

DESTRUCTIVE CAPITALISM, AN INVESTIGATION ON THE INNER LOGIC OF CAPITAL

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## ABSTRACT

This research, while centered upon capital development, will concentrate its efforts on explaining the urgent contingencies behind its destructive aspects.

If capitalism in order to advance must destroy the past, what are the sources and effects of this inexorable tension between creation and destruction? Moreover, what are the principles of this contradictory logic that determines destruction in order to make progress?

This research will not investigate the totality of the destructive history behind capitalism. The time frame in analysis only covers the emergence of neo-liberalism at the beginning of the 1970s until today. This particular choice responds to the fact that neo-liberalism in itself is a strong example of the more destructive aspects of capitalist practice. I will not focus this research on a particular place, or a particular society. Instead, I will treat the topic from two theoretical perspectives, Joseph Schumpeter's notion of creative destruction and David Harvey's theory of geographical uneven development, along with his theorization of the spatial/temporal fix. Questions of space and development associated with capital will also integrate this research.

What this research will show is that the inexorable confluence between creation and destruction in capitalist practices to counter the overwhelming perspective of capitalism, as a progressive force in social terms, is an eminently political task that requires, not only imagination, but also, the necessary connection between apparent unconnected issues in order to unravel the perplexities of contemporary political and social thought.

## CONTENTS

## Chapter I

1. Introduction 1
2. Research Question and Plan of Work 1
3. Methodology 8

## Chapter II

1. Introduction 13
2. Creative Destruction, The Inner Logic of Capitalism 14
  - 2.a. Creative Destruction: The Inner Logic of Capitalism 14
  - 2.b. Capitalism, Socialism and Democracy 16
3. Dynamism, Innovation, Competition and the Figure of the Entrepreneur 18
  - 3.a. Dynamism and Innovation 18
  - 3.b. Competition and Monopolies 19
- Detour 1. Privileges, Progress and Creative Destruction: The Case of the Charles River Bridge 21
  - 3.c. The Role of the Entrepreneur 23
4. Political Aspects of Creative Destruction 27
  - 4.a. Introduction 27
  - 4.b. Cultural Destruction, globalization and Creative Destruction 28
  - 4.c. Creative Destruction, Place and Memory 31
5. Conclusions 33

## Chapter III

1. Introduction 36
  - 2.a. How to Solve Hegel's Myopia 41
  - 2.b. The Limits to Capital 43
3. Formation and Destruction of Space Economy 45
  - 3.a. Destruction 46
  - 3.b. Contradictions 49
- Detour 2. Beijing Spatial-Temporal Fix 50
  4. Neo-liberalism: The Restoration of Class Power or the Dismantling of the Welfare State 53

- 4.a. Mapping Neo-Liberalism 53
- 4.b. The Restoration Process 55
- 5. An Unified Theory of Uneven Geographical Development 56
  - 5.a. Working Towards Notes 58
  - 5.b. Accumulation by Dispossession 59
- Detour 3. Santa Fe Style 59
- 5.c. Dispossession in Action: Financialization and Privatization 61
- 5.d. Capital Accumulation in Space and Time 66
- 6. Conclusions 66

#### Chapter IV

- 1. Introduction 69
- 2. Theoretical Work 70
- 3. Findings 71
- 4. Further Research 73

Notes 75

Bibliography 80

## CHAPTER I

### I.1. INTRODUCTION

In December 2001, Argentina experienced one of the most unique crises that any modern nation had ever experienced. Virtually overnight half of the population fell into the depths of poverty, another third became indigent, the political apparatus collapsed; and, in the words of the Argentina Supreme Court, the very social fabric was at the edge of unraveling completely. Yet, no war or *coup* took place. No invasion or act of aggression triggered this.

As a person caught up in this situation, and as an eyewitness of the dramatic events that took place between December 19<sup>th</sup> and 20<sup>th</sup> of 2001 in the streets of Buenos Aires, the research interest for this thesis was born. My initial curiosity draws from my need to understand the complexities that triggered this and other crises in Argentina and abroad. The most common explanation points to internal deficiencies, corruption and mismanagement. Other voices talk about external forces, blaming the international financial organizations that imposed the draconian structural adjustments conditions on the Argentine economy since the last dictatorial regime, along with the three successive democratic administrations.

While my understanding finds both factors having an important role in the last crisis, there is no one simple answer to offer. There are many actors, many actions and much damage to review. A simple answer will only conceal the intricacies and occlude the material processes behind crises such as the one that Argentina experienced in 2001-2002.

It is relevant to mention that Argentina was for most part during the 1990s a poster-child for neo-liberal reforms. The International Monetary Fund, along with private investors and risk measurement indices constantly praised the liberalization, the privatization and the openness of the Argentina economy during the 1990s. In this context, I was directed to seek a deeper understanding of capitalism. Out of the destruction that I witnessed in Argentina, many saw creativity, growth, and innovation. This apparently contradictory reading gave me a real opportunity to research capitalism as creative destruction.

### I.2. RESEARCH QUESTION AND PLAN OF WORK

The research question that I will address here is the following: If capitalism in order to advance must destroy the past, what are the sources and effects of this inexorable tension between creation and destruction? Moreover, what are the principles of this contradictory logic that determines destruction in order to make progress?

The importance of this question is elaborated in dissimilar theories. From the *Grundrisse* to the *Manifesto*, first Marx and then Marx and Engels constantly insisted on this dual character of capitalism. In the *Grundrisse* Marx says: “[T]he highest development of productive power together with the greatest expansion of existing wealth will coincide with depreciation of capital, degradation of the labourer, and a most strained exhaustion of his vital powers” (Tucker ed. 1978, 291).

Likewise, in a more contemporary setting, the work of Guilles Deleuze and Felix Guattari in *Anti-Oedipus, Capitalism and Schizophrenia* aims to expose the morbid and destructive dimensions of capitalist societies and the necessity to assign new meaning to old social formations that serve the purpose of capital, destroying those that come in the way of development (245). More concretely, Karl Polanyi in *The Great Transformation* explicitly assigns a creative but destructive role to capitalist practices, by following Marx’s path in accentuating policies that leave the market as the sole determinant of social relations. Consequently, this research will, mainly, engage Joseph Schumpeter’s notion of creative destruction, as well as, David Harvey theory of uneven geographical development to explore the destructive aspects of capitalism.

Before going any further, the concept of progress that will be used in this research requires clarification. The understanding of progress signals two distinct but interconnected variations of the same theme. On the one hand, there are the desirable benefits achieved by the relentless human desire to conquer the unknown and to pursue the solution to problems and riddles. Under this perspective, progress points to the obvious benefits of the struggles for emancipation and the technological advancements in every aspect of human knowledge. Even when there might be some political ideas that try to debunk the primacy of this kind of progress, either calling for a return to a pre-modern society or trying to romanticize an alleged state of nature, these are more reactionary ideas that generally do not find substantial purchase in the political spectrum.

On the other hand, there is the inevitable version of progress that seems to come as a trade off of the previous one. In this case, it is the inescapable force that renders in all previous social accomplishments in the name of progress itself.

Ernst Mandel in the Introduction that he wrote to *Capital Volume One* exemplifies these two maniquean understandings of progress as the conservatively romantic, and the inhumanly mechanistic (37). Moreover, he highlights that:

In classic passages of the *Grundrisse* [Marx] underlines the civilizing and progressive aspects of capitalism, its giant impulse to develop the social forces of production, its relentless search for new ways and means to economize labour, for new needs and new sectors of mass production, which help to unfold man's unlimited possibilities. (37)

In brief, for Mandel, Marx understands the progressiveness of capitalism, but Marx also understands that the progress that capital brings does not come without a heavy burden:

Capitalism subordinates men to machines instead of using machines to liberate men from the burden of mechanical and repetitive work. It subordinates all social activities to imperatives of an incessant drive for individual enrichment in terms of money, instead of gearing social life to the development of rich individualities and their social relations. (37)

The result of this contradiction for Marx, according to Mandel, is quite somber:

When capitalism is not overthrown once it has created the material and social preconditions for a classless society of associated producers, this contradiction implies the possibility of a steadily increasing *transformation of the forces of production into forces of destruction*, in the most literal sense of the word: not only forces of destruction of wealth (crises and wars), of human wealth and human happiness, but also forces of destruction of life *tout court*. (37-38)

Since capitalism is a totalizing phenomenon that can encompass many factors, I intend to narrow this research by focusing my attention on a particular aspect of capitalism, the destructive aspects of capital. Although it is important to mention at this point that capital entails more than destruction; it also makes creativity, and agency that creativity can encompass. This work, while centered upon capital development, the key aspects of capitalism that will concentrate its efforts on explaining, are the urgent contingencies behind its destructive aspects.

This research will not investigate the totality of the destructive history behind capitalism. The time frame that I am interested in here only covers the emergence of neo-liberalism at the beginning of the 1970s until today. This particular choice responds to the fact that neo-liberalism in

itself is a strong example of the more destructive aspects of capitalist practice. I will not focus this research on a particular place, or a particular society. Instead, I will treat the topics from two theoretical perspectives, Joseph Schumpeter's notion of creative destruction and David Harvey's theory of geographical uneven development and the spatial/temporal fix. These two views will bring light to many important examples.

Joseph Schumpeter in *Capitalism, Socialism, and Democracy* and other subsequent works offered an economic and social analysis of progress in capitalist societies. His approach to capitalism as an unstable, always changing force allows me to bring his insights to the understanding of how constant change and an institutionalized search for the new always in part, disregards but, at the same time, builds upon the past. Schumpeter understood capitalism not as a teleological system headed for defeat, even when he predicted its implosion due to its success. Rather he treats it as an always-changing and constantly revolutionizing, force that uses newness to perpetuate itself.

This first approach from Schumpeter locates the economic and social analysis that I use to map destructive capitalism. This logic is what creates the unsustainable, but also paradoxically, the inexhaustible sources of change. It finds a newness that rearranges the past through innovations that strip and dismantle while building and creating. This can be understood as an advance, in the progressive advance of change, but its inexorably regressive character also brings tension and paradoxes to the market. His perspective will help me achieve the first purpose of this research, namely, to explain the inner destructive logic of capital.

This second chapter will present the notion of creative destruction divided into its core components: dynamism, innovation, competition and the role of the entrepreneur. The reason for this is because Schumpeter's hermetic writing might sometimes appear to opaque its erudition, therefore, analyzing each part will help to comprehend this notion introduced in *Capitalism, Socialism and Democracy*. The presentation of Schumpeter's work will rely, for the most part, on this work, in its third edition, published in 1950. It is in this text that Schumpeter advanced a brief development of this notion of creative destruction. Although, he did not followed directly with a sequel to it, he investigated in detail, different aspects of creative destruction, such as the role of the entrepreneur. This research follows this path.

In order to contextualize the notion of creative destruction, the reader will find in this chapter, critical and contemporary examples not only works related to Schumpeter directly, but also, discussions concerning the character of the concept of creative destruction.



*Privilege and Creative Destruction: The Charles River Bridge Case* by Stanley Kutler is the story of the Charles River Bridge in Massachusetts. This is one of the examples I will work with; it brings creative destruction to the National Supreme Court. This is a story of privileges, progress and competing values, but more importantly, is an example of the contradictions of capital: progress against the very conditions that allowed progress in the first place.

Under the name *Creative Destruction*, Tyler Cowen tries to insert this concept into cultural realms. This second example will bring globalization and commercial culture, cultural loss, the effects of trade and the reasons of cultural hegemony, to the realm of creative destruction. But, this work will also help this research to exemplify how ideology works to disguise the destructive aspect of capital, highlighting instead the creativity that it brings.

In a third moment, *The Creative Destruction of Manhattan, 1900-1940* by Max Page, is an interesting version of creative destruction that will make the connection between Schumpeter's notion of creative destruction and David Harvey's concern with space. What Page investigates in this text is the effects of the real state market, along with public planning policies in a time-period of 40 years, in the island of Manhattan. By doing this, the author uncovers a never-ending provisional version of the landscape of Manhattan, where race, class and aesthetics convey to produce the relentless creative destruction of the city. Together these three examples will bring materiality to the theoretical discussion.

It is important to mention at this moment that to further understand Schumpeter's work this research will rely on other sources as well, biographical<sup>1</sup> and theoretical ones. Under the theoretical work that further illuminates and problematizes Schumpeter's work this research draws from *Rediscovering Schumpeter, Creative Destruction Evolving into "Mode 3"* edited by Elias G. Carayannis and Christopher Ziemnowicz. An important source to find contextualization, critical works and reconfigurations as well as explanations of the concept of creative destruction, the same can be said of *Joseph Alois Schumpeter: Entrepreneurship, Style and Vision* edited by Jurgen Backhaus and *Schumpeter in the History of Ideas*, edited by Yuichi Shionoya and Mark Perlman.

A second main theoretical perspective that I will bring to this research is that of David Harvey's notion of spatial-temporal fix along with his theory of uneven geographical development. If Schumpeter predicted the failure of capitalism as a system due to its internal inconsistencies, Harvey's work tries to explain the reasons why these inconsistencies did not bring the demise of the system. Capitalism survives endless crises and endures the constant change in the conditions of

profit. Both theories are embedded in Marx's work. In the case of Schumpeter, the reason was to elucidate the internal logics of the capitalist system. In the case of Harvey, the reason was to follow Marx's path and try to complete the critical perspective of capitalism as fully as possible. Together, both authors, unintentionally in the case of Schumpeter, complete a robust critique of the capitalists' practices.

The next chapter will examine Schumpeter's creative destruction to understand what precisely is inherent to capital that makes it destructive by its very constitution. Schumpeter produced, in this sense, a sort of ontology of capital. The introduction and analysis of Harvey's theory of uneven geographical development as a second perspective will unpack the procedures, logics and abstractions that the capitalist system uses to constantly perpetuate itself through profiting upon destruction. In the end, the purpose of this third chapter is two-fold: first to bring Harvey's theory to further explain how capitalism destroys, and secondly, to link Schumpeter's arguments with Harvey's. In different ways, both explain the necessary destructive aspect of capitalism that this research is exploring. Schumpeter does not differentiate between space and merchandise. His theory is, for the most part, about goods. On the other hand, Harvey brings a clear differentiation of space as a commodified merchandise. This innovation serves a concrete purpose -- the perpetuation of profit upon destruction.

Harvey's perspective as a geographer allows him to produce interesting views of the shifting fixations and constant frictions of capital accumulation. Harvey's work exceeds the work of a geographer in becoming a cartographer of capitalism. While in need of the fixation of space, capital also needs the flexibility of mobility to produce profit, once the accommodations brought by the spatial arrangements are exhausted. This constant contradiction is resolved by the destruction and re-construction of the geographical landscape in order to accommodate the needs of more capital accumulation.

In order to present the arguments of this third chapter I choose a different path than the one I choose for Schumpeter. Instead of decomposing Harvey's theory, my approach will follow the development of uneven geographical development along his work. In this case, I choose a chronological path that is principally informed by a theoretical continuum. Along the texts I choose there is consistency and continuity to explain the logic of capital to survive.

I will elaborate first on *The Limits to Capital*, the new and fully updated version published in 2006 --one of the most important works of Harvey, and also, an important work of Marxist theory. In the words of a commentator for the *Antipode's* tribute to *The Limits to Capital*: "It is just David

Harvey and Karl Marx working things through.” (Barnes 2004, 409) Beyond this kind depiction, what is true is that it is a work of re-reading and extending Marxist theory where the limits of theory would allow. David Harvey’s theory of uneven geographical development is a work that evolved from its early presentation in *The Limits to Capital*’s last chapter to the solid and nuanced argumentation presented as ‘notes,’ that are more an expansion of the theory than just notes, offered in *Spaces of Global Capitalism*. This is the path that this research will follow.

Although Harvey’s analysis of capitalism is not constrained to these two works<sup>2</sup>, the main concentration of this research will be focused on a selection of his work. This selection entails an evolving understanding of this particular theory presented in *The New Imperialism, and A Brief Story of Neoliberalism*.

Considered together, starting with *The Limits to Capital* and ending with *Spaces of Global Capitalism*, what emerges is a panoramic and devastating critique of capitalist practices of destruction and a clear and eloquent explanation of the interlocked paths of capital and place. I am aware that Harvey’s work is an impressive body of theory; there are many more works than the ones I selected to work with in this research. The reason for this selection lies in the fact of space constraints and that the limits imposed by the need for clarity require setting the limits of the argumentation under an explainable criterion.

In this chapter I will also bring examples to further clarify the theoretical argumentations. I will draw heavily on my experience as a witness of the Argentina’s financial and social crisis of 2001. I will also present in this chapter two different, but strongly related, detours. A first case will be the Beijing Olympic Games. It is Anne-Marie Broudehoux’s description of the Chinese government’s expenditure on the Summer Olympics games. Her description is a solid exemplification of the spatial/temporal fix of surpluses that Harvey discusses, although, in this case, it will also help to question the consequences of the expectations in terms of the return those surpluses reallocated in China need to produce.

A second case will bring to the discussion a different approach to the concept of geographical uneven development. *The Myth of Santa Fe: Creating a Modern Regional Tradition* by Chris Wilson is an interesting work that details the creation of the mythological pre-industrial city, Santa Fe, New Mexico and the creation -- and the appropriation of a particular cultural heritage. This case will show, not only the appropriations of cultural meanings, but also, the changing racial composition in the city. What this example will bring to the discussion is the means of dispossession that exceed the pure economic measures to fully take hold of cultural heritages.

In broader terms these theories, Schumpeter's and Harvey's, properly expanded will illuminate how the destructive aspects of capitalism function and they will also serve to ask the political questions of alternatives, counter forces and challenges to a system that presents itself as the negation of alternatives. This research will be focused on the economic and the cultural aspects of the destructive forces of capitalism, by expanding and constantly relating the economic to the cultural changes my intention is to further elucidate some of the complexities that a throughout analysis of capitalism entails.

### I.3. METHODOLOGY

The methodology I will use in this research is centered on discourse analysis. More concretely, I use critical discourse analysis. The analysis of theoretical presentations as well as the analysis of particular texts is key to present a sound argument, but also, it is central to understand the complexity of the subject matter.

The concept of 'discourse analysis' encompasses the analysis of discourses, as instances of communications, not constrained to the sole analysis of language or texts. The methodological analysis of discourses tries to find answers, and unveil, what lies behind the symbolic communicative process.

Although is not sharp or concretely defined, the difference between text and discourse can be explained in terms of language and society. While the former is associated with text, the study of the structure of language and its effects, the latter is associated with the study of the different discursive modes through which social issues are expressed.<sup>3</sup>

Barbara Johnstone in her work *Discourse Analysis* understands the notion of discourse in the following terms: "To discourse analysts, 'discourse' usually means actual instances of communicative action in the medium of language, although some define the term more broadly as 'meaningful symbolic behavior'" (2). This latter symbolic behavior is what Emile Beneviste refers to as the 'alternative universe': "with the sentence we leave the domain of language as a system of signs and enter into another universe, that of language as an instrument of communication, whose expression is discourse" (Jaworski and Coupland 2).

It is in this integrated sense that I understand the concept of discourse analysis.

The term 'critical discourse analysis' encompasses several different approaches to understand and interpret texts<sup>4</sup>. Johnstone, in her work above cited, describes this modality under these general

premises: “The umbrella term ‘Critical Discourse Analysis’ (CDA) refers to a variety of overlapping methodologies associated with a somewhat different approach to discourse and world” (53).

Moreover:

The controlling idea behind CDA is that texts, embedded in recurring ‘discursive practices’ for their production, circulation, and reception which are themselves embedded in ‘social practice,’ are among the principal ways in which ideology is circulated and reproduced. (53)

Concerning the sources of ‘Critical Discourse Analysis’ as a particular methodology --or methodologies-- of discourse analysis Johnstone highlights the strong influence of Marxist thought, more concretely, Antonio Gramsci, Louis Althusser and Michel Foucault<sup>5</sup>:

In this view, social power results not just from economic or political coercion but more subtly, through ‘hegemonic’ (Althusser, 1971) ideas about the naturalness of the status quo to which people assent without realizing it. These ideas circulate via recurring activities (or ‘practices’) that include both discourse and actions and artifacts that are coordinated through discourse, such as systems of education or styles of architecture. (54)

Concomitant with Johnstone, Norman Fairclough in *Critical Discourse Analysis: The Critical Study of Language* understands discourse analysis as the “analysis of how texts work within sociocultural practice” (7), but he also lays out three different, but interrelated, aspects of critical discourse analysis: The analysis of (spoken or written) language texts, along with the analysis of discourse practice (processes of text production, distribution and consumption) and analysis of discursive events as instances of sociocultural practice (2). In this research I use the three of them in different instances, acknowledging the interrelation that exists between these fields of application.

If Johnstone’s explanation highlighted the heterogeneity of sources, then Fairclough’s points to the complexity of its applications, but both underline the emphasis that critical discourse analysis puts in the material analysis of ideology. Language, and more concretely, discourses are embedded in ideological conceptions about the world. They mediate our understanding of the materiality that surrounds us, and the effects that this materiality produces. By analyzing social discourses, one can make explicit the ideological presuppositions and more importantly for this research, find the political implications of hegemonic discourses such as neo-liberalism and capitalism in general.

It is important, at this point, to clarify that the concept of hegemony is not straightforward. Its definition is contested rather than fixed, but for the purpose of this research it is vital to

understand what it implies. The centrality of the methodology I choose to employ in this research relays in the importance that it gives to hegemonic discourses. Robert Bocoock in *Hegemony* explains this concept in three different ways: the latent presence in Marxian texts, in Lenin's writings, and the Gramscian sense of hegemony. It is the latter one, namely, Gramsci's concept of hegemony the one that is interesting for the purpose of this research.

It is difficult to conceptualize in a nutshell what hegemony means, the complexity that emerges after Gramsci makes any attempt in this direction, an incomplete task. In his *Selection from Prison Notebooks* Gramsci makes extensive allusions to different social components that together work towards the hegemony of a group over another. In particular, one may find these descriptions in the passages discussing the education system, the state, and civil society. David Macey in his *Dictionary of Critical Theory* puts the relationship between these different social actors in these terms:

Whereas the state establishes and reproduces the dominance of a ruling group or class through direct forms of domination ranging from legislation to coercion, civil society reproduces its hegemony by ensuring that the mass of the population 'spontaneously' consents to the general direction imposed upon social life by the ruling group. (2001, 176)

The locus of the Gramscian concept of hegemony is the state, more concretely, the nation-state: "hegemony means leadership of the people of all classes in a given nation-state" (Bocoock 1986,35).

But it is in the application of what leadership means in this context, where critical discourse analysis, and specifically this research, finds the connection between hegemony and critical discourse analysis as the methodological approach, Fairclough, in his work previously cited, explains this relationship in this terms: "There is a dual relationship of discourse to hegemony. On the one hand, hegemonic practice and hegemonic struggle to a substantial extent take the form of discursive practice, in spoken and written interaction" (94).

In this respect, there is little argument to produce about how particular practices and positions in society create discourses that, not only, sustain the status quo, but also, situate that very discourse in the naturalized context, outside the possibility of being contested:

In so far as conventions become naturalized and commonsensical, so too do these ideological presuppositions. Naturalized discourse conventions are a most effective mechanism for sustaining and reproducing cultural and ideological dimensions of hegemony. (94)

But there is another aspect of the dual relationship between discourse and hegemony:

[D]iscourse is itself a sphere of cultural hegemony, and the hegemony of a class or group over the whole society or over particular sections of it (or indeed, these days, hegemony on a transnational scale) is in part a matter of its capacity to shape discursive practices and orders of discourse. (95)

In this sense, discourse practices *per se* are the locus where hegemony takes place, not just to become the commonsensical order, but also, to produce and shape the boundaries of discursivity.

Fairclough notices that these two aspects of the relationship between discourse and hegemony are strongly interrelated: “{I}n that it is in concrete discursive practice that hegemonic structurings of orders of discourse are produced, challenged and transformed” (95).

As I stated before, in this research my intention is, primarily, to explore the destructive aspect of capital, but in order to do so, what this task requires is to dismantle the hegemonic perspective that capitalism takes as a naturally and socially beneficial force, the commonsensical discourse of progress. By analyzing Schumpeter’s perspective first, my intention is to criticize the hegemonic discourse that understands the creative destruction of capitalism as an inherently beneficial aspect of the capitalist system. The inclusion of David Harvey’s theories following Schumpeter’s perspective serves the purpose of producing a counter narrative to the hegemonic perspective of capital. Admittedly, Harvey’s perspectives help this research in more ways than just this latter one, but for the purpose of the methodological explanation of this research it suffices to explain the reasoning behind the order in which I presented the main theories I work with.

Another aspect of the methodological approach to this research is the different disciplines that I work with. In this research I bring knowledge from two distinct main domains, on the one hand, Schumpeter economic theory. His theory is infused with a particular discipline of knowledge, yet, it is not a work applied to a specific realm of economy but rather, it is a work of economic history and theoretical analysis. On the other hand, David Harvey’s work started in the realm of geography but evolved from there into critical theory, combining historical analysis, as in *Paris: Capital of Modernity*; Marxist theory, as in *The Limits to Capital*; and critical geography and social theory.

Acknowledging the fact that different disciplines produce different types of knowledge, which are embedded in traditions that are not reciprocal (Kress 1985, 28), this research will find the connections where economic theory is informed by social theory, and where economic theory and critical perspectives inform geography. Bringing a coherent body of work and producing a dialog

between disciplines of knowledge is a basic requirement of interdisciplinary studies. The complexity of a topic such as capitalism demands the approach, even when partial, from different perspectives, the approach that I will take in this research, is consistent with this demand.

I am aware of the complexities that this enterprise has. Capitalism can be understood as a totality that comprehends an historical period, but it also is a mode of administration for the economy as well as a cultural and social force that obliterates history altogether. It is my intention to keep an awareness of this complexity constantly present throughout my investigation. By doing so, I intend to narrow the scope of this intervention and also to show the dimensions of a phenomenon that can only be theorized in part. This research will show that there is not a single factor that may be singled out, but rather a set of practices, procedures, policies and actors that enforce and normalize profit-driven destruction only to install an unsustainable future.

The partiality of this account is also part of the limitations that the complexity of this enterprise demands. I will follow a theory informed principally in a Marxist approach to economic, social and cultural theory. This perspective creates an obvious ideological limitation, by previewing this particular in this section; it is not my intention to justify this selection, that for the most part is idiosyncratic, but only to inform the reader of the ideological perspective that I try to expand.

Another limitation that is important to mention is related to the approach I will undertake to explain the topic of this research. I choose a theoretical approach that might leave behind the materiality necessary to link the theory and the topic it tries to explain. In this sense I will put emphasis on the examples that will ground the theory to try to avoid the common abstraction of theoretical accounts. Concerning the audience for this work is primarily academic. Since this is a work of theory, the academic community is most likely to be the primary public interested in the presentation.

At this point, it is not my interest to offer a solution to the problems I will describe in this research. That is beyond the scope of my analysis. I merely try to understand some of the complexities that capitalism entails. In the course of this research, some of my insights might bring more light to the problems I discuss. If so, then I will welcome them. Situations like the crisis in Argentina, and crises in many other societies, at many different levels, require exhaustive and constant analysis to uncover all the abstract complexities that capitalism produces through the destruction that neo-liberal policies leave behind.



## CHAPTER II

### CREATIVE DESTRUCTION

#### II.1. INTRODUCTION

Among the several encounters between Joseph Schumpeter and Max Weber, a particular one stands out. This event took place in a Vienna coffeehouse in 1919, after the outbreak of the Russian Revolution. Richard Swedberg in his biography of Schumpeter <sup>6</sup>, tells about an opportunity in which Schumpeter could not hide his excitement about the revolution:

Max Weber responded with great agitation: communism, at this stage in Russian development, was virtually a crime, the road would lead over unparalleled human misery and end in a terrible catastrophe. 'Quite likely', Schumpeter answered, 'but what a fine laboratory.' 'A laboratory filled with mounds of corpses,' Weber answered heatedly. 'The same can be said of every dissecting room', Schumpeter replied. (Swedberg 1991, 93)

This episode encapsulates Schumpeter's temperament and the fate of economics in the twentieth century. More than just a small disagreement between these two men, the problem lies in the inability of Schumpeter to acknowledge the difference between the Russian people and a morgue. This is not just lack of human compassion, but it is symptomatic of a field of knowledge, that in more than one occasion, imagined as its laboratory of their uncertainties, entire societies.

Joseph Schumpeter's concept of creative destruction is among the most interesting theoretical appraisals of capitalism from a post-Marxist perspective. What Schumpeter achieved in exposing and investigating capitalism through the lens of creative destruction is a deeper understanding of how the capitalist system, not only does not fulfill the Marxist prophecy of imploding, but also, the reasons why capitalism renews itself. For Schumpeter, this is not an accidental condition of the system; but rather, it is an imperative of its survival.

In what follows, in order to develop the understanding of Schumpeter's creative destruction, after this brief introduction, I will offer a summary of Schumpeter's intellectual life to locate the concept of creative destruction and the theory in which it is situated. My intention is to offer the reader an overall account that serves the double purpose of: situating Schumpeter's intellectual work

in the political spectrum, and also, situating the historical moment when Schumpeter worked.<sup>7</sup> In this section I will also address what creative destruction is about, where do we find the theory in Schumpeter's prolific work and how the theoretical scaffolding works.

In the following section, I will bring four core components to explain the basic premises of Schumpeter's creative destruction. These core components are: dynamism, innovation, competition, and the role of the entrepreneur. Together, they constitute the center of this chapter since they will explain the inner contradictions that capitalism develops from within.

In a nutshell, the dynamic character of capital, along with the constant innovative drive, ends up in centripetal forces that creates oligopolies and monopolies in order to improve competition. These monopolies constantly try to consolidate and crystallize the dynamic character of capital; it is at this point, when the entrepreneur enters the explanation. Agency is channeled by the role of innovative subjects that impulse this process for profit driven purposes. Creative destruction is the name that Schumpeter found to characterize this whole process, the constant search for innovation, in order to be at the end of curve of marketing and profit, inevitably needs to destroy the old, the competition and, in Schumpeter's idea, capitalism in itself.

Following this section, I will analyze the theory of creative destruction today. In particular my interest is to make explicit the political aspect of destruction, a place where Schumpeter did not go in his theory, but a place that is decisive for any political perspective of capitalism.

## II.2.CREATIVE DESTRUCTION, THE INNER LOGIC OF CAPITALISM

### II.2.A. BIOGRAPHY

There are many biographies that give accounts of the many particularities of Schumpeter's life<sup>8</sup>. Among all of them, there are several produced by former Harvard students of Schumpeter, Robert Loring Allen, Eduard Marz and Erich Schneider. Another one is written by the sociologist Richard Swedberg, who seems qualified as the writer of the most compelling intellectual biography of Schumpeter, this research follows this one.<sup>9</sup>

Joseph Alois Schumpeter was born on February 8, 1883 in Triesch, then, the Austro-Hungarian Empire, later Czechoslovakia and now part of the Czech Republic. He lived in many different places including Austria, England, Egypt, Germany and the United States where he died in Harvard at the age of 67 in 1950. Throughout these years he developed a very impressive career. He

studied law in the University of Vienna where he received his Ph.D. in law. At this point, his interest in economics were quite obvious since after graduation he asked to lecture on three topics, economics, statistics and sociology<sup>10</sup>. After a brief and failed incursion in management in the private sector, and after serving public appointments in Austria, Schumpeter dedicated his life to the academic study of economics.

After graduating, Schumpeter rapidly acquired professional prestige, and by the age of thirty he already published three books on economics and numerous influential articles. His involvements in politics were equally impressive. In 1916-17, he served as a self-appointed adviser to the Emperor of the Austro-Hungarian Empire. In 1919 he served as a member of the German Socialization Commission and also, that same year, he became the finance minister of the Austrian Republic (Swedberg 1991, 48). Right after his dismissal as a finance minister, Schumpeter became a board member of the Biedermann Bank in Austria, with a big salary and the green light to take sizable loans, as part of his agreement to join the banking institution.

During this period, Schumpeter tried his luck in the entrepreneurial world, which later became central to his theory of capitalism. After a brief financial success moment, as a result of the Austrian financial crisis, the bank changed its directors, and Schumpeter was dismissed. His income rapidly fell, leaving him with an enormous debt from his entrepreneurial activities as well as tax debts from his period as minister of finance (67-68). These debts would follow him to the University of Bonn where he was later on appointed, and finally to Harvard where he arrived in 1932. It is at Harvard where Schumpeter finally flourished as an economic and sociological theorist, first with his two volumes, *Business Cycles* and later on, with *Capitalism, Socialism and Democracy*, where he fully developed the theory of creative destruction.

In terms of the influence he received and the one he projected, on the one hand, the intellectual formation of Schumpeter is tied to the German and Austrian schools of economic thought. Carl Menger is constantly cited as the father of the Austrian School of Economics and a big influence on Schumpeter's thought. Ideas such as the role of the entrepreneur --so important for Schumpeter-- were already developed in Germany and Austria prior to his incursions in it.<sup>11</sup> On the other hand, the influence of Schumpeter's theories is quite important: a compilation of his work by Michael Stevenson<sup>12</sup> counts 21 books and pamphlets, 148 articles of his own, and more than 500 articles, books, dissertations and conferences presentations on Schumpeter's work until 1984.<sup>13</sup>

Among the many perspective to explore the concept of creative destruction, the view that I will work here takes the critical perspective that investigates the reasons for the persistence of the

capitalist system. Indeed, the conditions not only serve to preserve itself, but also to reproduce the conditions of its very reproducibility. The reason behind this choice is due to the interest that this investigation has on the persistence of the capitalist system to survive; there is where the destructive aspect of it will come clear.

## II.2.B. CAPITALISM, SOCIALISM AND DEMOCRACY

Schumpeter explored his theory of creative destruction in one of his most important works, *Capitalism, Socialism and Democracy*. This text appeared in 1942 for the first time, and it is still today a major work of economic theory. In what follows, I will base my exposition in the third edition of this work, published in 1950.

Schumpeter explains in the preface that this text, is in fact four different, but related, works of analysis, the first part ‘the Marxian Doctrine’ “...sums up, in a non-technical manner, what I have to say --and what, as a matter of fact, I have been teaching for some decades-- on the subject of the Marxian doctrine” (xiii). ‘Can Capitalism Survive?’ is Schumpeter’s most cited work, it is the second part of *Capitalism, Socialism and Democracy*, and his answer is no. From creative destruction to the crumbling walls of the capitalist system, the implosion will come from the very success --and not the failure-- of the capitalist system.

The third and fourth parts of this work explore the possibilities of socialism as a political idea. First, his argument shows the relationship between democracy and socialism, the former as a form of government and the latter as an economic theory. The interest of Schumpeter lies in the impossibilities that many have observed relating a liberal democracy with the socialist perspective towards economic management. Secondly, the author provides an historical account of the socialist parties mainly in Western Europe and the United States.

It is the second part of this work that it is interesting for the purpose of my research. The question ‘Can Capitalism Survive?’ forms the core of Schumpeter’s initial argument concerning the processes of creative destruction. In roughly one hundred pages, the author describes the process of breakdown of capitalism and the rise of socialism as the alternative to the inner destruction that capitalist’s practices entail.

The thesis I shall endeavor to establish is that the actual and prospective performance of the capitalist system is such as to negative the idea of its breaking down under the weight of economic failure, but that its very success undermines the

social institutions which protect it, and “inevitably” creates conditions in which it will not be able to live and which strongly point to socialism as the heir apparent.

(Schumpeter 1950, 61)

In this awkward passage of the prologue to the second section of the text, what the author is referring to is that it is the success --not in the failure, as Marx predicted-- that he finds the inner problems that the capitalists’ practices cannot avoid. In fact, the inner problems that the capital promotes are the ones that will produce its demise.

How Schumpeter proceeds from here is by first, analyzing the rate of increase of total output, in order to reach out to creative destruction. By analyzing the total number of goods and services produced in a particular place, in a particular time and the problems this creates, Schumpeter’s intent is to show that mobility is what the capitalist system always essentially entails. The constant variance where nothing stays the same and the performance of a particular market will never be as previous ones.

For Schumpeter, creative destruction entails a process of constant change steered by the market. Borrowing his explanation from the example of the steel industry in the United States, Schumpeter explains how the industry mutated from the iron and steel industry, to the transportation and power industry:

The opening up of new markets, foreign or domestic, and the organizational development from the craft shop and factory to such concerns as U.S. Steel illustrate the same process of industrial mutation --if I may use the biological term-- that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism. It is what capitalism consists in and what every capitalist concern has got to live in. (Schumpeter 1950, 83)

This famous citation requires further explanation, Schumpeter is more than just describing a simple logic of the market, but instead with these words, he is delineating how capitalism will fail. This section implies four components of the process of creative destruction; together they will bring to light the process that I am explaining in this research. First, instability is vernacular to capitalism in itself or to its essentially always-already dynamic aspects. Second, for the innovative character that dominates competition, it is never a question of looking for more of the same that produces a difference in the market, but a search for the difference in itself what would make a change. Third, competition is a primal component of creative destruction, understood as a basic function of the

market that rapidly develops into monopoly. Last, the figure of the entrepreneur is a critical factor, in other words, creative destruction's real ultimate agency. Together these four components are the core of what Schumpeter explained as creative destruction.

### II.3.DYNAMISM, INNOVATION, COMPETITION AND THE ROLE OF THE ENTREPRENEUR: CREATIVE DESTRUCTION CORE COMPONENTS

#### II.3.A. DYNAMISM AND INNOVATION

Schumpeter departs from a long-standing perspective that goes all the way back before Marx. Capitalism is not stable; on the contrary, it is a dynamic process. This argument is directly aimed against the classical version of capitalism held by theorists that Schumpeter nonetheless admired like the French economist Leon Walras or John Hicks. Theirs is a static perspective that explains capitalism as a moment frozen in time where equilibrium is the main component of a healthy economy. Theoretically aligned with Ricardo and Marx, the dynamic aspect of capitalism, for Schumpeter, is a basic component to understand the process of creative destruction. Schumpeter also always understood capitalism as a historical enterprise, in his perspective to understand the cycles of production and financial changes one needs to analyze them in a historical perspective. A fragmentary view of analysis cannot grasp the fundamentals of the capitalist forces. While introducing the concept of creative destruction Schumpeter lays out this concept in the following way:

The essential point to grasp is that in dealing with capitalism we are dealing with an evolutionary process. It may seem strange that anyone can fail to see so obvious a fact which moreover was long ago emphasized by Karl Marx. (1950, 82)

It seems that the main force to understand, in this brief passage, is the historical process in which Schumpeter saw capitalism unfolding. The development of *Business Cycles* previous to *Capitalism, Socialism and Democracy* was the solid foundation upon which Schumpeter organized his historical analysis of capitalism. Moreover, Schumpeter links the dynamic aspect of capitalism --as a method of economic change-- directly with the innovative aspect that dominates and gives aim to the constant change.

Innovation is the factor that Schumpeter brings into the discussion in terms of the price theory. It is not so much a question of analyzing price as such, but rather as innovation where profit

excels. What Schumpeter has in mind with this is to highlight the primacy of consumers' goods in the dynamism of capitalist systems of production. He discounts other ways in which one could think movement is crystallized. It is neither the change of social relations, such as, wars or evolutions, that may or may not have an impact on the industrial production, nor the population growth that increases the levels of production and the offer of specialized niches of demand, but rather:

The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates. (Schumpeter 1950, 83)

For Schumpeter, according to the work of Jean-Jacques Chanaron and Stan Metcalfe, there are five methods of innovation: the new commodity, the research and introduction of new products to the market, the new method of production and the commercial organization.<sup>14</sup>

One must notice that not only the introduction of products are part of the innovative process but also the modification and originality of processes and organizations. A new market for existing products is also another way of understanding innovation. In this instance, the research and action is performed not within just new products, but with new opportunities for old products by opening new markets and finally, the new manufacture or the new organization of industry.

### II.3.B. COMPETITION AND MONOPOLIES

Competition is strongly attached to innovation. Market-based economies endorse competition to improve offer and the standards of trade, but Schumpeter points out that competition rightly understood destroys. Innovation is a way to overcome competition and the other way is monopoly:

The impact of new things --new technologies for instance-- on the existing structure of an industry considerably reduces the long-run scope and importance of practices that aim, through restricting output, at conserving established positions and at maximizing the profits accruing from them. (Schumpeter 1950, 87)

It is precisely this “restricting output” that closes the door to competition, or in other words, it is the monopolistic practices that capture the dynamic logic of capital and suppress competition by increasing profit on the base of a sole producer or distributor. It is under this inherent practice of capitalism where the destruction takes place. In order to suppress competition, innovation ends up crystallized in property rights and exclusive distribution rights; the result is the disappearance of the competitive scenario.

The introduction of new products is not *per se* a monopolistic practice. It is not even, the sole offer by a single company of a determined product that entails monopoly, but Schumpeter explains (1950, 102) that still; this new product needs to compete with those existing in the market. Therefore, it is just another offer in the marketplace and as such enters into competition. But there is a two-fold perspective in Schumpeter’s reasoning regarding how creative destruction enters this discussion. On the one hand, he criticizes monopolistic practices, and, on the other, he acknowledges that monopoly is a genuine --albeit ephemeral-- prize deserved by those that displace competitors by the introduction of a cutting-edge, advanced or totally new and superior product: “[I]t is true that there is or may be an element of genuine monopoly gain in those entrepreneurial profits which are the prizes offered by capitalist society to the successful innovator” (102).

Market competition and monopoly then enter creative destruction in a dubious manner, Schumpeter acknowledges that perfect competition is impossible (1950, 106). Nevertheless, monopolistic practices are also ephemeral in their duration. Due to how the market functions, no matter how spectacular is the introduction of a new product in the market, there will be always someone already mimicking the product or the technology. Therefore its reign is always short lived. Patents and intellectual property rights might push this outcome to the future; still eventually the *de facto* monopoly will cease (102). But still Schumpeter also acknowledges that the entrepreneurial activity is benefited by this *de facto* monopoly. It is the prize for the audacious innovation, basically no one else thought about that in that way or no one else dared to introduce what the successful innovator did.

What remains unclear though, is to what extent entrepreneurial activity is driven by the brief period of monopoly in which profit is practically secured. If this is the case, then the theory of creative destruction is not only situating competition at the primal place in the market, but also, the search for a *de facto* monopoly, which is an entire different perspective to understand the drives of the entrepreneurial figure, central in the theory of creative destruction.



## DETOUR I: PRIVILEGES, PROGRESS AND CREATIVE DESTRUCTION, THE CASE OF THE CHARLES RIVER BRIDGE

The Charles River Bridge case is an instance of progress and innovation, but it also an instantiation of privileges and monopoly. In 1785, the Massachusetts legislature granted a group of investors and businessmen rights to construct a bridge that would link the city of Boston with Charlestown. Until that time, only the ferry service linked the two places. Among the stipulations for the construction incentives the legislature gave, essentially, exclusive rights to collect a toll for a period of forty years with an extension clause of thirty more years. In 1828, the same legislature authorized another group to construct another bridge that would serve the same purpose, but this time the toll could only be collected for a period of six years. After that time, the new bridge would pass to the Commonwealth and no tolls would be collected.

Stanley Kutler in his work *Privilege and Creative Destruction* analyzes the history of the bridge and the claim the owners of the Charles River Bridge made upon the U.S. Supreme Court against the Commonwealth of Massachusetts. His perspective of creative destruction is one associated with the inescapable progress and innovation, but it is also associated with the injustices that the legal institutions perpetrated. In the author's view, the owners of the Charles River Bridge were caught between two competing values, including a backlash against all kinds of privileges and the almost inviolable right of property (Kutler 1971, 156).

In this account, creative destruction is understood as a basic force of progress, not only in terms of technological progress. In Kutler's account, to preserve property rights, a value to be praised against the machine of social justice embedded under the term 'progress.' Given the case of the Charles River Bridge, the author laments that another bridge --a free one-- needed to be built in order to prove that previous administrations were shortsighted, basically the innovation and the advancement that this brings to society.

The case, centered on the abolition of privileges to provide room for community advancement, is a landmark for innovation and development. This particular instance showed the U.S. Supreme Court deciding whether or not a prior agreement between a state legislature and a private firm is enough to delimit the powers of a different session of the same legislature to overwrite what its prior body, so diligently wrote before. More concretely, what is clear in this case is that privilege, which was estimated to be so hateful during the years of the construction of the second bridge, was in fact the reason why the first was constructed. To begin with, it is highly

unlikely that without a provision of monopoly privileges the private company that took the enterprise of constructing the first bridge would have done it otherwise. Kutler in his analysis points out the destructive aspect of the legislature's actions, beginning with the Boston and Worcester Railroad and many more private investors:

In some ways the Charles River Bridge controversy cost the community dearly. Private investors demanded and secured a Chinese Wall of protection around corporate rights. The quest for entrepreneurial liberty, which began as a drive for opportunity as against vested privileges, culminated in new privileges, protecting newly-gained opportunities and ventures. (1971, 157)

But what is more interesting for the purposes of this research is the fact that the author suggests that the Charles River Bridge case introduced the concept of creative destruction into the language of the Supreme Court by providing, in this case, the necessary legal rationale to endorse a concrete kind of progress:

It is this aspect of the case that transcends the relatively limited conflict over bridges in the Boston area, making it a landmark involving the interrelationship of public policy, technological change, capital developments, competition, and law. (Kutler 1971, 160).

If one agrees with Kutler in this respect, then one would be tempted to draw a line that links cases such as this one in analysis to another cases that might have a similar reasoning; although in different circumstances; like *Kelo et al vs. City of New London*.<sup>15</sup>

The Supreme Court, in 2005, endorsed the enforcement of eminent domain against some residents of the town of Kelo, Connecticut who has refused to sell their properties to the developers that were buying a dilapidated section of the town for some future investments. In this particular case, the difference with the Charles River Bridge case is basically that the advancement invoked in Massachusetts was directed to the entire community. In the case of Kelo, the alleged benefit was indirect. Through the development in private investors' hands, ultimately the city would also benefits, which is a commonly held interpretation of economic development. If the Court in the

Charles River Bridge case endorsed creative destruction, then new policies of neo-liberal economic development are the ones endorsed in the Kelo case.

Nevertheless, the case analyzed by Kutler shows the intertwined ways of innovation and progress. A particular kind of progress that not only entails technological innovation but also a broader sense of innovation, one that encompass monopoly and privilege, highlighting once again the tensions existing in capital development.

### II.3.C. THE ROLE OF THE ENTREPRENEUR

In order to find the agency in Schumpeter's theory of creative destruction one needs to look at the figure of the entrepreneur, the *fin de siècle* (that is nineteenth century) capitalist that risks and benefits, or not, from that risk. Therefore, the name entrepreneur is one that is given to the creative destructor. The corporation, a less personal, and more diffuse figure supplanted the modern figure of the entrepreneur in the financial stage of capitalism. Although before turning to that particular discussion, it is important to distinguish two important questions: what subject the entrepreneur entails, and how this figure enters the theory of creative destruction.

In further developing of original argument of *Capitalism, Socialism and Democracy* in a small article written in 1947<sup>16</sup> Schumpeter defines the figure of the entrepreneur as follows: "the defining characteristic is simply the doing of new things or the doing of things that are already being done in a new way (innovation)" (1947, 151). To characterize the entrepreneur as the one that get things done, however, is too broad of a description to properly demarcate the limits of the definition. Schumpeter explains through exclusions what the entrepreneur does not mean, or rather what the entrepreneur does not equate with. It is not the manager: "[E]vidently it is one thing to set up a concern embodying a new idea and another thing to head the administration of a going concern, however much the two may shade off into each other" (1947,151).

It is also not the capitalist *per se*. Although it may eventually be the case; in most instances, the capitalist is the one that takes the role of the entrepreneur. Still, one does not necessarily mean the other. In fact the entrepreneur does not need to own the means for the introduction of a new product to the market. It is also not the inventor. Sometimes the inventor is the one that takes the invention to the market and "gets thing done", but the difference lies in the fact that "[t]he inventor produces ideas, the entrepreneur 'gets things done'" (Schumpeter 1947, 152). Moreover, Schumpeter offers a nuanced positive exemplification of what he had in mind for 'nineteenth century'

entrepreneur. It can be classified on the grounds of ‘sociological types’ such as aristocratic landowners and civil servants or the figure can also be classified according to the function that performs, in this sense an entrepreneur is the one that sets things up, organizes or fixes things, but:

The typical industrial entrepreneur of the nineteenth century was perhaps the man who put into practice a novel method of production by embodying it in a new firm and who then settled down into a position of owner-manager of a company, if he as successful, or of stockholding president of a company, getting old and conservative in the process. (1947, 154)

The last bitter comment is not about the hierarchical positions in a company; it is, instead about the novel forces in society where Schumpeter finds the risk and also the advancement, and not in the conservative ones that the most important preoccupation is how to sustain the status quo.

Not everybody agrees with Schumpeter about the figure of the entrepreneur. Recently, an interesting comment on this particular, linked Schumpeter’s agency with Claude Lévi-Strauss figure of the *bricolage* and the *bricoleur*. Trying to make the case for a different, more tamed, version of a destructor, one that instead of destroying the old makes do with what she has, transforming it into something new:

Our *bricoleur* play a more cunning poacher’s game where his or her actions do not unfold in broad daylight, as would a fight against existing systems. “Destruction,” even when followed by “creation,” always provokes more reaction than “diversion” and “poaching,” which are only misdemeanors. (Duymedjian and Ansart 2007,162)

The authors offer a substantially tamed figure of the destroyer that Schumpeter idealized, the problem with the *bricoleur* or any other figure that can be offered is the fact that, for Schumpeter, the entrepreneur is an ideal type in action. It is not solely the name to a figure in his theory, it is the agency behind the destruction of the old, she is the one behind the constant deployment of the new and she is the one that carries on innovation. The emergence of the figure of the *bricoleur* after Lévi-Strauss might illuminate a more nuanced way to understand the entrepreneur but the former does not displace this latter one.

Now that we have established a broad description of Schumpeter's destructor, the second question that is important to answer is how precisely the figure of the entrepreneur enters creative destruction. It seems that for Schumpeter the function of the entrepreneur is that of the nonconformist. Back in *Capitalism, Socialism and Democracy* he gives the reader the following definition:

[T]he function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way.  
(1950, 132)

The figure of the entrepreneur is central to the theory of creative destruction, the nonconformist is the one that produces the destruction of the old technologies and puts out of the market older obsolete products. It is the agency the capitalist system produces for its very renewal. It is important to remember that for Schumpeter when one discusses creative destruction is discussing capitalism at its best; this is the discussion of the very heart of progress.

The importance of the role of the entrepreneur in society can be highlighted by the somber vision that Schumpeter developed while discussing the receding figure of the entrepreneur in the twentieth century. Through an evolutionary process, capitalism would eventually become atrophic (Schumpeter 1950, 131), "[t]here would be no place left for entrepreneurs to do" (131). This would trigger the disappearance of the bourgeois class along with the management and the industry would turn into administrative matters rather than enterprises. It is the ultimate nightmare of the lack of originality and invention, the lack of creativity and the subjugation of the vital forces of society to a mere administrative bureaucracy.

This latter point brings me to the last question I intend to expand in this section: the role of corporations in Schumpeter's theory of creative destruction. Back to the 1947 article "The Creative Response in Economic History" Schumpeter gives four reasons why the days of the entrepreneur are gone for good.

First, the progressive rationalization of business makes, precisely, reason and not dubious methods, such as, hunches and flashes, the proper way to start enterprises or convince investors to trust. Secondly, modernity is always already about change, in this context, it might seem that there is more place for bravados going against the grain, but the opposite is the true: "personal intuition and force would be less essential than it was" (Schumpeter 1947, 157). What Schumpeter tries to

explain is that, modernity embraces change and invites the development of visionary ideas and enterprises, instead of suppressing them, the problem is that but by doing this, bravados turn a common place in the marketplace of ideas. A third sign that marks the declining of the entrepreneur is the disappearance of the uni-personal world in which the entrepreneur thrived, this world is coming to an end. Everyday, more automatized teamwork is key for planning and programming instead of the role of a single visionary subject. Finally the role of the leader in itself is declining. Schumpeter's example is that of the war commander that is becoming less essential, leadership is not longer the place of one but of a team. Although Schumpeter is not certain of this pattern (157), this is a situation that exceeded Schumpeter's ideas, the current managerial sophistication and incremental automatization of labor only confirms his intuitions.

The apparent clear way, in which Schumpeter explained the receding place of the entrepreneurs and the protagonist role of corporations, is not without contradictions. Carayannis, Ziemnowicz et al. in an introductory article<sup>17</sup> to Schumpeter's work about the theory of creative destruction, reinforced the perspective that there are *two* Schumpeters, or two versions of the same theory regarding the entrepreneur. One that stresses the leading role of the entrepreneur and a later one that endorses a constantly innovative corporation (Carayannis *et al* 2007a, 25). Alexander Ebner brings another perspective, over the same issue, in his analysis<sup>18</sup> of entrepreneurship denies the difference between the singular entrepreneur and the role of bureaucratized corporations. The unitary model proposed by this author entails an understanding of Schumpeter in terms of the historicity of the concept. The contextualization of the role of the entrepreneur is historically conditioned; the specific conditions laid out by the different historical contexts are the ones that really determine the embodiment of the role of the entrepreneur.

An example of this can be found in the preceding *bricoleur* discussion. The authors bring as an example of the *bricoleur* to Toyota's practice of asking its employees for ideas to improve their conditions of labor. The success of this, more than 20 million ideas implemented in a 40 years period (Duymedjian and Ansart 2007, 157) is a sign of the times, mass production, rationalization of production process, and also, the collectivist logic of, in this case, the Japanese system. Opposing to this example one can find many instances that embrace a more romanticized view of business that rely on inspiration. Family enterprises or illuminated individuals that come up with a revolutionary marketing idea, Ray Kroc taking the small scale idea of McDonald's restaurant and turning it into a successful business might be one of the most famous examples of this pattern.

Whether there is a continuing line between the Toyota workers and Ray Kroc is a far fetch assertion, more likely the historical moments in which both examples emerged contextualize even further the differences the entrepreneur figure idealized by Schumpeter. Whether or not, there is two (or several) moments of entrepreneurs or there is a unity in the figure that embraces different forms is difficult to determined. Nevertheless, what persists is the destructor that Schumpeter though.

These four components that I reviewed in this section expand and illuminate what Schumpeter meant with the definition he gave to creative destruction. The dynamic perspective that is essential to understand the logic of capital, along with, the innovative character that fuels competition and triggers oligopolies and monopolies, either by factual terms, as in sole offer, or by institutional terms, as in the imposition of exclusive rights. And, finally, the role of the entrepreneur, that configures the agency of the process of innovation and competition, they bring a more nuanced perspective towards Schumpeter's creative destruction.

Certainly there is a lot more to say regarding each and everyone of this components, there is an extensive literature that not only tries to elucidate this reality but also further recontextualize it within current events and scenarios<sup>19</sup>. My intentions, however, was to bring together these components to explicate what Schumpeter meant by creative destruction and insert this theory in the critique of capitalism.

## II.4. POLITICAL ASPECTS OF CREATIVE DESTRUCTION

### II.4.A. INTRODUCTION

A Japanese commentator speculates about what Schumpeter would say today if he was alive to visit Japan<sup>20</sup>. A nation that experienced what no other nation experienced --the two devastating nuclear bombs that signaled a turn in the history of human kind-- How Japan rose once and again from the ashes of the war (and also natural disasters) are --in the account of the commentator-- examples of the creative destruction process: "He used to say [Schumpeter] that the Great Kanto Earthquake of 1923 provided an exceptional occasion in Japan for economic prosperity, characterized by creative responses of all kinds" (Tsuru 1994, 6). A similar account is also brought by Naomi Klein at the beginning of her latest book *The Shock Doctrine, The Rise of Disaster Capitalism*. In her analysis, the disaster is not in Japan, but New Orleans. It is not Schumpeter but Milton

Friedman who is the one celebrating the opportunity for a clean slate to start anew after the Katrina Hurricane. (Klein 2007,4)

The current renewed interest in Schumpeter is due to the fact that the state of affairs in the global economy today reflects some of the insights that Schumpeter advanced long ago. Although the demise of capitalism as a social system that Schumpeter forecasted is not accurate at all, Schumpeter's ideas never seem out of the discussion for any serious economist.

If capitalist practices cannot rescind their destructive aspect in order to build or to progress, and if capitalism is not imploding, as not only Schumpeter but also many other suggested, then it is important to find renewed ways to counteract what cannot be changed. But the contingency of the political struggle is important to highlight the destructive aspect that it is embedded in the construction and progress that capital brings. It is important for a critical analysis to signal how capitalist practices disguise the trade off that progress entails. The existing tension that Schumpeter found in capitalism between progress and destruction is not free of ideological masquerade, on the contrary the creative way to bring something down asks for a sort of reverential sacrifice to the -- seemingly-- unstoppable forces of progress.

Clearly, the theory of creative destruction is situated in today's world economic policies. As many commentators have said, this is now the Schumpeteran era, as opposed to the Keynesian era of state intervention. The conditions of many internal, as well as the international market, seem taken from Schumpeterian models of economic development. Capitalism is not what it used to be in Schumpeter's times, he noticed these changes in his lifetime. Even the role of the entrepreneur, a key factor of his theory, is also marker of a radical change in the conditions of operation that capitalist societies embraced.

Schumpeter's theory of creative destruction does not end in the realm of economic theory. On the contrary, the life of the term and the theory stretches far outside of the economic realm. As this research suggests, the destructive aspect of capitalism is not only measured in monetary terms, but the cultural and social implications are also primal ways in which capitalism destroys and dismantle in order to bring new, improved sources of profit to the detriment of cultural traditions, and social fabrics. That economic and cultural perspectives are eminently political issues is not a new or a far fetch assertion, how these are precisely political, is a different question that, in what follows, I will explain.

#### II.4.B. CULTURAL DESTRUCTION, GLOBALIZATION AND CREATIVE DESTRUCTION



*Creative Destruction: How Globalization is Changing the World's Culture* by Tyler Cowen is a clear example of the ideological masquerade that privileges the creative part of creative destruction turning the destructive part into a depoliticized, necessary step.

For Cowen creative destruction is a metaphor of capitalism that can be exemplified with the lack of cultural manifestations and products in the globalized era:

Globalized culture illustrates Joseph Schumpeter's metaphor of capitalism production as a gale of 'creative destruction'. Cultural growth, like economic development, rarely is a steady advance on all fronts at once. While some sectors expand with extreme rapidity, other shrink and wither away. (2002, 11)

The central argument proposed in his text is that out of trade between cultures --economic trade that is-- everybody benefits from it, rather than one being colonized by the other or one being destroyed by the other in the colonization process. More concretely, Cowen explicitly states that his approach will not entail a critical perspective but rather:

I use a 'gains from trade' model to understand cultural exchange. Individuals who engage in cross-cultural exchange expect those transactions to make them better off, to enrich their cultural lives, and to increase their menu of choice. Just as trade typically makes countries richer in material term, it tends to make them culturally richer as well. (2002, 12)

Certainly this is a economic theory stretched to analyze cultural production and exchange. Sadly the author stops there, not providing any detailed theoretical display of what precisely 'gains from trade' would mean in theoretical terms. Rather the explanation comes by the way of examples of how trade has enriched cultural expression over the globe.

Either way, the text lacks a critical perspective that would bring light to the analysis of cultural production, would illustrate how technological production and achievements affect the public, and how they frame the public response to cultural productions. In the end, one wonders why a theory that tries to apprehend the problems of culture does not take a critical perspective towards culture, and only ends in a mere appraisal of commercial culture.

The answer to this might lie in the ideological perspective the author uses to analyze culture in the context of globalization. The author focuses his theory neither on the destructive qualities of creative destruction nor on the balance between destruction and creation. Rather he invests his efforts in dismissing the understanding that there could be destruction in cultural exchange. In this sense, the author creates an interesting dilemma. How does Cowen account for the destructive aspect that cultural exchange brought by a globalized, hyper-fast world, and, at the same time, how does the author maintain that the destruction that globalization produces is not pernicious but rather a necessary part of what culture creates.

In the text the author centralizes his arguments around two examples, ethos and film production. In the case of the ethos, or rather the loss of it, the author defines it as “the background network of worldviews, styles, and inspirations found in a society, or a framework for cultural interpretations” (Cowen 2002, 48). If this conceptualization is not convincing, the author then clears that up: “Ethos, by its nature, cannot be defined with complete rigor. Its intangible nature resists definitive characterization, much like the concept of ‘paradigm’ in the philosophy of science” (49). In any event, the author applies what he calls “the Minerva model” taken from Hegel’s phrase “the owl of Minerva flies only at dusk” (56), reinterpreting the metaphor to signal that it is only in the sunset of any given civilization when its cultural production is at its peak: “Alternatively, it may be said that cultural blossoming contains the seeds of their own destruction” (56).

In other words, what the author implies is that the decline of cultural production in different parts of the world does not respond to the invasion of Western culture, more concretely, what is known as the Americanization of culture, marketed in mass technological means, but rather it is the peak of individual possibilities that produces their decline. It is the exhausted life of culture that opens the doors to the newness that American production brings. Interestingly enough, the American culture, seem to be the sole producer of never-ending newness. The rest of the world, in the author’s view, from the renowned French cinema succumbing to Hollywood productions to local restaurants giving place to McDonald’s, symbolize the proper cycle of cultural renewal where the U.S. is the sole source of constant innovation.

But the lack of reflexivity of this reasoning becomes clear when the reader understands the reason the author gives for this:

If there is any contemporary ethos that is becoming predominant on a global scale, it is an ideology of individualistic self-fulfillment, bred through democracy, relatively free markets, and modern commercial society...As Francis Fukuyama noted

with his “end of history” thesis, this liberal-democratic worldview currently has no serious ideological competitor, even though dictatorships and anti-commercial politics remain. (Cowen 2002,70-71)

Clearly enough, the destruction of local cultures in this perspective has a deeper meaning, it is the force of history that defeats the ‘less advanced’ cultures. Still, this deeper meaning is also a screen for something else entirely. If neo-liberal practices of market penetration and resource extraction along with privatization produce casualties, then it is because the force of history is aligned with West. It is not those practices *per se*. In the end, the author gives the impression that cultural exchange brings multiplicity and abundance, although the casualties that this process collects along the way are inevitable outcomes of a process of creative destruction applied to cultural production.

This is the ideological perspective that needs to be counteracted, namely a view of creative destruction that tries to hide the very destruction that development entails. Under the sign of history or the sign of progress, the inevitability of the destruction -- to give room to progress-- is the discursive ‘Troy Horse’ under which the deployments of arguments like Cowen’s take place. This argument is similar to others like the famous Francis Fukuyama’s *End of History and the Last Man* that try to show no exit to the current economic relations, the market economy is the definite and last resort for development, even the sustainability of democratic systems depends on the adoption of market economy policies.

If Cowen’s text analyzes the cultural side of creative destruction emphasizing the creative aspect of cultural appropriation and the economic superiority of American culture, understanding creative destruction as the logical force of --a highly suspicious-- history, Max Page uses also the Schumpeterean lens of creative destruction but in order to analyze the problematic aspects that destruction brings to cultural preservation.

#### II.4.C. CREATIVE DESTRUCTION, PLACE AND MEMORY

Max Page brings a more direct approach to creative destruction than the metaphorical approach examined by Cowen. The author applies the term, not to a figurative or otherwise metaphorical comprehension of reality, but in his case the denomination clearly states what it means. *The Creative Destruction of Manhattan: 1900-1940* is a description of how the landscape of the island changed in a short period of time, but his text is also a work of memory and a work that brings light

on the spatial/social relations in a place that condenses all the places in one, the island of Manhattan.

The text is a tour of another Manhattan, one that currently is barely recognizable. It is the effects of the mediation of history crystallized in some else's words and images but not on anybody's personal memory. In this perspective, the author exposes several periods in the destruction-reconstruction of the island: the real state development frenzy of Fifth Avenue, the rise and disappearance of the slums in New York, the efforts of preservation through the exchangeable museum/mausoleum, the longing for nature in the city and lastly the efforts of the photographer I.N. Phelps preserving the cityscape in his work.

The tension between real state developments and cultural manifestations are constant in Page's account. For the author, the cultural meanings and losses of the process of urbanization is what he means by creative destruction in Manhattan (Page 1999, 259). The constant building and rebuilding that the city experiences takes a toll on its cultural identity and identification, creating with this process a never-finished always-in-construction, always in the process of being but not quite there, a constant promise of a city. Therefore, he uses the title "The Provisional City" (1999, 1).

As one of the many examples of this tension that the author talks about, the text expands on its description of random buildings as they are being preserved. Yet, others are constantly supplanted. The result, the reader may infer, is an unstable allegory of capitalism. While forces of development fight for space tearing down building after building, others such as conservationists raise the question of preservation. Unfortunately, they have dubious intentions, as Page describes it:

The central idea behind the FAA's advocacy was to retain an exclusive retail and residential area, where immigrants would be scarce and beggars absent, where the more flamboyant popular culture growing on Broadway would be held in check, and where a genteel, controlled commercial culture would hold sway. Assimilation might have been the goal of some Progressive, and New York might have been known within the general culture increasingly as the place where cultures and peoples melded, but on Fifth Avenue the goal was always segregation and exclusion. (1999, 54)

Clearly enough, the concept of creative destruction does not entail a single, unified or monolithic perspective, as the River Bridge case already showed. Moreover when class and race factors intervene in the analysis, one can see the effects that the members of the FAA feared. The

democratization of the space and the confusion of habitats is what the constant destruction of Manhattan boroughs entailed. Page points out, what precisely preservation means in a place like Fifth Avenue, where most of the constructions were not exactly historical and buildings were torn down and built up, is more a segregationist aim than an effort to preserve the cultural value of historical constructions, in the end the term preservation meant the preservation of the physical appearance and economic value of the avenue (1999, 66).

This text under analysis, opposing Cowen's account, approaches the effects of creative destruction on cultural expressions not in a celebratory way. Where Cowen saw the inevitable forces of progress and the market accommodations upon cultural expressions, Page sees the use of progress to turn invisible the history of slums, or the effects of market centered practices on cultural memories and identities in Manhattan.

This counterpoint between Cowen and Page on the same subject, creative destruction and culture, highlights the political aspect that is always-already present in any discussion of creative destruction. Schumpeter knew this all along, not in vain, his thesis is profoundly embedded in Marx's perspective, what he did not care much to explain though, is the pernicious effects of destruction, not the effects that eventually would bring the system down but in social and cultural terms. In a way, both texts are faithful to the tension existing in creative destruction, while Cowen highlights the creativity; Page does the same with the destructive forces. Both texts play with Schumpeter's term, but they also bring it to new grounds, where Schumpeter did not take it. What in the end they agree on, is the political aspect that Schumpeter imprinted in such problematic concept.

Page's account of the ephemeral value of everyday life in Manhattan as well as the demise of memory in the market, and in particular, by the force of real state business, is a work that brings Schumpeter and Harvey closer together. From the perspective of the constant destruction, erasing and dismantling that creative destruction entails the centrality that place plays in this account takes shape. The link is vital for this research: it ties together space and capital. Page's 'provisional city' is one that needs to secure only one thing, the constant extraction of profit. The tensions that Page found in this provisional city are the product of constant uses and re-usage of place, to extract profit that Harvey will explain in detail.

## II.5. CONCLUSIONS

Mark Perlman in his article “Schumpeter and Schools of Economic Thought” begins by trying to define what the ‘Age of Schumpeter’ really is about. Certainly the first thing that Schumpeter would have liked to know is if:

[H]is message had really come through. For what the world had taken to heart was his 1942 *Capitalism, Socialism and Democracy* a book whose principal prediction (the impending demise of capitalism) was wrong, and its most quoted phrase, ‘creative destruction,’ was not what he meant. he changed that phrase to ‘creative response’ in the revised 1947 edition.” (Shionoya and Perlman 1994, 163)

Along this chapter, I tried to show several things. Beginning with Schumpeter’s biography, I tried to locate the author behind the notion, and also, the particular moment in time when creative destruction was coined. Later on, I introduced four core components to understand Schumpeter’s concept, as a way to understand the destructive aspect of capitalism. These four components make explicit the capitalist necessity to destroy in order to perpetuate development, a central issue in this research, that in the next chapter Harvey will make even more clear. Certainly Perlman might be right in his assertion that the world has misunderstood what Schumpeter meant by creative destruction, at this point it is difficult to know for sure. Nonetheless, Schumpeter’s prose, at least in this particular, is quite clear and direct, creative destruction is the essential logic of capitalism.

If the problem is the concept in itself, then it is important to remember that a notion like this one does several things. It marks the creativity of the author with long lasting life, but it also benefits the academy because knowledge works incrementally. Of course, it also rallies political alliances pro and con. In this, the accent is on the political consequences of understanding what creative destruction entails in the context of a global capital system, even more when this feature of capitalism, its ubiquity, is taken for granted.

Creative destruction, actually, proves to be a highly flexible concept, looking from Schumpeter’s theories to the real state market in Manhattan. Whenever it is the legal application of the term to the case of the Charles River Bridge or Cowen’s understanding of the global tragedy of cultural globalization, Schumpeter must be considered.

The tension that all these examples and Schumpeter himself saw in the concept of creative destruction is the political perspective that this research intends to highlight and further develop with the insights of David Harvey. It is this very tension where the inconsistencies of the discourse emerge. In all the cases that used Schumpeter’s concept the destructive aspect of capitalism cannot

be hidden away or sufficiently dismissed in the light of its importance. This is the first step towards realizing the main purpose of this research: to delineate the particularities of the destructive aspect of capitalists' practices in the economic, social and cultural realm. This chapter investigated the unfolding of the practices from within the system that occurs in accordance with Schumpeter's theory.

In the next chapter, my interest will not shift from this main purpose. What will change is only the political perspective. David Harvey's theory of the uneven geographical development and spatial/temporal fix of capitalism will allow me, in a more nuanced manner, to link the destructive practices of capitalism together.

DESTRUCTIVE CAPITALISM  
CHAPTER III  
UNEVEN GEOGRAPHICAL DEVELOPMENT

III.1. INTRODUCTION: CAPITALISM UNDERSTANDS SPACE AND TIME

The French director Chris Marker in the film *Sans Soleil* makes one his characters traveling between Asia and Africa say the following: “In the nineteenth century mankind had come to terms with space and the great question of the twentieth century was the coexistence of different concepts of time” (Marker).

Certainly in the 21st Century --so far-- one of the questions is still how to come to terms with the notion of space and the different concepts of time, the emergence of globalization and the speeding up of life are just but the most clear examples of current problems of space and time. In this chapter, my concern is to find out how capitalism came to terms with both.

David Harvey has some answers. In what follows, this chapter will engage the theory of uneven geographical development, along with the concept of the spatial/temporal fix, to further understand how capitalism advances by the destruction of both, space and time. By bringing Harvey’s insights to this discussion, the intention is, first, to delimit the field of operation: the where, how, who and what of capitalist logic; and secondly, the intention is to bring clarity to the procedures of material dispossession and destruction. All the sections of this present chapter will show the destructive aspect of capitalism, by different means, with different goals, under different circumstances; there is always a center, the destruction that capital leaves wherever it takes hold.

To introduce David Harvey, let’s start by remembering that he was born in 1935 in Kent, England, where he obtained a PhD in Geography from Cambridge University. In the early 1970s he moved from The United Kingdom to the United States, teaching at the Johns Hopkins University in Baltimore, and later in 2001 moved to New York where he currently teaches, at the Anthropology Department in the City University of New York.

If *Explanations in Geography*, his first text, published in 1969, is an influential methodological treatise on geography, then it is his third book, *Social Justice and the City*, published in 1973 by John Hopkins where the critical aspect of geography and urbanism in Harvey’s theory takes flight. More precisely, Harvey finds in Marxism the theory that at the end of *Explanations in Geography*, some



commentators observe, he was looking for<sup>21</sup>. *Social Justice and the City* is a collection of essays arranged under two different perspectives, the first part titled, 'Liberal Formulations,' and the second part 'Socialists Formulations,' from this moment on, Harvey will be deeply interested in the second strain of formulations, developing an impressive body of work that intersects Marxism and spatial relations. Moreover, the field of critical urbanism embedded in the Marxist critique of capitalism and urbanism is, in part, forged by Harvey himself.

Derek Gregory commenting on Harvey's work in "Introduction: Troubling Geographies" finds two clear patterns of development:

While it would be a mistake to collapse Harvey's work into a single journey, two key text frame his project and reveal a remarkably consistent template: *Explanations in Geography* and *The Limits to Capital*. These are usually read as opposing contributions, separated by the transitional essays of *Social Justice and the City* that recorded Harvey's movement from spatial science to historical materialism. (2)

Precisely these are the apparent two strains, although constantly collapsing on each other, which encompass Harvey's work, behind them an impressive body of work piles up.

In this opportunity I rather not expand on Harvey's profuse work, it is not the intention of this section to produce an extensive presentation of his work, but rather to locate Harvey's theory in the political spectrum to better understand its complexity and ramifications. It is also, not the intention of this section to produce a review of the different works that this research is interested in, but rather the intention is to center the attention, for a brief moment, on three major works that signal the path Harvey took to produce the theoretical grounds that I will work with in this research.

Following Derek Gregory's introductory article in *David Harvey: A Critical Reader* it is important to mention three major works that will delineate, not only Harvey's interests, but also, the evolution of his work, *Explanations in Geography*, *Social Justice and the City* and *The Limits to Capitalism*. In 1969 appeared in London and New York *Explanations in Geography*, Harvey's first book. Basically a methodological and philosophical work that tried to convey the differences between disciplines of knowledge, more concretely:

Harvey's entire project was based on a central philosophical claim. He rejected the traditional exceptionalism that could be traced back to Kant's foundational distinction between different knowledges, and which had received its canonical disciplinary statement in Hartshorne's *The Nature of Geography* in 1939, because he believed that the division had both marooned Geography and History

outside the mainstream of scientific progress and also separated them from one another. (Gregory 2006, 4)

From the beginning, Gregory explains, Harvey's theoretical project involved the elucidation of the concept of space, as a particular category of knowledge; although in order to achieve this, a transformation was needed:

[S]pace had to be transformed from the planar categories of Euclidean geometry, and its materializations had to be transformed by process ('the key to temporal explanations'). From the very beginning, therefore, one of Harvey's central concerns was to establish the connection between spatial structure and process. (2006, 4).

It is in this context, for Gregory, that Harvey wrote *Explanations in Geography* against two different backgrounds. On the one hand, the 'Quantitative Revolution,' a misleading expression to signal the academic move from the regional and nuanced understanding of geography, towards a general theory of geography, or a "spatial science" (2006, 3); and a second revolution; that not necessarily finds any impact on *Explanations in Geography per se*, but it produces a shift on academic standards and the society in general, the anti-war and civil rights movements.

It is Harvey's third text, *Social Justice and the City* published in 1973 where, one might argue, this latter revolution finds its impact. This text, as Harvey explains in its introduction, is centered upon four different but strongly related questions.

First, the nature of theory, set to understand theory not as an isolated thinking process but as practice: "When theory becomes practice through use then and only then is it really verified" (Harvey 1973, 12).

Second, the nature of space, understood not as a search for the final definition of space, as in the nature, or core of the concept, but: "The question 'what is space?' is therefore replaced by the question 'how is it that different human practices create and make use of distinctive conceptualizations of space?'" (13-14).

Third, the nature of social justice it is the perspective that signals Harvey's point of entrance to Marxist theory. In this particular analysis Harvey investigates the collapse between the notions of production and distribution and between efficiency and social justice. His question here is to find the materiality of justice: "I move from a predisposition to regard social justice as a matter of eternal justice and morality to regard it as something contingent upon the social process of operating in society as a whole" (15).

Finally, the fourth concept, central to his analysis, is urbanism. In his perspective, what it is needed is a multi-disciplinary approach to the study of urbanism and socio-geographic theory.

As Gregory explains in the cited introduction (2), *Social Justice and the City* is considered a transitional text in Harvey's work, the transition from *Explanations in Geography* to *The Limits to Capital*. This latter one published in 1982, almost a decade later than *Social Justice and the City* is written against a different socio-political background.

This research will expand on this particular text later on, but as a succinct description it is important to mention two brief details, the double meaning of the title and the critics' perspectives towards the text.

On the one hand *The Limits to Capital* alludes to the limitations Marx's text has: "There are limits to Marx; he doesn't go far enough. Missing in Marx's theory is a geographical imagination, which David Harvey attempts to redress" (Barnes 2004, 408). On the other hand, the limits in the title alludes to the very limits that capitalism has: "Capital doesn't always get its way...Harvey's contribution is in showing that one of the limits to capital, one of the obstacles to the generation of surplus value, is geography" (409).

In the introduction to a special issue celebrating *The Limits to Capital* in the journal *Antipode* the authors expressed that *The Limits to Capital*:

[C]ulminated Harvey's earlier efforts to elaborate the theoretical foundations for an historical geographical materialism, while also providing a solid conceptual foundation for his own (and many other's) subsequent work on more concrete aspects of capitalist urbanisation, regional development and the political-economic geographies of capitalism restructuring. (Castree et al 2004, 401)

I acknowledge that there is more to say about this particular text, this research will concentrate the analysis of it, further in this chapter, more concretely, in the precise subject with which the text ends, the concept of geographical uneven development. For now, it might suffice to say that these three works set a solid foundation for the later body of work that Harvey produced in the 1980s, 1990s and the more recent works from which this research benefits immensely. The intersection between space and capital will be a recurrent theme in Harvey's work; it builds a theoretical edifice that links Marxism and spatial theory, a central relationship in this current research.

The argument in this chapter will proceed with a brief review of Harvey's work, including an analysis of the theory of uneven geographical development along several of Harvey's texts. First, the

foundational piece *The Limits to Capital*, where Harvey initiates this particular line of thinking, deploying the basic concepts that, later on, will be central to the analysis of the relationship between space and capital. In particular, I will concentrate the argument around the discussion of Hegel's perspective to the problem of accumulation.

Secondly, I will focus the analysis on *The New Imperialism*. Here, Harvey shows some tensions that eventually evolve into conflicting contradictions in the operation of capitalism. How capital finds a way out of these tensions, he explains, is by searching, and creating, a spatial/temporal fix that only reallocates, in space and time, the irresolvable contradictions that capitalism itself creates. In this scenario, I will suggest along with Harvey, the need for new locations to escape devaluation and depreciation of capital provokes the outsourcing of these contradictions somewhere else, creating devastation wherever they are reallocated. I will analyze first the construction of space, then the destruction and finally, the inner contradictions of this pervasive logic, I will also make a detour to the discussion, the case of the Chinese Olympic Games; in order to crystallize the argument even further.

In a third step, I will turn to *A Brief History of Neoliberalism*, in this piece Harvey provides a map of the new --or not so new-- version of liberalism, a sort of unfettered capitalist practices. Without showing any sign of social compassion and solidarity at all, these new practices tried --and succeeded-- to develop profit by maximizing the capital gains at the cost of social and cultural disintegration. In this particular instance, Harvey advances an effective perspective concerning neoliberalism, it is not about the implementation of certain policies to bring about economic development by the means of liberal market policies, but instead, it is about the restoration of class power.

The technological and social advances witnessed at the end of the Second World War and the Keynesian policies that put emphasis on full employment and state intervention of the market brought, not only, the enhancement of living standards on many populations, but also, the decreasing of power in many elites. The events of 1968 marked a turning point in this regard, while many thought of the multiple uprisings as the beginning of a different kind of society, some others saw the kind of threat that mobilized the rise of class power, a sort of social backlash. This is another way in which capitalist policies were put in place to destroy.

In this context it is important to acknowledge that the concept of class requires more explanation. Harvey's use of this concept does not answer to the restoration of an ancient or long-forgotten social class anchored to particular interests, but instead, it is the restoration of the

importance of class as a concept to analyze social relations, only because the inequality that neo-liberalism brought became a definite social divider. What Harvey will help to explain in this case, is the steps that this restoration entailed. I will, first, map the deployment of neo-liberal policies in the United States and the United Kingdom followed by the immediate consequences of this deployment in Chile and Argentina.

Finally, I will turn to *Spaces of Global Capitalism, Towards a Theory of Uneven Geographical Development*, in this text Harvey advances his later version of this particular theory. In a nuanced way, this is the necessary step to develop a theoretical body of work that denounces the capitalist's abstractions that obscures the daily destruction that it brings. It is the confluence of class restoration, accumulation by dispossession and the constant need for a spatial/temporal fix. Harvey's theory will connect them to elucidate these procedures. After a brief introduction of this project, I will work towards the elucidation of these 'notes', focusing later on the process of accumulation by dispossession, bringing a second detour in this chapter, the Santa Fe Style.

This latter one is part of the several examples included in this research that illustrate the effects of neo-liberal policies. Along with the previously mentioned cases, the South African experience transitioning to democracy –and neo-liberal policies-- and the Argentina's default. What might look like a mish-mash of different situations is brought to the discussion to signal the ubiquity of capitalism and, in this particular instance, neo-liberal capitalism. Although these examples are distributed along this chapter to further elucidate particular points or to illustrate theoretical discussions, there is a common denominator that can be identify in all these examples, the consequences of neo-liberal policies implemented.

I will conclude this chapter expanding on the process of financialization and privatization, their implications and consequences.

### III.2.A. HOW TO SOLVE HEGEL'S MYOPIA

Harvey starts to theorize uneven geographical development by invoking the tension that is inherent to capitalism. This tension, which is the core of this research, is what Hegel and Marx were not able to resolve. More concretely, Harvey focuses on Hegel's explanation of the internal expansion of population and industry within civil society, pointing out how in his *Philosophy of Right* Hegel explained the tension that exists in the capitalist practice of accumulation. Hegel observed, as Marx would do later on, the accumulation of wealth in few hands, on one side, and on the other, the

accumulation of misery and despair. This ‘inner dialectic’ of alienation where the labor is transferred to capital, cannot be resolved by the existence of the middle class, neither as a cushion between the wealthy few and the immense misery, nor as a buffer that softens the sharp contradiction that emerge in each capitalist society, as a result of mass poverty and massive concentration of wealth.

What Hegel proposed to find ways out of this internal contradiction, is to outsource the crisis product of this unequal accumulation. The constant expansion and creation of markets in Asia and Africa added to the European ‘discovery’ of new lands in America brought new air to the exhausted European societies. To export the contradiction to new places, that at the moment of their discovery, were not capitalist seems to be the way out of these contradictions:

This inner dialectic of civil society thus drives it --or at any rate drives a specific civil society-- to push beyond its own limits and seek markets, and so its necessary means of subsistence, in other lands which are either deficient in the goods it has over-produced, or else generally backwards in industry, &c. (Hegel 1952, 78)

By finding new places to increase their investment and by finding new markets to inundate with their products and industries, is how the European capitalist societies resolved their internal contradictions of capital accumulation over much of the eighteenth and nineteenth century.

Although Harvey rightly points out, Hegel did not explain if this ‘way out’ is never-ending or how sustainable this ‘solution’ is<sup>22</sup>:

Somewhat uncharacteristically, Hegel leaves open the exact relation between the processes of inner and outer transformation and fails to indicate whether or not civil society can permanently resolve its internal problems through spatial expansion. (Harvey 2006b, 414)

But, assuming a never-ending world, what would be the next step to continue the capitalist expansion?

Before answering this question, Harvey warns the reader, Hegel is not the only one that cannot fully explain the way out of this ‘inner dialectic’. For all the critical analysis that Marx initiated, and for all the insightful analysis that he produced of capitalism as a system, Harvey observes, that in this particular, Marx is on the same place that Hegel was.

For Marx, Harvey explains, there is no external solution to this contradiction, the solution is internal and it needs to be found in the change of the conditions of production and social relations. The expansion though, would bring and extension on the production and the size of the capital system that can only be threaten by the fall in the rate of profits. The problem is that not even Marx

himself believed that this was the answer, for ‘it can only act as a tendency’ and only in the long run this is detectable, a panoramic perspective is what we need. For Harvey:

The role of imperialism and colonialism, of geographical expansion and territorial domination, in the overall stabilization of capitalism is unresolved in Marxian theory... A comprehensive and irrefutable answer to the problem Hegel so neatly posed so many years ago has yet to be constructed. Is there, then, a ‘spatial fix’ to capital’s problems? And if not, what role does geography play in the process of crisis formation and resolution? (2006b, 415)

This is what Harvey tries to complete along many years of work. This is the beginning of the theory of uneven geographical development in *The Limits To Capital*; this is part of the ‘limits’ to Marx’s theory that gave the name to this work. From here on, he leaves Hegel behind and initiates his own explanation.

### III.2.B. THE LIMITS TO CAPITAL

Capitalism develops itself upon an existing uneven terrain, it is never in a *tabula rasa*, but more likely, it is the accumulation of layer upon layer of social interaction, where capital operates. In the early stages of development, this operation is set against the pre-capitalist arrangements, destroying the ones that are useless in their primal form or using them for profit. Among the first form one can find colonial power commodifying ancient beliefs and cultures into objects of art and tourist destinations, among the second form, one can find, incipient capital using caste system or racial hierarchies and its pre-capitalist divisions of labor for its own benefit.

But for Harvey, territorial and regional coherence “is actively produced rather than passively received as a concession to ‘nature’ or ‘history’” (2006b, 416). Colonial systems such as the Spanish or the Portuguese, for example, did not receive a naturally coherent Latin America. It is concretely, the product of history and power relations that determined what Latin America entails. The role of the Church in Latin America determining who qualifies as human being, between the existing indigenous and the displaced African populations, further reinforces the notion that capitalism uses old guises and racial hierarchies to distribute labor and reallocate profit. But if this is the deployment of capitalism, how do we understand the production of unevenness?

In order to understand the introduction of unevenness in this scenario, it is necessary to understand some particular characteristics of markets’ logics. Harvey, in this regard, relies on the

dynamism of the market. In order to sustain themselves and increase profit, the market's operators look for profit in the exchange of products among different locations, but more importantly, among different markets.

The constant drive for universalism in the logic of capital expansion does not allow the closed market to sustain itself for a long period of time; the result is always devaluation or aperture (Harvey 2006b, 417). This latter option is done for two reasons, first, to take advantage of the different values among markets of the same products. The availability, or not, of certain commodities decreases the value of merchandises or make them very expensive, when the former occurs then the search is on to level (increase) profits out of unequal exchange.

Secondly, the search for other markets is also rushed to place surplus capital wherever the rate for profit is higher; Harvey brings the example of England. During the eighteenth and the nineteenth century, the Crown went even further, creating the conditions for higher profit abroad, in disparate places such as India and Argentina. This mobility that reinforces the dynamism of capital, is also followed by a mobility in labor and capital itself, this later one, of course, is more mobile than the former.

This dynamic character of capital brings about contradictory outcomes; this is essential in this present chapter --as it was in the previous one-- to understand the destructive character of capital. The contradictions and tensions that arise out of capitalist practices of accumulation ultimately do not produce the implosion of the capitalist economic system, but instead, the resolution of those contradictions entails the destruction of the social fabric, among others outcomes. Harvey expresses this in the following terms:

On the one hand spatial barriers and regional distinctions must be broken down. Yet the means to achieve that end entail the production of new geographical differentiations which form new spatial barriers to be overcome. The geographical organization of capitalism internalizes the contradictions within the value form. This is what is meant by the concept of the inevitable uneven geographical development of capitalism. (2006b, 417)

What arises out of this, is an irresolvable contradiction between different forces, concentration of capital against the dispersion needed to further reproduce it. The constant mobility that capital seeks to survive against the rigidity that investments in infrastructure requires. Even the agglomeration of cities and centers of production seem to repeat the same pattern against the dispersion of the country, the center and the periphery, the developed against the underdeveloped (419). Harvey



understands that these are not accidental outcomes, but coherent and intricate responses to the logic of capital accumulation and circulation.

This tendency presentation requires further explanation. There is more here than just a presentation, but a deeper study of capital<sup>23</sup>. So far, this chapter introduces the theory of uneven geographical development, although, there is more to say and there is more to unpack to understand how capitalism operates by destruction, according to Harvey. In what follows I will delineate the theoretical road that Harvey traveled from here on. If *Limits to Capital* is the beginning of this questioning, the next work deepens the issues under analysis. In the end, what this reading will find, is a clear argumentation of the creation of unevenness that allows capitalism to survive upon constant destruction of the material, economic, social and cultural landscape in which it takes hold.

### III.3. FORMATION AND DESTRUCTION OF SPACE ECONOMY

It is in the chapter titled “Capital Bondage” contained in *The New Imperialism* where Harvey fully retakes the theoretical explanation of the formation and destruction of the spatial economy that he investigated in other works such as *Paris: Capital of Modernity*. This is an interesting focal point to understand the dynamics of space economy, even when Harvey continues explaining these dynamics in other works, it is in this particular opportunity when he deepens the understanding of space economy associated with the practice of creative destruction, this section will be based on that chapter.

Harvey starts this piece by asking the same perennial question that drove *The Limits to Capital*. The resilience of capitalism, i.e. why capitalism survives multiple crises and also survives the lack of faith that comes from all the political spectrum, the left and the right the same, regarding the sustainability of capitalism, as Schumpeter already showed.

From the Marxist perspective, Henri Lefebvre and Rosa Luxemburg, both offered some initial answers to this political riddle. The former in the form of the production of space, and the latter along with Lenin focused her attention to the phenomenon of imperialism as the answer to understand the resilience of capital.

Harvey acknowledges both Lefebvre and Luxemburg<sup>24</sup>, but in his perspective theirs are incomplete since these are “finite solutions and therefore replete with its own terminal contradictions” (2003b, 87). What he will offer instead is the theory of spatial/temporal fix. He aligns his theory with Marx’s, concerning the perspective that profit rate tends to fall, creating crisis

of over accumulation, abundance and not scarcity of capital and labor, is what produces devaluation and unemployment. The way out of this problem, for Harvey, is not to be found in the investigation of labor only but, more importantly, the solution is waiting in understanding how capital circulates: “geographical expansion and spatial reorganization” (88).

States and state-like arrangements are key for the development and circulation of capital. Examples along historical periods show how city-states synergies animated capital development and accumulation; places such as Venice and Genoa are primal examples of this. More recently, the rise of nation-states and their different configurations (a trade-based England against a land owners-based France) brought about different outcomes for capital development. Even more recently, re-arrangements as aggregates of states as trade unions and also metropolitan regions established a complex relationship with capital accumulation and expansion (Harvey 2003b, 93).

But the central question seems to be the tension existing between the static logic of the state and state like arrangements and the dynamic logic of capitalism. Along with Giovanni Arrighi, Harvey asks: “how does the relative fixity and distinctive logic of territorial power fit with the fluid dynamics of capital accumulation in space and time?” (2003b, 93) Here is the point where the production of spatial economy enters the scene, along with a series of contradictions that find their resolution in the spatial/temporal fix that, in the end, brings more destruction than solutions.

### III.3.A. DESTRUCTION

In the midst of disparities that capital produces, as I already explained early in this chapter, it is not enough to seek different markets or improve the products offered, instead, artificial barriers made of legal rights, taxes and intellectual property rights are invoked to try to crystallized what otherwise is quite fluid, the circulation of capital. This creates a basic contradiction between the need for mobility that capital entails and the solutions of crystallization that location, states and state institutions bring, like the jurisdictional property rights. It is at this point when Harvey appeals to Marx, reminding the reader the capitalist tendency towards ‘the annihilation of space through time’ (2003b, 98). Harvey does this in order to mark the necessity to find better and faster ways for transportation of commodities and manufactured products. If capital cannot do without space, then space needs to become unnecessary.

But Arrighi’s question still remains unanswered, how, concretely, this takes place? First, there is an incessant drive towards the reduction, if not the eliminations, of spatial barriers. This situation

can be seen, not only, in the new agglomerations of nation-states, but it can also be seen in the constant search for better and improved methods of transportation. Secondly, there is also, an equally incessant, impulse towards acceleration in the turn over of capital. More and more, the expectation is equated with time, less time, more profit, better business; Harvey offers the example of house 'flipping' (2003b, 152), a practice partially responsible for the mortgage crisis in the U.S., in the end:

The reduction in the cost and time of movement has proven a compelling necessity of a capitalist mode of production. The trend towards 'globalization' is inherent in this, and the evolution of the geographical landscape of capitalist activity is driven remorselessly by round after round of time-space compression. (2003b, 98)

This situation inevitably changes the scale of capitalist activity, as Harvey points out, the creation of the European Union, as well as the creation of the MERCOSUR in the southern cone of Latin America, are not real choices of the nations-states but imperatives brought by the redefinition of the scale economy, although this redefinition does not come without important consequences.

To change space relations is functional to reduce the fixity of space, but it also functions as a necessary precondition that reshapes the political organizations that surround entire societies. This transformation exemplifies the destructive aspect of capital that this research is interested in. The reason for this destruction lies in the amount of contradictions that we can find in the relationship between capital and space, some of them we already discussed. The decentralization of competition and re-centralization of monopolies are examples of dispersal and concentration forces, the contradiction arises out of the fixity that monopolies try to impose through the control of a determined location, against the inherently motion that constitutes capital. The disparities that projects like NAFTA or the MERCOSUR uncovered, to follow the example previously given, are clear examples of the destruction that lies within the deployment of such policies.

But it is in the outcome of this scenario, where Harvey meets Schumpeter, where the political stance of the constant reshaping of space becomes clear. Capitalism constantly shapes geographical landscapes only to destroy them once the profit is no longer there, out of these molecular processes of constant friction between the contradictions of space and capital:

The aggregate effect is...that capitalism perpetually seeks to create a geographical landscape to facilitate its activities at one point in time only to have to destroy it and build a wholly different landscape at a later point in time to accommodate its perpetual thirst for endless capital accumulation. Thus is the history

of creative destruction written into the landscape of the actual historical geography of capital accumulation. (2003b, 101)

This is a central point of the destructive aspect of capitalism. The encounter of Schumpeter with Harvey is not by chance. Rather it is the result of two different approaches to the study of capitalism that observe the same outcome. What for Schumpeter is proper to the logic of development, the destruction of the old, for Harvey is proper to the effects of the interaction between capital and space, the contradictions are resolved, or rather dissolved, in the destruction that capital produces in the landscape it occupies. The political consequences for this scenario are well known, from unemployment to urban blight and social disintegration, it is all desolation.

But if this would be always the case, then capitalism would have been in serious trouble long ago, in the center and the periphery of the world the same. Massive unemployment and social disarray is not easily or coherently sustainable for a long period of time without producing important consequences to the society that suffers these problems.

In order to understand the logic that operates in this troublesome scenario to perpetuate the capitalist system, Harvey proposes the concept of spatial/temporal fix. The figure of fixity that Harvey uses plays in two different, but connected, senses; on the one hand the term 'fix' functions as an adjective, alluding to the rigidity that characterizes the materiality of place, on the other hand, it functions as a verb alluding to the concept of solution, as a metaphor that capitalism uses to geographically defer crises.

Commenting on the spatial-temporal fix, Bob Jessop highlights the journey that Harvey traveled starting from disregarding the importance of the concept of time has in capitalist theory to end in the more recent concept of spatial-temporal fix, citing Harvey in *Spaces of Capital: Towards a Critical Geography*: "Viewed abstractly, space... possesses more complex and particularistic properties than time. It is possible to reverse field and move in many different directions in space whereas time simply passes and is irreversible" (Jessop 2006, 150).

But as Jessop observes in the same article, statements like this one are not consistent with Harvey's later understanding of the social construction of time: "Yet, this fits ill with Harvey's subsequent recognition that time measurement and command over time are sources of social power." (150) To make this clearer, let's take the hypothetical case of capital returns for investments in general. The standards imposed on many locations all over the Third World are quite different from the ones expected in much of the developed economies, this, that seems an imposition of the

location upon which capital is deployed, First vis-à-vis the Third World, turns time into a differential variable that resonates totally different depending where one is located.

But Harvey, later on, comes to terms with the importance that time associated with space has over capitalist practices, a primal role to divert crises. Just as much it is necessary to reallocate crises over space, it is also necessary to postpone crises over time. Centering the attention on the concept of spatial-temporal fix, Harvey proposes a rather simple definition to understand it:

The basic idea of the spatio-temporal fix is simple enough.

Overaccumulation within a given territorial system means a condition of surpluses of labour (rising unemployment) and surpluses of capital (registered as a glut of commodities on the market that cannot be disposed of without a loss, as idle productive capacity and/or as surpluses of money capital lacking outlets for productive and profitable investment). Such surpluses can be potentially absorbed by (a) temporal displacement through investment in long-term capital projects or social expenditures (such as education and research) that defer the re-entry of capital values into circulation into the future, (b) spatial displacement through opening up new markets, new production capacities, and new resource, social, and labour possibilities elsewhere, or (c) some combination of (a) and (b). (Harvey 2003b, 104)

But overaccumulation cannot be fixed so easily, if capital cannot be absorbed internally then, it requires circulation, but the problem arises when there is no place to invest. As Harvey reminds the reader, this was the case of England with places like India and Argentina: “If the territory does not possess reserves or commodities to trade back, it must either find them...or be given credit or aid” (2003b, 117). The former is the case of India and the frantic resource extraction; the latter is the case of Argentina and the never-ending history of external debt. In the section below I will expand on the contradiction that the spatial temporal fix needs to sort, bringing a contemporary example that further makes this more explicit.

### III.3.B. CONTRADICTIONS

The advancements of new configurations and new creations of space threatens the existing infrastructures that cannot move to another less competitive markets, or that if they compete, they do so poorly. The interesting irony is that in many cases the new places, as in the case of the U.S., that were recipients of spatial/temporal fixes, from sites like England, create their own surpluses,

therefore, rapidly being substituted by newer cheaper and more efficient --read without social securities-- sites like China and Far East Asia. This situation constantly creates an internal contradiction to the necessity to find new arrangements of capital and space, every new configuration, the more successful it turns, it has its expiration date imprinted before it is being created.

## DETOUR 2: BEIJING SPATIAL-TEMPORAL FIX

Anne-Marie Broudehoux titled her essay about the up-coming Olympics “Delirious Beijing: Euphoria and Despair in the Olympics Metropolis”<sup>25</sup>. Not in vain, the title calls for the comparison with the famous essay written by Robert Venturi “Delirious Las Vegas,” perhaps reminding the reader that what is going on in China is left to --market-- chance, just as much one would consider gambling in Las Vegas.

Despite all the attractions that an Olympic tournament brings wherever it takes place and all the economic and infrastructural improvement that it entails, what is remarkable in the case of Beijing is the level of expenditure in the construction of the sites. Around \$ 40 billion, or all the budgets combined from the summer games in Los Angeles 1984 on (Broudehoux 2007, 87), this added to the extraordinary velocity of the constructions that are changing the face of the city, to the point of becoming unrecognizable from year to year, it is something quite novel for an Olympic site.

There is little doubt that the case of the Olympics in China, but also in many previous locations such as Barcelona, entailed the very creation of space that Harvey theorizes. A space that previously did not exist and that was created, as in the case of Beijing and Barcelona too, with the post-Olympic use in mind. But what makes Beijing the monument of ignominy for Broudehoux, is how the construction is taking place, which brings more materiality to the theoretical discussion so far.

The ‘cheapest’ building being constructed, the author acknowledges, is the National Swim Center, it has a price tag of \$ 100 million (2007, 89), the new airport terminal budgeted \$ 1.9 billion (90), to understand the context in which this takes place let’s remember that in China the per-capita income, not the actual income though, is around \$ 1,000. The money for these constructions is coming from public expenditure and private investors that will retain the right to use the facilities for thirty-years period, once the games are over. The former situation is not surprising since China is currently one of the most important recipients of foreign investments. The latter is even less

surprising, since these facilities are being built to cater the emerging Chinese elite that can afford to pay the price to use these facilities and secure the returns. But again, there are other advantages of constructing in Beijing, as the author of the essay in discussion explains:

Despite its spectacular price tag, the construction cost of most Olympic projects was deceptively low...One of the conditions that made it possible for Beijing to afford building more than a dozen brand-name landmarks for the Olympics was its exploitation of a vast, pliant, and disposable labor force. (91)

Counting with almost 100 million migrant workers, paying an average of \$ 4.87 a day, and with an officially estimated sum of unpaid wages rising up to \$ 12.1 billion (91), it is not difficult to understand the extraction of surplus from labor that these constructions entailed. Not even taking into consideration the fact that many of these buildings were built upon previously occupied grounds, evicted by the State-- around 300,000 evictions in 2004-- paying well less than market prices (92).

Even before the games begin, what is left is a more unequal social fabric, an increasing urge to produce the necessary returns in order to justify such incredible amount of expenditure and an increasing budgetary cut in social programs (Harvey 2003b, 123). There seems to be little doubt that this entails the spatial/temporal fix as Harvey theorizes it, clearly what is actually being fixed, in this case, are staggering amounts of surpluses, disposable money coming from the West and an even more 'disposable' labor force.

This detour brings the second contradiction that the logic of spatial/temporal fix seems unable to resolve. Surplus of capital and labor, if not absorbed in the market of origin, they need to be sent abroad to avoid devaluation. But those foreign markets need to have the means to pay the income of surpluses; otherwise the risk is the evaporation of the surpluses by devaluation. In order to secure this, if the newer sites are not yet fully developed in order to absorb the incoming surpluses as direct investments, the surpluses are sent as lent money. (Harvey 2003b, 119) This latter creates a further more complex situation, incoming credits in unregulated markets opened to short time investments, are easy target for devastating speculating practices by unscrupulous agents. The outcome of this situation is well known in the so-called Third World, the deployment of lending agencies such as the IMF or the World Bank is what follows to take control of the country's finances and to administrate the debt contracted, while the surpluses borrowed are already in another place.

The story of the Argentinean and the Chilean debt contracted under the 1976 and 1973 dictatorships, as Naomi Klein tells it, is the clear example of these practices. In the Chilean case: “According to a 2005 U.S. Senate report, Pinochet maintained a byzantine web of at least 125 secret foreign bank accounts...the most notorious of which were at the Washington, D.C. --based Riggs Bank, hid an estimated \$ 27 million” (2007, 157). In the case of Argentina the situation is just as, if not more, scandalous, \$ 19 billion (46% of the \$ 45 billion borrowed by the junta) were moved offshore before the illegitimate government ended, this is not all: “The U.S. Federal Reserve observed that in 1980 alone, Argentina’s debt expanded by \$ 9 billion; in that same year, the amount of money deposited abroad by Argentine citizens increased by \$ 6.7 billion” (157).

A third contradiction to mention arises when those new markets, that initially were recipients of investments, finally matured and start to produce themselves excess of surpluses of labor and money that also need to be reallocated in space and time. This situation creates an even more complex scenario, since the space that Hegel thought infinite now turns quite delimited. The outcome of this situation, for Harvey, lies in two distinctive situations. The system might remain, in the overall consideration, quite stable, introducing periodic crises abroad, alternating this with recollections of returns that will eventually bring some sense of stability. But Harvey observes that the increasing accumulation of wealth and the uncontrollable surpluses generated before the First and Second World War triggered the world conflicts (2003b, 124).

If the surpluses cannot be reallocated, if the returns are not enough, then the option for the continuity of capital is to destroy them in order to start all over again. Harvey explains that competition is always problematic for capital development; it always hides the shadow of monopoly. Developed societies, as centers of overaccumulation constantly compete for surpluses absorption but:

Since they cannot all succeed in the long run, either the weakest succumb and fall into serious crisis of localized devaluation or geopolitical struggles arise between regions. The latter can get converted via the territorial logic of power wars and currency wars, with the ever-present danger of military confrontations (of sort that gave us two world wars between capitalist powers in the twentieth century). (2003b, 124)

Either way, what is exposed once again, is the destructive aspect that capital tries to hide. The creation of spatial arrangements to capital and labor surpluses is always a short-term solution. It is a detour from a serious problem whose only solution seem to be the destruction of those surpluses,



and the destruction of the place in which they are invested. The creation of deferring spatial/temporal fixes is a necessary condition for capital to survive, but this very creation holds strong contradictions that, in the end, will trigger more instability.

#### III.4. NEO-LIBERALISM: THE RESTORATION OF CLASS POWER OR THE DISMANTLING OF THE WELFARE STATE

As Harvey maps the process of neo-liberalization as the predominant face of capitalism in many different locations around the world, soon it is clear to the reader that this process of liberalizing the world economy, is about more than just economic policies. It is certainly not the implementation of economic policies as an alternative vision of development to Keynesianism, or a systematic program that only tries to mend excess of the politics of state intervention in the market, or cut government expenditure in social securities. On the contrary, what neo-liberalism is about is the restoration of class power. (Harvey 2005, 90) Certainly this requires further explanation; in what follows I will concentrate on this particular feature of Harvey's theory developed in *A Brief History of Neoliberalism* that accentuates the destructive aspect of capitalism.

Harvey in this instance develops four core components or terrains to mark the map of neo-liberalism. Together these components make clear the purposes behind the deep unevenness of geographical development, but they also accentuate the explanation of the spatial/temporal fix. What they make clear, is why the understanding of neo-liberalism as the restoration of class power, makes explicit the role of key actors such as the American and the British governmental agencies, financial institutions and corporations.

##### III.4.A. MAPPING NEO-LIBERALISM

The basic historical map of neo-liberalism opens in the 1970s in the United States and the United Kingdom as a minor perspective towards the economy that entailed --among other measures-- the deregulation of markets and labor policies, privatization of public sectors and companies, fiscal austerity and the reduction of the state to its minimum expression, mostly to secure the freedom of the market and the function of the economy.<sup>26</sup>

At the beginning of the 1970s these were marginal perspectives that were implemented in peripheral places such as Chile, after the 1973 *coup d'état*, and in Argentina after the 1976 *coup*. The

seriousness of the reforms that needed to be implemented required a strong hand, preferably non democratic, that can effectively suppress dissent when it arises.

These “guinea pigs” economies for neo-liberal experiments showed disparate results. In both Argentina and Chile, the major concerns of the authoritarian governments were the restoration of the market economy and the liberalization of the internal markets. The state of the world economy determined that the biggest concerns were redirected towards the debt crisis, debt that these nations contracted to finance the very liberalization of their economies in the first place. This situation required major structural re-arrangements that left Argentina stripped of the vibrant industrial sector, forcing the historical middle class down to poverty levels, and Chile as an extremely polarized society, consolidating levels of inequalities that were already incredibly high.

But if this is a minor story in the economy of peripheral societies, it is in the 1980s when these sets of policies start to gain purchase power among the ruling elites of the central economies, mainly the United States and England. Although Harvey brings to the history of neo-liberalism, the examples of the former Federal Republic of Germany and Japan in order to provide an alternative perspective (2005, 88).

In the 1980s United States and the United Kingdom were not examples of development, their respective economies were under a strong pressure from the social price that unemployment brings, as well as, the institutional pressure that the lack of growth entails. Development needed to be found in West Germany and Japan; both countries were thriving with their export-based model.

Financed by the national banking system in both cases, they excelled in creating an ambience of development without leaving behind major sectors of the population. In Harvey’s perspective, these nations and their models were the ones that offered the best alternative to the abandonment of the welfare state, not the neo-liberal models of the North Atlantic. History tells otherwise, Japan’s economic stagnation and Germany’s reunification, along with the demise of the Soviet Union, left the United States as the only powerhouse from where economic policies, cultural models and international politics derived (2005, 90).

The geopolitical situation at the beginning of the 1990s led the U.S. model of capitalism to be the sole model of the post Cold War period, in this context, is it not difficult to understand how overwhelming neo-liberal policies became, mounting on the mantra of the end of history discourse. In this way, for Harvey, four key components were set in place during the 1990s consolidating neo-liberalism as the only viable way of capitalism, and since capitalism is the only viable way of economic development, there is not much room for alternatives at all.

### III.4.B. THE RESTORATION PROCESS

Growing financialization of capital, increasing geographical mobility of capital along with, the increasing role of the triad Wall Street-IMF-Treasury, imposing neo-liberal policies, and the ideological dominance of neo-liberal doctrines in the academy; together they constitute, according to Harvey, the key components that restored class power among the elites in the world (2005, 92). This research understands Harvey's perspective as a powerful insight on neo-liberalism. Even when these conditions were not intended to deliver these outcomes, it is not far fetched to observe, as Harvey does, that together they bring back the importance of class as a powerful concept to understand contemporary social relations.

The pattern of increasing financialization of the world economy initiated in the 1970s with a minor step back, due to the debt crisis, was retaken in the 1980's and expanded in the 1990s, it entailed a close relationship between corporations and financial organizations, in contrast to the German and Japanese case. In these cases, the ties were between the corporations and the local banks, but this increasing financial mobility is not possible without the increasing geographical mobility of capital in itself.

The technological advancements witnessed in the last twenty years strongly helped the increasing mobility of capital, not only the advancements experienced in communications and information, but also, the physical advancements in freights and commodities transportations. Adding to this, the facilitation of the World Trade Organization that played a primordial role imposing gradual, and not so gradual, liberalization in most of the world economy.

The other important player in this scenario is the triad that forms Wall Street (as a financial center and as a center of influence), the International Monetary Fund, in particular with countries in debt, and the Treasury of the United States. (Harvey 2005, 92) Together they coalesced to impose neo-liberal policies from Latin America to South East Asia, the Nordic European Peninsula as well as New Zealand. Adding to this, the ideological dominance of neo-liberalism in the American academy working to irradiate influence, among many world elites trained in the U.S. (93).

For Harvey these four key components of restoration of class power came to be known as the Washington Consensus, with its primary objective being: "to open up as much of the world possible to unhindered capital flow" (2005, 93). Although as Harvey rightly points out, most of the times, what is implemented has little or nothing to do with liberal policies other than the budgetary

restraints or the downsize of the state. But instead, they have a lot to do with increasing instability in the world markets, repetition on crises and overall transference of wealth from impoverished masses to hyper-rich elites. These latter consequences, even when they are not directly intended, are clear outcomes of reckless behavior performed by international financial corporations and hedge funds that profit upon instability.

The clear consequences of neo-liberalism is the rapid contagion of financial crises all over the world, starting with the debt crisis of Latin America at the beginning of the 1980s to the Mexican crisis of 1995, affecting Brazil and Argentina, 1997 in Thailand affecting most of the Far East economies but also extending its effects in Brazil and in particular in Argentina provoking the tremendous crisis of 2001. This is just a sample of how the interconnections of the world economy along with the deregulation of markets and the intensity of mobility of capital trigger such devastating situations.

Clearly the immediate results of these crises are not the rethinking or the evaluation of the policies implemented, the way national economies are held hostage of financial games, or the liability of financial actors that their reckless behavior produces these economic earthquakes to begin with, as Harvey shows citing the despicable actions of financial actors (Harvey 2005, 97-98). But the immediate result is the reassignment of wealth, the rapid (sometimes overnight) reallocation of wealth, impoverished societies transferring money to local and global elites of diverse composition.

In the case of the Argentina's crisis of 2001, simple numbers tell a devastating history. The national poverty levels in October 2001 (before the crisis) were 38.3 %, and indigence 13.6%, in May 2002 (six months after the December's crisis) the same measures showed national poverty levels of 53.0% and indigence 24.8% (Fiszbein 2003, 148). These big differences in percentile points in such small amount of time contrast with some of the outcomes of the crisis. A banking and financial crisis that, curiously enough, did not witness the fall of any national or international banking institution. This situation only adds to Harvey's proposition that to understand neo-liberalism as the restoration of class power, one must recognize the devastation that these sort of policies leave behind. The societies that experience them carry the trauma for a long time.

### III.5. A UNIFIED THEORY OF UNEVEN GEOGRAPHICAL DEVELOPMENT

Harvey's ideas developed in "Notes Toward a Theory of Uneven Geographical Development" included in *Spaces of Global Capitalism, Towards a Theory of Uneven Geographical*

*Development* are a set of insights that emerged out of the experience of previous works. Harvey shares, at the end of the chapter in analysis its origin. While he was working on *The Limits to Capital*, he was also working on another project, in which he studied the transformations of the Second Empire in Paris, *Paris: Capital of Modernity*. The dialectic that emerged from both studies is what he synthesized in these present ‘notes:’

What I offer here is a set of reflections and proposals for the reformulation of theory in the light of that experience. While *The Limits to Capital* describes my theoretical framework going into the Paris study, these notes describe the framework of theorizing that came out of it. (2006a, 116)

This observation could not be more central to this research, the work *Paris: Capital of Modernity* undertakes the study of the demolition and change that the Second Empire did in Paris, although is a work that cannot be encompass under this only premise, what is central to its theoretical perspectives is the notion of creative destruction. Harvey’s intentions were to “reconstruct, as best as I can, how Second Empire Paris worked, how capital and modernity came together in a particular place and time, and how social relations and political imaginations were animated by this encounter” (Harvey 2003a, 18).

Central to the theoretical understanding of this study is the concept of creative destruction that allows understanding modernity as a break with the past:

One of the myths of modernity is that it constitutes a radical break with the past. The break is supposedly of such an order as to make it possible to see the world as a *tabula rasa*, upon which the new can be inscribed without reference to the past -- or, if the past gets in the way, through its obliteration. Modernity is, therefore, always about “creative destruction,” be it of the gentle and democratic, or the revolutionary, traumatic, and authoritarian kind. (Harvey 2003a, 1)

But Harvey is prompt to clarify that this radical break is a myth, following Saint-Simon and Marx he understands that there is no possible break with the past, there is no *tabula rasa* that does not contain the very past upon which it was created: “The alternative theory of modernization (rather than modernity), due initially to Saint-Simon and very much taken to heart by Marx, is that no social order can achieve changes that are not already latent within its existing conditions” (2003a, 1).

This latter detail, even when it does not bring Harvey closer to Schumpeter in any way, highlights the common interest in the process of creative destruction. This last instance analyzing *Spaces of Global Capitalism's* “notes” will work as a synthesis of Harvey’s theory, but with a warning in mind: “Theory can never provide a complete or definite account of the world. Theory is, in any case, always something that is (or should be) in the course of formation” (2006a, 115).

### III.5.A. WORKING TOWARDS NOTES

So much of what this research has been reviewing and commenting so far, finds a resonance in Harvey’s previous works, even when the theory presented in *Spaces of Global Capitalism* are catalogued as notes, they seem closer to a movement of consolidation of previous efforts, in order to come up with a unified theory.

On the one hand this latter presentation brings together different themes of Harvey’s work that were disseminated in different works<sup>27</sup>, on the other hand, it is the explicit aim of the author to work towards a unifying theory.

Harvey makes evident the reason behind this at the beginning of the chapter. It is necessary to expose the abstractions that the capital logic utilizes to opaque the materiality of its procedures. Formulation like Habermas famous division between the system and the life-world<sup>28</sup> or Braudel’s three-tier structure of capitalism (Harvey 2006a, 79) finds a direct critique in Harvey. There is no division in the materiality of life, it is the interconnection of everydayness that Henri Lefebvre theorized, what creates the necessity to expose the effects of capitalism:

It is impossible...to sustain the view that capitalism has only a shadowy relation to daily life or that the adjustments and adaptations that occur in daily life are irrelevant for understanding how capital accumulation is working on the global stage. (Harvey 2006a, 80)

Moreover, it is the Gramscian ‘common sense’, Lefebvre description of the dullness and boredom of the details of everydayness and the embedment of the ‘natural’ of built environments, what produces the disconnection that precludes political action. Not enough to produce a radical disconnection with the materiality of life, but certainly powerful enough to disguise the necessary connections that a critical understanding of capitalism entails. An understanding that reveals the effects of the abstractions and apparently disconnections, these ones, constantly cover the direct effect of capitalist practices on everyday life.

This is a political instance that retakes a call to mobilization, if the abstractions can be de-codified, if the disconnections can be re-connected, theory would serve its purpose of mobilization. Crises like the ones experienced in many locations in the past twenty years, are materially experienced by millions of disenfranchised people. If a theory can produce the connections between that disenfranchisement and the social forces behind that, then an important political step is accomplished<sup>29</sup>. This is ultimately, what Harvey is behind.

### III.5.B. ACCUMULATION BY DISPOSSESSION

The key to comprehend, the other than obvious reason why Harvey locates the issue of ‘accumulation by dispossession as he has been doing before,<sup>30</sup> is to be found at the very end of that section: “Any theory of uneven geographical development under capitalism must incorporate accumulation/devaluation by dispossession as a fundamental force if it is to be of any general validity and utility” (2006a, 95).

Harvey associates the rise of the capitalist class with the ability to dispossess and not with the ability to produce wealth, not out of chance; the location of the incipient capitalist class lies in the European nations, the ones that also developed a powerful imperial system all over the world. Beyond the fact that surpluses’ obvious formation is in terms of resources, as in natural resources’ extraction, Harvey rightly points out that this might be the primal form in which this takes place, but certainly not the only one. The cultural dispossession is also a primal way to transfer capacities and value from pre-capitalist cultures to market-based practices, but with a caveat, this dispossession entails the destruction of the cultural productions as such and brings instead, a commodified facsimile.

### DETOUR 3: SANTA FE STYLE

The commodification of Santa Fe in New Mexico as a pre-industrial tourist-based town is a clear example of these trends. Different authors analyzing different aspects of Santa Fe’s history in the past century observed an interesting change in a 30 years period that coincide with the settlement of the neo-liberal phase of capitalism. These changes, the different racial composition of the population and the further stratification based on class are signals of the imposition of neo-liberal economic policies and the commodification of cultural manifestations.

Chris Wilson in *The Myth of Santa Fe, Creating a Modern Regional Tradition* offers interesting insights in this matter. The racial composition of the population in the city of Santa Fe passed from 65% of the population declaring Hispanic surname in 1970, to 47% of Hispanic descendant in 1990, more interesting though is the increase of Anglo-Saxon population from 34% in 1970, to 49% in 1990, marking a definite change in the racial composition of the city. Conversely comparing the increase of population between Santa Fe the city and Santa Fe the county, the results signal the direction the population took in terms of settlement. Up to 1970 the population of the city increased more than the county's population, in that year the tendency changed, from 19% increase in the city to 29% in the county, by 1990 these numbers showed a settled pattern, 13% increase of population in the city and 64% in the county marking a clear exodus and preference of settlement outside the city limits (330).

These marked changes in the population brought with it a changed in the cultural and social relations that is strongly related to the commodification of Santa Fe as the quaint pre-industrial town that the city and its habitants have experienced in the last thirty years. The rise of real estate value and the increase in the number of gated communities in the county and real state developments all over, only add to the gentrification of the city center and beyond and the overall commodification of Santa Fe cultural production. The change in the racial composition that brought with it a defined change in the economic status of the population of Santa Fe is nor a random re-accommodation of the population of New Mexico, neither a situation that can be isolated in the confines of the Southwest. These changes also can be traced in many other locales that are recipients of a new transnational social class benefited by concrete policies emerging from the changes in international politics and economics.

The modern Santa Fe, as many other attractive locations for the transnational upper class, is a decisive example of a tourist industry that emerged with the advancement of neo-liberal economic policies. The face of the destructive aspect of capitalism that this research works on is exemplified through the neo-liberal policies that maximized profit upon the destruction of the social and cultural aspects that a tamed capitalist economy developed until the middle 1970s.

In Santa Fe style aesthetics, history and heritage are freely combined in the re-conceptualization, urbanization and gentrification of this desert town as a "gated community" of arts and crafts. A selectively crafted portion of the past serves to promote tourism, anchor one indigenous identity, and increase real estate profit, but there is little or no space for authentic remembering, homage and inclusion.



To reproduce a make-believe adobe out of chemically produced stucco colors is to rest in a sort of make-believe --behind the walls-- strangeness. Indeed, today Santa Fe style is the product of many aesthetic interventions. New Mexico's museum policies dictated what deserves to be preserved in order to create an authenticity, while searching for what that very authenticity might be at the same time. City ordinances and inspections about style, set about normalizing an aesthetic design that imitates an invented version of the past. Transplanted visionary architects imposing their vision of what the West should look like, and community rituals and celebrations recreate the myth of a glorious and peaceful past, while excluding the very agents of that precise past. The Santa Fe style, as the product of years of sedimentation of selective renaming, remembering and forgetting, pursues the constant goal of profiting through commodification with the ultimate goal of tourist attraction.

What stands as the Santa Fe style today is a re-production of what probably it might have been, without the Western intervention, but with the precautionary advice, these processes require the dismantling of the ancient cultures. The resignification of the cultural past pays tribute to that past with a city code that defines what is proper, as look-alike authenticity. Most probably the case is that the resemblance of the past only calls upon a de-politicized, peaceful and romantic collective past in the service of a 'behind the doors' privatized present.

Cultural appropriations of historical sites are also a not so obvious but still effective way to profit upon dispossession. The introduction of historical, religious or preserved sites into the tourist industry does not only provide a new destination to the tourist circuits but it also provides the opportunity to profit upon creative expressions appropriated, as the case of the Santa Fe Style showed, from indigenous communities. But this is not the only way to profit upon dispossession. From museum artifacts to religious sites utilized for tourist consumption and even personal and communal creativity, "this is appropriation of creativity and effective cultural forms by capital and not direct creation by capital itself" (Harvey 2006a, 92).

### III.5.C. DISPOSSESSION IN ACTION, FINANCIALIZATION AND PRIVATIZATION

The other avenue of dispossession can be characterized as 'culture' capitalist practices. It entails the role but more concretely, particular practices mastered by financial capital. In a world where financial capital supplanted the primacy of industrial and land-based capital as well, it is not

overstated the preoccupation that Harvey shows for the financialization of the world economy. In time of crisis, and in these times crises seem to be a perpetual state of affairs, vulture capitalism ‘acquires’ assets on the cheap, Harvey suggests that in these times:

The aim of appropriating or controlling the surpluses of others is not, in this case, to absorb them into the circulation of capital but to have the power to devalue them and even destroy them (militarily if necessary) thus confiding the impacts of devaluation to the places of others. (2006a, 94)

The luck of Argentinean assets abroad after the crisis of 2001 followed a similar path, battling in New York based courts the sovereignty of the nation to determine the conditions of the debt contracted. After the sovereign default over Argentina’s \$ 95 billion in bonds, the biggest default ever recorded, many hedge funds searched all over international markets for the bonds the public hold, in order to secure a class action against the country. The rationale was the following: if private and individuals that bought bonds from the Argentina’s debt in the exchange market were not able to wait the terms of laborious international courts, hedge funds interested in profiting from the pressure on Argentina government, were prompt to buy those bonds --at very discounted prices-- with the expectation that the Argentina government would honor them.

The problem came in 2005, when the former President Kirchner announced that the nation offered only 30 cents for every dollar in debt. Most of the bonds’ holders agreed to these new conditions. According to business news’ sources (Goblin), holders of around \$ 20 billion rejected the offering, but the Argentina government has not re-open negotiations since 2005. In order to cash more than the 30 cents per dollar offered, even when they paid less than that to acquire them, hedge funds took legal actions in the New York courts, EM Ltd. based in the Cayman Island and the German H. W. Urban GmbH are some of the funds currently trying to cash those bonds trying to seize Argentina’s assets in foreign countries (Faille, “In Argentina’s Default and Restructuring A Judge Takes the Bail then Puns”).

Even with more refined and quite abstract ways, the IMF is known for imposing structural adjustments based on devaluations of local currencies, therefore depreciating the value of every asset tight to that local currency, leaving the door open for vulture-like practices to take place. The case of Mexico in the early 1980s and then in the middle 1990s, South East Asia in the late 1990s and Brazil about the same time, are some of the many examples of structural adjustments that leave the ‘terrain’ where they are implemented, without recognition.

But these vulture practices are not the only ones that Harvey signals, back in *The New Imperialism* he analyzes the phenomenon of privatization, in his perspective a primal (cutting-edge) practice of accumulation by dispossession in the neo-liberal world. The case of the British economy under the Thatcher administration is a clear example (2003b, 158). The privatization of the low-income housing, along with the privatization of public services that triggered unseen speculation, gentrification and transference of assets, in this case it was the initiation of a trend that later on will be applied to other societies. Argentina (159-160) during the 1990s privatized, primarily to foreign investors, almost all of the state-owned assets, selling the national oil company, national oil reserves, rights for extraction included, the transportation system --highways included--, the gas distribution system, the water company, the telecommunications companies and the retirement system, not even the embassies' buildings were spared.

The case of South Africa's cholera crisis that Harvey cites exemplifies part of the structural problems that the post-Apartheid representative democracy faced (2003b, 159). But if the problems to face were overwhelmingly paralyzing, the implementation of neo-liberal policies in the new democratic South Africa were even more problematic. To bring another concrete example of the destructive consequences of the implementation of neo-liberal policies, Sampie Terreblanche's extensive analysis of South Africa's history, *A History of Inequality in South Africa 1652-2002* brings an interesting argument, but in particular the analysis of the transitional period, is consistent with this perspective:

The economic and social policy approach of the new government was formulated under strong pressure from the corporate sector and its goal partners, and was based on several contentious premises. Eight years into the post-apartheid period, neither its economic nor its social policy programmes has delivered the promised outcomes. (424)

But if one wonders, what were those 'contentious premises' that accompanied the deployment of neo-liberal policies in South Africa, they are no more than the same mantra of neo-liberal doctrine learned by heart all over the world: integration with the world economy and the market ability to solve unemployment and to distribute wealth, among others. What the implementation of neo-liberal policies did instead, is to divide even more, the strongly segregated society of the apartheid system. On the one hand "one modern, smart, professional, efficient, and globally oriented" (Terreblanche, 2002, 425) market, on the other hand, "the neglected, messy, unskilled, downtrodden, thriving on crime and violence" (425-426). The result of this is quite somber:

South Africa is *en route* to a situation in which the only interaction between the ‘two worlds’ will be at the level of crime, violence, and contagious diseases, that will be ‘exported’ daily from the third-world periphery to the first-world enclave.  
(426)

Sadly enough, this is also the destiny of many other societies that relied on neo-liberal policies of liberalization of financial capital and privatization. The many enclosed first-world communities in many Latin American countries, relying on a privatized space and a privatized security force is an increasing phenomenon of social disintegration. But if the phenomenon of social disintegration and isolation is already long standing in many Latin American and Asian societies, what is striking about the South African case is the fact that what the implementation of neo-liberal policies did, was to destroy the hopes of unity and the consolidation of a vibrant society.

But the other side of this story that I will develop further at the end of this chapter, brings a different perspective of analysis. The case of the land reform in Mexico imposed by the Salinas’ administration in 1991 opened up the terrain for massive amounts of speculations, but it also triggered the development of the *Zapatistas* movement. Indigenous communities left behind, saw this moment as a triggering one to make their voice heard. The privatization of the state-owned oil company in Argentina brought a new political actor to the nation’s power arrangements, the *Piqueteras/os* movement. After the privatization of the national oil company, the closing and downsizing of the refineries, many small towns were left --literally-- without any means of subsistence. Against a deaf administration, taking the streets and picketing the highways, was the only way to make their voice heard. These are just examples of the many instances of resistance and creativity among the many dispossessed that neo-liberal policies, such as the privatization and destruction of everything brings to the political arena.

#### III.5.D. CAPITAL ACCUMULATION IN SPACE AND TIME

In a presupposed scenario of settled capital accumulation<sup>31</sup> Harvey develops a series of steps to understand, more explicitly, how a theory of uneven geographical development works, in the context of accumulation by dispossession. It is in this given terrain that many nations emulate, where Harvey sees the necessity to elucidate the abstractions that capital uses to disguise the

regressive and destructive aspect, which constantly and always already, contradicts the logic of capitalism in itself.

For the clarity of the argument Harvey proposes ten steps that entail capital accumulation in space and time, but they also entail a nuanced explanation of the intricate relationships between space, time and capital (Harvey 2006a, 95-96). These theoretical steps can be re-grouped in different ways, the concept of “market exchange,” “the coercive laws of spatial competition,” “the geographical divisions of labor” and “the monopolistic competition” have already been extensible explained previously in this section, and also, by Schumpeter’s insights on the effects of competition and monopoly. They entail, in general terms, the logic that capital uses to increase profit, creating instability.

By “market exchange” Harvey understands the constant flux of commodities from one market to another. If this tends to undermine --a supposed-- market equilibrium, what in fact creates the unevenness in the geographical economy, is the role of mediators. If in the middle ages the importance of merchants to communicate distant markets was central for the development of an incipient capital economy:

In more recent times much attention has properly been paid to commodity chains, to social relations and structures within the market system, the power of merchants capitalists (as monopolists, for example) and how these mediations not only facilitate transfers of commodities by also set up innumerable points for the extraction of value and surplus value. (Harvey 2006a, 97)

By ‘coercive laws’ what Harvey has in mind is the logic of competition in a determined market, spatial or not. The constant advancement in technological and organizational developments increases the profit of a certain sector, but these developments always finds its own limits. Further development by someone else, or the constant reproduction of technological achievements, either way, makes monopoly, always a precarious security, therefore the coercive laws of competition.

Finally, the geographical divisions of labour signal the concentric and dispersal forces that constantly bring instability to the capitalist system. From spontaneous (and not so spontaneous) concentrations such as urban agglomerations to the divisions of financial control and labor concentration, these geographical divisions not only contribute to the unevenness of the social landscape, but they also permeate the stability of the capitalist system: “Circular and cumulative causation within the economy then ensures that capital rich regions tend to grow richer while poor regions grow poorer” (Harvey 2006a, 98).

In a second group we find “The necessity of a physical infrastructure,” “the production of regionality” and “the production of scale.” The issues under these sections were also previously treated in this chapter, principally, while discussing the creation of space.

What is left to say in this regard is that for Harvey (2006a, 100) the corollary of these practices can be found in Marx famous postulation of the annihilation of space through time.

Although the technological innovations in transport and market exchanges in no way diminished the differences between different locales<sup>32</sup>, in fact it does the opposite effect, looking for the more nuanced differences (sometimes creating them altogether) to actually exacerbate profit:

Reducing the friction of distance... makes capital more rather than less sensitive to local geographical variations. The combined effect of freer trade and reduced transport costs is not greater equality of power through territorial division of labor, but growing geographical inequalities. (Harvey 2006a, 101)

The two other elements left in this analysis entail the presence of the state as a political figure, “territorial systems of political administration (the interventionist state)” and “the geopolitics of capitalism.” In both cases, the primacy of the political superstructure is called to order the dynamics of capital accumulation and circulation. In the former, the interventionist state, a figure in clear exit, is where the political struggles take place, where the demands of different social classes and social arrangements, such as labor unions or producers corporations or even hybrids in between them, are settled. In the latter case societies define the broader social relations.

Determined by international arrangements of power and power distribution the allocation of crises, it is in this context where: “The spatial fix appears to work to the long-term stabilization of capitalism, confining crisis formation and devaluation to localized events (the closure of plants here and the rising unemployment there)” (Harvey 2006a, 109). The scenario that this depicts is not settled at all. On the contrary, it is constantly changing and evolving, depending on international arrangements to allocate the costs of devaluation, the bearers of crises and the profit of winners.

### III.6. CONCLUSIONS

If this is a somber scenario, Harvey does not stop there, he goes even further to show precisely how, if it is not clear so far, capitalist practices of profit accumulation destroy everything that is dear in the social relations of the geography it forms.

Citing the devastating analysis Polanyi puts together concerning the consequences of leaving to the market the sole determination of human life, he says:

Polanyi is here elaborating on Marx's fundamental proposition that unregulated free market capitalism could only survive by destroying the two main sources of its own wealth: the land and the laborer. Struggles consequently arise around the ways in which commodification affects the web of life. Individuals and collectivities inevitably seek to protect themselves and others from the destruction that Polanyi identifies. (Harvey 2006a, 114)

This destruction entails the social, psychological and emotional aspects of the human being that are attached to labor; from there, everything else is way down. But the problem in the neo-liberal time that we currently live, is that those securities that Harvey identifies, he analyzes it, are nowhere to be found. Those securities and benefits are attached to the class struggle that would eventually crystallize them or not. The rise of the class power in the last twenty years presupposes the abolition of the exercise of power attached to the class struggle to begin with. The question there is how to restore the confidence in the social struggle for emancipation outside liberalism.

Movements like the *Zapatistas* in southern Mexico or the widespread *Piqueteras/os* movement in Argentina, or the land based movements in the Brazilian Amazon region, to name a few of them, are intent to fight for securities and benefits that dignify the human being, just because the conspicuous disenfranchisement, literally, throw them into the struggle. One might wonder if these communities were disenfranchised with the advancement of neo-liberal policies, in many occasions these, and many more invisible communities, were outside any governmental consideration before the advancement of neo-liberalism. Still, there is a clear sense of desperation when people need to leave their houses and take the streets, or join guerrilla movements in order to be heard. What neo-liberalism brought with the restoration of class power, among other consequences, is a deep sense of entitlement on the world elites to, not only act as if nothing has changed since the Great Depression, but also, to curtail the availability of the State to respond to societal demands.

The standards many of these communities are asking for are the first casualties of the rise of class power, precisely because they entail an egalitarian, or an egalitarian driven society, that the polarization of income distribution witnessed since the 1970s cannot afford. The importance of these fights should not be taken as a far away or particular struggle, on the opposite; they are the front line of resistance to neo-liberal advancement, precisely because they understand that the current political struggle is a struggle about class.

Political imagination, but also political reality is what works such as Harvey's constantly require. The question remains, if the denunciation of these practices is not enough. Paying respect to history and its victims entails to leave behind any sort of violent political behavior, clearing this non-option from the discussion then, what kind of political action is available?

What I tried to show through this chapter is the destructive aspect of capitalism thought Harvey's analysis. What emerges from it, is nuanced understanding of the factors that coalesce to deepen the extraction of profit at the expenses of entire social arrangements. The current backlash to neo-liberal policies in the political discourse of many Latin American governments, as well as in the discourse of many American politicians signal, an allegedly, change in hemisphere's political perspectives. The task might be to take this opportunity in order to revitalize and reinstate many of the struggles that were never materialized, updating goals and customizing them to the current necessities, if the restoration of class power was possible with the help of neo-liberal policies then the restoration of social justice needs to begin in the actualization of the class struggle.



## IV. CONCLUSION

### IV.1 INTRODUCTION

Among many examples that Naomi Klein presents in *The Shock Doctrine*, she returns to the now perennial question about the 1970s experience in Latin America. Concretely, she asks, in the context of the dictatorships of the Southern Cone of South America, if respect for human rights can be separated from economic policies (126). I approached my research by focusing on a creative economic logic that is centered upon destruction, an economic logic whose contradictions are inseparable from its very function. What Klein, and many others insist upon, is the political stance that links human rights abuses with the economic policy that enables those abuses. Much of what I have analyzed in this research is connected to the always unattainable, but always needed, respect for human rights. The commodification of labor and ultimately life in itself, is a primal abuse that cuts deeply in the social fabric of any society. The practice of outsourcing crises and the gambling mentality which the financial sector constantly reactivates, can produce disenfranchisement and discord almost beyond repair, driving entire populations to levels of dehumanization that many could not bear to witness.

I associated the concept of human rights with the destructive practices of capitalism because the stronghold of human rights is the ultimate target of destruction that capitalism aims at. The economic rights associated with social and class struggles that Schumpeter might or might not presupposed and that Harvey constantly maintains in the center of his concerns, have as their ultimate materialization, the struggle for human rights.

The Latin American experience in this regard is quite symptomatic of what the destructive aspects of capitalism that I analyzed in this research entail. The way economic policies were implemented in places like Chile and Argentina, on the base of obliterating the respect for basic rights, is a clear sign of association between neo-liberal policies and the repression of the class struggle, but it is also a clear sign of necessity between the proliferation of this particular kind of capitalism and the destruction of the possibility of the class struggle.

This is the ultimate goal of this research, after visiting Schumpeter's and Harvey's theoretical analysis, and after providing many examples of destruction in capitalist practices, at this point is clear

that capitalism's frontier is capitalism itself. Although, the resilience of capital makes the critical enterprise a constant incomplete task, in this sense, this research is part of that enterprise.

#### IV.2 THEORETICAL WORK

Weber reaction to Schumpeter's observation on the Russian Revolution, mentioned early in this research, is explainable if one takes into consideration the impunity with which too many economic policies and experiments take place. But more importantly, what is implicit in Schumpeter's analysis of capitalism is how unbearable the internal contradictions of capitalism are. What Schumpeter showed, is an economic system that constantly advances by destruction. From the introduction of innovations, to the destructive role the entrepreneur plays, creative destruction cannot hide in the creativity the destruction that it brings. If this is, as Schumpeter emphasized, the centrality of capitalism, then many of the crises and the structural adjustments that have happened in places like Argentina, Mexico, Brazil, Indonesia, South Africa, and even New Zealand or Finland become clearer.

Still, the major theoretical contribution of Schumpeter to this research lies in the different components behind the notion of creative destruction. These four core components --dynamism, innovation, competition and the role of the entrepreneur-- brought out in this research provide the necessary understanding of what precisely creative destruction means, and how it works. Along with this insight, Tyler Cowen's analysis of cultural globalization brings out the political twists in creative destruction, highlighting the intellectual change and disguising the consequences of cultural destruction performed by capitalist practices.

Stanley Kutler brought an interesting counterpoint to this discussion. In his perspective, creative destruction is obliterating the conditions of progress. The case of the Charles River Bridge shows the complexities of progress and social relations. In a first moment, the authorities granted privileges to achieve the construction of a much needed bridge. Once time passed, those privileges were seen as the impediments for a new egalitarian progressive agenda, and those privileges became obstacles for progress itself. This case clearly shows that progress is not a settled concept. Like anything else, it depends upon the ideological perspective that assigns value, and meaning, to it.

But it was Harvey's turn to space that further elucidate the complexities that capital uses to disguise, under the mantra of progress and development, its destructive force. Many of the societies in those countries that I previously mentioned, suffered precisely what Harvey understands as the

spatial/temporal fix. The reallocation of surpluses that many central economies cannot accommodate, even when this is done in the name of investment, it hides the trap of expected returns. If these returns are not present, then destruction comes. Most of Latin America felt this trap close at the beginning of the 1980s when the debt crisis triggered market meltdowns all over the continent. Even today, the region is paying for the mismanagement of dictatorial regimes and international organizations.

David Harvey's theory of uneven geographical development along with the notion of spatial/temporal fix, developed in several of Harvey's works, brought to this research the necessary critical perspective to analyze the complex relation between capital, space and time. Departing from Hegel's perspective on development, the formation and destruction of a spatial economy, is essential for understanding neo-liberalism as the restoration of class power. By linking accumulation through dispossession and the perennial problem of capital accumulation and surpluses, there is no doubt this research was benefited from Harvey's insights.

The inclusion of Beijing Olympic Park, as an example of the spatial-temporal fix, further elucidates the complexities that Harvey presents. But this is just one of the many examples Harvey's theory makes more comprehensible. The commodification of art, to the point of substituting artistic creations and cultural meanings, as in the case of the Santa Fe Style, only extends that field of analysis to the limits of commodification.

By joining together the works of Schumpeter and Harvey, this research has brought a deeper understanding of the role of capitalism in the development of contemporary crises. Along with lingering, but relentless, destruction of cultural productions and the overall toll that progress entails.

#### IV.3 FINDINGS

I found more than what I intended to uncover, my intention was to analyze the destructive aspects of capitalism, but the theoretical findings springing from this research show the destructive effects of progress, especially, the consequences of neo-liberal policies on cultural, social and economic values. But what capitalism also does, as Schumpeter first shows, is disguise the effects of these practices with intellectual and theoretical moves that displace the attention from destruction to look towards creativity. Instead of seeing what is lost, capitalism prompts all to focus attention on what is produced instead.

In terms of the theoretical arguments I found interesting that among the different works that comment and interpret Schumpeter's work exists a definite return to Schumpeter's insights. More concretely there is a clear anxiety to understand the logics that explain capital expansions and contractions, as well as the logics to explain the velocity with which capitalism changes. Even when many of these arguments end at the precise moment when they should begin.

Up to this point, none of the accounts that I analyzed here denies the effects of progress. Yet, it is difficult to see how any of them would engage in a discussion over the value of what is left behind. This is critical to understand why this research is so concerned with the destructive aspects of capital. Not centering our attention on the destruction of capitalism can blind us on how to judge progress in the first place. To make this clearer, many of these theoretical appraisals of creative destruction only discuss the inherent goodness of progress. If any critical perspective does not look back and sees what this very progress entailed to install itself as an advance, then we are bound to accept this *a priori* value. This ideological move displaces the discussion from the causes, blurring the sources of destruction, and focuses our attention somewhere else entirely. The outcome of this advancement ultimately is the depoliticization of capitalist necessities. The obliteration of the political question that asks for what was taken away, and examines what is brought instead will find important developments in Harvey's words.

The restoration of class power, by the means of neo-liberal privatizations and deregulations, is a clear example that suppresses the obvious quest for social safety nets, collective securities and the stronger role of the State. Concentrating the political debate on discussions of the false relation between civic and market freedom is too often fruitless.

The constant search for new spatial/temporal-fixes only proves the fatigue of neo-liberalism to come up with 'solutions' the problem of overaccumulation, although is always important to remember that the fatigue capitalism, in any form, shows the door for new instaurations of capitalist models.

The raising of contestation, that I mentioned at the end of the preceding chapter, in places where savage forms of capital development are taking place, materialize concrete forms of discontent. Examples like the World Social Forum are intents to unite isolated alternatives, where creativity confronting dispossession and despair seem to provide viable alternatives vis-à-vis capitalism. To understand whether or not these, or any other form of contestation, will eventually evolve into a serious alternative; is something that requires more research than the one I undertook in this opportunity.

#### IV.4 FURTHER RESEARCH

Beyond what I found along this research, there is more to be done. A first task that I understand to be the most important one is to deepen the analysis of the materiality of capitalism. This is a task that thinkers like Lefebvre and Harvey, among many others, have constantly stressed. If the abstractions of everyday repetition and boredom do away with the critical perspective that would bring about effective questioning and political discomfort, then more case studies of the effects of capital over cultural productions are imperative. And more case studies of the role of neo-liberal globalized policies on far away, and seemingly disconnected crises, are also much needed.

Even the cases that I briefly have mentioned and analyzed, such as the Beijing Olympics, already show the worth of analyzing what this research mostly left behind. In the March 2008 number of the British cultural magazine *Monocle*, two articles questioned the sense of the massive construction frenzy in Beijing. “Spot the Shopper --Beijing,” questions the long-term viability of the new luxury malls constructed in the city, that for the most part, they are empty. On the other hand, “Olympic Gold Rush,” asks whether the Olympic Park is a “branding-nation folly on a gargantuan scale, or the starting pistol of the Chinese century” (195). This is a good question, and worth of opening the debate for more research.

The case of the cultural commodification of the Santa Fe Style is also another example, extremely rich in insights, that brings light to the particularities of commodification, where history and memory convey with originality, race and class. While I briefly touched the surface of this case, it also deserves deeper analysis.

The de-neo-liberalization of Latin America presents a new political territory to explore<sup>33</sup>. Not only because it signals the fatigue of a political idea, but also, because it signals the advancement of a new conservative ‘de-politicized’ backlash. If the 1990s marked a turn to the right of the political spectrum for many Latin American societies, then the new millennium brought with it a reaction to a decade signaled by unsustainable growth with strong inequality. But lately, is not so difficult to perceive the consolidation of a new right, rallying against much of what a decade ago was its most precious achievements.

This new political scenario for many Latin America countries only bring more complexity to the understanding of political movements and the life of political ideas that worth more exploration.

The recent violent events against political, social and economic refugees in South Africa also signal the crystallization of more than a decade of neo-liberal politics in the country<sup>34</sup>. A nation with an exemplary constitution witnessing such violent attacks towards communities, escaping from violent situations in the first place, cannot be subsumed only to a matter of racial or ethnic hate. It is rather the rampant inequalities that the post-apartheid government accentuated, entangled in the depths of neo-liberal policies, what triggered the chronic violence that the South African society constantly witnesses. What political configurations would emerge out of this violence is also an interesting scenario to investigate.

Concerning the theoretical arguments analyzed in this research, it is important to highlight the renewed interest in Schumpeter's work that I already mentioned among the findings. It remains to be investigated the consequences, in terms of economic analysis of such perspectives brought to discussion in the neo-liberal stage of capitalism, one very different from the one Schumpeter theorized.

Harvey's theory of space and capital provides a solid ground to analyze capitalism, but certainly it is not the only one. There are many more thinkers beyond Harvey that could also bring important insights to this discussion. Central to this line of departure would be Lefevbre, Polanyi, Mandel, Arrighi or Jameson to name only a few. The inclusion of these thinkers obviously would, bring different approaches to this discussion, but their work also could make for a more detailed account with different answers.

## NOTES

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<sup>1</sup> The biographical work of Richard Swedberg *Schumpeter: A Biography*, Thomas K. McCraw *Prophet of Innovation: Joseph Schumpeter and Creative Destruction*, and *Joseph Alois Schumpeter: The Public Life of a Private Man* by Wolfgang F. Stopler. Along with *Joseph Alois Schumpeter: A Bibliography, 1905-1984* compiled by Michael I. Stevenson.

<sup>2</sup> For example, the theory of “Uneven Geographical Development” is also mentioned and developed in other works that this analysis will leave behind such as *Spaces of Hope*.

<sup>3</sup> Gunther Kress in “Ideological Structures in Discourse” puts the terms of this distinction as follows:

Discourse is a category that belongs to and derives from the social domain, and text is a category that belongs to and derives from the linguistic domain. The relation between the two is one of realization: Discourse finds its expression in text. However, this is never a straightforward relation; any one text may be the expression or realization of a number of sometimes competing and contradictory discourses. (27)

<sup>4</sup> Teun A. van Dijk in “Critical Discourse Analysis” gives a straightforward but biased definition:

Critical discourse analysis (CDA) is a type of discourse analytical research that primarily studies the way social power abuse, dominance, and inequality are enacted, reproduced, and resisted by text and talk in the social and political context. With such dissident research, critical discourse analysts take explicit position, and thus want to understand, expose, and ultimately resist social inequality. (352)

<sup>5</sup> For a rather different concept of critical discourse analysis see Teun A. van Dijk in “Introduction: The Role of Discourse Analysis in Society:”

...[D]iscourse analysis can be brought to bear in the wider context of the challenge of authority and power and as a basis of political action. That such work is not necessarily linked to a socialist or Marxist tradition, or to predominantly European ways of doing research, may be illustrated by many other examples: as in the United States, where participation in such traditions is limited. (7)

<sup>6</sup> Richard Swedberg, *Schumpeter: A Biography* (Princeton, NJ: Princeton University Press 1991)

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<sup>7</sup> The sociological imagination enables its possessor to understand the larger historical scene in terms of its meaning of the inner life and the external career of a variety of individuals. It enables him to take into account how individuals, in the welter of their daily experience, often become falsely conscious of their social position (Mills, 2000)

With this explanation of C.W. Mills in mind I will develop brief biographies of both Schumpeter and Harvey, in order to situate the theory in the context and the circumstances in which they were developed.

<sup>8</sup> See also Robert Loring Allen, *Opening Doors: The Life and Work of Joseph Schumpeter* (New Brunswick, NJ: Transaction, 1991), Thomas McCraw, *Prophet of Innovation, Joseph Schumpeter and Creative Destruction* (Cambridge: The Belknap Press of Harvard University Press, 2007), Eduard Marz, *Joseph Schumpeter: Scholar, Teacher and Politician*, (New Haven: Yale University Press, 1991) and Erich Schneider, *Joseph A. Schumpeter: Life and Work of a Great Social Scientist* (Nebraska: University of Nebraska-Lincoln, 1975).

<sup>9</sup> I will spare the reader of reproducing the details of Schumpeter's personal life, his flamboyant character or his personal tragedies, instead I will follow in this research when the subject matter requires further biographical explanations Richard Swedberg's *Schumpeter a Biography* published in 1991. This is --in the word of the critics-- a compelling and complete intellectual biography of Schumpeter among the many that are published. See the observations to the usefulness of Allen's biography of Schumpeter personal life in Laurence Moss, "Robert Loring Allen's *Biography of Joseph Schumpeter*," *American Journal of Economics and Sociology*, 52.1 (1993) 107-118. This is consistent with another critic reviewing Swedberg biography:

"For most economists the two-volume biography of Loring Allen (1991)...is no real competitor because it focuses more on Schumpeter's manifold activities and on his complex and paradoxical personality than on theories and methods."

Sloth Esben Andersen, "Schumpeter: A Biography by Richard Swedberg." *Journal of Economic Literature*, 31.4 (1993) 1969. For other accounts of Allen's and other authors of Schumpeter's biographies see: Peter Cain, "Joseph A Schumpeter: His Life and Work by Richard Swedberg and Joseph Schumpeter: Scholar, Teacher and Politician by Eduard Marz," *The Economic Journal*, 102.415 (1992) 1543-1545. Noting the difference between Swedberg and Marz, meanwhile the former is more encompassing the latter is more focused on the European experience (1544). Also valuing Swedberg: Robert Holton, "Schumpeter: A Biography by Richard Swedberg." *The American Journal of Sociology*, 98.6 (1993) 1521-1523.



<sup>10</sup> Richard Swedberg, “The Man and His Work”, in Swedberg, Richard Ed. *Joseph A. Schumpeter, The Economics and Sociology of Capitalism* (Princeton: Princeton University Press, 1991) 7.

<sup>11</sup> See for example: Wrich W. Streissler, “The Influence of German and Austrian Economics on Joseph A. Schumpeter,” *Schumpeter in the History of Ideas*, eds. Yuichi Shionoya and Mark Perlman (Ann Arbor: The University of Michigan Press, 1994) 13-38.

<sup>12</sup> Michael I. Stevenson, *Joseph Alois Schumpeter, A Bibliography, 1905-1984* (Westport, Connecticut: Greenwood Press, 1985).

<sup>13</sup> The first published compilation of Schumpeter’s works was done by Elizabeth B. Schumpeter, “Bibliography of the Writings of Joseph A. Schumpeter,” *The Quarterly Journal of Economics*, 64.3 (1950): 373-384. In 1991 the compilation made by Massimo M. Augello included many works unpublished as well as publications in languages other than German or English, the number of books and pamphlets added up to 30 without taking into consideration the numerous translations, see: Massimo M. Augello, “Works by Schumpeter,” *Joseph A. Schumpeter The Economics and Sociology of Capitalism*, ed. Richard Swedberg, (Princeton New Jersey: Princeton University Press, 1991) 445-482.

<sup>14</sup> Jean-Jacques Chanaron and Stan Metcalfe, “Schumpeter’s Economics of Innovation,” *Rediscovering Schumpeter, Creative Destruction Evolving into “Mode 3,”* eds. Elias G. Carayannis and Christopher Ziemnowicz (London: Palgrave Macmillan 2007) 52-70.

<sup>15</sup> 545 US 469 (2005).

<sup>16</sup> Joseph Alois Schumpeter, “The Creative Response in Economic History,” *The Journal of Economic History*, 7.2 (1947) 149-159.

<sup>17</sup> Elias Carayannis, Christopher Ziemnowicz and John Spillan, “Economics and Joseph Schumpeter’s Theory of Creative Destruction: Definition of Terms,” *Rediscovering Schumpeter, Creative Destruction Evolving into “Mode 3,”* eds. Elias G. Carayannis and Christopher Ziemnowicz (London: Palgrave Macmillan 2007) 23-45.

<sup>18</sup> Alexander Ebner, “The Institutional Analysis of Entrepreneurship: Historist Aspects of Schumpeter’s Development Theory,” *Joseph Alois Schumpeter, Entrepreneurship, Style and Vision*, ed. Jurgen Backhaus (Boston: Kluwer Academic Publishers 2003) 117-140.

<sup>19</sup> The literature that I am referring to is what the reader can find reviewed in this section, including all the edited texts that further analyze Schumpeter’s ideas.

<sup>20</sup> Shigeto Tsuru, “If Schumpeter Were Alive Today,” *Schumpeter in the History of Ideas*, eds. Yuichi Shionoya and Mark Perlman (Ann Arbor: The University of Michigan Press, 1994) 5-12.

<sup>21</sup> Katznelson 104.

<sup>22</sup> Clearly enough currently there is not a single place upon the Earth where capitalism, in one way or another have not left its mark. For an Euro-centric perspective, the world is an infinite place to conquer but if one looks at things from the other end one finds that what actually was quite finite was the European standards to measure the world in itself. In any event, the current globalization –in all its grandeur– is the clear acceptance of the physical limits of capitalism.

<sup>23</sup> This entails the third cut in crisis theory, being the first one the underlying sources of capitalism’s internal contradictions and the second cut the temporal dynamics as these are shaped and mediated through financial and monetary arrangements. These can be found in detailed in *The Limits To Capital*, for clarity reasons I would not detain the argumentation of this research in the explanation of them that are otherwise quite well explain by Harvey.

<sup>24</sup> Harvey in this section does not go beyond this statement. The next chapter of this work, “Accumulation by Dispossession” contains a more nuanced discussion of Luxemburg’s ideas. Concerning Lefebvre, even when Harvey does not coincides with his perspective in this particular he otherwise finds more than one point of agreement, in particular on the everydayness that capitalism constantly creates, see *Spaces of Global Capitalism, Towards a Theory of Uneven Geographical Development*.

<sup>25</sup> Mike Davis, and Daniel Bertrand Monk eds. *Dreamworlds of Neoliberalism, Evil Paradises*. (New York: The New Press, 2007) 87-101.

<sup>26</sup> For a comprehensive explanation of Neo-liberalism beyond *A Brief History of Neoliberalism* see: Neil Brenner and Nik Theodore, *Spaces of Neoliberalism: Urban Restructuring in North America and Western Europe*, (Oxford: Blackwell, 2002). Or Henry A. Giroux, *The Terror of Neoliberalism: Authoritarianism and the Eclipse of Democracy (Cultural Politics and the Promise of Democracy)*, (Boulder, CO: Paradigm, 2004). Or for a more localized perspective see for example: Isabella Bakker and Stephen Gill eds. *Power, Production and Social Reproduction*, (New York: Palgrave Macmillan, 2003).

<sup>27</sup> While in *A Brief History of Neoliberalism* the reader can find a detailed account of the restoration of class power under the concept of uneven geographical development, in *The New Imperialism* concepts such as “accumulation by dispossession” and “capital bondage” dominate the description of the modus operandi of the creation of unevenness in the neo-liberal world, these concepts are also revisited in *Spaces of Global Capitalism*.

<sup>28</sup> It is also known that currently Habermas has left behind the sharp division between the system and the life-world, in fairly recent works he even went ahead to suggests the colonization of the life-world by the system formalizing a defeat of life outside the imperatives of the system:

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“The goal is no longer to supersede an economic system having a capitalistic life of its own and a system of domination having a bureaucratic life of its own but to erect a democratic dam against the colonizing encroachment of system imperatives on areas of the lifeworld.” (444)

Even after this formulation the original dual character social relations still persists and it is precisely this, what Harvey observes.

<sup>29</sup> This is just one step, from here in order to actually produce some difference, it is necessary that the theory gains purchase power not only in the Academy but more importantly in the media, that entails a new set of problems and questions of its own beyond the scope of this analysis, that nonetheless are important to keep in mind since this is how neo-liberalism actually operated.

<sup>30</sup> See the comment on *The New Imperialism* in this chapter.

<sup>31</sup> Expansionary activity, sustained growth, tamed class struggle, progress accepted as good in itself, contradictions in the system that make it unstable but sustainable, recurrent crises and surpluses that cannot be reabsorbed are devaluated. (95-96)

<sup>32</sup> Contrary to globalization apologetic perspectives there is not flatness in the globalized world.

<sup>33</sup> See: Tim Padgett, “Will Latin America Turn Left?” *Time Magazine*, 2006-01-06, <<http://www.time.com/time/world/article/0,8599,1146794,00.html>> or Roseanna Heath and Claudia Avellaneda, "The Emerging Latin American Left: Inequality, Foreign Leftist Support, and Political Discontent" Paper presented at the annual meeting of the Midwest Political Science Association, Palmer House Hotel, Chicago, IL, Apr 12, 2007 Online <PDF>. 2008-06-10 <[http://www.allacademic.com/meta/p198277\\_index.html](http://www.allacademic.com/meta/p198277_index.html)>

<sup>34</sup> “Violence spreads in Johannesburg”, *BBC News* 05-18-2008 <<http://news.bbc.co.uk/2/hi/africa/7407055.stm>> or Christopher Munnion, “South Africa violence: Death toll mounts” *Telegraph.co.uk* 05-22-2008 <<http://www.telegraph.co.uk/news/1993949/South-Africa-violence-Death-toll-mounts.html>>

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