

# Economic Geography

Introduction to Geography

GEH 101/GEH 501

Lehman College

Spring 2011

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- ⦿ Final Exam: May 23 during regularly scheduled class time
- ⦿ Review for final on May 16: bring questions!
- ⦿ Take-home exam handed out on May 16
- ⦿ Term papers...Grading is in progress

# Economic Geography

- ⦿ **economics:** the study of how societies distribute limited resources
- ⦿ **economic geography:** studies the locations, spatial organizations, and forms of activities related to the distribution of limited resources

# What is the “Stuff” of the Economy?

- ⦿ Everything that people produce in whatever WORK they do
- ⦿ Material goods (stuff we can touch): food, shelter, clothes, phones, art, jewelry, etc.
- ⦿ Services (things we do but can't necessarily touch): teaching, childcare, healthcare, accounting, entertainment, administration, etc.

# The Economy in Your Neighborhood

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

THE STORY OF  
**BOTTLED**  
**WATER**  
WITH ANNIE LEONARD

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

# The Story of Bottled Water

- What is meant by “manufactured demand?”
- Water is essential for most forms of life. Why is the demand for bottled water different than the necessity of water for survival?
- How is this a geographic story?
- What is the role of governments in this story?

# Economic Systems

- ⦿ Three types:
  - ⦿ Subsistence
  - ⦿ Market
  - ⦿ Planned

# Economic Systems: Subsistence

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

# Economic Systems: Market

- ⦿ Market (commercial) economies
  - ⦿ goods and services distributed through market exchange
  - ⦿ value of goods based on their exchange rates through competitive supply and demand
  - ⦿ consumption is external to the producers

# Economic Systems: Planned

- ⦿ Planned economies
  - ⦿ goods and services distributed and regulated through government-controlled agencies
  - ⦿ supply and price regulated by the state
  - ⦿ production determined by need based on perceptions of state regulators

# Economic Systems: The Real World

- ⦿ Reality: Most societies, at the scale of states, have mixed economies
- ⦿ U.S.A.: agricultural subsidies, markets for goods, mixed de-/regulation of utilities
- ⦿ Bolivia: subsistence agriculture, markets for consumer goods, state-owned mineral resources

# Types of Economic Activities

- ⦿ **Primary:** harvesting resources; food, minerals, lumber, raw materials for manufactured goods
- ⦿ **Secondary:** manufacturing goods
- ⦿ **Tertiary:** trade and services, consumer, producer, FIRE (finance, insurance, real estate)
- ⦿ **Quaternary/Quinary:** government, culture, education, information tech., research, management
- ⦿ **What about non-paid work?**

# Primary Economic Activities

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



# Subsistence Agriculture

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

# Commercial Agriculture

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

# Commercial vs. Subsistence Agriculture

- ⦿ Subsistence

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

- ⦿ Commercial

- ⦿ efficient for large populations, less labor with higher yields
- ⦿ monoculture, overproduction, resource intensive, cropland for meat less efficient, cruelty, overconsumption of meat, pollution and environmental degradation, energy intensive

# Trade in Primary Products

- ⦿ Traditional export patterns
  - ⦿ Raw materials extracted from less-developed countries
  - ⦿ Manufactured goods exported from more-developed countries
- ⦿ Changing export patterns
  - ⦿ Raw material exports decreased
  - ⦿ Manufacturing primarily where labor is inexpensive and environmental controls lax
- ⦿ Shifts in the production from locally-used goods to exportable goods
- ⦿ Green Revolution: increased production due to technological improvements
- ⦿ Fluctuations in commodity prices; flexibility in where things can be produced
- ⦿ Largest point of disagreement between wealthier and poorer countries;  
Produce trade inequalities

# Secondary Activities: Manufacturing

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

# Industrial Location Models

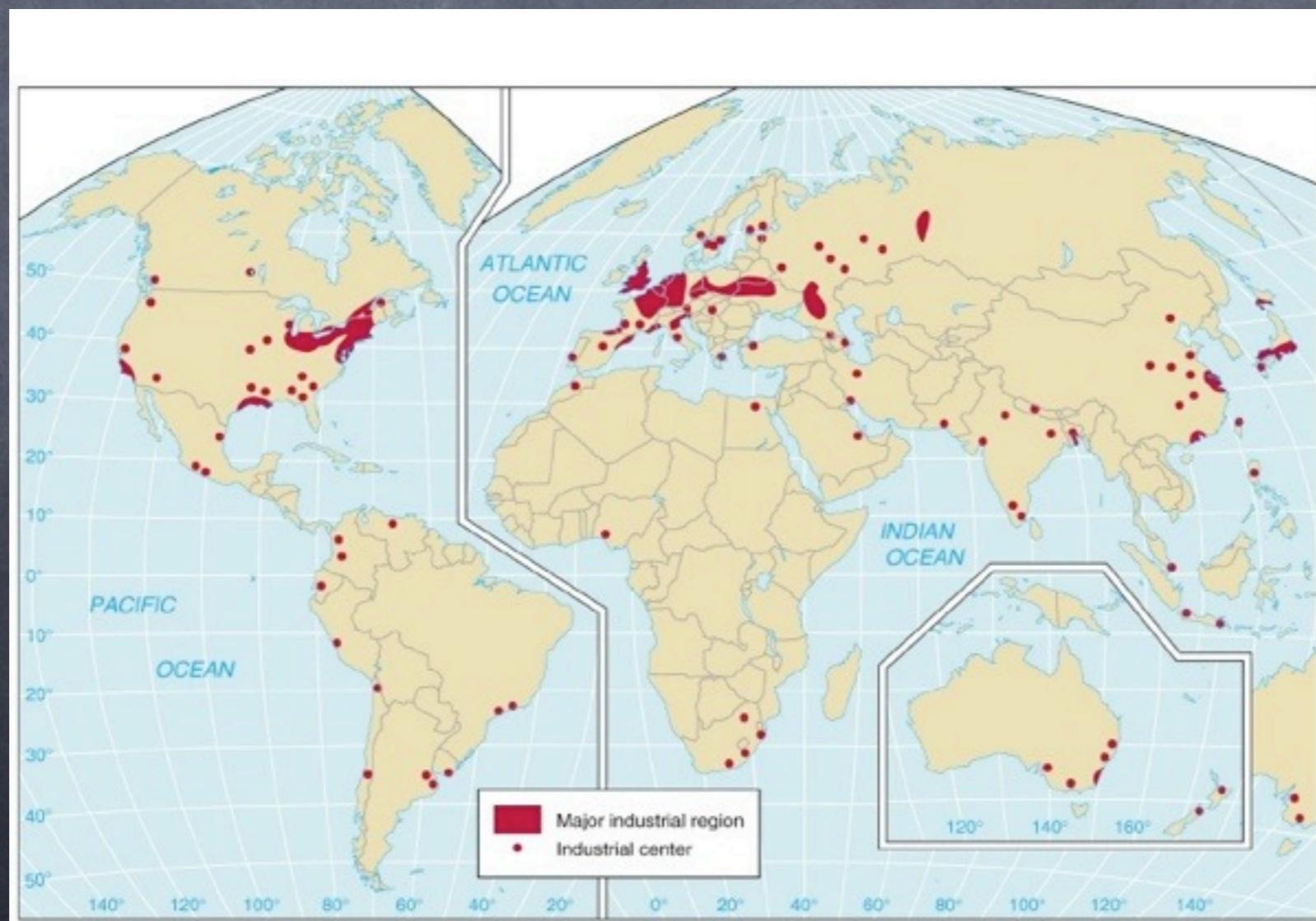
- ⦿ Agglomeration economies
  - ⦿ Savings to individual firms as a result of spatial association with other similar economic activities
  - ⦿ Shared infrastructure
  - ⦿ Labor, capital, business services, markets
- ⦿ Just-in-Time and flexible production
  - ⦿ Small inventories, lower overhead
  - ⦿ Shift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

# Industrial Location Models

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

# World Manufacturing

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



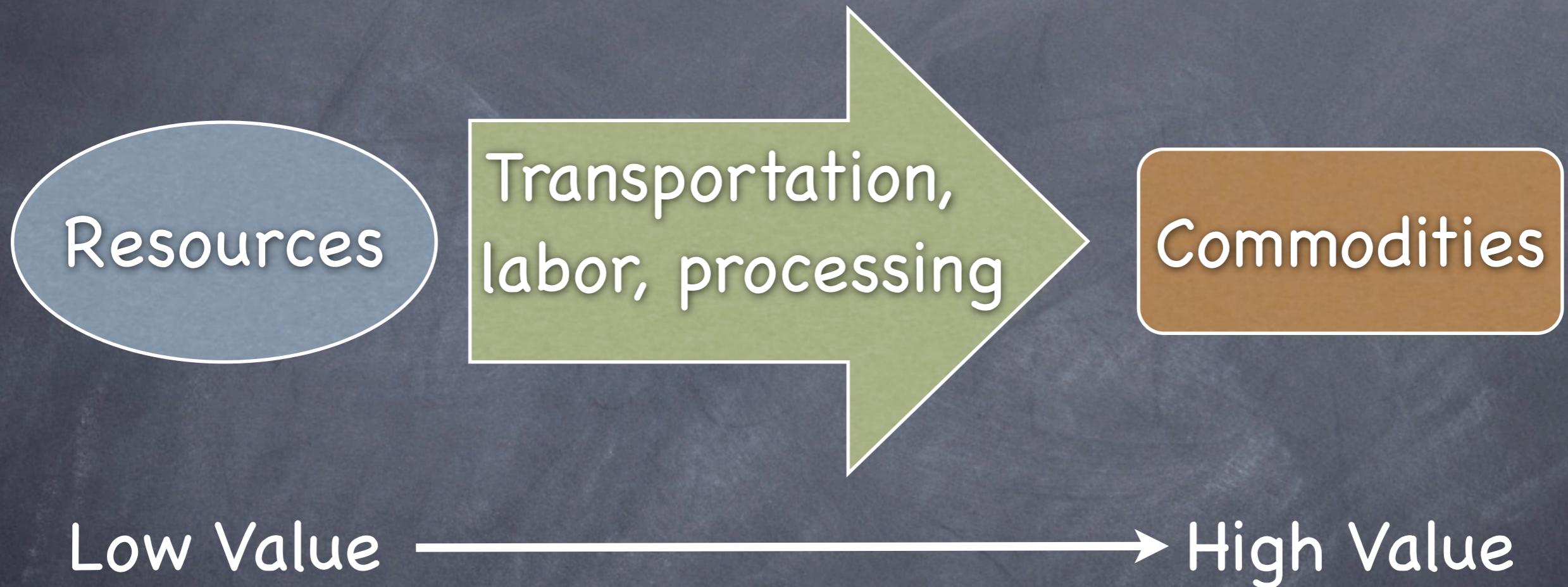
# Tertiary Activities

- ⦿ Retail, medical, education, legal services, journalism, arts, tourism
- ⦿ FIRE: Finance, insurance, real estate; what is being produced?
- ⦿ Depend on primary and secondary economic activities
- ⦿ Footloose industries not anchored in place. Why?
- ⦿ Post-industrial/Service economies primarily high-end secondary and above economic activities

# Quaternary/Quinary Activities

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

# Adding Value to Make \$\$



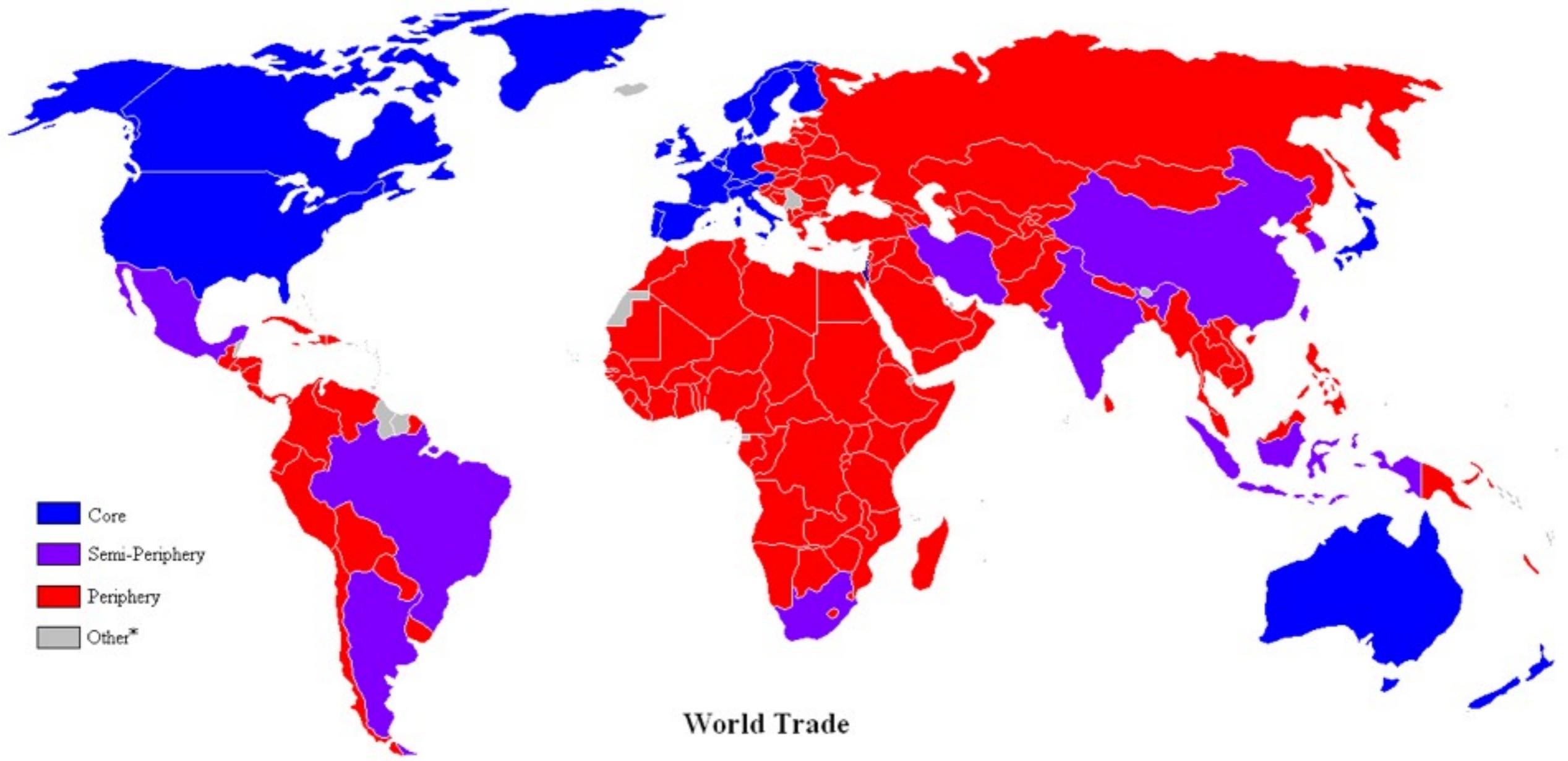
- ❖ cotton → fabric → design → clothes
- ❖ logging → timber → wood lumber → furniture
- ❖ crude oil → refined fuels → power and electricity

# Adding Value

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

# World Trade

- ⦿ Interdependent system of countries engaged in economic and political competition
- ⦿ Tiers
  - ⦿ Core regions: control, technology, productive diversified economies, wealth
  - ⦿ Semi-peripheral regions: exploit peripheral regions but are exploited by core regions
  - ⦿ Peripheral regions: undeveloped or narrowly specialized economies, low productivity
  - ⦿ External regions: not absorbed into world system



# Colonialism and Imperialism

- ⦿ Colonialism: political and legal domination of other countries
- ⦿ Imperialism: coercively maintaining uneven economic, political, cultural relationship over other countries
- ⦿ Control of trade and forced specialization of primary commodities; Structured debt
- ⦿ Economic exploitation, extraction of wealth and labor
- ⦿ Foreign Direct Investment and trade regulation

# Globalization

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

# Economic Theories

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

# Neo-Classical Economics & Neoliberalism

- ⦿ Adam Smith and David Ricardo (18c.); Frederic Hayek and Milton Friedman (Chicago School; 1950s-70s)
- ⦿ Rational individuals and firms act to maximize their wealth
- ⦿ Based on private property and ownership; against communal sharing
- ⦿ Assumes continual growth and expansion of profitability
- ⦿ Free markets, competition over state regulation and intervention (tariffs, environmental laws, minimum wages, public education)
- ⦿ Washington consensus: development based on industrialization and investment (loans) in infrastructure to reduce poverty; has never been successful!

# Historical Materialism

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

# Role of the State

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