Economic Geography

Introduction to Geography
GEH 101/GEH 501
Lehman College
Spring 2011

Keith Miyake
Final Exam: May 23 during regularly scheduled class time

Review for final on May 16: bring questions!

Take-home exam handed out on May 16

Term papers...Grading is in progress
Economic Geography

**economics**: the study of how societies distribute limited resources

**economic geography**: studies the locations, spatial organizations, and forms of activities related to the distribution of limited resources
What is the “Stuff” of the Economy?

Everything that people produce in whatever WORK they do

- Material goods (stuff we can touch): food, shelter, clothes, phones, art, jewelry, etc.

- Services (things we do but can’t necessarily touch): teaching, childcare, healthcare, accounting, entertainment, administration, etc.
The Economy in Your Neighborhood

- What work do people do in your neighborhood (paid and unpaid)?
- What things do people consume to stay alive?
- What is being produced? What happens with the extra products or profits? Are they reinvested in the local economy?
- How do people and businesses finance their bills? Where do they get the money?
- Is the local environment healthy or being degraded?
THE STORY OF BOTTLED WATER

WITH ANNIE LEONARD

HOW "MANUFACTURED DEMAND" PUSHES WHAT WE DON'T NEED AND DESTROYS WHAT WE NEED MOST

http://storyofstuff.org/bottledwater/
The Story of Bottled Water

What is meant by “manufactured demand?”

Water is essential for most forms of life. Why is the demand for bottled water different than the necessity of water for survival?

How is this a geographic story?

What is the role of governments in this story?
Economic Systems

Three types:
- Subsistence
- Market
- Planned
Economic Systems: Subsistence

- Subsistence economies:
  - goods and services created for the producers or their families
  - little exchange of goods
  - production based on need and use
Economic Systems: Market

- Market (commercial) economies
- Goods and services distributed through market exchange
- Value of goods based on their exchange rates through competitive supply and demand
- Consumption is external to the producers
Economic Systems: Planned

- Planned economies
  - goods and services distributed and regulated through government-controlled agencies
  - supply and price regulated by the state
  - production determined by need based on perceptions of state regulators
Economic Systems: The Real World

Reality: Most societies, at the scale of states, have mixed economies

U.S.A.: agricultural subsidies, markets for goods, mixed de-/regulation of utilities

Bolivia: subsistence agriculture, markets for consumer goods, state-owned mineral resources
Types of Economic Activities

**Primary**: harvesting resources; food, minerals, lumber, raw materials for manufactured goods

**Secondary**: manufacturing goods

**Tertiary**: trade and services, consumer, producer, FIRE (finance, insurance, real estate)

**Quaternary/Quinary**: government, culture, education, information tech., research, management

**What about non-paid work?**
Primary Economic Activities

- Agriculture
  - Subsistence vs. Commercial
- Fishing and forestry
  - Commercial marine fishing
- Aquaculture
- Mining, quarrying, drilling
  - Feasibility is a balance of: quantity available, richness of the ore, distance to markets
  - Transportation costs
  - Land acquisition and royalties
Subsistence Agriculture

- Nomadic herding
- Shifting cultivation (farming cycles, crop rotation, slash & burn clearing, migratory)
- Extensive: requires more land, less labor, lower crop density/output
- Intensive: small lots, labor intensive, higher output
- Urban agriculture
- Sustainability?
Commercial Agriculture

- Mechanized, industrialized, for market and profit
- Grains for food...AND livestock AND fuel
- Livestock for food...AND wool AND leather
- Dependent on markets for seeds, fertilizers, tools, irrigation, etc.
- GMO crops: output, resilience, intellectual property?
Commercial vs. Subsistence Agriculture

**Subsistence**
- lower impact (sometimes), smaller quantities, polyculture/biodiversity, sustainable
- labor-intensive, small surplus

**Commercial**
- efficient for large populations, less labor with higher yields
- monoculture, overproduction, resource intensive, cropland
- for meat less efficient, cruelty, overconsumption of meat, pollution and environmental degradation, energy intensive
Trade in Primary Products

Traditional export patterns

- Raw materials extracted from less-developed countries
- Manufactured goods exported from more-developed countries

Changing export patterns

- Raw material exports decreased
- Manufacturing primarily where labor is inexpensive and environmental controls lax

Shifts in the production from locally-used goods to exportable goods

Green Revolution: increased production due to technological improvements

Fluctuations in commodity prices; flexibility in where things can be produced

Largest point of disagreement between wealthier and poorer countries; Produce trade inequalities
Secondary Activities: Manufacturing

- Production for use and need vs. profits
- Cost of raw materials and means of production are less flexible, depend on availability
- Cost of labor is variable
  - productivity
  - wages based on sustaining labor
- Production locations are flexible due to decreasing transportation and communication costs; labor costs...
Industrial Location Models

- Agglomeration economies
  - Savings to individual firms as a result of spatial association with other similar economic activities
- Shared infrastructure
- Labor, capital, business services, markets
- Just-in-Time and flexible production
- Small inventories, lower overhead
- Shift between processes or products at variable levels of output
Industrial Location Models

- Comparative advantage
  - Specialization and exclusive trade
  - Creates dependencies and uneven power relationships
- Outsourcing
  - Hiring contractor to do specialized tasks (accounting, designing, manufacturing)
- Offshoring
  - Relocating portions of business processes to a lower-cost foreign location (call centers, manufacturing)
World Manufacturing

- Shift from wealthier to poorer nations due to political, labor, and environmental considerations
Tertiary Activities

- Retail, medical, education, legal services, journalism, arts, tourism

- FIRE: Finance, insurance, real estate; what is being produced?

- Depend on primary and secondary economic activities

- Footloose industries not anchored in place. Why?

- Post-industrial/Service economies primarily high-end secondary and above economic activities
Quaternary/Quinary Activities

- Knowledge, information, data
- Administration and management of economic enterprises
- Data processing, information storage, research and development (R&D), management, higher education
- Government
- Executives
Adding Value to Make $$

Resources \rightarrow \text{Transportation, labor, processing} \rightarrow \text{Commodities}

Low Value \rightarrow \text{High Value}

- cotton $\rightarrow$ fabric $\rightarrow$ design $\rightarrow$ clothes
- logging $\rightarrow$ timber $\rightarrow$ wood lumber $\rightarrow$ furniture
- crude oil $\rightarrow$ refined fuels $\rightarrow$ power and electricity
Adding Value

- Exchange value is added at each stage of production.
- Controlling the “supply chain” yields greatest profits.
- World economic system is structured around interdependence.
- Wealthier states have seen shifts away from primary toward secondary and tertiary activities.
- Poorer states mostly primary and low-profit secondary activities, controlled by activities in wealthier states.
World Trade

Interdependent system of countries engaged in economic and political competition

Tiers

- **Core regions**: control, technology, productive diversified economies, wealth
- **Semi-peripheral regions**: exploit peripheral regions but are exploited by core regions
- **Peripheral regions**: undeveloped or narrowly specialized economies, low productivity
- **External regions**: not absorbed into world system
World Trade

Source: http://upload.wikimedia.org/wikipedia/commons/f/fd/World_trade_map.PNG
Colonialism and Imperialism

Colonialism: political and legal domination of other countries

Imperialism: coercively maintaining uneven economic, political, cultural relationship over other countries

Control of trade and forced specialization of primary commodities; Structured debt

Economic exploitation, extraction of wealth and labor

Foreign Direct Investment and trade regulation
Globalization

- Fuller integration of economies into world system and greater interdependence between places
- Commodity chains span multiple states
- Transnational Corporations
  - Investment and activity across multiple states with networks of subsidiary companies, factories, and offices
  - Influence state policies and shape culture
  - Imperialist divisions of labor and profits
Economic Theories

- Different views of social justice and how to fix problems like economic crises, poverty, etc.
- Capitalism and Socialism are the two primary modes of production
Neo-Classical Economics & Neoliberalism

Adam Smith and David Ricardo (18c.); Frederic Hayek and Milton Friedman (Chicago School; 1950s–70s)

Rational individuals and firms act to maximize their wealth.

Based on private property and ownership; against communal sharing.

Assumes continual growth and expansion of profitability.

Free markets, competition over state regulation and intervention (tariffs, environmental laws, minimum wages, public education).

Washington consensus: development based on industrialization and investment (loans) in infrastructure to reduce poverty; has never been successful!
Historical Materialism

- Karl Marx & Fredrick Engels (mid-19c.); “Leftists”; U.S. Civil Rights Movement
- Production based on need, not profit
- Public/state/worker controlled means of production: surpluses is reinvested or redistributed
- Resources are communal, not for private accumulation
- View capitalism as creating class divisions: wealth of few (owners of production) based on poverty of many (workers)
- Capitalism provides the social (uneven society) and technological conditions (efficient production) that make possible a socialist revolution to build a more just and even society (communism)
Role of the State

- Modern states developed under capitalism and socialism
- State control (state capitalism/socialism)
- Authoritarian/Dictatorial states can employ any form of economic system (e.g., Mubarak’s Egypt was capitalist)
- Anarchism/Autonomism and Libertarianism
- Markets vs. Planned economies