy to global development. It is widely accepted that the crisis of capitalism in the 1970s was informed and structured by neo-liberalism. Joachim Hirsch points out that neo-liberalism was "rather a battle ideology than a consistent project for society". It consisted of a complex mixture of neoliberal, neoconservative, and neo-social democratic patterns of regulation for societies (Hirsch 2001: 194). Paul Treanor talks about neo-liberalism as ideology, philosophy, and economic structure. (Treanor n/y) David Harvey (2005: 19f) puts it as follows: "Neoliberalism as a potential antidote to threats to the capitalist social order and as a solution to capitalism's ills had long been lurking in the wings of public policy. […] The neoliberal label signaled their [the neoliberal avant-garde Mont Pelerin Society's] adherence to those free market principles of neoclassical economics that had emerged in the second half of the nineteenth century (thanks to the work of Alfred Marshall, William Stanley Jevons, and Leon Walras) to displace the classical theories of Adam Smith, David Ricardo, and of course, Karl Marx. Yet they also held to Adam Smith's view that the hidden hand of the market was the best device for mobilizing even the basest of human instincts such as gluttony, greed, and the desire for wealth and power for the benefit of all."

We saw in an earlier section the way neoclassical economics was shaped; with neo-liberalism, it married another pragmatic approach. The hegemonic neo-liberal doctrine was enforced in countries of the periphery via IMF and IBRD ('Washington Consensus'), using weak positions caused by the international debt/credit crisis. However, this pragmatic approach allowed the countries of the center to apply protectionist policies themselves if necessary (Weissenbacher 2005: 134ff). The influential ideas behind the *Washington Consensus* have been reproduced by education and employment. The Canadian economist Michel Chossudovsky argues that it was a main function of universities to produce loyal and trustworthy economists (Chossudovsky 1996: 42). Studies from the 1990s showed that 90 percent of IMF employees with a PhD had graduated from a university in the US or Canada, and more than 80 percent of high-ranking IBRD employees in the departments politics, research, and external affairs had received their education in economics or finance from a US or UK school (Woods 1998: 100). Ben Fine (2006: 12) talks of an "Americanization" of economics: "This is not simply the excessive and irrelevant use of mathematics, statistics, methodological individualism of a special type, and obsessive preoccupation with equilibrium and efficiency. It is marked by the excessive command of a limited range of institutions and individuals." When the Washington Consensus finally lost some of its credibility, critics like Joseph Stiglitz and Paul Krugman (meanwhile both honored by the 'Nobel prize' for economics, which is in fact sponsored by the Swedish National Bank) grew out of this very system. They helped to shift it towards a *post*-Washington Consensus more oriented on market failure but avoiding fundamental criticism, as Fine (2006: 15) argues: "For, at the level of scholarship and the general rhetoric, the post-Washington Consensus helped to extract the Washington Consensus from its crisis of legitimacy by offering a more state- and poverty-friendly approach. [I]t could do so without necessarily departing significantly from the policies of stabilization and adjustment."

After the turmoil of the late 1960s, neo-liberalism was used to protect or even restore the position of the capitalist class, as Harvey argues. Ideals of individual freedom were turned against the interventionist state. But neo-liberalism "had to be backed up by a practical strategy that emphasized the liberty of consumer choice, not only with respect to particular products but also with respect to lifestyles, modes of expression, and a wide range of cultural practices. [It] required both politically and economically the construction of a neoliberal market-based populist culture of differentiated consumerism and individual libertarianism. As such it proved more than a little compatible with that cultural impulse called 'postmodernism' […]. This was the challenge that corporations and class elites set out to finesse in the 1980s" (Harvey 2005: 42). Postmodernism seems to have broken up some overly conservative structures (in so far as it gave people at the fringe of society room to manoeuvre) but it also ascribed to society the politically paralyzing idea of the consuming individual as main protagonist. Thorough 'saturation' of consumers was made possible by television, while global communication systems seem to have spurred a kind of combined development on the cultural and ideological level; these ensured "an incomparably greater degree of cultural penetration of the former Second and Third Worlds by the First" (Anderson 2002: 121). In his analysis of postmodernism, Frederic Jameson (1984) based his conception of a new stage of capitalist development on Ernest Mandel (1972), and called it *consumer* or *multinational capitalism*.

## 5. Summary and outlook

Many of these issues are valid for the European Union as well. The combination of neo-liberalism-neoclassicism-postmodernism has produced a powerful paradigm that still influences the perception of capitalist societies. The paradigm was created in a time of capitalist world crisis and the hegemonic weakness of its leading power. It helped to restore relative US hegemony. The structural imbalances, however, have not disappeared. Before the current financial crisis, the decline of the US dollar presented a challenge to US power. While its economic rivals China and Japan produce massive surpluses, and Germany sustains its position as export world champion, the US "must attract some $3 billion every working day to finance a gaping current account deficit that in 2006 amounted to 6.5 percent of gross domestic product. [...] Since Americans also spend more than they save, the money to cover the U.S. deficit must come from foreign lenders like central banks" (Johnson 2007). The euro has shown remarkable strength recently but the US dollar is still backed by the staying power of the incumbent global currency. Before the current crisis, the US dollar maintained some strength relative to the euro. Countries were only cautiously diversifying into the euro, argues Howard Wachtel, professor of economics at American University: "It is costly to diversify out of the dollar. Any sharp movement will cause the dollar to fall even faster and further, hurting the dollar holders even more than the United States" (Wachtel 2007). Above all China, which has more than a trillion dollars in currency reserves, will try to avoid policies that depreciate such reserves. However, the slump of the US dollar has led to consequences: some Chinese exporters are trying to switch into euro-earnings, while others turn to the domestic market (Bradsher 2008a). Iran, fourth largest oil producer in the world and major opponent of the US, has dealt a blow to the standing of the US dollar as world currency. In December 2007, it stopped selling oil for US dollars. Most of the earnings of the National Iranian Oil Company are now in euro, some of them in yen. Iran has promoted the idea of oil trading in euro since the early 2000s. In 2008 it seems to be getting down to business by starting to implement an international oil exchange trading predominantly in euro (Reuters 2007; IHT 2008a). To improve returns and diversify its holdings of US dollar reserves, China has begun to invest into international companies, banks, and funds (Barboza 2008). This all happened before the meltdown of the financial markets, which has made markets more volatile. The credit crunch seems to have stimulated demand for US dollars. "U.S. investors […] bring overseas money back home" (IHT 2008e). US investments abroad have begun to disengage and are feeding a – presumably temporary – recovery of the US dollar in relation to other currencies.

The countries of the European Union are at the time of writing being hit by a wave of turbulence from the crisis' epicenter New York. And so are Asian markets. Whether US competitors will come out of the crisis with a stronger position remains to be seen. Strategic forecasts by the United States National Intelligence Council (2008: 2, 7) seem to have become more cautious as far as US dominance is concerned, envisaging for the year 2025 a "multipolar future, and therefore dramatic changes in the international system". This situation is being described as representing a movement "back to the future"; "Asia's economic powerhouses – China and India – are restoring the positions they held two centuries ago when China produced approximately 30 percent and India 15 percent of the world's wealth." Per capita, these regions are widely seen as continuing to lag behind, making "many individual Chinese or Indians feeling relatively poor compared to Westerners".

It seems likely that the current crisis will affect the world economy for years and will be accompanied by a change of paradigms. When countries in the periphery were running into crises during the last decades, socialization and state intervention were largely prohibited by the Washington Consensus. With the meltdown in the center, much seems different. Socialization is back on the mainstream agenda, and so is government intervention. It will be up to political struggles (presumably depending on how severe the crisis may turn out to be) to determine whether discussions will stop at regulatory issues or if they will also impinge on the underlying structural imbalances of a system relying on exploitation and uneven development. After all, the existing paradigm has shaped emerging competitors in China, India, Russia, and elsewhere. "Neoliberalization has not been very effective in revitalizing global capital accumulation, but it has succeeded remarkably well in restoring, or in some instances (as in Russia and China) creating, the power of an economic elite" (Harvey 2005: 19). The success of more state-oriented development models seem to be gaining momentum due to the apparent failure of the current 'Western' models: "Ironically, the major enhancement of the state role in Western economies now under way as a result of the current financial crisis may reinforce the emerging countries' preference for greater state control and distrust of an unregulated marketplace" (United States National Intelligence Council 2008: 9).

Moreover, the Chinese success story seems to have taken up habits of the 'Western' way of living (a synonym for the utility-seeking individual in a capitalist society) in terms of meat and milk consumption, resource demands for production, and growing internal inequality. In contrast to Indonesia and the Philippines, however, China seems to be able to cushion the current food crisis by small-scale regional production, part of the heritage of a socialist system of land reform (Ceballos/Fischermann 2008). The current Chinese model depends on exports to the US and Europe. If the trade links to China should be impaired (exports already seem to be slowing: Bradsher 2008c: 14), and if Chinese dollar reserves are being devaluated, the Chinese development model might have to take a different path, eventually more inward oriented. This in turn will affect consumption patterns in Europe and the US.

The theories I have briefly discussed in this paper would only in part be able to explain a shift of power towards Asia. The neoclassical logic would assume convergence, and therefore might have been able to predict the case of China. Questions emerging from a neoclassical framework would be, however: why do regions of Africa not follow such a success story, and why does a country show economic success that behaves more like a state interventionist model of the 19th century than a free market *laissez faire* type? The absence of non-economic factors seems to impair the ability of the neoclassical model to function as a 'general theory' of development. Radical geography in the Marxist tradition does not seem to foreclose a certain outcome developments but it can hardly be used to predict changes. Diverging and converging socio-spatial developments can be explained, albeit based on the underlying structural imbalance: they depend on struggles between different groups, factions, and agents. These struggles will include the question of the emergence of a new paradigm. Such an endeavor will depart from assessing the yet prevailing neoclassicism-neo-liberalism-postmodernism paradigm. Moishe Postone sounds a note of caution for those dealing with critical theories of capitalism. Emancipatory elements which capitalism has produced should be separated from those that are anti-emancipatory. He argues that postmodernism could be interpreted as a premature form of post-capitalism that points to future development paths born in the capitalist system. At the same time, however, postmodernism is an ideology that legitimizes capitalism (Postone 2008: 22f). Moreover, caution seems also necessary in assessing these dialectical developments. Certainly, all scholars mark their research through their own 'subjectivity', and 'objectivity' in social science is, at its best, merely a form of inter-subjective verifiability. Nevertheless, at the end of the day, they should reach an understanding of an empirical reality, not merely different "objective truths" interpreted by respective identity groups (Hobsbawm 2004). Scholars of development studies will be players in the shaping of a future 'development paradigm' and future developments, and most of all in the "greatest global challenge of the twenty-first century" (Green 2008: 3): ending inequality's 'lottery by birth'.

**References**

Abu-Lughod, Janet (1989): Before European Hegemony. The World System A.D. 1250–1350. New York/Oxford: Oxford University Press.

Anderson, Jenny (2008): 3 hedge fund chiefs hit $3 billion in 2007. In: International Herald Tribune, 16.4.2008, 14.

Anderson, Perry (2002 [1998]): The Origins of Postmodernity. London/New York: Verso.

Andriani, Silvano (2008): Il ritorno dello Stato. In: L'Unita, 16.7.2008, 26.

Arias Sánchez, Óscar (2008): Peace is possible only through memory. Speech before the United Nations General Assembly. New York, 24.9.2008. http://www.un.org/ga/63/generaldebate/costarica.shtml, 20.11.2008.

Barboza, David (2008): China buys large stake in BP for $2billion. Beijing turns focus to industry leaders. In: International Herald Tribune, 26.4.2008, 11.

Becker, Joachim (1999): Die Peripherie in der kapitalistischen Weltwirtschaft: Kontinuitäten und Wandel im historischen Überblick. In: Parnreiter, Christof/Novy, Andreas/Fischer, Karin (eds.): Globalisierung und Peripherie. Umstrukturierungen in Lateinamerika, Afrika und Asien. Frankfurt/Main: Brandes & Apsel, 35-63. (= Historische Sozialkunde 14)

Becker, Joachim (2007): Dollarization in Latin America and Euroization in Eastern Europe: Parallels and Differences. In: Becker, Joachim/Weissenbacher, Rudy (eds.): Dollarization, Euroization and Financial Instability. Central and Eastern European Countries between Stagnation and Financial Crisis? Marburg: Metropolis, 223-278.

Becker, Joachim/Lengauer, Lukas/Weissenbacher, Rudy (2008): Polarisationstheoretische Ansätze: Perspektiven aus „Nord“ und „Süd“. In: Krumbein, Wolfgang/Frieling, Hans-Dieter von/Kröcher, Uwe/Sträter, Detlev (eds.): Kritische Regionalwissenschaft. Gesellschaft, Politik, Raum. Münster: Westfälisches Dampfboot, 133-149.

Blackburn, Robin (2008): The Subprime Crisis. In: New Left Review 50, 63-106.

Bradsher, Keith (2008a): Some Chinese exporters prefer euros to dollars. In: International Herald Tribune, 29.4.2008, http://www.iht.com/articles/2008/04/29/business/30yuan.php, 3.9.2008.

Bradsher, Keith (2008b): Rising inflation in Asia stings in the West. In: International Herald Tribune, 7.4.2008, http://www.iht.com/articles/2008/04/07/business/inflate.php, 4.10.2008.

Bradsher, Keith (2008c): Shock cuts through insulation of Asia markets. In: International Herald Tribune, 11./12.10.2008, 1 and 14.

British Broadcasting Corporation – BBC (2008): Mining firms lose FTSE 100 place. 11.12.2008, http://news.bbc.co.uk/2/hi/business/7777045.stm, 11.12. 2008.

Boushey, Heather/Weller, Christian (2007): Unequal Fortunes, Unstable Households: Has Rising Inequality Contributed to Economic Troubles for Households? In: Jomo K.S./Baudot, Jaques (eds.): Flat World, Big Gaps. Economic Liberalization, Globalization, Poverty and Inequality. London: Zed Books, 177-215.

Ceballos Betancur, Karin/Fischermann, Thomas (2008): Noch hungern nur die Armen. In: Die Zeit, 17.4.2008, http://www.zeit.de/2008/17/Welthunger, 12.10.2008.

Cerfati, Claude (2004): Militarismus: der bewaffnete Arm der Globalisierung. In: Zeller, Christian (Hg.): Die globale Enteignungökonomie. Münster: Westfälisches Dampfboot, 21-59.

Chossudovsky, Michel (1997): The Globalisation of Poverty. Impacts of IMF and World Bank Reforms. London: Zed Books.

Dougherty, Carter (2008): A lesson rooted in the Great Depression. In: International Herald Tribune, 18.9.2008, http://www.iht.com/bin/3-col.php?id=16288248, 20.9.2008.

Duffey, Joseph (1988): U.S. Competitiveness: Looking Back and Looking Ahead. In: Martin Starr (ed.): Global Competitiveness. Getting the U.S. Back on Track. New York/London: W.W. Norton & Company, 72-94.

Duménil, Gérard/Lévy, Dominique (2008): Global Debts Undermine World Hegemony. US on the road to financial ruin. In: Le Monde diplomatique, 5.9.2008. Reprinted in ZNet: http://www.zmag.org/znet/viewArticle/18716, 4.10.2008.

Economist (2008): Bad, or worse. Washington, 9.10.2008. http://www.economist.com/finance/displaystory.cfm?story_id=12381879, 12.10. 2008.

Feldbauer, Peter/Hardach, Gerd (1999): Von der Weltwirtschaftskrise zur Globalisierungskrise: Wohin treibt die Peripherie? In: Feldbauer, Peter/Hardach, Gerd/Melinz, Gerhard (eds.): Von der Weltwirtschaftskrise zur Globalisierungskrise

(1929–1999). Frankfurt/Main: Brandes & Apsel/Südwind, 9-21. (= Historische Sozialkunde 15/Internationale Entwicklung)
Feldman, Gerald/Homburg, Heidrun (1977): Industrie und Inflation. Studien und Dokumente zur Politik der deutschen Unternehmer 1916–1923. Hamburg: Hoffmann und Campe.
Fine, Ben (2006): The New Development Economics. In: K.S., Jomo/Fine, Ben (eds.): The New Development Economics. After the Washington Consensus. New Delhi/New York/London: Zed Books, 1-20.
Fischer, Karin/Hödl, Gerald/Parnreiter, Christoph (2007): Entwicklung – eine Karotte, viele Esel? In: Fischer, Karin/Hödl, Gerald/Maral-Hanak, Irmi/Parnreiter, Christof (eds.): Entwicklung und Unterentwicklung. Eine Einführung in Probleme, Theorien und Strategien. Wien: Mandelbaum, 13-55. (= Gesellschaft – Entwicklung – Politik 3)
Food and Agricultural Organization – FAO (2008a): The world only needs 30 billion dollars a year to eradicate the scourge of hunger. Time for talk over – Action needed. Rome, 3.6.2008. http://www.fao.org/newsroom/en/news/2008/1000853/index.html, 29.9.2008.
Food and Agricultural Organization – FAO (2008b): High-Level Conference on World Food Security: The Challenges of Climate Change and Bioenergy. Bioenergy, Food Security and Sustainability – Towards an International Framework. Rome, 3.–5.6.2008.
Frieling, Hans-Dieter (2008): Raum und Regionalentwicklung in der neoklassischen Ökonomie – ein kritischer Überblick. In: Krumbein, Wolfgang/Frieling, Hans-Dieter von/Kröcher, Uwe/Sträter, Detlev (eds.): Kritische Regionalwissenschaft. Gesellschaft, Politik, Raum. Münster: Westfälisches Dampfboot, 168-190.
FSF – Financial Stability Forum(2008): Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience. Basel, 7.4.2008. http://www.fsforum.org/publications/FSF_Report_to_G7_11_April.pdf, 11.11.2008.
FSF – Financial Stability Forum (n/y a): Genesis of the FSF. Basel. http://www.fsforum.org/about/genesis_of_the_fsf.html, 11.11.2008.
FSF – Financial Stability Forum (ed., n/y b): Declaration of G7 finance ministers and central bank governors. http://www.fsforum.org/press/pr_981003.pdf?noframes=1, 11.11.2008.
Fujita, Masahisa/Krugman, Paul/Venables, Anthony J. (2001 [1999]): The Spatial Economy. Cities, Regions, and International Trade. Cambridge, Mass./London: MIT Press.
Fullbrook, Edward (2005): Economics and Neoliberalism. In: The Other Canon. http://www.othercanon.org/papers/index.html, 10.9.2008 and in: Post-Autistic Economics Network and Post-Autistic Economic Review. http://www.paecon.net/Fullbrook/EconomicsandNeoliberalism.pdf, 10.9.2008. [later published as: Fullbrook, Edward (2007): Economics and Neoliberalism. In:
Hassan, Gerry (ed.): After Blair: Politics after the New Labour Decade. London: Lawrence and Wishart, 160-171.]

Gangl, Markus (2005): Income Inequality, Permanent Incomes, and Income Dynamics. Comparing Europe to the United States. In: Work and Occupations 32 (2), 140-162.
Glyn, Andrew/Sutcliffe, Bob (1994): Global aber führungslos? Die neue kapitalistische Ordnung. In: ÖGKG (Hg.): Alte Ordnung – Neue Blöcke? Polarisierung in der kapitalistischen Weltwirtschaft. Wien: Promedia, 135-157.
Goodacre, Hugh (2006): Development and Geography. Current Debates in Historical Perspective. In: K.S., Jomo/Fine, Ben (eds.): The New Development Economics. After the Washington Consensus. New Delhi/New York/London: Zed Books, 249-268.
Green, Duncan (2008): From Poverty to Power. Oxford: Oxfam.
Ha-Joon Chang (2002): Kicking Away the Ladder. Development Strategy in Historical Perspective. London: Anthem Press.
Harvey, David (1989): The Condition of Postmodernity. Oxford/Cambridge, Mass.: Blackwell.
Harvey, David (2004): Die Geographie des „neuen" Imperialismus: Akkumulation durch Enteignung. In: Zeller, Christian (ed.): Die globale Enteignungsökonomie. Münster: Westfälisches Dampfboot, 183-215.
Harvey, David (2005): A Brief History of Neoliberalism. Oxford: Oxford University Press.
Harvey, David (2006): Spaces of Global Capitalism. Towards a Theory of Uneven Geographical Development. London/New York: Verso.
Hilsenrath, Jon/Paletta, Damian/Lucchetti, Aaron (2008): Goldman, Morgan Scrap Wall Street Model, Become Banks in Bid to Ride Out Crisis. In: Wall Street Journal, 22.9.2008, 1 and 6.
Hirsch, Joachim (2001): Postfordismus: Dimensionen einer neuen kapitalistischen Formation. In: Hirsch, Joachim/Jessop, Bob/Poulantzas, Nicos (eds.): Die Zukunft des Staates. Hamburg: VSA, 171-209.
Hobsbawm, Eric (1996a [1962]): The Age of Revolution. New York: Vintage.
Hobsbawm, Eric (1996b [1994]): The Age of Extremes. New York: Vintage.
Hobsbawm, Eric (2004): Wider den postmodernen Relativismus. In: Le Monde diplomatique, December 2004, 14-15.
Huffschmid, Jörg (2007): Internationale Finanzmärkte: Funktionen, Entwicklung, Akteure. In: Huffschmid, Jörg/Köppen, Margit/Rhode, Wolfgang (Hg.): Finanzinvestoren: Retter oder Raubritter. Hamburg: VSA, 10-50.
Husson, Michel (2004): Der Kapitalismus nach der „neuen" Ökonomie. In: Zeller; Christian (ed.): Die globale Enteignungsökonomie. Münster: Westfälisches Dampfboot, 127-159.
IHT – International Herald Tribune (2008a): Iran launches oil products bourse with petrochemical deal. 17.2.2008, http://www.iht.com/articles/ap/2008/02/17/business/ME-FIN-Iran-Oil.php, 3.9.2008.

IHT – International Herald Tribune (2008b): IMF says credit losses could hit $1 trillion. 8.4.2008. http://www.iht.com/articles/reuters/2008/04/08/business/OUKBS-UK-IMF-MARKETS.php, 20.9.2008.
IHT – International Herald Tribune (2008c): Bernake calls for stronger regulation. 11.4.2008, 13.
IHT – International Herald Tribune (2008d): G-7 vows to soften capitalism. 14.4.2008, 14.
IHT – International Herald Tribune (2008e): Dollar strengthens to one-year high against euro. 11.9.2008, http://www.iht.com/articles/2008/09/11/business/11markets.php, 24.10.2008.
IMF – International Monetary Fund (2008): Housing and the Business Cycle. World Economic Outlook. April. Washington: IMF.
Jacobs, Andrew/Barboza, David (2008): Unexpected drop in China's imports and exports. In: International Herald Tribune, 11.12.2008, http://www.iht.com/articles/2008/12/11/business/11yuan.php, 11.12.2008.
James, Harold (1999 [1998]): Im Teufelskreis der Depression. In: Feldbauer, Peter/Hardach, Gerd/Melinz, Gerhard (eds.): Von der Weltwirtschaftskrise zur Globalisierungskrise (1929–1999). Frankfurt/Main: Brandes & Apsel/Südwind, 239-242. (=Historische Sozialkunde 15/Internationale Entwicklung)
Jameson, Fredric (1984): Postmodernism, or The Cultural Logic of Late Capitalism. In: New Left Review I/146, 53-92.
Jánossy, Ferenc (1971 [1966]): The end of the economic miracle. Appearance and reality in economic development. White Plains, New York: International Arts and Sciences Press.
Jessop, Bob (2001): Die Globalisierung des Kapitals und die Zukunft des Nationalstaats. In: Hirsch, Joachim/Jessop, Bob/Poulantzas, Nicos (eds.): Die Zukunft des Staates. Hamburg: VSA, 139-170.
Johnson, Steven (2007): Dollar's decline presents a challenge to U.S. power. In: International Herald Tribune, April 28-29, 2007, 13.
Kausel, Anton (1985): 150 Jahre Wirtschaftswachstum in Österreich und der westlichen Welt im Spiegel der Statistik. Wien.
Kolko, Gabriel (1972 [1963]): The Triumph of Conservatism. In: Bernstein, Barton/Matusow, Allen J. (eds.): Twentieth-Century America: Recent Interpretations. New York: Harcourt Brace Jovanovich, 1972 [1969].
Köppen, Margit (2007): Private Equity-Fonds. In: Huffschmid, Jörg/Köppen, Margit/Rhode, Wolfgang (Hg.): Finanzinvestoren: Retter oder Raubritter. Hamburg: VSA, 51-68.
Krugman, Paul (2008): Partying like it's 1929. In: International Herald Tribune, 21.3.2008, 7.
Lamm, Richard (1988): Crisis: The Uncompetitive Society. In: Starr, Martin (ed.): Global Competitiveness. Getting the U.S. Back on Track. New York/London: W.W. Norton & Company, 12-42.

Landler, Mark (2008): A tense union, divided by a single currency. In: International Herald Tribune, 2.5.2008, 11 and 13.
Leonhardt, David (2008a): Credit crunch baffles even the experts. In: International Herald Tribune, 20.3.2008, 10 and 12.
Leonhardt, David (2008b): When a safety net leads to some risky behavior. In: International Herald Tribune, 19.3.2008, 10.
Lenin, Wladimir (1988 [1916]): Der Imperialismus als höchstes Stadium des Kapitalismus. In: Institut für Marxismus-Leninismus (Hg.): W.I. Lenin. Werke. Band 22. Berlin: Dietz, 189-309.
Liptak, Adam (2008): In numbers behind bars, U.S. leads the world. In: International Herald Tribune, 24.4.2008, 6.
Lordon, Frédéric (2007): Die Mechanik der Finanzmärkte. In: Le Monde diplomatique, September 2007, 1, 9-10.
Lordon, Frédéric (2008): Die Zocker setzen auf den Staat. In: Le Monde diplomatique, March 2008, 6-7.
Maier, Gunther/Tödtling, Franz/Trippl, Michaela (2006): Regional- und Stadtökonomik 2. Regionalentwicklung und Regionalpolitik. Wien/New York: Springer.
Mandel, Ernest (1970): The Laws of Uneven Development. In: New Left Review I/59, 19-38.
Mandel, Ernest (1972): Der Spätkapitalismus. Frankfurt/Main: Suhrkamp.
Mandel, Ernest (1987): Die Krise. Weltwirtschaft 1974–1986. Hamburg: Konkret.
Martin, George (1990): Social Policy in the Welfare State. Englewood Cliffs, N.J: Prentice Hall.
Marx, Karl (1967 [1867]): Capital. A Critique of Political Economy. Volume I. New York: International Publishers.
Milanović, Branko (2007): Global Income Inequality: What It Is and Why it Matters. In: K.S., Jomo/Baudot, Jaques (eds.): Flat World, Big Gaps. Economic Liberalization, Globalization, Poverty and Inequality. London: Zed Books, 1-23.
Pain, Nigel/Koske, Isabell/Sollie, Marte (2006): Globalisation and Inflation in the OECD Economies. OECD Economic Department Working Papers No.524. Paris: OECD.
Patnaik, Prahbat (2005): Karl Marx as a Development Economist. In: K.S., Jomo (ed.): The Pioneers of Development Economics. Great Economists on Development. New Delhi/London/New York: Zed Books, 62-73.
Patnaik, Utsa (2005): Ricardo's Fallacy. Mutual Benefit from Trade Based on Comparative Costs and Specialization? In: K.S., Jomo (ed.): The Pioneers of Development Economics. Great Economists on Development. New Delhi/London/New York: Zed Books, 31-41.
Peck, Jamie/Theodore, Nik (2007): Variegated capitalism. In: Progress in Human Geography 31 (6), 731-772.
Phillips, Kevin (1990): The Politics of Rich and Poor. Wealth and the American Electorate in the Reagan Aftermath. New York, N.Y.: Random House.

Phillips, Leigh (2008): Germany and UK want global financial regulator. In: EU Observer, 22.9.2008, http://euobserver.com/9/26784/?rk=1, 23.9.2008.
Pirker, Reinhard (2004): Märkte als Regulierungsformen sozialen Lebens. Marburg: Metropolis.
Pittman, Mark (2007): Paulson played a role in the subprime debacle. In: International Herald Tribune, 6.11.2007, 16.
Postone, Moishe (2008): Theorien der heutigen Welt: Robert Brenner, Giovanni Arrighi, David Harvey. In: Postone, Moishe (ed.): Kritische Kapitalismustheorie heute. Hamburg: VSA, 1-24. [First published as: Moishe Postone (2007): Theorizing the Contemporary World: Robert Brenner, Giovanni Arrighi, David Harvey. In: Albritton, Rob/Jessop, Bob/Westra, Richard (eds.): Political Economy and Global Capitalism. The 21st Century, Present and Future. London: Anthem Press.]
Reuters (2007): Iran stops selling oil in U.S. dollars – report. 8.12.2007, http://uk.reuters.com/article/oilRpt/idUKDAH83366720071208, 3.9.2008.
Rothschild, Kurt (1980): Kritik marktwirtschaftlicher Ordnungen als Realtypus. In: Streißler, Erich/Watrin, Christian (Hg.): Zur Theorie marktwirtschaftlicher Ordnungen. Tübingen: Mohr/Siebeck, 13-37.
Rothschild, Kurt (2002): The absence of power in contemporary economic theory. In: Journal of Socio-Economics 31, 433-442.
Saad-Filho, Alfredo (2005): The Rise and Decline of American Structuralism and Dependency Theory. In: K.S., Jomo/Reinert, Erik (eds.): The Origins of Development Economics. How Schools of Economic Thought Have Addressed Development. New Delhi/London/New York: Zed Books.
Scannell, Kara/Dvorak, Phred/Lublin, Joann/Williamson, Elizabeth (2008): 700 US $ billion buyout. In: Wallstreet Journal, 24.9.2008, 1c.
Screpanti, Ernesto/Zamagni, Stefano (1993): An Outline of the History of Economic Thought. Oxford: Clarendon Press.
Schuberth, Helene (2008): Logik des Sachzwangs als politisches Konzept. In: konkret 6, 34-5.
Sorkin, Andrew (2008): The invisible hand behind Bear Stearns's acquisition. In: International Herald Tribune, 26.3.2008, 15.
Steinbrück, Peer (2008): Auswirkungen der Finanzkrise. Regierungserklärung im BRD-Bundestag. Berlin, 25.9.2008. Live Broadcast of n-tv.
Sutcliffe, Bob (2007): A Converging or Diverging World? In: K.S., Jomo/Baudot, Jaques (eds.): Flat World, Big Gaps. Economic Liberalization, Globalization, Poverty and Inequality. London: Zed Books, 48-73.
Treanor, Paul (n/y): Neoliberalism: origins, theory, definition. http://web.inter.nl.net/users/Paul.Treanor/neoliberalism.html, 20.11.2008.
Trotsky, Leon (1932): The History of the Russian Revolution. Volume I. Reprint: http://www.marxists.org/archive/trotsky/1930/hrr/index.htm, 20.11.2008.
United States National Intelligence Council (2008): Global Trends 2025: A Transformed World. Washington: United States National Intelligence Council.

van der Linden, Marcel (2007): The 'Law' of Uneven and Combined Development: Some Underdeveloped Thoughts. In: Historical Materialism 15, 145-165.
Vucheva, Elitsa (2008): Capitalism must be more regulated, says Sarkozy. In: EU Observer, 24.9.2008, http://euobserver.com/9/26796/?rk=1, 4.10.2008.
Wachtel, Howard (2007): As the dollar slides. In: International Herald Tribune, 15.-16.12.2007, 5.
Waki, Natsuko (2008): Direction sought from G-7 finance ministers. In: International Herald Tribune, 7.4.2008, 15.
Weissenbacher, Rudy (1993): The Continuity of German Capital's Influence on Politics: From the Empire to the End of the Weimar Republic. Montclair State University (unpublished thesis).
Weissenbacher, Rudy (2005): Jugoslawien. Politische Ökonomie einer Desintegration. Wien: Promedia.
Weissenbacher, Rudy (2007): Historical Considerations of Uneven Development in East Central Europe. In: Becker, Joachim/Weissenbacher, Rudy (eds.): Dollarization, Euroization and Financial Instability. Central and Eastern European Countries between Stagnation and Financial Crisis? Marburg/Lahn: Metropolis, 35-83.
Western, Bruce/Kleykamp, Meredith/Rosenfeld, Jake (2005): Did Falling Wages and Employment Increase U.S. Imprisonment? Department of Sociology, Princeton University.
Wissen, Markus/Naumann, Matthias (2008): Uneven Development. Zum Konzept ungleicher Entwicklung in der radical geography. In: Krumbein, Wolfgang/Frieling, Hans-Dieter von/Kröcher, Uwe/Sträter, Detlev (eds.): Kritische Regionalwissenschaft. Gesellschaft, Politik, Raum. Münster: Westfälisches Dampfboot, 87-109.
Woods, Ngaire (1998): Governance in International Organizations: The Case for Reform in the Bretton Woods Institutions. In: UNCTAD (ed.): International Monetary and Financial Issues for the 1990s. Volume IX. New York/Geneva: UNCTAD, 81-105.
Ziltener, Patrick (2000): Die Veränderung von Staatlichkeit in Europa. In: Bieling, Hans-Jürgen/Steinhilber, Jochen (eds.): Die Konfiguration Europas. Dimensionen einer kritischen Integrationstheorie. Münster: Westfälisches Dampfboot, 73-101.
Zinn, Karl Georg (1987): Politische Ökonomie. Apologien und Kritiken des Kapitalismus. Opladen: Westdeutscher Verlag.

## Abstracts

In this article the author tries to embed discussions of uneven development into the current events of the unfolding financial and economic crisis,

and the changing discourse on capitalism and its structural imbalances, respectively. He does so from a political-economic and historical-geographical point of view. He revisits origins, main arguments, and contradictions of the neoclassical theory, the theory that seems to have dominated discourses on development in recent decades, and contrasts it with an approach – radical geography – that allows us to see the current crisis as a result and symptom of an over-accumulating world economy, and not merely as an instance of regulatory failure. Moreover, he presents arguments to explain why the current political-economic world system has shown such remarkable persistence despite decades of crises.

Der Autor bettet in diesem Artikel Konzepte ungleicher Entwicklung in gegenwärtige Ereignisse und sich gerade verändernde Diskurse ein (ökonomische und monetäre Krise, Kapitalismus und dessen strukturelle Ungleichgewichte). Er unternimmt dies aus einer polit-ökonomischen und historisch-geographischen Perspektive. Er betrachtet dabei die Ursprünge, Hauptargumente und Widersprüche jener Theorie, die Entwicklungsdiskurse der vergangenen Jahrzehnte prägte, nämllich der neoklassischen Theorie, und kontrastiert sie mit einem Zugang, der es ermöglicht, die gegenwärtige krisenhafte Entwicklung nicht nur als Fehler von Regulierung zu betrachten, sondern als Resultat und Symptom einer überakkumulierenden Weltwirtschaft: der *radical geography*. Zudem präsentiert er Argumente, weshalb das gegenwärtige polit-ökonomische Weltsystem unter US-Hegemonie trotz jahrzehntelanger Krisen ein solches Beharrungsvermögen hatte.

Rudy Weissenbacher
Vienna University of Economics and Business Administration
Institute for Regional Development and Environment
Nordbergstrasse 15/Section B/Upper Level 4
A-1090 Vienna
rweissen@wu-wien.ac.at