



THE BIRTH OF CAPITALISM

A 21st Century Perspective

Henry Heller

THE FUTURE OF WORLD CAPITALISM

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The Future of World Capitalism

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For Rebecca and David

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PREFACE AND ACKNOWLEDGEMENTS

The current crisis affects a system which today is approximately 500 years old. The forward motion of the capitalist system is founded on the continued prospect of future profits and economic growth. Yet the way ahead is obstructed by many difficulties: low rates of profit and over-accumulation of capital; under-consumption and insufficient demand; the breakdown of the system of global finance; the prospect of energy shortage and acute symptoms of environmental crisis; and a crisis of world governability. Weighed down by these serious problems, the production of profits and growth in the future within the existing system has been thrown into doubt. The multiplicity and depth of the difficulties burdening contemporary capitalism poses the question of whether the system can stabilize and continue to reproduce itself, whether humanity is on the threshold of a momentous transition to socialism, or whether we face an unending stagnation and even a descent into ruin.

If we want to understand the present, and act effectively within it, knowledge of the past is more necessary than ever. The fall into the credit crunch and deep economic crisis was not only completely unexpected by most politicians but unpredicted by most economists. Events of this nature have not been seen for over 80 years – longer than the memory of nearly everyone alive today. Commentator after commentator has noted that the narrow focus of today's economists left most of them intellectually floundering in the face of such momentous developments. A historical perspective is not, therefore something of interest only to academic researchers and antiquarians. To understand what is happening now, we have to understand how we got here. For this reason, this book returns to a discussion that has been going on for some time among historians, but which the general public at this point needs to know more about – the birth of capitalism, or as it is generally posed, the transition from feudalism to capitalism.

The aim of this book is to explain the background and terms of this vigorous debate, to reassess and shed more light on it, and bring it to the attention of a more general readership. This book is suitable for a general reader who wishes to understand both where capitalism came from, and the key historical debates about its origins. But it is also designed to ensure that a new genera-

tion of students and scholars – beset with crisis – look upon this controversy with fresh eyes and a new sense of its significance.

The *Future of Capitalism* series calls for a fresh look at the fundamental issues and phenomena of world history. It seeks a reconsideration of the concepts and theories required to comprehend the present stage of world development. This work contributes to the effort by re-examining the debate on the transition from feudalism to capitalism in a way that throws fresh light on capitalism's contribution to world development, its current crisis and future prospects. As the greatest crisis of capitalism since the Great Depression unfolds, and the power of emerging capitalist states challenges the centuries-old dominance of the West, a fresh and critical examination of this often Eurocentric debate is necessary to understand the current historic conjuncture.

Two things have inspired the writing of this work. In the first place I have been studying early modern history for nearly 50 years. It is a field of scholarship which is interesting from a great variety of perspectives, including the history of art, music and science. Examining and analyzing the transition question offers the opportunity of summing up the scholarship of this period from a particularly important and challenging perspective. Indeed, the concrete understanding of the period that I bring to bear represents an important qualification for this task.

Politics has likewise motivated my undertaking this book. I have been passionately interested in politics since I was a boy, and I still regard political awareness as essential to the full development of a human personality. In my view history as a discipline can only be a dialogue between the political present and the past. My commitment to politics only became deeper as a result of my engagement with Marxism and the national liberation struggles in the underdeveloped world dating from the anti-war movement of the 1960s and 1970s. Indeed, the latter helped me to overcome the Eurocentric bias of much of my primary research and published scholarship. It was at that time that I began to read the classic works on the transition by Maurice Dobb and Rodney Hilton, as well as the seminal new works of Immanuel Wallerstein, Robert Brenner and Perry Anderson, which were products of the political turmoil of the period. Indeed, my sense of the primacy of politics colours my understanding of capitalism's beginnings. Capitalism is certainly a mode of production, but it should not be looked upon in merely economic terms. One of the motivations behind this work is to advance the idea that capitalism must be understood as a political

as well as an economic entity. Therefore this book takes issue with what I regard as the excessively economistic approach of Robert Brenner and his followers, who ironically go by the name of Political Marxists.

From its inception 65 years ago, the debate on the transition was motivated by the sense that the capitalist system is in crisis, and that gaining a historic perspective on its origins and trajectory was important. In the early years of the twenty-first century the sense of capitalism in crisis has deepened. At the same time the debate on the capitalist transition has been illuminated by a growing understanding of world history. Given my knowledge of the early modern period in both Europe and the rest of the world and my growing comprehension of the Marxist view of history, it seemed appropriate for me to undertake the demanding task of carefully tying together the relationship between the concrete facts of history and Marxist theory in a way that does both justice.

In writing this work I owe special thanks to Radhika Desai, whose many theoretical and editorial suggestions have proved invaluable. I would also like to express my appreciation for the cultural theory and post-colonial groups at the University of Manitoba. My discussions with them have forced me to understand the theoretical foundations of my own Marxism more deeply. I am indebted to the patience and careful copy-editing of Susan Curran and proofreading of Chris Carr. Thanks also to my wife, Joanne Inglis, for help with the editorial preparation of the manuscript.

INTRODUCTION: PROBLEMS AND METHODS

The focus of this work is the long evolution from feudalism to capitalism, the most debated and best known among transitions from one mode of production to another. It took 500 years for this transition to unfold in Europe, and it is still taking place in Asia, Africa and Latin America. This transformation began in Europe with the crisis of the feudal system in the fourteenth century and continued until the Industrial Revolution (1780–1850). In this book, I consider this European-centred transition, but do not limit the discussion to Europe. As Marx emphasized, the birth of capitalist relations of production witnessed the simultaneous genesis of the world market. Moreover, from the perspective of the twenty-first century in which capitalist relations of production have spread everywhere and in which multiple centres of accumulation exist, a perspective limited to Europe, or worse, only to England (as it is in the work of some writers on the transition), would simply be parochial.

Bringing this debate up to date is not merely an academic matter. Positions taken on the chief issues in debate will inform responses to the current crisis of capitalism. At the same time all the protagonists in the controversy have agreed that capitalism cannot be understood without understanding its history. Capitalism may be a forward-looking system which functions on the basis of the continuing expectation of profit. But it is also a system based in a historically evolving set of relations – including sale of wage labour and production and circulation of commodities in markets. These operate within a network of financial, legal-political and cultural institutions which are indispensable to their function. Profits emerge out of the particular way in which this system channels the forces of production.

The articulated relationship between the forces of production and the social relations of production of a given stage of world history is called by Marxists a ‘mode of production’. In the Marxist conception, there are five or six modes of production: hunting and gathering, slavery, feudalism, capitalism and socialism. While the historical relationship of these different modes and the existence of the sixth or Asian mode of production are in dispute, it is generally accepted that capitalism organized around profit-making must be understood as a system in terms of the relationship between its various parts

– economic, political and cultural. It must also be understood temporally. These parts come together into a profit-generating system or mode of production through a concrete historical process.

As I have noted capitalism is dynamic, fundamentally oriented toward the future, and the fact that today its intellectual apologists are having difficulty envisaging its future is symptomatically quite important. The profits that continue to drive it forward have depended on the existence of private property, the exploitation of what is not private property as a free good, the availability of an intellectually as well as materially alienated work force and the existence of the sovereign territorial state. The territorial state provided an essential political framework within which private capitals sustained by capitalist relations of production emerged and were integrated into a system. In other words markets were created politically as well as economically. It is a central thesis of this book that markets, too, have a real history. In any case it is important that the continued existence of such preconditions for profit-making are today imperilled, and this requires that we try to understand how the elements that compose capitalism came into existence, and how they came to constitute a system.

The scope of this study may seem daunting at first. However, my task here is concerned not primarily with the concrete details of this great historical transformation but with assessing the critical debates that it prompted between Marxist luminaries such as Maurice Dobb, Paul Sweezy, Rodney Hilton, Eric Hobsbawm, Robert Brenner, Immanuel Wallerstein, Perry Anderson, Terence J. Byres and Giovanni Arrighi. While their works are indeed great historical labours in their own right, the topics and issues highlighted by them have helped to organize the historical content of the present narrative. In particular, Brenner's own enormous, wide-ranging and controversial scholarship, extending from late medieval Europe to early modern England, Holland and China, and that of his followers – Ellen Wood, Benno Teschke and George Comninel – bound together loosely in the school of Political Marxism, is one of the most important threads connecting this work.

When I say that that these elements of profit-making were historically constituted I mean that they were neither determined in advance nor did they occur by chance. From the beginning I insist that the initial encounter between the owners of money and proletarians was not predetermined and might not have happened at all. On the other hand, I argue that this historical conjuncture did not come about at a throw of the dice. History is not determined but it

is not entirely the result of chance either. The responsibility of the historian is to elicit as well as possible what concrete and determinate lines of causation contributed to the emergence of capitalism. Understanding the balance between determinacy and indeterminacy is critical to gaining a perspective on the important factors at play in the past as well as in the current crisis.

This introduction begins by briefly recalling the history of the largely Marxist scholarship on the origins of capitalism, noting its close connection to contemporary politics and crises. It goes on to give an overview of the book and its argument. It concludes with a consideration of Eurocentrism, a position which, while always problematic both morally and intellectually, has simply been rendered obsolete by the strength of capitalist development far beyond the shores of Europe and its offshoots, and even beyond Japan. Capitalism undoubtedly broke through in Europe. But we assert the existence of a non-European proto-capitalism, and accordingly reject an exclusive Anglocentric or Western European approach to capitalist origins, and insist on the historically late appearance of European economic superiority based on capitalism.

CAPITALIST ORIGINS AND CRISES

My discussion focuses initially on the rich and contentious literature on the transition to capitalism that emerged in the wake of Maurice Dobb's *Studies in the Development of Capitalism*, published soon after the Second World War ended.¹ For all the writers involved in this discussion, understanding capitalism's origins was always a political undertaking, and for most scholars engaged in the enterprise it was an endeavour which sought to look beyond capitalism toward the establishment of a humane, equal and freer order – in other words, socialism. The catastrophe of the two great wars and the Great Depression focused the attention of Dobb on the transition question because of his sense that the capitalist system had entered into deep, possibly terminal, crisis. The result was an outline of a history of capitalism as a unified system with a beginning, middle and possible end. For him, the transition from feudalism to capitalism became the only clear and well-documented example of a passage from one mode of production to another.² And understanding it could help to illuminate possibilities beyond capitalism.

Though Dobb's immediate expectations of the imminent end of capitalism were disappointed as capitalism stabilized after the war, the publication of his work provoked considerable debate

in the 1950s, and a second and revised edition of *Studies in the Development of Capitalism* appeared in 1963.³ The political upheavals of the 1960s and economic crises of the 1970s produced a second round of debate on the transition, whose fruits included Hilton's review of the initial debate and influential new works by Immanuel Wallerstein, Perry Anderson and Robert Brenner.⁴

Today, 65 years after Dobb wrote, Marxist scholarship stands at a particularly interesting conjuncture. On the one hand the historic hegemony of Western capitalism over the rest of the world is in serious doubt as rival centres of capitalist accumulation appear in China, India and other 'emerging economies' and link up with one another.⁵ On the other, scepticism about the future of capitalism is more widespread than in Dobb's time, its links to economic growth are questioned, and ecological and energy crises loom. A fresh round of scholarly re-examination of capitalism's origins and of the transition from the feudal to the capitalist mode of production is taking place.⁶ The French medieval historian Guy Bois, for example, has explicitly compared the deeper causes of the crisis with those that lay behind the crisis of feudalism. He points out that the current crisis, like that of feudalism, is marked by ongoing large-scale unemployment, growing insecurity, violence, social marginalization and outbursts of irrationality egged on by the upper classes.⁷

ECONOMISM AND EUROCENTRISM

Rich though it was, the literature on the transition from Dobb onwards took both an economic and a Eurocentric view of capitalism's origins, conceiving capitalism as a purely economic system and either assuming it to be a quintessentially European phenomenon or defining it in ways that left the distinctiveness of capitalism outside Europe out of account. These views are historically incorrect and impede a political and suitably universal understanding of capitalism. Both mar the otherwise brilliant contributions of Brenner.

While Brenner broke new ground in stressing the importance of class struggle and the significance of agrarian capitalism in the transition, we argue that he disregarded the importance of the state as the ultimate linchpin of capitalism. For him, the extraction of relative surplus value – increases in investment increasing labour's productivity and therefore surplus value and reducing the value of labour power by lowering of the value of goods consumed by workers – and the competitive markets that made it an imperative were capitalism's defining features. However, as we show, they emerged only as the

result of a long process which involved the state as much as markets. Brenner's economism also leads to an anachronistic understanding of the capitalist market and downplays the significance of primitive accumulation and absolute exploitation on a world scale. The undeniable rising productivity of social labour highlighted by Brenner leads him to devalue and ignore the indispensable accumulation of capital that precedes it. Such economism cannot understand capitalism's historic power and its vulnerabilities, which are political.

Economism also leads Brenner and his school to wrongly dismiss the importance of state-backed colonialism and to assume the West's economic superiority *ab initio*. This school also downplays the role of the early modern revolutions in the progress of capitalism, regarding them at best as icing on the cake of an already established capitalism, or at worst as non-capitalist events. As we show, the revolutionary transformation of the state was the critical step in the transition to capitalism.

Brenner's Eurocentrism is related to this minimizing of the importance of revolution in the past and future. He argues that while rural petty producers played a revolutionary role in undermining feudalism in the fourteenth century, thereafter they became economically timid or defensive. The initiative in starting capitalism was taken instead by landlords. We argue, however, that once the constraints of feudalism were removed, an upper layer of petty producers played an aggressive social and economic role in the inception of agrarian as well as early industrial capitalism. Petty producers also played a critical role as the mass base of revolutionary change. It is important to recognize this because it relates to the possibilities of peasant and worker resistance to imperialism in the under-developed world, and the historical importance of the political mobilization of the mass of humanity in the transition not only from feudalism to capitalism, but potentially from capitalism to socialism.

AN ALTERNATIVE READING

This book provides a more complex and nuanced understanding of capitalism's origins. At the birth of capitalism the West was geographically, economically and culturally marginal in the world. In the Middle East, China, Japan and India, the forces of production were equally or more developed. The breakthrough toward capitalism in Europe was a result of a prolonged period of class conflict between the feudal ruling classes and peasants and artisans, during which the balance swung sufficiently away from the former to permit

capitalism to emerge. In similar conflicts in China, Japan, India and the Middle East, however, the balance of power remained, at this time, sufficiently in favour of the ruling classes to prevent rupture. And though capitalism's productive superiority over the labour-intensive economy of, say, China was visible by the late seventeenth century, it did not become globally significant until after 1800.

Within Western countries, dispossession of producers from the means of production and the increase and intensification of work – in other words, primitive accumulation and absolute surplus value, both backed by the state – played their part in capitalism's development as much as markets and technical improvements. Abroad, the growing divergence in the economic fortunes of the West and the rest was compounded by aggressive state-sponsored Western conquest, pillage and appropriation of the wealth, land, labour and techniques of non-Western societies as well as the resulting foreclosure of the possibility of an early capitalist breakthrough through Western political domination.

The decline of feudalism in Western Europe began with the series of late medieval revolts of peasants and craftspeople prompted by economic crisis. The royal territorial states which initially emerged to guarantee the continued class rule of the landlords against the upsurge of producers formed a critical political bridge between feudalism and capitalism. By the sixteenth century the balance of class forces forced these states to provide an arena for the generalization and integration of capitalist relations of production, while the breakdown of the feudal order allowed the differentiation of producers into capitalists and wage workers, a process which was greatly aided by the state in England, and to a lesser degree on the Continent. Expansion of production within this new economic order necessitated the creation of home and world markets in which commodities, which was the form products took, could be exchanged. Once again, the state backed the process. Thus, from its beginnings, capitalist development was not merely market-driven. Rather, markets emerged at the national level only as a result of prolonged political and class conflicts, and were established by the coercive, legal and political machinery of the early modern absolutist states which gradually cleared obstacles to them. The bourgeois political and social revolutions in Holland, England and France overthrew the feudal ruling classes of these territorial states and then harnessed them to complete the development of markets and the full entry of capital into agriculture and manufacturing. The revolutionaries, like the protagonists of the late medieval revolts, were petty producers led by the capitalist class that

had emerged from their ranks. The resulting development of export-oriented manufacturing combined with colonialism, the slave trade and the plantation-slave system guided by the mercantilist state proved crucial not only to facilitating ongoing capital accumulation but also to overcoming Europe's backward and peripheral global position by establishing first military/political and later economic superiority over the non-European world.

It is now acknowledged that capitalism's development cannot be understood without comprehending the intrinsic importance of the state.⁸ It is only by denying the centrality of the state's role in the development of capitalism in Western Europe that a false contrast is set up between this allegedly 'classic' European route, conceived in a largely economic fashion, and the ways in which capitalism developed elsewhere. The fact is that once under way, capitalism and imperialism threatened other political and social formations. Many places – initially in the immediate periphery of the core Western states, for example in Scotland, Prussia and Russia, but later farther afield, for example in Japan, South Korea and Taiwan – eventually witnessed capitalisms imposed from above, by the state. In these processes, still ongoing in the early twenty-first century, capitalist landlords and/or the state undoubtedly assumed the initiative to combat the adverse consequences of uneven development by engaging in forms of combined development. Combined and uneven development entailed a simultaneous struggle to overcome the barriers to development posed by the capitalism of more advanced states and the backwardness of the traditional economic sectors by far-reaching state intervention. This meant that rather than repeating the stages of previous capitalist development, latecomers sought to absorb earlier advances and used them to emerge in the forefront of capitalist development and profit-making. The role of politics and the state – already large in the development of early capitalism – loomed even larger in these later instances.

PLAN OF THE BOOK

Chapter 1 addresses the decline of feudalism in the West and its resilience elsewhere. Chapters 2 and 3 stress the historical significance of relative surplus value and capitalist markets. All three stress the decisive importance of the state in the processes they discuss. Chapter 2 discusses early modern capitalism in Italy – where, after all, capitalist accumulation, albeit focused on commerce and finance, began – and in Germany and France, where it has been denied or ignored.

Capitalist activity, we argue, sprouted in the late medieval and early modern periods across Western Europe in Italy, Germany, the Netherlands, France and even Spain. Understanding where capitalism developed further, and where such early development was interrupted, also demonstrates the existence of a specifically French route to capitalism which led to the revolution of 1789. Chapter 3 is devoted to a discussion of the origins of English capitalism but moves away from an exclusive preoccupation with England.

Chapter 4 treats the capitalist revolutions in Holland, England and France. It explains why bourgeois revolutions were critical to the further development of capitalism in Europe. They transformed the early modern state into an explicitly capitalist entity. Contrary to the view that the merchant capitalism of early modern Holland remained dependent on the feudal mode of production, we argue that not only did Holland develop an authentic agricultural capitalism, it also experienced a capitalist revolution.

Too much of the necessarily comparative historical analysis of the origins of capitalism has led to insufficiently grounded and too hasty generalization from particular historical situations, usually European. Being at least roughly chronological, the early chapters of this book are necessarily focused on European history. However, the later discussions of capitalist transitions beyond the West European core – in Scotland, the United States, Prussia, Japan, Russia, Korea, Taiwan and beyond – are anticipated in the non-economistic and non-Eurocentric emphasis of the early chapters. In this wider framework, comparative historical analysis is indispensable. As Terence Byres, who has done so much to make the comparative method in studying capitalism more authentically universal, suggests, 'it is in a comparative perspective that one may reach for possible lines of causality. Comparison has the power to widen the range of possible hypotheses. Comparison can ... prevent analytical closure ... by keeping one alive to ... diversity and historical contingency'⁹

The transitions considered in the first four chapters, as well as that in the United States, are regarded as instances of 'capitalism from below', originating among small-scale producers. The fifth chapter focuses particularly on the role of the state where the uneven development of capitalism elicited a response in the form of combined or state-directed capitalisms. It also discusses the role of the state in the fostering of colonialism and slavery, which were critical to overcoming the global marginality of the capitalist West and enabling it to impose itself politically, and eventually economi-

cally, over so much of the world, inhibiting capitalist development there. The final two chapters complete the narrative by discussing capital's entry into manufacturing during the Industrial Revolution and by looking at the significance of capitalism in the context of world history. Though vulgar technological determinism regards the Industrial Revolution as decisive to the rise of the West, it was much less so than the birth of capitalism in the sixteenth century. Its full productive power could only reveal itself thanks to the slow accumulation of capital which began three centuries earlier. The final chapter completes the widening of the focus away from Western Europe and England to the broader context of Eurasian and global history, returning to the question of Eurocentrism as well as considering the future prospects of capitalism.

THE ARGUMENT

The overall argument of the work is a fourfold one: that capitalist development was drawn out over a long period, three centuries and counting; that class struggle and changes in the relations of production were historically decisive in their emergence and evolution; that home and world markets developed simultaneously; and that the territorial state was, and remains, an integral component of capitalism.

In the first place, the emergence of capitalism as an apparently self-sustaining 'economic' system, separated from politics, was the consequence of a centuries-long process in which, *pace* Brenner, political coercion played a major role. Autonomous competitive markets only emerged after a long apprenticeship under the protection of the state. Second, the class struggle between feudal landlords and urban and rural producers in the late Middle Ages was crucial to the decline of the feudal mode of production in the West in contrast to the fate of feudalism in states located elsewhere. Socially and economically ambitious, the upper stratum of this group of small-scale producers played the key role in the development of capitalism from the late fifteenth century. It was this proto-capitalist element which was critically important to the emergence of agrarian capitalism and the initial revolutionizing of the means of production in manufacture in a capitalist direction. But class struggle did not cease in the aftermath of the late medieval uprisings, as Brenner would have it. Rather it proved critical to the further development of the capitalist mode of production in the early modern period. The small producers challenged landlord power when necessary and

formed the shock troops of the early bourgeois revolutions against feudal absolutism in Holland, England and France. It was from their midst that the bourgeoisie emerged. It was from the bottom layers of these same petty producers that the wage-earning class slowly formed, pushed downward by the more successful small producers.

The development of productive means to enhance the extraction of relative surplus value and the ultimate emergence of the law of value in the competitive market were what distinguished capitalism from feudal systems in Europe and elsewhere. But an overarching theme in this work is that the emergence of these distinctive features of capitalism was a slow process involving force as much as the market. Capitalism's economic superiority did not register economically before the late seventeenth century, and did not become decisive in terms of its global economic and political impact until the beginning of the nineteenth century. It was only at that time that technologically advanced weapons of war deployed against India and China, and machine-made and chemically finished textiles, made possible the historic reversal of the longstanding European balance of payments deficit with Asia. Accordingly, we see the significance of the extraction of relative surplus value as making itself felt only little by little, and as such only amplifying the effects of primitive accumulation and the generation of absolute surplus value in the early phases of capitalism.

The importance of competitive markets and the extraction of relative surplus value in the early development of capitalism have been exaggerated, while the significance of force and the assertion of state power have largely been overlooked. In other words, the way for the extraction of relative surplus value and competitive markets was opened by political processes. This makes it possible to agree with those scholars who argue against a too Eurocentric view of early modern history, which assumes an immediate and manifest economic triumph of the new capitalist mode of production from its first appearance. It is a basic contention of this account that its emergence took centuries and its victory came late. It was not until the Industrial Revolution that Western capitalism forged ahead of the economies of the rest of the world. The Great Divergence between the capitalist West and the rest of the world came after 1800, not in 1500.

Aside from the emergence of capitalist relations of production, this work argues that the simultaneous emergence of the world market triggered processes of uneven and combined development which became an independent factor in capitalism's emergence. They came into play in an effort to counter the relative backwardness of

Western Europe in relation to Asia. Even within Europe, capitalism was not only not a uniquely English phenomenon, it was based on uneven and combined development across different countries. This led to the emergence of a hierarchy of territorial states and rival colonialisms in the early modern period.

The reduced role of competitive markets in driving the early development of capitalism in our account goes with a fourth major argument: that the territorial state was an intrinsic part of the process. Capitalism was not simply about the development of capitalist relations of production or competitive markets. Capitalism arose dialectically within the cradle of a still feudal state. Nations like Italy and Germany that failed to become unified states saw their nascent capitalist development arrested, while capitalism was consolidated in Holland, France and England by the constitution of a territorial state. The gradual emergence of capitalist markets and capitalist relations of production was made possible by the state. The critically important process of primitive accumulation was assisted by the political and legal force of the state at the local and eventually at the national level. The emergence of overseas markets and colonialism were based on the support of the state. The important role of the state in early capitalism is reflected in the importance of mercantilism, the phenomenon of state-driven combined and uneven development, and in the modern period the role of the developmental capitalist state in Prussia, Russia, Japan, Korea, Taiwan, Brazil, India and China. Given the critical role of the state, its class nature and the importance of political and social revolution are highlighted.

THE UNITY OF THE MARXIST METHOD

The Marxist methodology and categories of analysis of the key protagonists in the debate help to unify the discussion despite great differences of argument and emphasis between them. Classically Marxist themes like the nature of a mode of production, of capitalism as a world system, the relative importance of internal and external prime movers in the fall of feudalism and rise of capitalism, the relation between the social relations of production and exchange relations, the tie between the forces of production and the development of classes, the relationship between financial, merchant, agricultural and manufacturing capital and the role of the state, have been the chief axes of debate. The crises of feudalism in fourteenth-century Europe, early nineteenth-century Prussia and Japan during

the Meiji Restoration may not appear to have much in common at first glance. But they raise theoretical questions like the relationship between the capitalist mode of production and earlier productive modes, the importance of class relations as against the significance of access to global markets, and the role of the level of development of the forces of production in the transition, which help to tie together these disparate concrete instances.

In particular, Marxism's dialectical method is essential in grasping the transition from the feudal mode of production to the capitalist mode. In terms of this work the development of the new capitalist mode must be understood to have taken place dialectically within the bowels of the old feudal mode. How the new mode of production arose out of the old and then eventually replaced it is the critical question of this inquiry.

The essence of feudalism was the antagonistic relationship between a ruling class of noble landlords who controlled access to land, and a dominated class of subservient peasant farmers. As such, the overall setting of feudalism was a largely agrarian society with limited productive potential. The producers in such a society were largely peasant families interested primarily in producing their own subsistence. Most of the limited surplus they produced was directly or indirectly coerced from them in the form of rent. Capital existed under feudalism as it did in the slave mode of production. It operated in the form of merchant and financial capital facilitating the exchange of commodities and the provision of credit. In other words, it made itself felt at the level of exchange relations. But it did not enter into the sphere of production.

Like feudalism, capitalism is a system that is founded on an antagonistic class relationship. In the capitalist case the opposition is between wage workers and capitalists. The workers who are the producers under capitalism have limited or no control over the means or processes of production, and therefore have restricted or no means of producing their own subsistence. They have no or inadequate means of independently producing their own livelihood. As a result, they are compelled to sell their labour power to employers in return for a wage that enables them to buy food and other necessities. The wage then is essentially the value of the commodity labour power. While the existence of wage labour is necessary to capitalism, it is not sufficient to it. The existence of capitalism also requires the entry of capital into the productive process. Indeed, capital's entry into production is a distinguishing mark of capitalism. Capitalism, in contrast to feudalism, is a system in which capital, combined

with technological innovation, progressively introduces ever more sophisticated and productive means into production. Simple tools are replaced with more complex ones, and they, rather than labour, dominate the productive process, with ever more massive machinery and ‘fixed capital’. Using these increasingly efficient means of production with which they are provided, workers are able, during their hours of work, to produce increasingly more value than the value of their own labour power. This surplus value – unpaid labour – is the fundamental source of surplus under capitalism, in contrast to the primacy of rent under feudalism. Transformed by the productive process into commodities for sale in the marketplace, surplus value is realized by capitalists as profit. Such profit is then available as surplus capital for further investment in the productive process.

In studying the transition from feudalism to capitalism we are trying to explain both theoretically and concretely the transition from the feudal mode to the capitalist. But to put it in more concrete terms, how, over the course of centuries, did the majority of people come to live in towns and cities rather than the countryside? How was it that whereas under feudalism most people were legally defined as serfs tied to a manor while paying a rent in kind or cash to a landlord, many if not all producers in capitalism became economically and legally free producers working for wages and were conceived of as such? How, finally, did it come about that whereas the object of economic activity under feudalism was consumption, under capitalism it came to be the accumulation of profit? Understanding the means by which this transformation came about is the focus of the transition debate and of our study.

ALTERNATIVES TO MARXISM

However, Marxism does not exhaust this study: non-Marxist historical scholarship is also introduced and assessed as relevant. Marxists have not been alone in interesting themselves in the origins of capitalism. Although there is no shortage of doubters, there are many who believe that Adam Smith’s *Wealth of Nations* offers a plausible account of capitalist origins. In his quest to understand the genesis of the market, Smith assumed an innate desire on the part of individuals to improve their material circumstances. According to Smith, they attempted to do this through resort to exchange or commerce. It is through such trade that life gradually improved, and society itself slowly evolved from hunting and fishing to pasturage, then to agriculture, and eventually toward commercialism. The

growth of exchange develops as a result of an increasing division of labour and economic specialization. Such diversification requires a growth of capital which comes about through individual saving.¹⁰

Douglas North and Robert Thomas have recently attempted to improve on Smith while retaining his emphasis on market exchange.¹¹ For them history was a struggle to overcome Malthusian demographic pressures by creating institutional mechanisms which allow relatively inefficient production on the feudal manor to be replaced by more efficient market methods. It was the successful establishment of private property rights in the sixteenth and seventeenth century which, above all, made this transformation possible.¹²

From the perspective of Marxism, the problem with these views is that, focusing on the market and institutional change as they do, they remain at a superficial level of analysis. Smith's and North and Thomas's outlooks undoubtedly have some merit, but fail to penetrate deeply enough beneath the surface of economic relationships. For Marxists the key changes and the ones that require explanation in terms of the transition problem are changes in the social relations of production: that is, the development of the relationship between wage labourers forced into selling their labour for subsistence, and capitalists in control of the means of production who purchase such labour power and transform it into value and eventually profit.

Another influential theory of the transition has been that of the early twentieth-century sociologist Max Weber. In *The Protestant Ethic and the Spirit of Capitalism* (1904–5), Weber stressed the importance of the development and internalization of a capitalist ideology or spirit of economic accumulation. This spirit values thrift, diligence and the rational and calculated pursuit of profit. Weber found the source of this capitalist ideology in the ethics of Calvinism that crystallized during the Protestant Reformation. Weber acknowledged that the development of the market and wage labour were important to the development of capitalism, but he insisted that there was an elective affinity between this Protestant ethic and such capitalist activity.¹³ In other words, Weber argued that the Protestant faith was an important independent variable in the development of capitalism.

Anticipating Weber by 50 years, in the *Grundrisse*, Marx has this to say about the relationship between Protestantism and the accumulation of money: 'the cult of money has its asceticism, its self-denial, its self-sacrifice-economy and frugality, contempt for mundane, temporal and fleeting pleasures; the chase after the eternal

treasure. Hence the connection between English Puritanism or Dutch Protestantism and money-making.¹⁴ Marx saw the connection between the so-called spirit of capitalism and the Protestant ethic. As such the Protestant ethic had a certain historical importance as an ideology of an emerging capitalism. But clearly it existed not simply in an elective affinity with capitalism but in a dialectical relationship with it. This was a more direct level of interdependence than Weber would have allowed. Friedrich Engels, who also took note of the so-called Calvinist predestinarian ethic years before Weber, particularly underscored Calvinism's force as an ideology that served the interests of the bourgeoisie better than the passivity of Lutheranism.¹⁵ As is well known, it was the English economic historian Richard Tawney who in response to Weber, demonstrated that the development of sixteenth-century capitalism drove the spread of English Calvinist Puritanism, not, as Weber's reasoning implied, vice versa.¹⁶

MARXISM AND HISTORY

As a result of what we regard as their superficial approach we eschew treatment of the transition problem from a Smithian or Weberian perspective and adhere to a Marxist one. Indeed, we have found that the writings of Marx and Engels, though they date from the nineteenth century, nonetheless contain many enduring insights on the transition. They are, of course, inadequate, especially in the light of the enormous progress made in historical research. Marx, for example, had only the vaguest conception of the factors behind the decline of feudalism: that is, the class struggles of the late Middle Ages. In Engels's account of the German Peasant War, to take another instance, the author has little sense of the extraordinary development of manufacturing in Germany prior to the Reformation. On the other hand, the works of Marx and Engels, surprisingly to a present-day professional historian, continue to offer many important insights into the historical and especially the theoretical basis of the transition. Moreover, as it turns out the subsequent Marxist debate on the transition is the one that offers the richest insights into the problem.

In taking a Marxist approach to the transition we should make clear that we are not trying to write a history of the decline of feudalism and development of capitalism. An actual history of capitalism would preoccupy itself above all with eliciting the varied, complex and contradictory routes that societies took as they moved

from feudal or tributary societies to capitalism. This account is rather a *histoire raisonnée* or critical history. This is a type of historical writing that originated in the early modern epoch in which as much or more emphasis was placed on reflection and commentary on the meaning of history as on the facts themselves. It focuses on reviewing the different ways that Marxist scholars have attempted to explain and theorize the transition. As such it has as much to do with theory or political economy as it does with history. But such a history, although preoccupied with theory and comparison, must be written with ongoing reference to the concrete particulars of history, and especially the findings of contemporary historical research.

Marx's approach to the relationship between the abstractions of theory and the concrete particulars of history is outlined in an important passage in the third volume of *Capital* in which he delineates the relationship between the mode of production as the independent variable and the dependent variables of class and the realm of politics. Despite the apparent determinate role of the mode of production, Marx insists on the role of specific historic circumstances which theory must take into account:

It is always the direct relationship of the owners of the conditions of production to the direct producers – a relation always naturally corresponding to a definite stage in the development of the methods of labour and thereby its social productivity – which reveals the innermost secret, the hidden basis of the entire social structure, and with it the political form of the relation of sovereignty and dependence, in short, the corresponding specific form of the state. This does not prevent the same economic basis – the same from the standpoint of its main conditions – due to innumerable different empirical circumstances, natural environment, racial relations, external historical influences, etc., from showing infinite variations and gradations in appearance, which can be ascertained only by analysis of the empirically given circumstances.¹⁷

Concrete historical references were an intrinsic feature even of Marx's most theoretical works of economic analysis. The abstractions of theory could only prove themselves by being tested and applied to the concrete details of history. Engels described Marx's approach in the following way:

The critique of economics could ... be exercised in two ways:

historically or logically. ... History moves often in leaps and bounds and in a zigzag line, and as this would have to be followed throughout, it would mean not only that a considerable amount of material of slight importance would have to be included, but also that the train of thought would frequently have to be interrupted; it would, moreover, be impossible to write the history of economy without that of bourgeois society, and the task would thus become immense, because of the absence of all preliminary studies. The logical method of approach was therefore the only suitable one. This, however, is indeed nothing but the historical method, only stripped of the historical form and diverting chance occurrences. ... [W]ith this method the logical exposition need by no means be confined to the purely abstract sphere. On the contrary, it requires historical illustration and continuous contact with reality.¹⁸

Marx's conception of capitalism and its chief elements was rooted or immanent in historical development and cannot be understood apart from it. Thus the categories that constitute capitalist commodities – use value, competitive markets, money, exchange value and value, private property, capital and abstract and concrete labour – not only have a history, they emerge in it, from it. Moreover, such concepts as value or abstract labour have a real social existence. On the other hand, writing in the middle of the nineteenth century, Marx was preoccupied with analyzing these concepts in order to reveal the logic of capitalist accumulation. Of necessity, the historic origins of such concepts were of secondary concern to him, if only because of a want of sufficient time or available scholarly material. For us, who look forward to the unravelling of these capitalist commodity categories and the beginning of a new historical epoch, the development of these notions out of the concrete circumstances of early modern history is of central interest.¹⁹

Given that we are concerned not with an established mode of production but with the transition from one to another, we must be even more mindful of history's concreteness. On the other hand, it is also important to not let that overwhelm the need for theorizing about history. Students of Marxism will recall the famous debate between the celebrated English historian Edward P. Thompson and the Marxist theoretician and historian Perry Anderson in the late 1970s. While Anderson defended the need to bring theory to bear on history, Thompson denounced this as overly schematic, as forcing a structure on the past based on the arbitrary imposition of ill-fitting

Marxist concepts.²⁰ Such concepts seemed to Thompson to contradict the historian's commitment to the concrete as revealed in the primary sources, to a respect for narrative and to the contingency of historical outcomes, none of which ought to be surrendered lightly. Thompson's admonitions in this regard are worth bearing in mind. Indeed, it is essential to admit from the beginning that theory can never completely grasp the complexity of the past. On the other hand, it is important to try to do so, as Anderson suggests, if only to better comprehend the facts of the past, and particularly those which are pertinent to the historical problem at hand. The concrete facts of historical narrative ought properly to be illuminated by a sense of the theory that stands behind them, and vice versa.

Thompson and Anderson also had another disagreement relevant for us. In producing what is perhaps the masterpiece of Marxist historiography, *The Making of the English Working Class*, Thompson may be excused for perhaps paying too much attention to historical agents, men and women and their class consciousness, as against the objective realities of the mode of production and the social relations of production. As Ellen Wood has shown, he had his reasons for doing so: namely, to combat those who would deny the agency and even the existence of such a class.²¹ On the other hand, Thompson's emphasis on consciousness and preoccupation with the complex tissue of working-class experience undoubtedly gave license to others to abandon notions of class, mode of production and surplus value altogether, and to take the 'cultural turn' into a fetishized world of discourse and idealist mystification.²² Thompson cannot be blamed for the deviations of epigones who abandoned Marxism in the age of neoliberalism, and it is for us to reaffirm our commitment to the historical force of consciousness and ideology. But from a Marxist perspective the social and economic aspects of history remain fundamental.

Historical explanation certainly depends on the degree to which the political and cultural is convincingly linked to the social and economic, and the extent to which immediate events are tied to more enduring long-term factors. Revolutions, for example, need to be understood in political and cultural terms which enjoy a certain autonomy and cannot be reduced to the social and economic. Yet the challenge for historians is to try to grasp the ties between these different levels of social existence. In any case our project demands that we take our distance from an overly cultural approach to history which, moreover, shies away from comparison, abstraction,