

Variegated Capitalism and Economic-Geographical Unevenness:

China's Complication of the Varieties of Capitalism Literature

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The purpose of this paper is to examine the nature of contemporary capitalism and its economic-geographical diffusion across the globe, with a specific focus on the unique position of China as it relates to the 'varieties of capitalism' literature. I hope to use what Economic Geographer Kean Fan Lim (2014) describes as China's 'Socialism with Chinese Characteristics' as a basis for arguing for Nik Theodore and Jamie Peck's idea of "variegated capitalism" (Peck & Theodore, 2007) over the 'varieties of capitalism' literature which emerged in the 1990's. I echo Peck and Theodore in their recognition of the importance of the 'varieties' literature in countering uni-directional visions of a global neoliberal free market, through examination of the "institutional embeddedness of economic systems and transformations" (Peck & Theodore, 2007). However, I want to expose the problems that emerge from the 'varieties' framework through using China's local economic geographies of market development as a lens. This paper will first survey this 'varieties' literature and its critics in order to bring its complexities and problems to light. I will then move to analyze the polemical theory of variegation and the nuances it brings to understanding capitalism as a "dynamic polymorphism" (Peck and Theodore, 2007, p. 761). Having provided background as to the relevant literature, I then move to offer the example of China's unique path to global economic power as an example for the importance of the variegated capitalism concept in analyzing capitalism's evolution. I will anchor China's marketization in specific, macro and microeconomic geographical examples of how these post-reform developments demonstrate the relative path-dependant and uneven unfolding of capitalism across space. Thus, I will argue that variegated capitalism unearths a deeper understanding of capitalism's global development than the 'varieties of capitalism' approach, through an examination of how China's capitalist evolution necessitates a departure from categorical classifications of market logics on national scales, towards scalar analyses of path dependent, geographically embedded economic interactions.

The debates surrounding how we should best analyze capitalism's evolution have no 'set' beginning but instead are situated inside a historical context, emerging out of the post-cold war period. The fall of the Berlin Wall and the 1990's brought about an ideological shift towards the triumph of capitalist ideology and a global unification under a neoliberal market. This paradigm brought about a wave of literature addressing what this shift meant for capitalism as an inherently competitive system, with little to no ideological challengers. Michel Albert (1993) was one of the first scholars to address this, defining capitalism as "a versatile, complex

aggregate of energies and movements. It is a practice, not a theory.” (Albert, 1993, p.14). While an avid supporter of capitalisms triumph, as well as its success in creating a ‘better’ world for all through the market, he questioned the singular notion of neoliberal market rationality espoused by Thatcher and Reagan. Albert claimed that due to capitalisms inherently competitive nature there was a “tendency of these diverse practices and approaches to coalesce into two great streams of comparable size, two opposing modes of capitalism locked in a conflict whose outcome is far from certain” (p. 14), hence the title of his work; *Capitalism against Capitalism*. He thus postulated these two modes as a “neo-American model...based on individual success and short-term gain” and a “Rhine model... emphasis[ing] collective success, consensus and long-term concerns.” (Albert, 1993, p. 18).

In a similar vein, Hall and Soskice (2001) build on Soskice’s 1991 conceptual distinction of ‘Liberal Market Economies’ (mainly USA, UK, Canada) and ‘coordinated Market economies’ (such as Germany, Japan, Sweden). Their analysis is based around systematic differences in national political economy; specifically, institutional structures, strategies and logics or what they call “strategic interaction” (Hall & Soskice, 2001, p. 5). They center their analysis on economic actors, specifically the firm’s coordination solutions in face of external changes or competition; the patterns of which allude to the institutional ‘logics’ which conditions these actors strategies for coordination. From this, Hall and Soskice (2001) aggregate these groupings of national political economy into polarized opposites of LME’s, where “firms coordinate primarily via hierarchies and competitive market arrangements” and CME’s, where “firms depend more heavily on non-market relationships to coordinate their endeavours with other actors and to construct their core competencies” (p. 8). Thus, while these groupings may not engage in the same economic activities due to Hall and Soskice’s (2001) idea of “comparative institutional advantage” (p. 37), the patterns of institutional rationality which structure these firms activities, allows for the given national economies to be generalized into two binaries and compared. This approach argues for the nature of capitalism as not evolving evenly around the world, but instead towards two, conflicting poles of national political economic difference. Therefore, we can see how these and many other scholars works, would come to be known as the ‘varieties of capitalism’ literature; defined by their systematic, attempts to separate from the model of neoliberal market convergence hailed in the post-communist era through such categorical comparisons. These attempts, while noble in theory, I will argue are problematic in

their discursive outcomes and need, like the theories out of which they emerged to be re-embedded back into non-binary, non-linear historical contexts.

A number of scholars have identified problems with the 'varieties of capitalism' literature which, through their identification, reveal the complexities of capitalism as a historical process situated in the localized economic geography of nation states. These critiques move to offer a new, geographically oriented approach to dissecting the evolution of capitalism as an ideology and spatial practice. Hodgson, Itoh and Yokokawa (2001) approach this through returning to Marx's analysis of capitalism's evolution in *Capital*, pointing out that "not all market systems are capitalist systems. In short, capitalism is generalized commodity production." (p. 4). As Marx argued "the relationship of capital to wage-labour determines the whole character of the mode of production" (As cited in Hodgson, Itoh & Yokokawa, 2001, p.4). Thus, as we will see later on in this paper, specific relationships between the state, market and society problematize categorizing capitalisms. Since Marx had only the British system of capitalism to go off, he focused on the theories behind capitalist production, or 'pure capitalism'. However, as Hodgson et al. point out, such a system (much like that of the 'ideal' of neoliberalism or communism) is impossible to obtain. Therefore Hodgson et al. (2001) states that "The analysis of capitalism requires an understanding of the ways in which different economic subsystems are combined." (p. 2). As such, these 'impurities' which deviate from the pure capitalism lead Hodgson et al. (2001) to the conclusion that "an infinite variety of forms of capitalism are possible depending on their historical baggage of impurities" (p. 11). While all such 'impurities' stem from the same root of pure capitalist theory, they ultimately spread themselves unevenly across geography in accordance with the specific historically constituted political, social and economic intricacies of each area in which capitalism exists (Hodgson et al., 2001). Therefore, we can deduce that capitalism may exist as a removed ideal in theory, in reality it evolves with "path dependence" (Hodgson et al., 2001, p.8). Marx himself admitted to this late in life, allowing for the fact that states play a serious role in societal bonds and thus it is not wrong to accept that "capitalist systems can develop in different ways, especially in different local circumstances"; the evolution of such systems thus "depends on both its history and its context" (Hodgson et al., 2001, p.10).

This interdependence of diverse capitalist systems is key in understanding the backdrop on which the arguments against the 'varieties of capitalism' literature is founded. While the 'varieties' message goes against neoliberal market convergence, 'variety' scholars idea of

capitalism vs capitalism also goes against the concept of capitalisms inherent interdependence. Thus, while the 'varieties' approach has a certain pull, Peck and Theodore (2007) argue it is misleading and problematic in its failure to properly take into account the specific geographic and historical context in which its evolution is carried out; the 'variety' approach's strength of simplified categories too easily turn into weaknesses. Peck and Theodore bring in an economic geography perspective, which insists that the larger economic structures of national economies are afforded too much weight, without causal analysis of the spatiality of these larger systems. They argue that this 'variety' approach acts on "methodological nationalism and spatial archotyping in which the coherence of national regulatory configurations is presumed rather than demonstrated" (Peck & Theodore, 2007, p.750). For example, they question whether Japan, with a unique, historically contextualized political economy can really be grouped as operating in the 'same' way as that of Sweden and Germany (Peck & Theodore, 2007). I would argue based on Hodgson et al.'s (2001) allusion to path dependence that this is not a rational grouping; Peck and Theodore point out that this market essentialization is problematic in a number of polemical ways.

While offering a solution to neoliberal market convergence, the 'varieties' literature ignores its given title, working to place all national economies on a uni-dimensional 'level' playing field, and thus risking "reinscribing the very same flawed construction" (Peck & Theodore, 2007, p. 751) of the neoliberal market convergence trope. This geographical reductionism works to "recycle[s] the bad abstraction of the disembodied, self regulating markets", or LME's as the ideal natural state, and the CME as the exceptional and contingent model, "ignoring the possibility of endogenously generated change that is more than just adaptive" (Peck & Theodore, 2007, p. 754). This narrow conception of evolution no national scales, while seeming to diverge from the neoliberal triumphalist ideology, actually reconvenes near to this ideal. It further holds advanced capitalisms of the Global North as 'winners' on level playing field, ignoring that "complex historical trajectories... are a product of joint evolution" (Peck & Theodore, 2007, p. 753). We can see this in Albert's (1993) text, where he fears the 'Americanization' of certain "Rhine" facing countries due to his conclusions: "together they point to a profound Americanization of French society. If our habits and thoughts have already been...transformed, can the economy be very far behind? (p. 257). Hall and Soskice also point to this "seem[ing] to suggest that CME's are naturally doomed to extinction, and LME's ultimately to prevail." (Peck

& Theodore, 2007, p. 756). Therefore, these essential problems that Peck and Theodore expose lead to a divergence from the variety-style categorization towards a geographical approach situated in the local, spatially embedded unevenness of capitalism. As they rightly point out, the 'varieties' literature, while tempting in its easy conclusions does not go far enough in its examination; "It is difficult to accept that the dichotomy of two polarized models can account for an entire distribution of modern economies" (Peck & Theodore, 2007, p. 748).

Having traced the literature which frames the issue under contention, I will now touch on Peck and Theodore's (2007) "variegated capitalism", and move to use it as a groundwork for exploring the case of China. I hope from this inquiry that the call of Peck and Theodore (2007) for an unpacking of the "patterned relations between 'local' capitalisms" (p. 764) will be advanced through this paper, allowing for a move towards greater understanding of the evolution of modern economies. Peck and Theodore argue in an economic geography perspective to the debate serves a number of functions in terms of filling the gaps left by the 'varieties of capitalism' framework. A geographical approach Peck and Theodore (2007) argue, situates the analysis in the "underlying diversity of economic forms of production and corresponding class relations" (p. 761). Countering the "geographical reductionism" (p. 761) of the 'varieties' approach. Variegated capitalism offering an entry point into the intricacies of capitalisms evolution as a relational, dynamic and polymorphous process, especially powerful in the unique case of China.

China's political situation on the surface already complicates the 'varieties' framework as an 'developing' global economic power which is socialist in structure. As Hudson (2016) points out, China and the BRIC's "emergence can be seen as one facet of the latest expression of combined and uneven development at the global scale" (p. 281). China, in this sense is the perfect example due to its path dependence as a powerful economy emerging out of the ashes of the communist era. China post 1949 saw the massive societal transformation under Mao into a socialist state, including the Communist Party of China (CPC) centrally planned economy, reforming most notably agriculture, industry and culture (Lim, 2014). However, with the death of Mao and Deng Xiaoping's rise to power post 1979, China began a process of marketization where, unlike many other socialist countries, the market was introduced gradually alongside socialism, creating what Lim (2014) calls "Socialism with Chinese characteristics". This fusing of these two seemingly contradictory ideologies leads to a historically unique, spatially

embedded and paradoxical economic unevenness; a perfect example for the benefits of a variegated analysis.

Lim (2014) argues that the process of marketization post 1989 “Is a geographic tension: the permeation of (putatively) non-socialist practices... fuse dynamically with the quest for a classless and prosperous society across state space” (p. 223). The fusing of socialist egalitarian ideals and centrally planned structure with those of a neoliberal market is paradoxical; creating uneven spatial development inside of a socialist structure. The resulting geographical tensions are thus able to be brought to light through a variegated capitalist analysis, illuminating through these uneven developments and paradoxical relationships how capitalism necessarily avoids distinct binaries in its spatial unfolding. Lim (2014) argues this uneven spatial development is carried out through a complex, “rolling series of strategic territorial (re)institutionalizations” (p. 230). The state owned enterprises (SOE’s) which maintain a monopoly of power as economic actors are strategically transformed by the market reforms introduced by the CPC, inserting completely new institutional logics of interaction and cooperation (Lim, 2014). While this may seem to fit with Hall and Soskice’s (2001) theories of strategic interaction and exogenous shocks, their spatial diversity and unevenness as well as their socialist aspects leads to the near impossibility of categorization with either CME or LME. These firms operate in a new paradoxical scalar construction of requiring market freedom to act at the global scale in order to attract investment, while simultaneously transforming the spatial, political and economic strategies at a subnational or local scale, where the capital it has earned on the global markets is spatially embedded (Lim, 2014). This ‘unevenness’ is not pushed away by the state, nor is the state pushed away, but instead is harnessed by the CPC as a way of embedding neoliberal logics in their centrally controlled economic model of development (Lim, 2014). This process of re-institutionalization Lim (2014) calls “decentralization-as-centralization” (p. 238), where the state ‘centralizes’ through using its socialist structure to become a producer of neoliberal logics, while these logics necessitate decentralized, or “geographically differentiated regulations of/for capital investment” (p. 240). Thus we can see how the case of China “underscores the conceptual futility of framing China as a ‘variety of capitalism’” (Lim, 2014, p. 234).

To delve even deeper however, this national scale analysis is accompanied by an unpacking of one of the specific examples of this process of re-institutionalization carried out at the local scale. Hiroshi Sato (2003) uses a micro-analysis of these new institutional relationships

between society, state and the market in rural communities through field study. Sato (2003) echoes Lim (2014)'s 'decentralization-as-centralization' in arguing that in China "marketization is not a unilateral reduction of political capital and social capital... it is a reconfiguration of these forms of capital, that is, a 'commodification of state monopoly'" (p. 9). Specifically, he focuses on the emergence of microfinance, where local governments provide micro loans to rural agricultural families and small businesses as a development tool for social capital or "new channels through which the communist party can organize peasants and govern rural areas" (Sato, 2003, p. 117). Whereas before marketization, there was collectivized agriculture and wealth redistribution, the economic restructuring led to a decentralization political power to the local governments. Hence, these localized, uneven micro financial strategies demonstrate the endogenous factors of change left out by Hall and Soskice, where through uneven decentralization due to market logics, network capital or "the quantity and quality of social networks which socioeconomic actors can mobilize" (Sato, 2003, p. 10) is improved while simultaneously improving political capital by "strengthen[ing] the political foundation of the party at the grassroots level (Sato, 2003, p. 117). While the structure changes to allow for this new relationship of actor to market and state; these actors can use their newfound network capital to become entrepreneurs and increase their value at the local, rural level. These micro financial relationships he found to be diverse coming in multiple 'schemes' across communities and regions, demonstrating the uneven process of re-institutionalization across localities. As Sato (2003) states, "diversity in microfinancing is a reflection of the diverse economic and social conditions in the areas where microfinance is extended." (p. 122).

In tracing these spatially uneven, path dependent processes of capitalist development in China, I hope that we can move towards a theory of 'variegated capitalism' and eschew our thinking from the static, geographically reductionist principles of the 'varieties' literature. While geographically reductionist categorizations are easily formulated and spread through discourse, the intricacies of China's development I hope makes us reconsider the binaries we have formulated in our minds already about other, more familiar national economies developments. In our understanding of capitalism as a lived existence played out in our ideologies, in the spaces around us and in the relationships which shape those spaces; capitalism as a "dynamic polymorphism" (Peck and Theodore, 2007) has implications for our own daily lives as well as this literature.

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