

capitalism first started in padua in Italy 1304,

it's a story of Jesus & the money lenders.

check out

Geneva 1555

the Dutch are the main source where it had use with their been began in actual first stock exchange.

Meaning of Capitalism

- Production for profit by private entity
- A mode of production in which means of production (land, equipment, technology, capital, entrepreneurship) are owned by very small section of propertied class who purchase wage labour from vast majority of property less class
- Capital(Money) — buys—> Means of Production & Labour — to Produce—> Product/Service — to sell for—> Money+1 (Profit)



Profit by increasing labour productivity

Profit- surplus labour

Profit is retained/ re-invested by capitalist

- Market mediated and class based social relation

However capitalism is a old philosophy but as world has changed so does capitalism from time to time.

Productivity is the answer as we have seen in ray dalio's money how economic machine works

Pre capitalist

when capitalism got introduced it's used to be mercantile capitalism. & it's a global phenomenon from the Chinese to the Indian trade to muslim merchants.

but by the 17th century merchants in Dutch (Netherlands) & British had started joint venture, stock exchanges to mitigate their loss but it didn't actually created cultural changes to capitalism.

Post capitalist

Industrial revolution has started in 19 century in Britain had a bunch of advantages due to their dominant power

during this time, British encounters lots of atrocities like civil war, starvation, labour, slavery etc.

first the Dutch discovers that applying/ planting different crops increase/ maintain fertility of the soil hence it increases productivity.

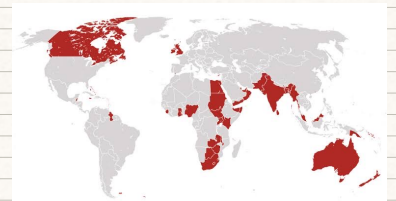
How Capitalism is different from earlier mode of production and social relationships

Pre-Capitalist

- Land- chief means of production
- Producer own the produce
- Produce/surplus labour expropriated (taken away) from producer by extra-economic means
- Expropriating class: King, feudal lords, Church; Expropriated class: Peasants, small artisans
- Social relation guided by custom, tradition, religion
- Intermingling of economic and political spheres

Capitalist

- means of production - land, equipment, technology, capital, entrepreneurship, Labour)
- Producer do not own the products
- Surplus labour expropriated by economic means
- Expropriating class: capitalist class
- Impersonal Social relation mediated by market and manifest in class relationship
- Separation of Economic and Social Spheres- private property separate from state power



British Empire

Features of Capitalism

- Producers loses ownership on his produce - *Labour sells not fruit of his labour but the labour itself*
- Capitalist class take away surplus labour in form of profit – extraction and exploitation not by coercion but by economic means- exploitation by enhancing labour productivity
- Capitalist class also gained political supremacy and intellectual leadership : became Elites; labour class- the masses
- Dependency and subordinate class relationship between capitalist and labour class
- Impersonal Social relation mediated by market- invisible hand of market determined both economic and social interactions
- Capitalist spirit: Competitiveness, enterprising, Expansionist, Impersonal, liberal, democratic


Who formed the capitalist class?

- They were **Bourgeoisie**- rising middle class in post feudal Europe
 - Enterprising Tenants, Traders/Merchants, professionals, Artisans, small workshop owners
- They were not nobles or feudal lords; rather they resisted them
- Gained political power: Glorious revolution in England, French Revolution
- Forefront of reformation movement, Industrial Revolution, Liberalism, and democracy
- **Proletariat** : class of property-less wage workers who sold their labour power to the Bourgeoisie; by whose surplus labour capitalist profit is made

Capitalism and Liberalism

- John Locke's idea of absolute and unalienable right to property as natural rights became core of liberalism
 - One has absolute right on one's labour and things created by mixing labour to natural objects, labour- self or purchased
- Liberal doctrine- individualism, rationality, reasoned- self, liberty, natural and democratic rights, limited states, free-market, etc- propelled capitalism
- Bourgeoisie became champion of both Liberalism and Capitalism
- Today's liberal democracy and free-market economy is carrier of capitalism across the globe
- Contemporary phase of capitalism is known as Neo-liberal phase – L.P.G.

Capitalism and Nation-state

- Evolution of state- unambiguous sovereign power over a clearly defined territory- is closely linked to evolution of capitalism
- Same social process- separation of economic and political sphere and transformation of politically constituted property into capitalist property- brought about both nation-state and capitalism
- In nation-state, political sovereignty became separate from and allied with a national economy which was capitalist in nature
- Thus, moment of coercion (political power), and moment of appropriation(extracting surplus labour by capitalist) were
- Seeming contradiction of globalized capitalis hen nation-state

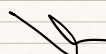
Capitalism and Nation-state Evolution of state capitalism
2008

Capitalism and Colonialism & Imperialism

- Expansionist tendencies of capitalism is considered as possible causes of colonialism and imperialism
- Provided economic and ethical rationale to colonialism:
 - Capitalist spirit of creating value by mixing labour and entrepreneurship into hitherto useless/waste natural assets of colonies
- Bourgeois class of colonial nations (core) allied with Bourgeois class of colonies(Periphery) to strengthen and stabilize colonialism
- Colonialism helped capitalist class in getting cheap raw material and even cheaper labour
- Colonialism helped develop capitalism in colonies

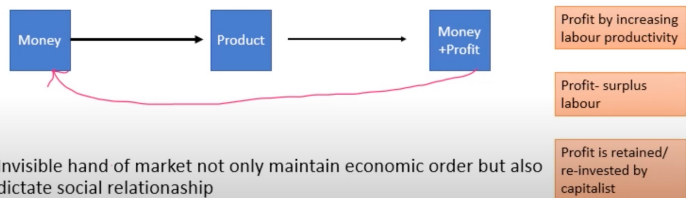
Capitalism and Globalization

- Liberal democracy and free-market capitalist economy are twin engines of globalization
- Economic liberalization, privatization, free-trade, free exchange rates, capital convertibility, etc are propelling globalization
- Capital as finance, circulation of hot money, interconnectedness of global financial market- further fueling globalization
- MNC (Multi-national corporation) and TNC(trans-national corporation)- representing capitalism are bearer of globalizations
- Global commodity supply and demand chain are distinctive features of globalization.



Capitalism : Recapitulation

- A mode of production and consequent socio-economic order in which means of production are owned by very small section of propertied class who purchase wage labour from vast majority of property less class



- Invisible hand of market not only maintain economic order but also dictate social relationship

Agrarian origin of capitalism: 16th-17th Century England

- Several factors led to market-mediated relation between landlords and peasants in which extraction of 'surplus labour' was by economic means and not by coercion or 'extra-economic' means
- Separation of economic and political sphere, emergence of unified national market and demilitarized centralized state, balance of power between central Monarch and aristocratic Parliament were some of favourable factors
- Land Rent were market determined, only those peasants who could have increased the labour productivity by innovative methods and technology would have increased cultivable land and this was the beginning of competitive capitalism...extraction and exploitation of 'surplus labour' was in built into the economic system and mode of production.
- Contrast this with 16th-17th century France, where ruling elites and emerging Bourgeois both vied for extracting 'surplus labour' of peasants through taxation and coercive means...persistence of 'politically constituted property' and feudal and pre-capitalist social order.

Globalization of Capital: Evolution

- **Classic Phase** : Colonial era: 18th Century
 - Colonies- exporter of raw material, importer of finished factory goods from colonial master
 - Destruction of pre-capitalist mode of production in colonies
 - Few FDI's- plantation, Railways, Mining
- **Old phase**: from 1945 to 1973: golden period of capitalism
 - Import substitution and protection to domestic Industries by Developing nations
 - Evolution of MNCs : branch plant subsidiary- Hierarchical internationalization
- **New phase** : 1973 to till 20th century
 - Economic globalization
 - Global commodity supply and demand chain
 - Erosion of authority of nation-state and national barriers
 - MNC to giant TNC
- **Contemporary phase**: 21st Century : Financial globalization
 - International flow of Capital as finance
 - Delinking of international financial flow from international commodity flow
 - 'hot money' flow

Challenges & Contradiction

- **Dialectic nature: In built contradiction**
 - Contradiction of liberal democracy and free market economy
 - Equal treatment to unequal by **market**: increases inequality
- Separation of political and economic spheres ; separation of two moments of exploitation ; make it **inherently unstable**
- **Frequent crisis** : 1930, 1973, 2001, 2008
- **Jobless growth**
 - Service sector led growth
 - **Financialization** of capitalism – M-----P-----M+1 replaced by M-----M+1
- **Crisis of 3 E: ECOLOGY, ENERGY, ECONOMY**
 - Ecology- environmental degradation- climate change ; Global Energy Crisis; Unsustainable Development

