

The Capitalist production of Space

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Capitalist crisis in Marxian viewpoint

- ▶ Accumulation is at the centre of things in Marxian theory.
- ▶ Capitalism in Marxian scheme is ever expansionary (i.e. perpetually accumulating)
- ▶ Economic growth under capitalism is a process of internal contradictions which manifests itself as crises.
- ▶ This paper elaborates how capitalism tries to 'fix' the crises by reconstructing space through globalization.
- ▶ Harvey interprets globalization in terms of a theory of "the spatial fix".

- ▶ The process of accumulation depends on
 1. the existence of surplus of labor – an industrial reserve army.
 2. The existence of the markets for means of production.
 3. The existence of a market to absorb the increasing quantities of final product
- ▶ There could be barriers in these respects which will likely precipitate a crisis.

- ▶ Marx concludes that capitalism tends actively to produce some of the barriers to its own development.
- ▶ Hence, in Marxian theory crisis is endemic to capitalism.
- ▶ Crisis can be manifest in variety of ways depending on the conditions of distribution and circulation.
- ▶ Because production and consumption are structurally integrated with each other as a totality, crisis in Marxian sense can be manifest in each and any of the phases in the circulation and production of value.
- ▶ Consider the realization crisis – this arises because of capitalism's tendency to produce without regard to the limits of the market.
- ▶ Capitalism wants to both expand the market and keep wages down - this creates contradiction.
- ▶ This is overproduction in a relative sense – with reference to demand backed by ability to pay

- ▶ Relative over production may also appear as underconsumption and as an overproduction of capital (a capital surplus)
- ▶ Marx regard these forms as manifestations of the same over-accumulation problem.
- ▶ Crisis in capitalism is manifest in chronic unemployment and underemployment, capital surpluses and lack of investment opportunities, falling rates of profit.

- ▶
- ▶ Because there is no equilibrating forces at work within the competitive anarchy of the capitalist system , crises have an important function.
- ▶ They enforce some kind of order through the processes of bankruptcies, financial collapse, forced devaluation of capital assets and personal savings, inflation, increasing concentration of economic and political power in a few hands, falling real wages and unemployment.
- ▶ (However, neo-classicals would explain this differently – how?)
- ▶ This socially painful correction mechanism can lead to revolutionary movements.

- ▶ Periodic crises leads to expanding the productive capacity and renewing the conditions of further accumulation.
- ▶ This enhancement comes through
 1. Employment of sophisticated machinery.
 2. Unemployment leads to reduction of wage – larger surplus for further accumulation.
 3. The surplus capital will be drawn into new lines of production
 4. Expansion of effective demand for product.

- ▶ How can new plane of effective demand be achieved?
- ▶ The penetration of capital into new spheres of activity by (1) organizing pre existing forms of activity along capitalist lines or by (2) expanding the points of interchange within the system of production.
- ▶ Creating new social wants and needs.
- ▶ Facilitating and encouraging the expansion of population.
- ▶ Expanding into new regions.

Spatial integration and annihilation of space by time

- ▶ Circulation of capital realizes value while living labour creates value.
- ▶ Circulation has two aspects: the actual physical movement of commodities from point of production to point of consumption and actual and implicit costs attached to social mediations (chain of wholesalers, retailers, banking operations etc)
- ▶ Marx considers the actual physical movements of commodities as integral to the production process and therefore productive of value.
- ▶ The cost of social mediations are not productive of value and therefore considered as a necessary deduction out of surplus.
- ▶ The transportation and communications industry is however directly productive of value.

- ▶ For transport industry itself production and realization are simultaneously done.
- ▶ But private providers are not often engaged in the production of transportation industry – often in the early stage the state is the main player.
- ▶ Prices of both finished goods and raw materials depends on transportation costs.
- ▶ The costs of circulation can be reduced by improved, cheaper and more rapid transportation.
- ▶ The imperative to accumulate consequently implies the imperative to overcome spatial barriers.

- ▶ The reduction in realization and circulation costs helps to create, therefore, fresh room for capital accumulation.
- ▶ Capital accumulation is bound to be geographically expansionary.
- ▶ Access to newly discovered distant markets (both final goods and raw materials and labor) increases turn over time unless there is compensating improvements in the speed of circulation.
- ▶ Hence, capital strives simultaneously for an expansion of market and annihilation of space by time.

- ▶ This tendency towards agglomeration in large urban centers may be diminished or enhanced by special circumstances.
- ▶ On the one hand we find territorial division of labor and on the other hand, industries which are dependent on local consumption, such as breweries, are developed in big urban centers.
- ▶ The location choice of industries partly depends on transport facilities and partly on capital's tendency towards agglomeration and concentration.
- ▶ The latter required a technological innovation to sustain it.
- ▶ Hence, the importance of the steam engine which '*permitted production to be concentrated in towns*' and which '*was of universal application, and relatively speaking, little affected in its choice of residence by local circumstances*' (Marx, vol 1:378)

- ▶ Innovations which free production from local power sources and which permit the concentration of production in large urban agglomerations accomplish the same purpose as those transport innovations which annihilate space with time
- ▶ The strive for capital accumulation leads to both geographical expansion and concentration.
- ▶ The tension between these two processes leads to a center periphery pattern.
- ▶ This spatial structure emerging out of the capitalist process is not free from the tension either.

- ▶ The fixed and immovable form of transport facilities, plant and other means of production and consumption come in the way of the mobility of capital.
- ▶ This stops the process of tearing down of spatial barriers.
- ▶ Capitalist development has to balance between preserving the values of past capital investments and destroying those for opening up fresh room for accumulation.

- ▶ Temporal crises in fixed capital investment, often expressed as long waves in economic development can be seen as periodic reshaping of geographic environment of the geographic environment to adapt it to the needs of further accumulation.
- ▶ Annihilation of space with time is interpreted as a tool designed to counteract falling rate of profit.
- ▶ But investment in the means of transportation is bound to increase the organic composition of social capital which tends to trigger a fall in the rate of profit even though its effects are supposed to increase the rate of profit.

- ▶ At this stage it is important to do a comparison between mainstream economics analysis and Marxian analysis.
- ▶ Mainstream economics offers a set of conditions for optimal location without any true dynamics.
- ▶ In Marxian analysis the stress is more on the dynamic nature and on the tension within the system.
- ▶ In Marxian analysis brings out the tension the capitalist development generates.

Foreign Trade

- ▶ In the Marxian analysis foreign trade is seen from two different stand points.
 1. As an attribute of the capitalist mode of production – simple market expansion.
 2. A historical phenomenon that brings out the interaction between capitalist and non capitalist social order and the generation of the intermediate social forms.
- ▶ Marx said that foreign trade may counteract the tendency of falling rate of profit by making raw materials cheap.
- ▶ But this raises the rate of accumulation – this hastens the fall in the rate of profit in the long run.
- ▶ Foreign trade in Marx is both pre condition of accumulation and consequences of market expansion.
- ▶ According to Marx, capitalist production and circulation tends to transform these possibilities into an integrated geographical system of production and exchange that serves the purposes of capitalist accumulation.
- ▶ Center periphery pattern may emerge in global scale.

- ▶ Capitalists in the advanced countries may also gain rate of profit because they are technologically advanced compared to their less developed counterpart.
- ▶ International credit system plays a very important role in the global expansion of the market.
- ▶ Capitalist sector draws in non-capitalist sector in the sphere of circulation and realize the surplus value.
- ▶ Luxembourg suggests that pre-capitalist societies provide market to absorb the overproduction of the capitalist system.
- ▶ In this framework, capital dominates non-capital by the process of circulation.

- ▶ Marx (vol. 3: 331-2): "Commerce, therefore, has a more or less dissolving influence everywhere on the producing organization which it finds at hand and whose different forms are mainly carried on with a view to use value".
- ▶ Non-capitalist production such as slave system can survive because in the presence of trade their simple produce such as cotton or indigo can be converted to any kind of use value.

- ▶ Because of this consumption opportunity through circulation the slave owners, feudal lords or autocratic state leaders can afford to keep the countries in perpetual underdevelopment.
- ▶ This is the notion of the development of underdevelopment.
- ▶ (Note that international specialization is seen in a negative light here while it is seen as a positive aspect in Ricardian trade theory. Why this difference? Think!)

- ▶ So developed North dominates the South so that cheap inputs (indigo, cotton etc) come from there.
- ▶ But this is not sustainable in the long run. Colonies needed to be transformed into market.
- ▶ Hence, productive capacity needs to be developed there.

- ▶ Marx maintains that there were two types of colonies: Neo-Europe with non capitalist production and Plantation colonies with slave laborers.
- ▶ The rate of profit was high in the second group.
- ▶ In the first group however, capital came in conflict with non-capital. But eventually non-capital gave in to capital.
- ▶ However, the same did not happen in colonies such as India.
- ▶ Nevertheless, capitalism moves forward to make money the world money and transform abstract labour into social labour.
- ▶ This transformation can only be achieved through foreign trade.
- ▶ There will be a tendency of the profit rate to be equalized across countries. But the rate of exploitation will not be equalized across countries.

Imperialism

- ▶ How do we define Imperialism?
- ▶ The development of overseas markets?
- ▶ The attainment of raw materials?
- ▶ The searching out of a more easily exploited labor force?
- ▶ Does it involve accumulation at the expense of non-capitalist society?
- ▶ Is it finance capital operating through MNCs?
- ▶ Is it simply international division of labor?

- ▶ Marx however, did not spell out explicitly any theory of imperialism.
- ▶ Writers coming after Marx tried to build Marxian theory of imperialism with partial success.
- ▶ In those theories some of the above mentioned aspects are focused.
- ▶ Most of the theories are historical rather than theoretical.

- ▶ Luxembourg for example says that capital must penetrate non capital to survive.
- ▶ This competitive struggle for penetrating non-capital, in her view is the expression of imperialism.
- ▶ Baran and Frank on the other hand see imperialism as the process leading to the centre periphery structure

- ▶ In Lenin's view imperialism exports some of the tensions created by class struggle within the centers of accumulation to peripheral areas.
- ▶ This is similar to the movements of shifting production to the LDC s.
- ▶ However, this creates a new kinds of tensions in the center as jobs vanish from there.
- ▶ Lenin's analysis is more historical in nature. However, the sources he used were not the accurate.

- ▶ The analysis of imperialism brings out the conflict of states.
- ▶ States are important because such conflicts often become violent.
- ▶ Because geographical expansion would also require export of institutions.
- ▶ This gives rise to a whole set of new questions.
- ▶ In order to bring non-capital to the circuit of exchange a new sets of institutions are required.
- ▶ This new set of institutions can be colonial states or can simply be establishments of supra state such as IMF, World Bank, UN, WTO etc