HOW DO POLITICAL AND ECONOMIC INSTITUTIONS INFLUENCE UNEVEN DEVELOPMENT WITHIN STATES?

In our globalized world, poverty is not confined to the periphery. Core countries have regions and peoples that are markedly poorer than others. On the Pine Ridge Indian Reservation in the northern Great Plains of the United States, unemployment hovers at 80 percent, and more than 60 percent of the people live in poverty with a per capita income of just over $6000. Other countries of the core have similar regions where peoples' economic lives do not improve when the country's economy grows. In Europe, areas of isolation and stagnation persist—particularly in the east. At the same time, some places in peripheral countries are experiencing rapid economic growth. The local conditions in these places differ sharply from those prevailing in surrounding areas. Recent economic growth on the Pacific Rim of East Asia has created huge regional disparities in economic conditions between some coastal provinces of China and distant interior provinces. Such regional economic contrasts have significant political as well as social consequences.

As noted at the beginning of this chapter, regional contrasts in wealth are a reminder that per capita GNI does not accurately represent the economic development of individual places. Any statistic that is derived for an entire country or State hides the variety of economic situations within. Peripheral countries are notoriously marked by severe regional disparities. In chapter 9 we discussed the stark contrasts between wealthy and poor within Latin American and African cities. When viewed at the scale of the State, major cities (particularly capitals) and their surroundings often look like islands of prosperity, with modern buildings, factories on the outskirts, and modern farms nearby. In some cases roads and rails lead to a bustling port, where luxury automobiles are unloaded for use by the privileged elite and raw materials or agricultural products from the country are exported to points around the world. In these core areas of countries, the rush of "progress" may be evident. If you travel a few miles into the countryside or into a different neighborhood in the city, however, you will likely see a very different picture. The contrasts between rich and poor areas are not simply the result of differences in the economic endowments of places. Government policy frequently affects development patterns as well. Hence, in this section of the chapter we turn to how governments collaborate with corporations to create islands of development, and consider how people try to generate growth in the periphery of the periphery.

The Role of Governments

The actions of governments influence whether, how, and where wealth is produced. This is because the distribution of wealth is affected by tariffs, trade agreements, taxation structures, land ownership rules, environmental regulations, and many other manifestations of governmental authority. Government policies play an important role at the interstate level, but they also shape patterns of development within States—not just between urban and rural areas, but within each of these sectors.

Of course, governments alone do not determine patterns of wealth and poverty, but they are almost always part of the picture. Consider the case of the Ninth Ward in New Orleans, which was devastated by Hurricane Katrina in 2005. On its surface, what happened to the Ninth Ward was the result of a natural disaster. But the flooding of that part of New Orleans was also the result of government decisions decades ago to build levies and settle flood-prone areas. The concentration of people living there was also the product of innumerable policies affecting housing, the construction of businesses, and the like. Once the hurricane hit, many looked to government to rebuild the devastated section of the city. The limited nature of the governmental response is evident in the landscape today (Fig. 10.14).

At a somewhat larger scale, consider the contrasts between parts of rural Wisconsin and rural Appalachia in the United States. In rural Wisconsin, many of the surviving family farmers are educated at land-grant universities in plant and animal sciences and in agribusiness. They may well be running a highly mechanized dairy farm. On such farms, the farmer equips each cow with a barcode and keeps a range of data about that particular cow. The data include any medical attention the cow has needed, how much milk the cow is producing, and when the cow last calved. The farmer then feeds the cow a diet geared toward improving or maintaining milk production. When the cow ambles over to the trough to feed, a sensor reads the cow's barcode and automatically mixes the correct balance of proteins, carbohydrates, and nutrients for the cow, dispensing them into the trough for the cow to eat. If the cow has already eaten that day, the computer dispenses nothing into the trough, and the cow is left to amble away.

Field Note

"Walking through New Orleans' Lower Ninth Ward more than two years after Hurricane Katrina, it seemed as if the natural disaster had just happened. Street after street of devastated, vacant buildings was all the eye could behold—many still bearing the markings of the emergency crews that had moved through the neighborhood in the wake of the hurricane, showing whether anyone had died inside. It struck me that reconstruction would require a public commitment on the order of what occurred in Europe after World War II, when cities reduced to rubble by bombing were rebuilt almost from scratch. No such commitment ever materialized, but some progress has been made in recent years. Recent census data shows a city that is slightly smaller and slightly richer than the pre-Katrina city, with a somewhat reduced black population, and a modestly expanding number of Hispanics."

Figure 10.14 Destroyed House in the Lower Ninth Ward, New Orleans.
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In parts of rural Appalachia, by contrast, hardscrabble farming is the norm. Farmers have limited education, and there is little mechanization. In short, life in some of the poorest parts of rural Appalachia is a world apart from life on a modern Wisconsin dairy farm. Some of those differences can be attributed to geographic situation and economic swings. But others are the product of government policies that influence educational opportunities, provide subsidies for particular agricultural pursuits, and promote the development of particular technologies. Every policy has a geographical expression, meaning that some regions are favored whereas others are disadvantaged as a result of the implementation of that policy. When policies come together to favor some regions over others, uneven development is the result. And uneven development can easily be exacerbated over time as the wealthy grow wealthier.

Government policy can also help alleviate uneven development. In the case of Appalachia, the U.S. Congress created an Appalachian Regional Commission in 1965 to address poverty in the region. The Commission has orchestrated a program of government investment in roads, schools, health-care facilities, and water and sewer systems that has fostered development in parts of the region. Significant parts of Appalachia have benefited from these policies, although pockets of deep poverty remain.

Looking at commodity chains can also help us understand the role of governments in uneven development both within and between states. In her 2005 book *The Travels of a T-Shirt in the Global Economy*, economist Pietra Rivoli described the significant influences governments have on the distribution of wealth between and within states. Rivoli grabs a T-shirt out of a bin at a Walgreens in Florida, buys it, and then traces its production back through the commodity chain to see how it ends up in her hands. The cotton for her T-shirt was grown in West Texas, where the cotton lobby (the political arm of America's cotton producers) has effectively politicked for governmental labor programs and price supports that help the lobby grow cotton and sell it at predictable prices.

From West Texas, the cotton bale reaches China by ship. There it is spun into thread and woven into fabric. Women from rural China work in state-owned factories set up in regions that are slated for economic development—cutting and sewing T-shirts and keeping the textile machines in good repair. The women are considered cheap labor at the global scale, earning about $100 per month. Rivoli reports that over 40,000 garment factories operate in China alone.

The T-shirts are then shipped to the United States for sale. In an attempt to protect T-shirts produced in America with higher labor costs from those produced in China, the U.S. government has established quotas on how many items from various clothing categories can be imported into the United States from China and other countries. An unintended consequence of the quota system has been a "quota market" that allows countries to buy and sell their U.S. quota numbers to producers in other countries (an illegal but rampant practice). Instead of trading in quotas, some production facilities have moved to places where quotas and cheap labor are available—places such as Sri Lanka, Poland, and Lesotho. Rivoli describes how one producer of cotton shirts has moved around the world:

> *The Esquel Corporation, today the world's largest producer of cotton shirts, started in Hong Kong in the late 1970s, but, unable to obtain quota to sell to the United States, shifted production to mainland China. When the United States tightened Chinese shirt quotas in the early 1980s, Esquel moved production to Malaysia. When Malaysian quota also became difficult to obtain, Esquel moved yet again, this time to Sri Lanka. The globe hopping continued, with the Chinese shirt producer setting up operations in Mauritius and Maldives.*

The point is that quota laws, like other policies made by governments, regional trade organizations, and international political regimes (such as the World Trade Organization and the International Labor Organization), affect whether and how regions can produce and exchange goods on the world market.

Islands of Development

In both periphery and core, governments often prioritize the creation of wealth in the seat of governmental authority: the capital city. In most states, the capital city is the political nerve center of the country, its national headquarters and seat of government. Capital cities are home to government buildings and jobs; they often house universities, museums, heritage centers, convention centers, and the headquarters of large corporations. After gaining independence, many former colonial states spent lavishly on their capitals, not because such spending was essential to political or economic success but because the states wanted to showcase their independence, their futures, and create a national treasure. The European colonizers who focused their wealth and treasures on their capital cities, such as Great Britain's London, France's Paris, and the Netherlands' Amsterdam, served as models for the newly independent states (just as the state system itself did).

In many countries of the global economic periphery and semiperiphery, the capital cities are by far the largest and most economically influential cities in the state (i.e., primate cities, discussed in Chapter 9). Some newly independent states have built new capital cities, away from the colonial headquarters. Their goals in doing so are to separate themselves from their colonizers, to bring together diverse groups into one state with a city built to reflect their common culture, to extend economic development into the interior of the state, or to help establish control over a region with a population whose loyalties might not be to the state.

Nigeria, for example, moved its capital from Yoruba-dominated Lagos along the coast to an ethnically neutral territory in the center of the state: Abuja. Malawi moved its capital from Zomba, deep in the south, to more central Lilongwe. Pakistan moved the capital from the colonial headquarters of Karachi to Islamabad in the far north to symbolize the country's reorientation toward its historically important interior and north. Brazil moved its capital from coastal Rio de Janeiro to centrally located Brasilia in order to direct attention to the huge, sparsely populated, yet poorly integrated interior. More recently, Kazakhstan moved its capital from Almaty in the south to Astana in the north, partly to be closer to Russia and the center of the possibly restless Russian population. Malaysia has also recently moved its capital from the colonial capital of Kuala Lumpur to a completely new center called Putrajaya, about 25 miles (40 kilometers) to the south. The Malaysian government decided to build a new, ultramodern seat of government to symbolize the country's rapid economic growth (Fig. 10.15).

Figure 10.15 Putrajaya, Malaysia.
Putrajaya is the newly built capital of Malaysia, replacing Kuala Lumpur. © Bazuki Muhammad/Reuters/Corbis.

Corporations can also make cities focal points of development by concentrating corporate activities in a particular place. Often, corporations build up the cities near the resources they are extracting or near manufacturing centers they have built. Multinational oil companies create subsidiaries in countries of the periphery and semiperiphery, creating or expanding cities near oil reserves. For example in Gabon, Elf and Shell, two oil companies based in Europe, run ElfGabon and ShellGabon in the Central African country. The oil companies took the small colonial town of Port Gentile in Gabon and turned it into a city that the locals call "oil city." The oil companies built housing, roads, and stores, and provide much of the employment in the town (Fig. 10.16).

Field Note

"Before the 1970s, Gabon's principal exports were manganese, hardwoods, and uranium ores. The discovery of oil off the Gabonese coast changed all that. This oil storage tank at the edge of Port Gentil is but one reminder of a development that has transformed Gabon's major port city—and the economy of the country as a whole. Oil now accounts for 80 percent of Gabon's export earnings, and that figure is climbing as oil prices rise and new discoveries are made. But how much the average citizen of Gabon is benefiting from the oil economy remains an open question. Even as health care and infrastructure needs remain unmet, the French publication *L'Autre Afrique* listed Gabon's recently deceased ruler as the African leader with the largest real estate holdings in Paris."

Figure 10.16 Port Gentile, Gabon.
© Alexander B. Murphy.

When a government or corporation builds up and concentrates economic development in a certain city or small region, geographers call that place an **island of development**. In Chapter 3, we identified islands of development in the periphery and semiperiphery and discussed why people migrate to these cities from rural areas and other poorer cities. The hope for a job drives many migrants to move to these islands of comparative prosperity.

Creating Growth in the Periphery of the Periphery

One of the greatest challenges to development is creating development opportunities outside of islands of development. In the most rural, impoverished regions of less prosperous countries, some nongovernmental organizations try to improve the plight of people. **Nongovernmental organizations (NGOs)** are not run by state or local governments. Rather, NGOs operate independently, and the term is usually reserved for entities that operate as nonprofits. Thousands of NGOs operate in the world today, from churches to charities such as Heifer International. Each NGO has its own set of goals, depending on the primary concerns outlined by its founders and financiers.

Some countries have so many NGOs operating within them that they serve as what the *Economist* calls "a parallel state, financed by foreigners and accountable to nobody." For example, more than 20,000 NGOs operate within the country of Bangladesh at any time, focusing mainly on the rural areas and villages of the state. But the NGO phenomenon can be a bit of a mirage, masking the depth of problems some places face. In the wake of the 2010 earthquake in Haiti, one respected British newspaper, the *Guardian*, reported that there was approximately 1 NGO per 1000 people in Haiti, but that much of the money funneled through these NGOs was misappropriated.

One particular kind of program by NGOs that has found success in South Asia and South America is the microcredit program. The idea behind a **microcredit program** is simple: give loans to poor people, particularly women, to encourage development of small businesses. Programs either have women in the village guarantee each other's credit, or they make future lending to others contingent on repayment by the first borrowers. With repayment rates hovering at 98 percent, microcredit programs can finance themselves, and many NGOs offer the programs (Fig. 10.17).

Figure 10.17 Bwindi, Uganda.
Women walk by a microcredit agency that works to facilitate economic development in the town. © Alexander B. Murphy.

By providing microcredit to women, NGOs can alter the gender balance in a region, giving more fiscal power to women. Some microcredit programs are credited with lowering birth rates in parts of developing countries and altering the social fabric of cultures by diminishing men's positions of power. Successful microcredit programs also help alleviate malnourishment, as women with incomes can feed themselves and their children.

Microcredit programs have been less successful in places with high mortality rates from diseases such as AIDS. If the borrower is unable to work or if the family has medical and funeral bills, the borrower is much more likely to default on the microcredit loan. When people in the periphery of the periphery (the poorest regions of peripheral countries) experience a multitude of challenges, such as disease, corrupt governments, high mortality rates, high fertility rates, and disruptions from natural hazards, the goal of economic development takes a backseat to daily survival.

Find something in your house (an item of clothing, an electronic device, etc.) and, using the Internet, try to trace the commodity chain of production. What steps did the item and its components go through before reaching you? Consider the types of economic processes that were operating at each step and consider the roles governments and international political regimes played along the way.