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Capitalism: An Introduction

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Guys: we live in a capitalist society. In fact, we live in one of the most advanced capitalist societies that has ever existed in the history of this planet. But the irony is that few lay people understand what one means by capitalism. What is more, even the capitalists themselves are loathe to identify the system as capitalism, and instead they give it other names--e.g. "free market economy." The following is my effort to introduce you to the basics about this system.

Capitalism is the economic system that first developed in Western Europe around the 15th century following the collapse of feudalism. (It may be noted that the factors that were responsible for this transition to a new economic system is a matter of intense debate--see for example Dobb, et al. (1976) and Brenner (1977).) This is not to suggest that prior to this period there were no capitalists. In fact, capitalists emerged the moment money was first invented; certainly they were present as far back as when the ancient civilizations of Babylonia and Sumeria thrived, in the guise of merchants. The difference however is that in these civilizations capitalism was not a *universal economic system* in which *all* members of society were participants--either as workers/peasants or as capitalist entrepreneurs. For capitalism to exist as a universal economic system it is not enough that only *some* members be involved in profit-making activities whereas the rest are involved in other forms of production systems, such as the feudal system or subsistence system.

The entire society must become involved in which there is not only simple profit-making via trade but also profit-making via what may be termed as 'expanded reproduction of capital.' That is the continuous process of investment and re-investment of profits (capital) in order to continuously expand its magnitude. In such a system everything has a potential to become a commodity that can be bought and sold, including labor power (provided by workers) and capital

(provided by banks). Therefore, capitalism signifies an economic system in which three types of markets interact: the labor market, the capital market and the exchange market (the selling and buying of goods) with the sole purpose of generating profits for those who own the means of production: the capitalists. Such a system is only possible under conditions where a group of people in society, workers, are completely at the mercy of another group, capitalists, for their livelihood; for it is only under such conditions that capitalists can obtain labor power, without which nothing of value can ever be produced. In other words capitalism by definition implies the emergence of two principal classes: the capitalist class which has a complete monopoly over the means of production (be it land, factories, etc.) and the working class which has no access to the means of production, and therefore must sell their labor power to the business class in order to survive.

In describing capitalism, there are a number of key points that are of particular relevance to us in this course that I must direct your attention to:

(i) The capitalism that first arose in the 15th century is referred to as *mercantile* capitalism which was capitalism primarily based on trade and commerce (and NOT manufacturing). Later, however this capitalism became transformed into industrial capitalism (starting first in England in the 18th century); and it is at this point that capitalism begins to truly become a universal economic system in Europe.

(ii) The emergence of capitalism as a universal economic system in Europe was accompanied by massive human suffering as people lost their traditional rights to land and were forcibly rendered homeless, land less and unemployed. In time, millions of these unemployed and homeless people became economic refugees who emigrated to other parts of the world (e.g. Australasia, North America, South America, South Africa, etc.) . Ironically, these emigrants in turn, imposed untold misery and suffering (including genocide) on the inhabitants they encountered in these new lands.

(iii) At the heart of all capitalist activity is profit maximization. The concept of profit maximization only emerges as a result of the birth of the capitalist system. However, profit maximization in turn is an outcome of another hitherto unknown concept: the limitless acquisition of wealth. The entire reason for the existence of capitalism was to permit capitalists to acquire as much wealth as they could, by whatever means they could, and for no reason but to acquire even more wealth. Through the invention of the "corporation," the capitalist system even guaranteed

capitalists acquisition of wealth long after they were dead. I call this drive toward limitless acquisition of wealth "systemic greed." Many of you probably have this mistaken notion that capitalism arose in order to provide people with jobs and a higher standard of living. Wrong! This outcome was just a side effect.

(iv) The drive to make profits as a result of competition (see above) not only fuels the innovation process in production techniques as new ways are always being sought to reduce costs, as well as improve quality of products (which in turn require greater profits to pay for the research and innovation), but also force capitalists to seek out new markets and sources of cheap raw materials beyond the borders of the country in which they are located, giving rise to transnational firms. One implication of this fact is that it is in the interest of transnationals to ensure that no region of the world is closed to them--in case they may need to extend their activities there (to invest, to sell goods, to develop raw materials sources, etc.). The push to open up the Antarctic region to capitalist activities is symptomatic of this inherent need by capitalists to extend their range of actual and potential activities to all corners of the globe; regardless of the disastrous environmental consequences that may ensue, not only for the Antarctic region but the planet itself. Since socialist economic systems do not permit private capitalist activity, countries that acquire socialist economic systems are by definition enemies of transnationals. It is this issue that lay at the heart of what used to be called the Cold War; the U.S. and its allies had an innate fear of the former Soviet Union assisting *World-Majority* nations in adopting socialist economic systems. But how does one explain the fact that even a so called socialist country such as China, today, has transnationals operating within its borders? The simple answer is that it no longer has a socialist economic system. Economies like that of China have mixed systems comprising partially State owned and partially or wholly privately owned capitalist enterprises. In fact, in these countries, with the phasing out of centralized economic planning--an important characteristic of socialist economies--the economy that is emerging is essentially one of a fusion of State and private capitalism. (State capitalism is a system where the owner of the capitalist enterprise is not a private individual or a group of private individuals but the State.) It is for this reason that the Cold War is now dead--except in the minds of right-wing jingoists.

(v) The political system that accompanies capitalism can be of any kind--so long as it does not interfere with the capitalist processes of making profits. Hence a monarchical form of government, a ruthless military dictatorship, a fascist government, a racist government, a parliamentary democratic government, a multi-party presidential government, a benign civilian dictatorship, etc. can all be at home with capitalist economic systems. Democracy therefore is not intrinsic to

capitalism, just as political tyranny is not intrinsic to socialist economic systems--except in the case of the Leninist-Stalinist versions (sadly the only ones that have been in existence hitherto).

(vi) In order to fully comprehend the sources of social change in capitalist societies one must study the political behavior of the two principal groups in these societies: the capitalist class and the working class; that is, the two groups that are mutually antagonistic toward each other as a result of the specific relationship each has to the production process (exploiter and exploited).

(vii) Economic power today is found primarily in the hands of what may be called "big business" or the transnational conglomerate (TNC). The world economy is no longer controlled by individual capitalists and their families as used to be the case in the preceding centuries. The TNCs have become the new capitalist "class," except, of course, they are bureaucratic organizations, not a group of individuals. And because this class comprises bureaucratic organizations they are highly unresponsive to anything other than factors concerned with profit maximization. In other words, whereas the old capitalist class provided a human face to capitalism, today we live in an era of capitalism without a human face. One consequence of this is that modern day capitalism has no regard for anything other than profit maximization: ethics, morality, social justice, etc., are of absolutely no relevance to the TNC. This is not to say that these issues were important to the old capitalist class; rather, that the old capitalist class was flexible regarding such matters. For example the TNC can not play the same role in philanthropy as did old line capitalists such as Rhodes, Nobel, Carnegie and Rockeller. In this course, whenever I talk about the capitalist class I will be referring to the TNC and those who support it.

A parenthetical question is in order here: But there are many people in capitalist societies who are neither capitalists nor workers; does this mean they are politically irrelevant? Not at all; except that their political behavior can be best understood by determining how far from or how close to in the production process (or bureaucratic hierarchy) they are to either of the two principal groups. To take an example: in a government bureaucracy the political behavior of those right at the top will diverge considerably from those right at the bottom; those at the top will most likely have a commonalty of interests with the business class whereas those at the bottom with the working class.

One other point needs to be made here regarding the general issue of capitalism. While this course is heavily critical of the capitalist system--especially as it relates

to racism, sexism, classism, etc. (that is, as it relates to the issue of building a democratic society)--this should *not* be taken to imply that there is a surreptitious plea here for the wholesale abandonment of the capitalist system; however desirable that may be, reality (both conceptually and politically) precludes that.

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