

First Lecture

Capitalism: A Brief History

Definition

- “Economic” system?
- Private ownership / profit motive / wage labour

Beginnings

- 16th century: Feudal self-sufficiency
- Italy / low countries / England
- Capitalist revolution: transformative / integrative / uneven

Cosmology

- Why Europe?
- Triple revolution: scientific / political / technological

Key changes

- Work: means of production / employment / unemployment / skills / clock
- Family: from extended, to nuclear, to none
- Environment: from food to the pre-conditions of human life
- State: nation state, representation, intervention
- Globalization: transnational corporation, global ownership

Agriculture

- 1st revolution: surplus and class
- 2nd revolution: labour saving

Transportation

- Movement: humans, sea routes, land

Population

- Infant mortality / life expectancy / population size

Material standards of living

- Malthus' curse?

Geography

- Diamond's *Guns, Germs, and Steel*
- Regional shifts: from Asia, to the West and back to Asia

Distribution

- Rich vs. poor regions
- Income distribution: capital vs. labour
- The rise of finance

Business cycle

- Growth and instability
- Expansion, peak, recession, trough
- Employment / unemployment
- The “political business cycle”

Inflation

- The invisible twin of growth?
- Stagflation

Investment

- “Real” vs. “financial” investment
- Buy-to-build ratio

Government

- *Laissez faire*
- The post-war welfare-warfare state
- A neoliberal anti-government revolution?

Capital flow

- The globalization of ownership
- The end of the world as we know it?

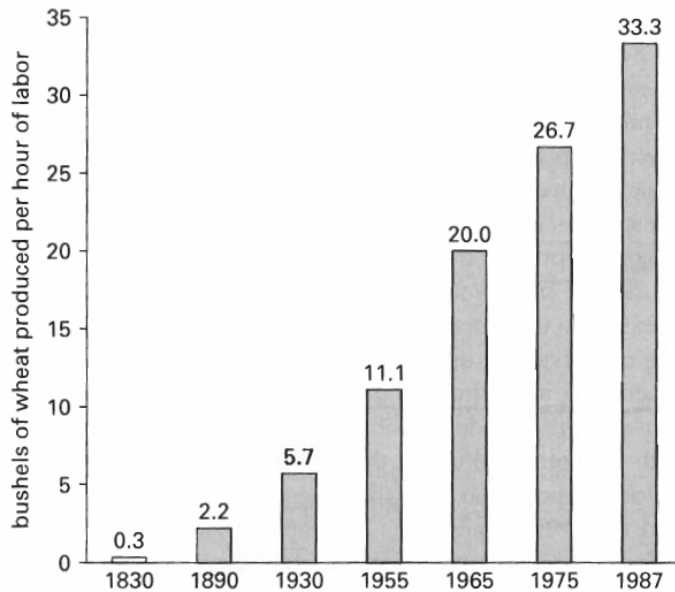


FIGURE 1.1 Productivity increases in U.S. agriculture, 1830–1987 Focusing specifically on the production of wheat, this figure shows how labor productivity in U.S. agriculture has risen during the past two centuries. In the 18th century American farmers used crude wooden plows drawn by horses or oxen. They sowed seeds by hand, cultivated them with hoes, cut the wheat with sickles, and harvested their grain from the wheat using manual threshing devices called flails. Iron plows were introduced early in the 19th century, but as late as 1830 it still took about 300 hours of labor to produce 100 bushels of wheat on a five-acre farm. In the middle of the 19th century farmers began to use chemical fertilizers, and they also came to rely more and more on factory-made agricultural machinery. Over the next century agricultural productivity rose dramatically. By 1987 on a large, highly mechanized American farm, 100 bushels of wheat could be produced with only 3 hours of labor on 3 acres of land, 100 times more output per hour than could be produced in 1830.

Source: U.S. Department of Agriculture, “A History of American Agriculture, 1776–1990,” available at <http://www.usda.gov/history2/text4.htm>.

SOURCE: Bowles, Samuel, Richard Edwards, and Frank Roosevelt. 2005. *Understanding Capitalism. Competition, Command, and Change*. New York and Oxford: Oxford University Press, p. 7

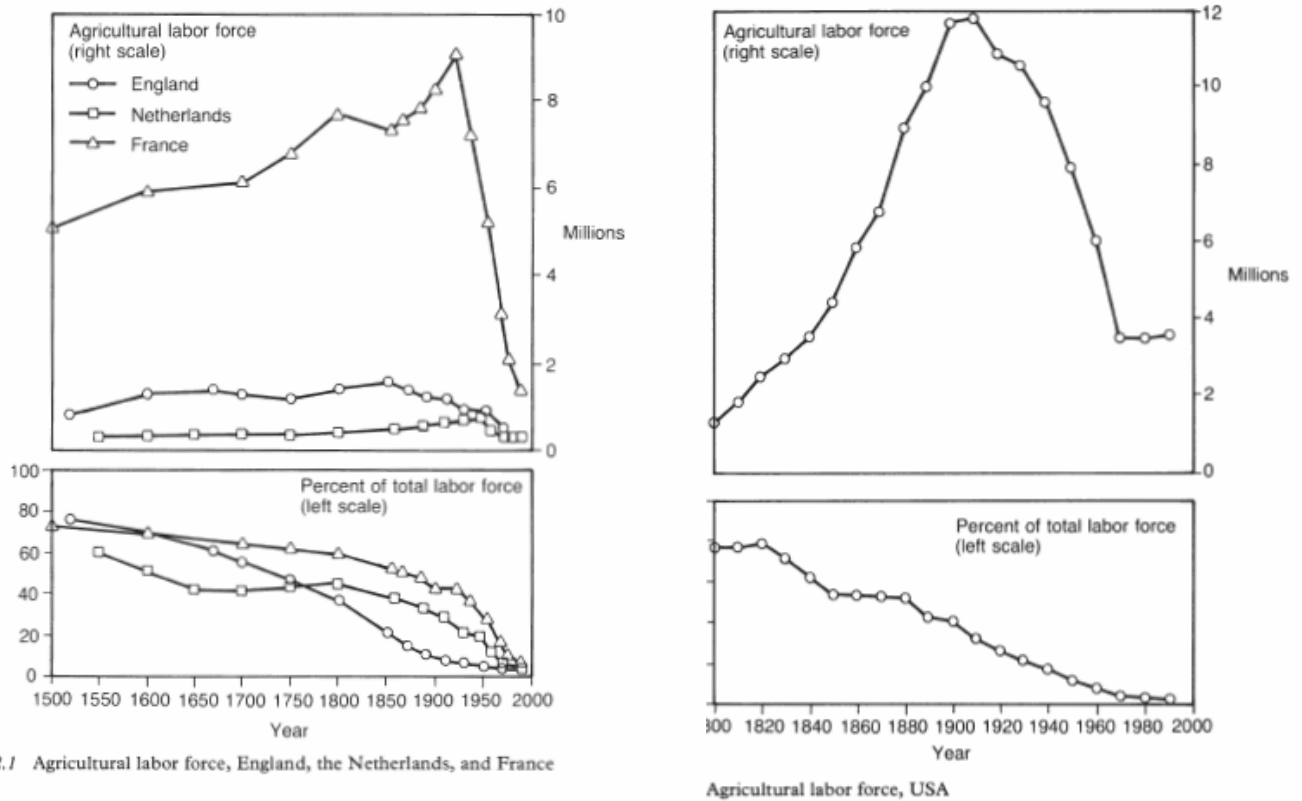


Figure 12.1 Agricultural labor force, England, the Netherlands, and France

SOURCE: Simon, Julian Lincoln. 1995. *The State of Humanity*. Oxford, UK and Cambridge, Mass.: Blackwell in association with the Cato Institute, pp. 125-126

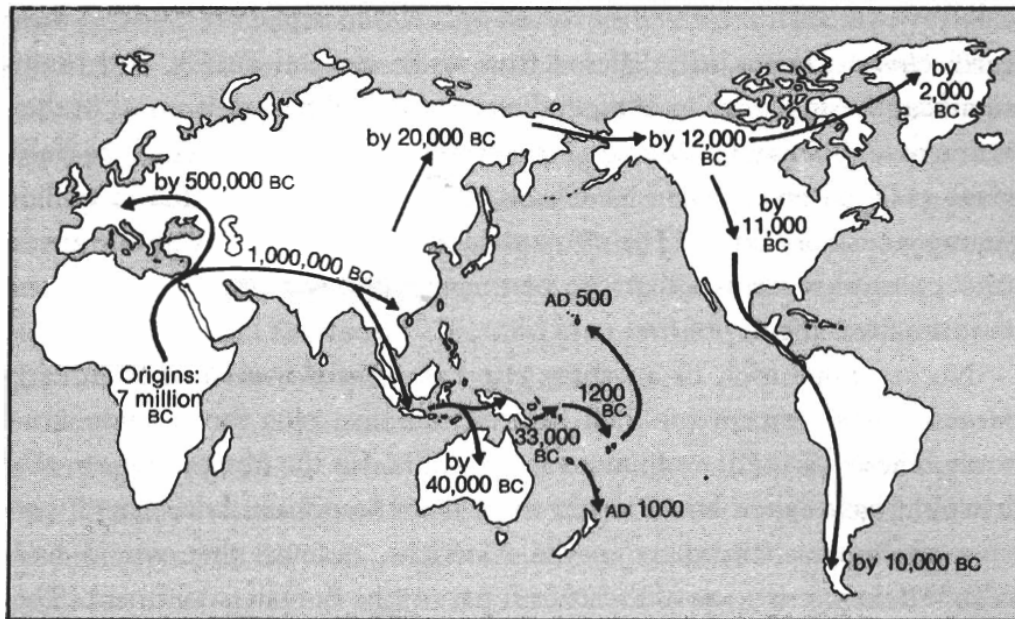
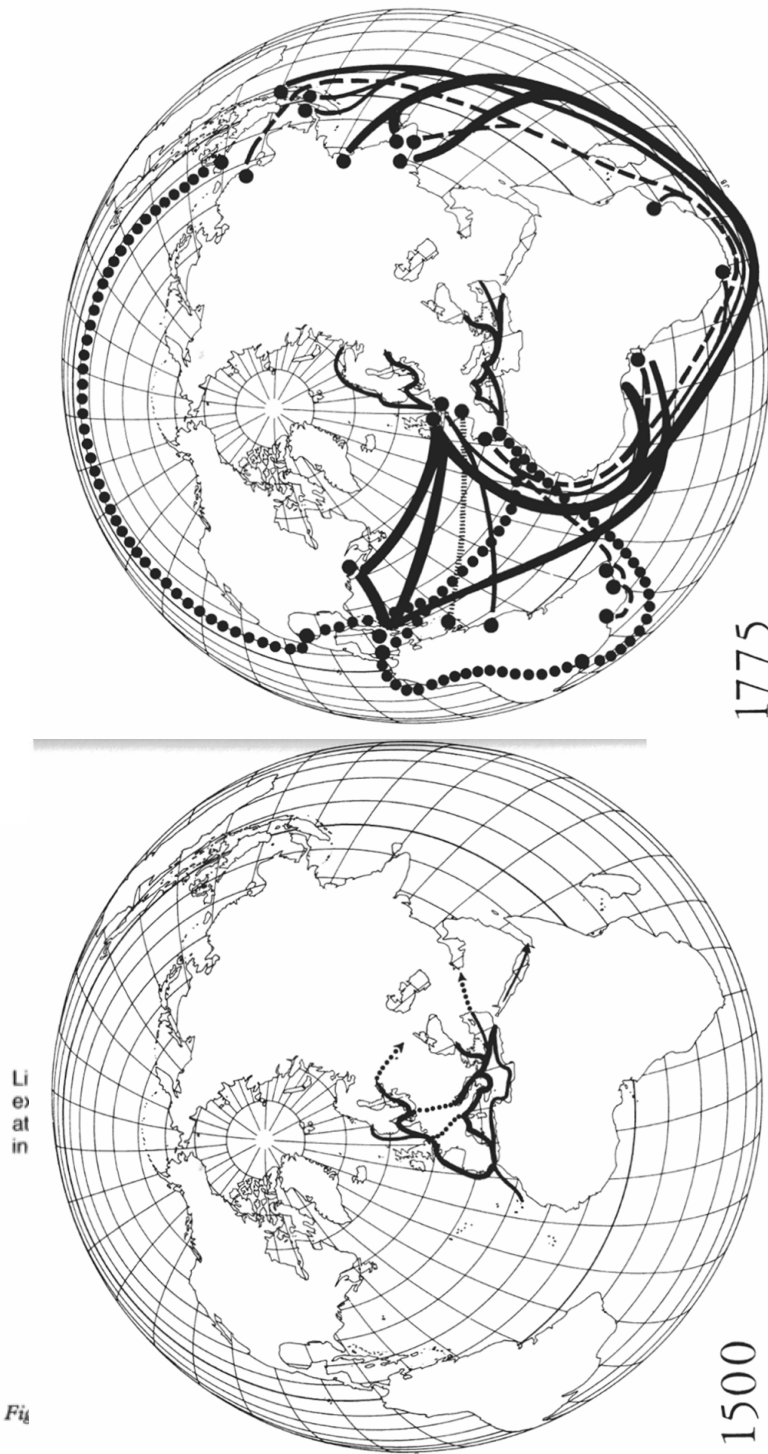


Figure 1.1. The spread of humans around the world.

SOURCE: Diamond, Jared M. 1999. *Guns, Germs, and Steel. The Fate of Human Societies*. New York: W.W. Norton & Co., p. 37

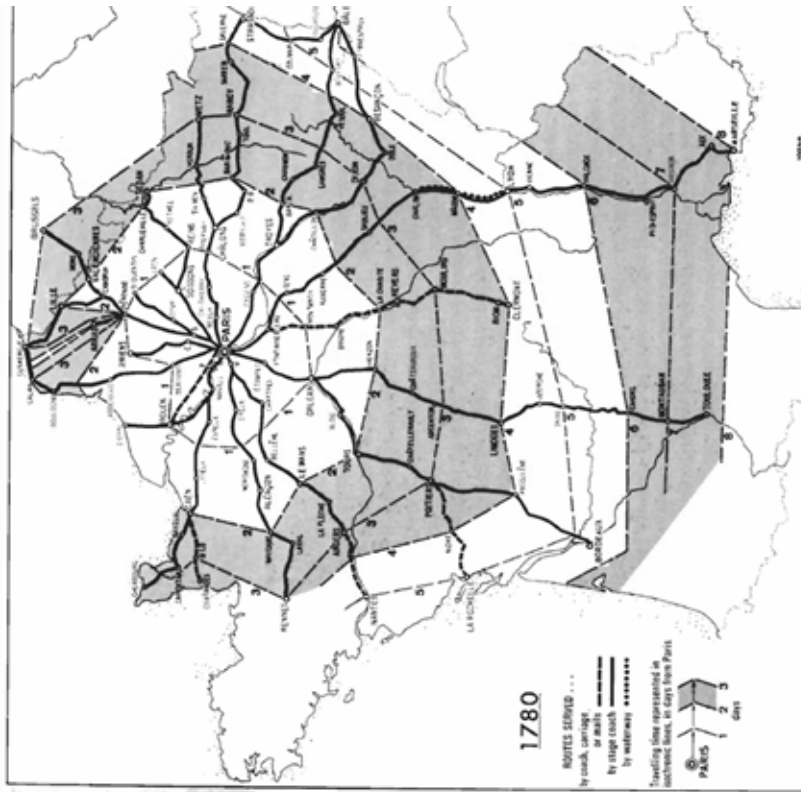


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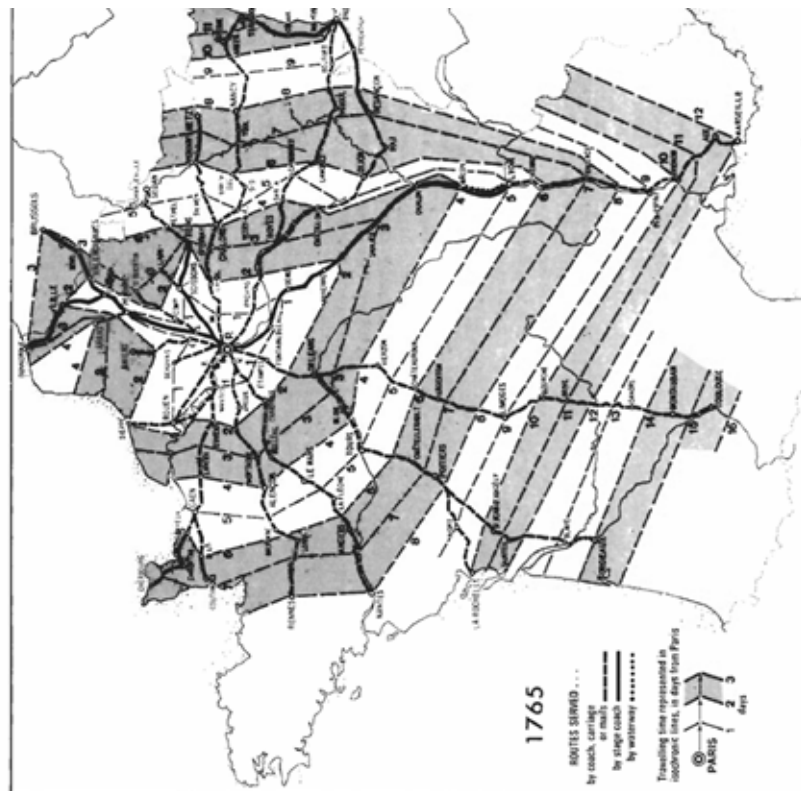
Fig

2 and 3 EUROPEAN WORLD-ECONOMIES ON A GLOBAL SCALE
 The expanding European economy, represented by its major commodity trades on a world scale.
 In 1500, the world-economy with Venice at its centre was directly operating in the Mediterranean (see Fig. 15 for the system of the *galere da mercato*) and western Europe; by way of intermediaries, the network reached the Baltic, Norway and, through the Levant ports, the Indian Ocean.
 In 1775, the octopus grip of European trade had extended to cover the whole world: this map shows English, Dutch, Spanish, Portuguese and French trade networks, identifiable by their point of origin. (The last-named must be imagined as operating in combination with other European trades in Africa and Asia.) The important point is the predominance of the British trade network which is difficult to represent. London had become the centre of the world. The routes shown in the Mediterranean and the Baltic simply indicate the major itineraries taken by all the ships of the various trading nations.

SOURCE: Braudel, Fernand. 1985. *Civilization & Capitalism, 15th-18th Century*. Trans. from the French and Revised by Sian Reynolds. New York: Harper & Row, Publishers, Vol. 3, pp. 28-29.



tending to reach all parts of the kingdom. On the first map, we can already see several privileged routes: Paris-Rouen, for instance, or Paris-Péronne (1 day, the same as Paris-Melun); Paris-Lyon (5 days, the same as it took to travel to Charleville, or Caen or Vitry-le-François despite the greater distance). On the second map there is a much clearer correlation between distance and time of journey (hence the near-concentric circles round Paris). The time of travel remained the same on the former privileged routes such as to Lyon or Rouen. The decisive factor was the creation by Turgot in 1775 of the *Régie des diligences et messageries*, the state mailcoach service.



12. OVERCOMING THE TYRANNY OF DISTANCE: THE PROBLEMS OF THE FRENCH NATIONAL MARKET

These two maps by G. Arbellot (*Annales E.S.C.*, 1973, p. 790) show the 'great road revolution' which thanks to the new roads capable of taking 'carriages at full gallop', and to the use of the *argoulines* - fast stage-coaches - and the larger number of staging posts, had cut sometimes by half the time taken to travel across France between 1765 and 1780. In 1765, it took at least three weeks to go from Lille to the Pyrenees, or from Strasbourg to Brittany. Even in 1780, France still seemed like a solid landmass to be crossed slowly. But progress in road-building was by now

SOURCE: Braudel, Fernand. 1985. *Civilization & Capitalism, 15th-18th Century*. Trans. from the French and Revised by Sian Reynolds. New York: Harper & Row, Publishers, Vol. 3, pp. 316-317.

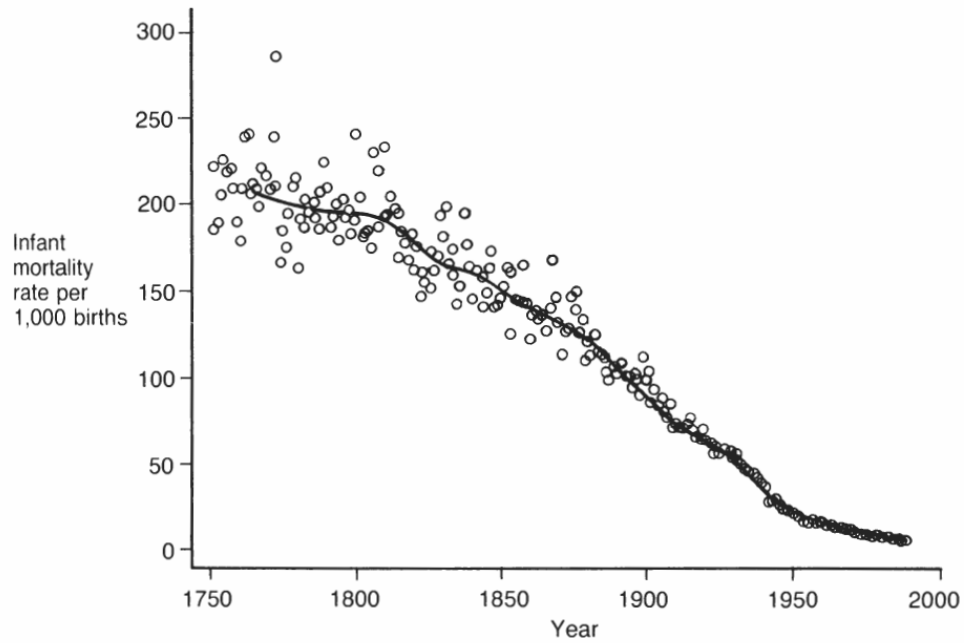


Figure 3.1 Infant mortality rate, Sweden, 1751–1988, with smoothed median trend
Source: B. R. Mitchell (1975) and United Nations Demographic Yearbooks.

SOURCE: Simon, Julian Lincoln. 1995. *The State of Humanity*. Oxford, UK and Cambridge, Mass.: Blackwell in association with the Cato Institute, p. 45.

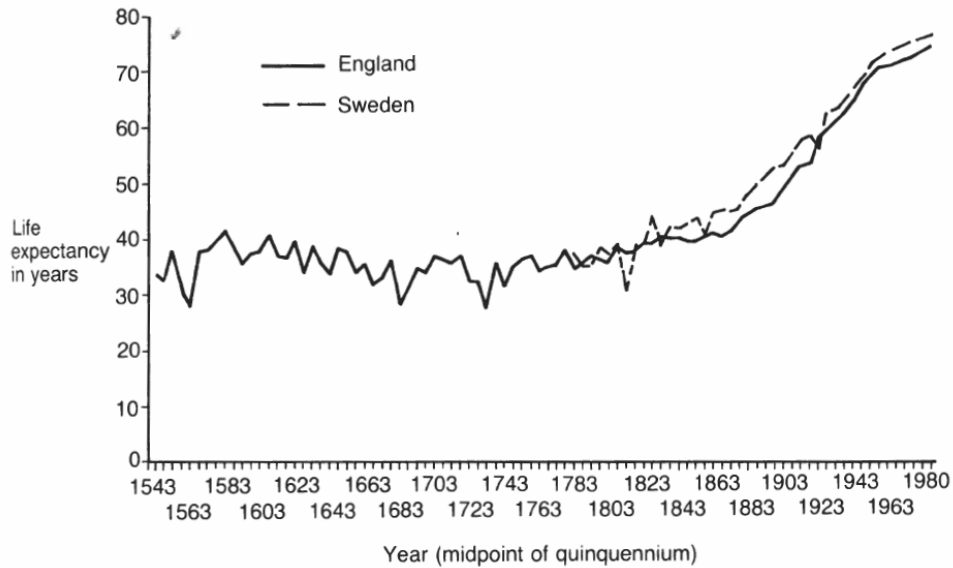


Figure 2.1 Life expectancy, England and Sweden, 1541–1985

Sources: For England and Wales: 1741–1875: Wrigley and Schofield (1981: tables 7.15); 1876–1970: Case et al. (1970); 1970–85 (individual years): Keyfitz and Flieger (1990). For Sweden: 1778–1962: Keyfitz and Flieger (1968); for 1965–85: Keyfitz and Flieger 1990).

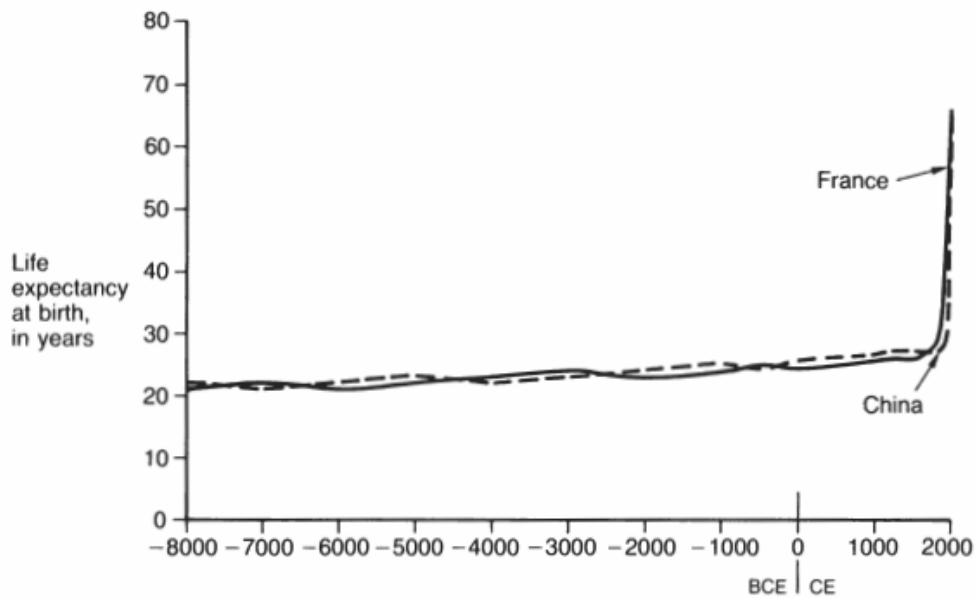


Figure 1.3a Trends in life expectancy over the millennia (stylized)

SOURCE: Simon, Julian Lincoln. 1995. *The State of Humanity*. Oxford, UK and Cambridge, Mass.: Blackwell in association with the Cato Institute, pp. 8, 31.

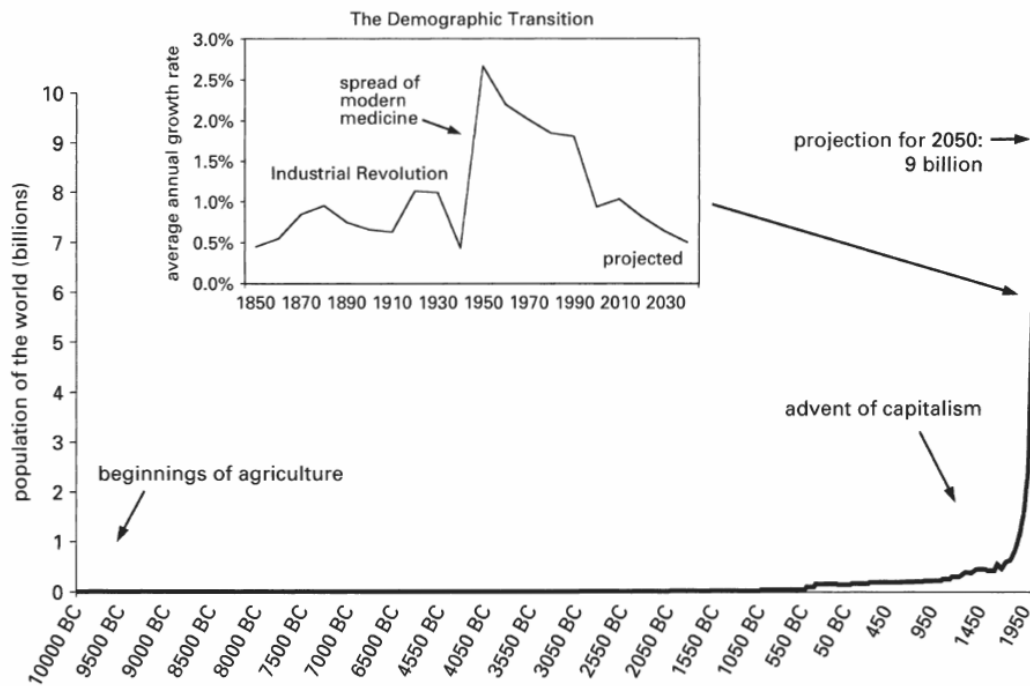


FIGURE 1.6 Capitalism and the population explosion. This figure charts the population of the world from 10,000 BC to the end of the 20th century. For most of the last 12,000 years, the total population of the world grew slowly, if at all, with periods of increase in good years followed by intervals of decline in response to climatic adversity and other calamities. There are about 20 cities in the world today whose populations exceed the entire population of the world—which was probably less than 10 million—11,000 years ago, when agriculture began displacing hunting and gathering. Population started growing rapidly in a few countries two centuries ago, but the world's population really exploded in the 20th century with the development of modern medicine and its spread throughout the world. While the number of people in the world continues to grow, the pace of growth is slowing (see insert). Demographers predict that the population of the world will stabilize at about 11 billion around the middle of the 22nd century.

Sources: United Nations Development Programme, *World Population From Year 0 to Stabilization* (United Nations, 1996); U.S. Bureau of the Census, *Historical Estimates of World Population* (1995) available at <http://www.census.gov/ipc/www/worldpop.html>; U.S. Bureau of the Census, *Total Midyear Population for the World: 1950–2050* (1995, updated 2/28/98), available at <http://www.census.gov/ipc/www/worldpop.html>.

SOURCE: Bowles, Samuel, Richard Edwards, and Frank Roosevelt. 2005. *Understanding Capitalism. Competition, Command, and Change*. New York and Oxford: Oxford University Press, p. 16.

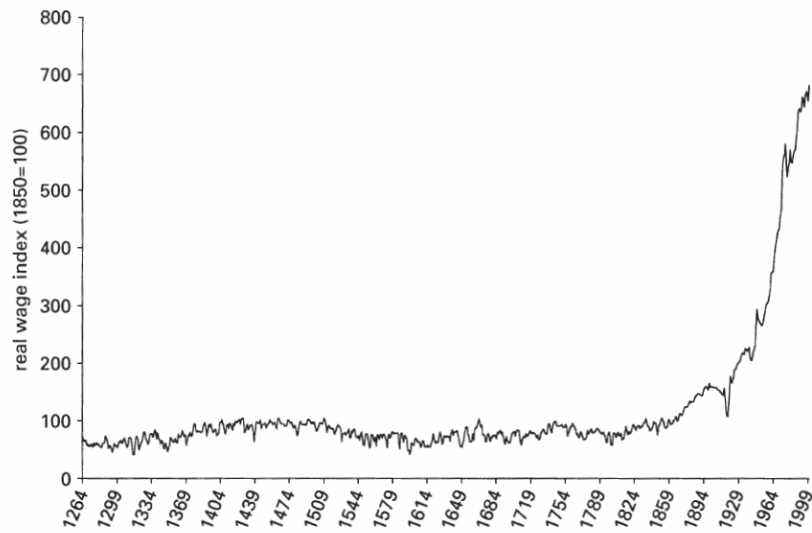


FIGURE 1.2 Real wages in London over seven centuries. This figure shows the average real wage of skilled construction workers in London between 1264 and 1999. The term "real" means that the monetary wage in each year has been corrected for any price inflation that occurred.

SOURCE: Bowles, Samuel, Richard Edwards, and Frank Roosevelt. 2005. *Understanding Capitalism. Competition, Command, and Change*. New York and Oxford: Oxford University Press, p. 9.

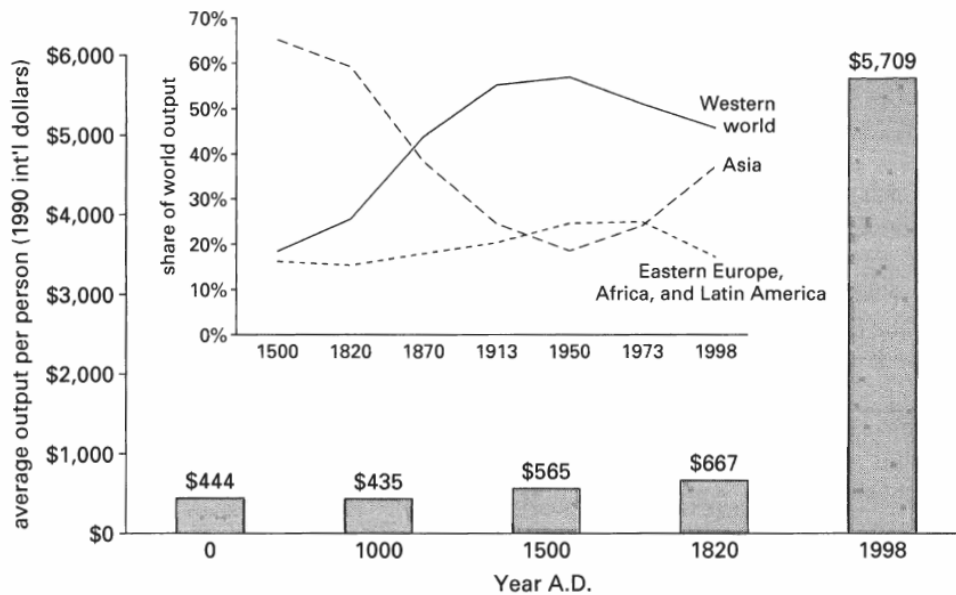
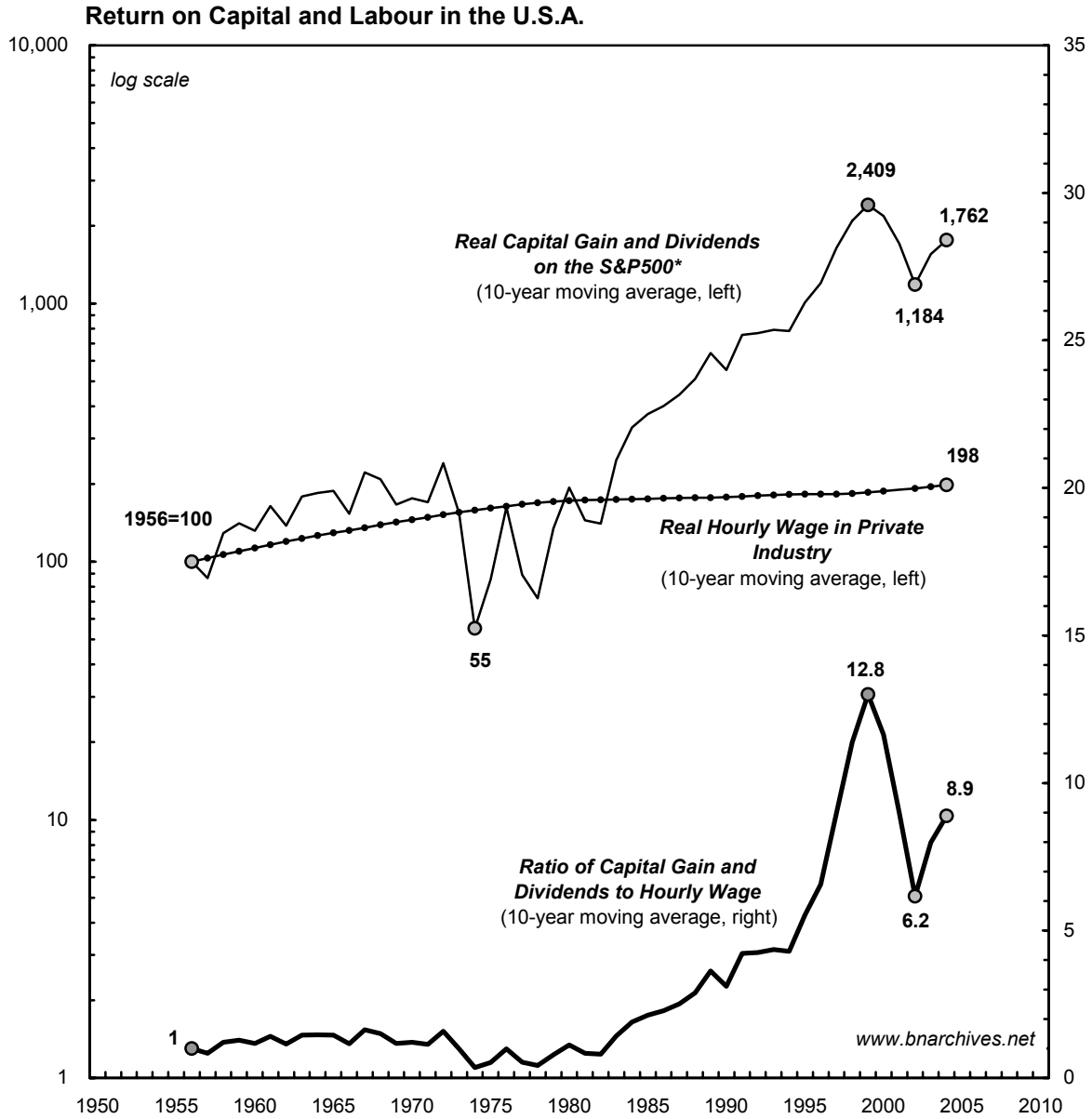


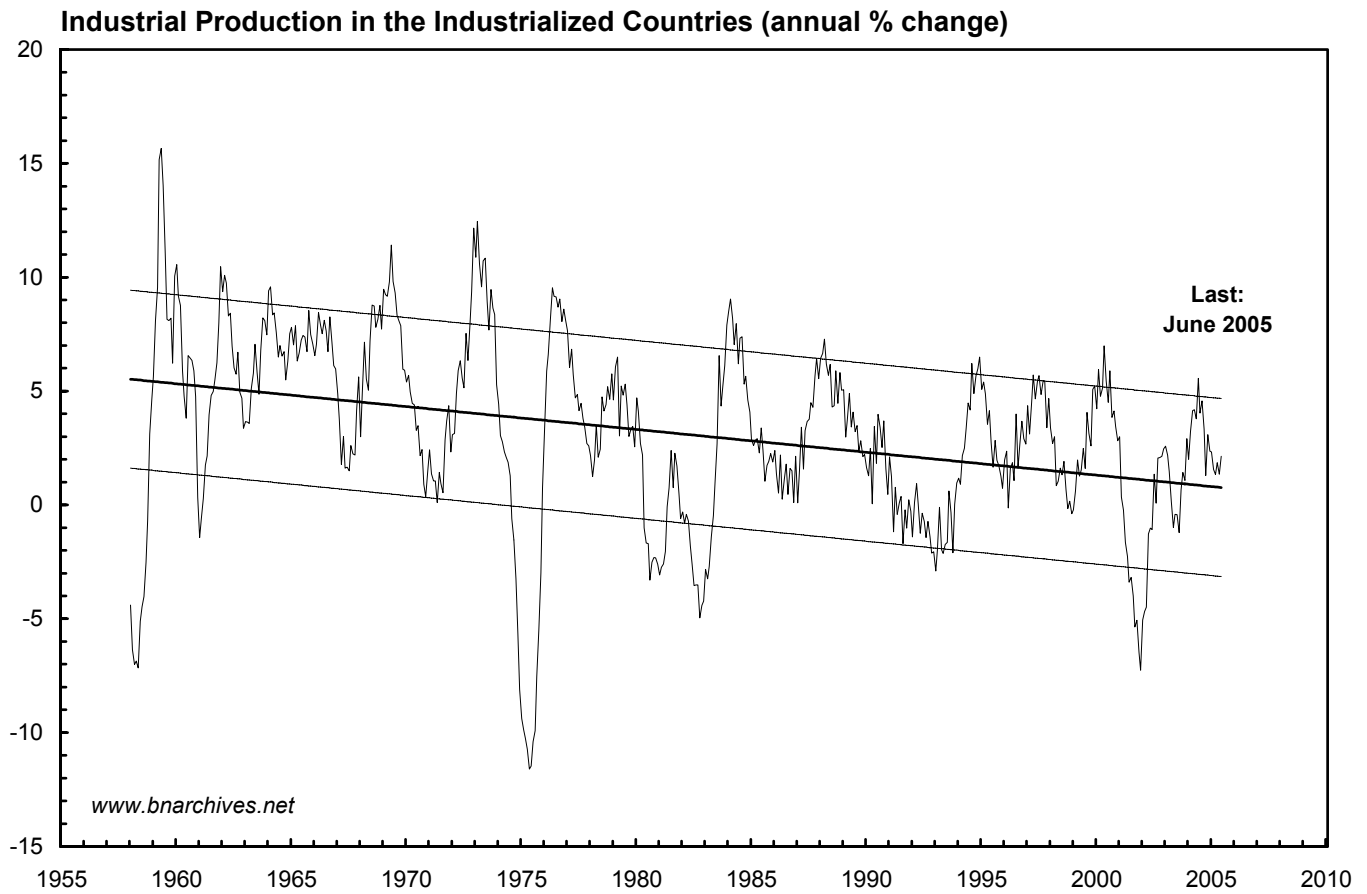
FIGURE 1.3 Two millennia of world GDP per capita. The larger chart in this figure presents inflation-adjusted estimates of output per person (GDP per capita) for the world as a whole during the last two millennia. These estimates are the result of more than half a century of empirical research conducted by Angus Maddison, one of the world's foremost scholars of global population size, technical change, and productivity growth. According to Maddison, the world's output per person remained at relatively low levels until 1820, with increases in output being largely absorbed by corresponding increases in the world's population. In the period since 1820, however, the technical changes associated with the rise of capitalism have allowed for a dramatic expansion of output per person. Although the data in the main chart show output per person averaged for the world as a whole, the insert shows how the productivity increases of the past few centuries have been generated disproportionately, and enjoyed unequally, by the various regions of the world. Since the vertical distances in the smaller chart represent percentages of total world output, and since all the regional shares thus represented must add up to 100 percent, the movements of any one region's output may seem exaggerated since any change in output in one part of the world must be offset by an opposite movement in at least one other part. In any case, the smaller chart reveals striking changes in shares of world output that are not shown in the larger chart.

Sources: Angus Maddison, *Monitoring the World Economy, 1820–1992* (Paris: OECD, 1995), p. 19, Table 1-1(a), and *The World Economy: A Millennial Perspective* (Paris: OECD, 2001), p. 28, Table 1-2.

SOURCE: Bowles, Samuel, Richard Edwards, and Frank Roosevelt. 2005. *Understanding Capitalism. Competition, Command, and Change*. New York and Oxford: Oxford University Press, p. 12

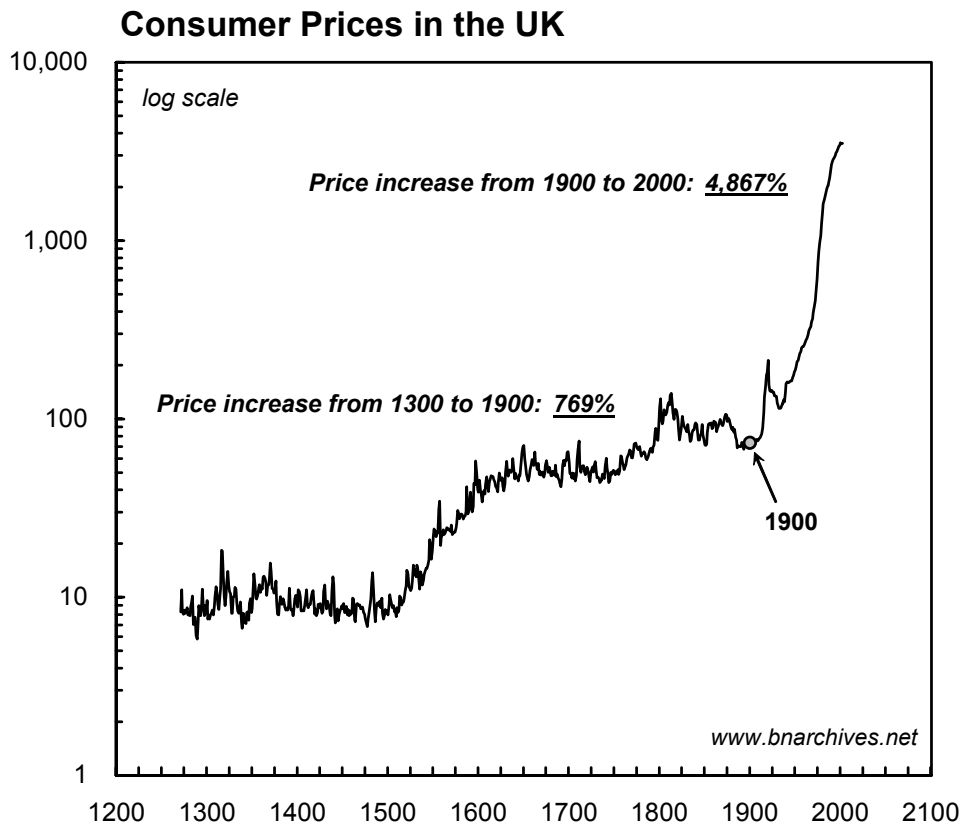


NOTE: real series are computed by deflating nominal data by the CPI.
 * Capital gains and dividends is the difference between successive values of the S&P500 Total Return Index.
 SOURCE: U.S. Bureau of the Census through Global Insight; Global Financial Data (www.globalfindata.com)



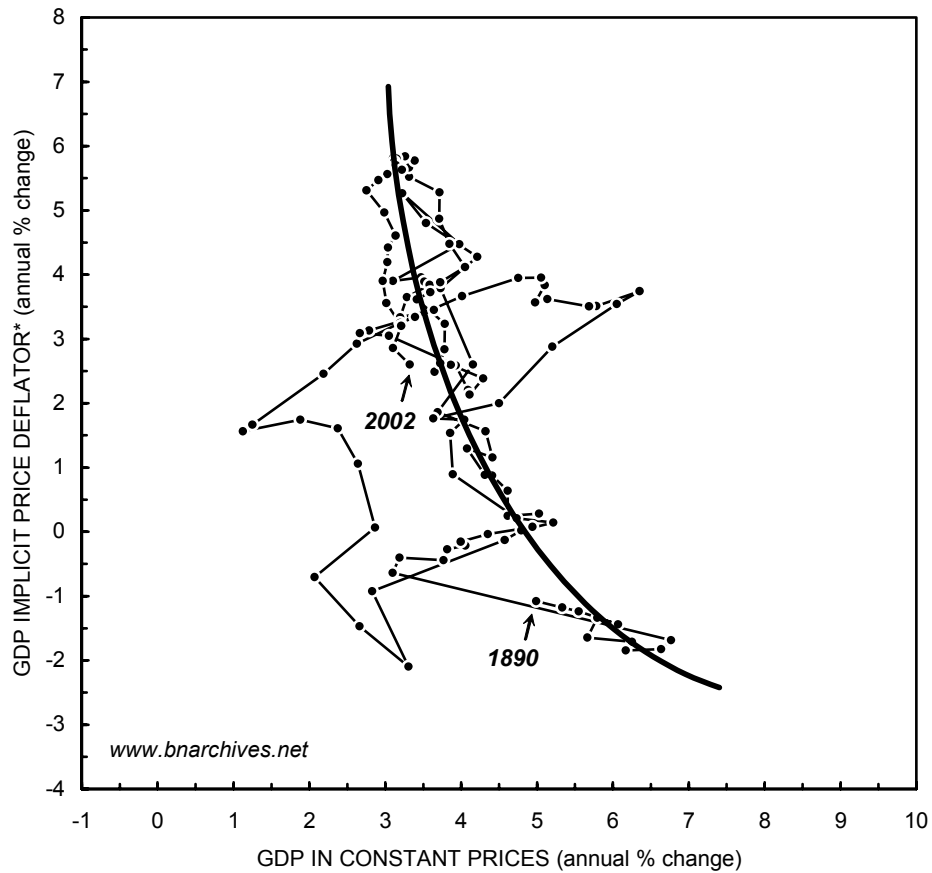
NOTE: Straight lines represent linear trend (middle), trend plus one standard deviation (top) and trend minus one standard deviation (bottom).

SOURCE: IMF through Global Insight.



SOURCE: Bichler, Shimshon, and Jonathan Nitzan. 2004. Dominant Capital and the New Wars. *Journal of World-Systems Research* 10 (2, August): 255-327.

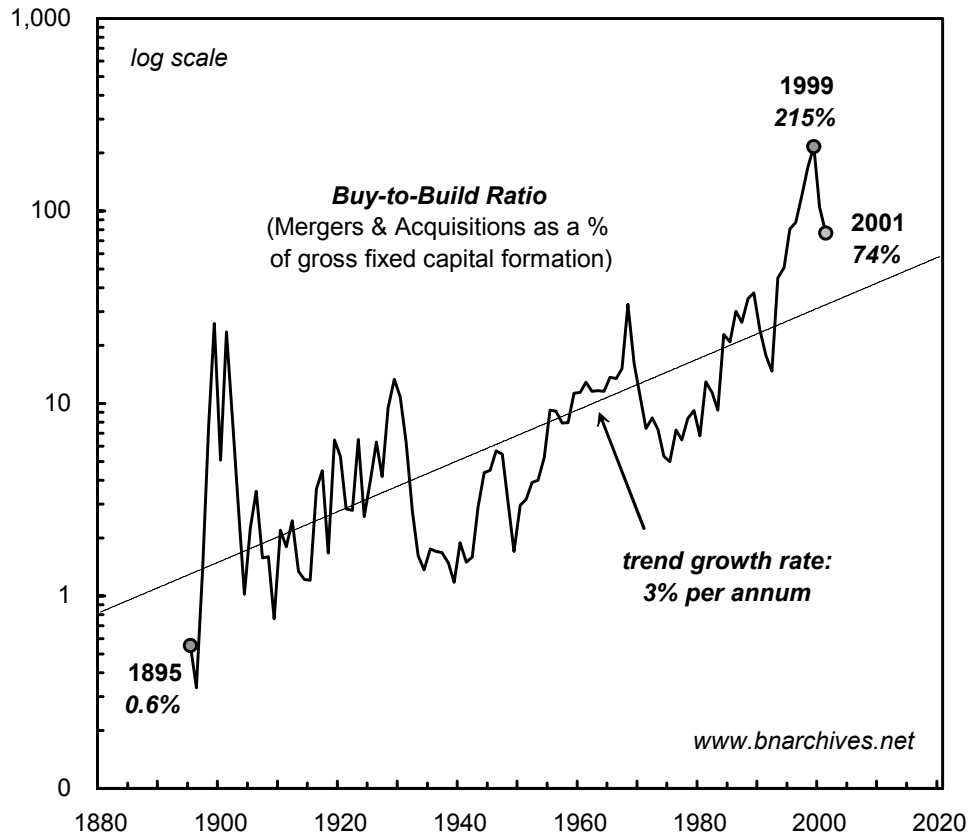
Inflation and Growth in the United States



NOTE: Figures are smoothed as 20-year moving averages.

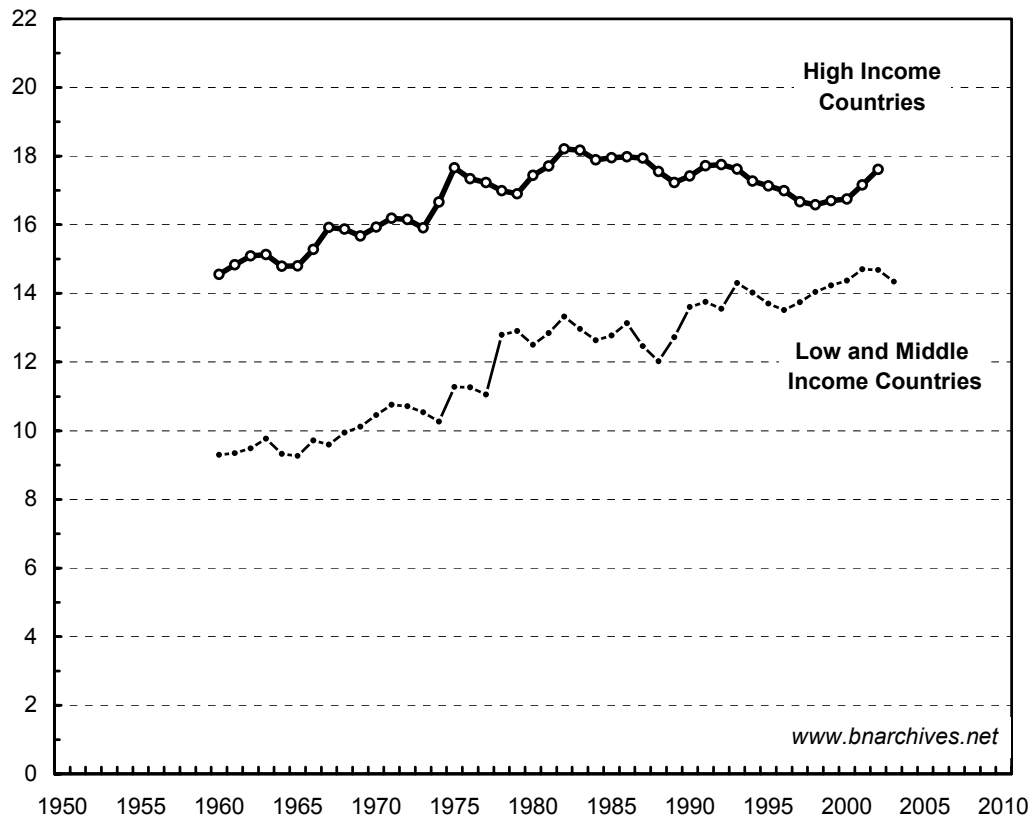
SOURCE: Bichler, Shimshon, and Jonathan Nitzan. 2004. Dominant Capital and the New Wars. *Journal of World-Systems Research* 10 (2, August): 255-327.

Two Types of "Investment"



SOURCE: Bichler, Shimshon, and Jonathan Nitzan. 2004. Dominant Capital and the New Wars. *Journal of World-Systems Research* 10 (2, August): 255-327.

General Government Final Consumption Expenditure (% of GDP)



NOTE: Cutoff point between Middle and High Income countries: \$9,385 Gross National Income per Capita.

SOURCE: *World Development Indicators* 2005.

The Globalization of Ownership



SOURCE: Obstfeld and Taylor (2004), Global Capital Markets, pp. 52-3.