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POLITICAL CAPITALISM

The Dutch, English and French Revolutions were both popular and bourgeois-capitalist revolutions. The petty producers, especially the emergent or proto-capitalist element, were paramount in these capitalist revolutions from below. In this chapter we take up Lenin's contrast between such 'capitalisms from below' and 'capitalisms from above'. The outlines of these contrasting historical paths derive from Lenin's conceptual elaboration of Marx's contrast between the revolutionary petty-producer-led transition and the non-revolutionary merchant-led transition to capitalism. In fact Lenin's stress on the rural petty producers as key to the emergence of capitalism from below echoes across the previously discussed original transition debate, influencing the views of Dobb and Hilton on the transition in England.

England has been my prime example of the installation of capitalism largely from below. While gentry, landlords and merchants had their part, I have insisted that the main dynamic of the transition came from the grassroots. But it will be one of this chapter's main purposes to break from an Anglocentric view of capitalist origins and to extend our understanding of such beginnings by introducing a comparative perspective. I have already shown that the revolutionary path of capitalism from below applies to Holland and France as well as England. Following Lenin, I shall show how the phenomenon of capitalism from below extended across the Atlantic to nineteenth-century America in the wake of its revolution. Discussion of the Prussian example as well as the instances of Scotland and Japan allows us to contrast the notion of capitalism from below with that of capitalism from above: that is, capitalism imposed by landlords and the state.

Capitalism from above features landlords in control of a state, or a state acting independently, responding to capitalism's uneven development by consciously producing 'combined development', a form of accelerated, conscious and planned development of capitalism. But even capitalisms developing from below were hardly immune to this logic of state intervention. Early modern Holland, England and France adopted policies like mercantilism and

colonialism in the service of capitalist development. Recognizing this is important in opposing Eurocentric and economic views, which assert that capitalism was an economic system which in its 'classic' forms at least did not require fostering by the state, and in particular that colonialism and slavery had little or nothing to do with its development. I argue, on the contrary, that the state played a key role in the development of capitalism, whether from above or below, and that the overseas initiatives of the state represented a crucial step in strengthening European capitalism and vaulting it from economic marginality to world primacy.

Throughout the chapter Lenin's conception of the origin of capitalism based either on the American path from below or the Prussian path from above serves as a key. Following the history of these paths enables me to show that control over the state by bourgeoisie supported by small producers or by landlords helped to determine the character of the capitalism that developed in each instance. A revolution which creates a state like the United States which rests on small producers opens the way to the free play of the market. Under such conditions capitalist relations and forces of production develop most rapidly. But it will be shown that even so the state intervened heavily to support this process. The Prussian instance demonstrates in turn how the state not only intervened to ensure the survival of its nobility, but aided them in making the transition to capitalism at the expense of the peasant producers. As their historical development has recently been fruitfully explored from the point of view of capitalism from above, the examples of Scotland and Japan are discussed with an eye to developing a comparative understanding of alternative routes to capitalism. The decisive role of the state is illustrated by applying Trotsky's conception of combined and uneven development to the Scottish path to capitalism. It illustrates the speed and contradictory nature of capitalist development in states with archaic social relations.

Mercantilism is commonly thought of as an economic policy and doctrine based on state intervention in the economy which was characteristic of the early modern period. I argue that it is as characteristic of modern capitalism as it was of the early modern form. Moreover it exemplifies one of the ways that the coercive role of the state has been used to accelerate the accumulation of capital. Anderson, Wallerstein and Teschke argue that mercantilism reflected the views of a state directed by the nobility. On the contrary, mercantilism was among other things an expression of the interests of a rising bourgeoisie within the absolutist state. Indeed,

its most successful practitioner was capitalist England. Following the seventeenth-century revolution from below, bourgeois economic interests predominated in that state. Colonialism and slavery were two of the most successful features of mercantilism backed and protected by the state. The role of colonialism and slavery in the development of capitalism has been greatly disputed. Discussion of these disputes will open the way for the next chapter, which deals with the Industrial Revolution.

LORDS IN THE MAKING OF THE MODERN WORLD

In my argument so far, I have made clear that the bourgeois and capitalist revolutions in Holland, England and France opposed absolutist regimes based on the landlord class. This was true even of the Spanish monarchy's intervention in the Low Countries in light of the European-wide aristocratic social and political base of the Hapsburgs. The foundation of the royalist cause in England, likewise, was the landed class. While there were capitalist landlords in England, most landlords supported the monarchy, and only a minority supported Parliament. The main social base of the revolutionary party was rural and urban petty producers as well as merchants and manufacturers. Moreover, it was principally from this same social element that agrarian and manufacturing capitalism emerged.

In emphasizing the bourgeois and capitalist character of these early revolutions, I have opposed the arguments of Brenner and his followers that it was landlords who played the main role in ushering in capitalism in England, for Brenner the first and classic path of capitalist development. Now I aim to put the role landlords did play in the development of capitalism in perspective. While it was not central in the English case, it was in other places. And this difference in the social character of the regimes that opened the way for capitalism made a lasting political difference: they contributed to the emergence of modern democratic political orders or to twentieth-century fascisms, or determined that modern class struggle would assume the form of Gramscian wars of position or of movement.

The origins of modern dictatorship or democracy are the central problematic of Barrington Moore's famous *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*.¹ Though urban merchant and industrial capitalists were involved, the political destiny of modern states was determined by agrarian social relations, according to Moore. In the early modern revolutions discussed by Moore, including England,

France and the United States, it was an emergent agrarian capitalist class which included capitalist farmers, rather than a dominant landlord class, that played the key role in the transition to capitalism. This was true also in heavily urbanized Holland, as Brenner has shown. Where the early modern transitions to capitalism were based on the grassroots of society as in the above cases they proved critically important to the emergence of a democratic political order. On the other hand, Moore argued that the continued dominance of landlords over peasants in Germany and Japan in the process of capitalist development led to a politically reactionary outcome in the form of modern fascism. It eventually could lead, as in the case of twentieth-century China and Russia, to the elimination of the landlords altogether and the installation of communist regimes.

Successful early modern political revolution made it possible to pursue modern class struggle within the limits of a liberal democratic political order. Contrariwise the failure of such early modern struggles ensured that modern class struggles in Germany, Japan, Russia and China would take the form of violent counter-revolutionary or revolutionary conflict. Moore's formulation has the virtue of linking the development of capitalism to class struggle and the nature of the state. Its indebtedness to Lenin's distinction between capitalism from above and below is patent. But in terms of its modern outcome it is also reminiscent of Antonio Gramsci's distinction between the conditions which allow class wars of position (parties, unions, strikes, legislation) as against those of movement (insurrectionary politics).² Moreover, Moore's analysis suggests that revolutionary or non-revolutionary transitions to capitalism mark significant historical differences. It is a world away from the indifference to the question of political revolution in the approach to the transition problem of the school of Political Marxism.

Engels was the first to note that a transition from feudal society to capitalism had arisen on the basis of the institution of capitalism from above, in the form of Prussian landlords taking the lead in using the state to initiate and institute capitalism.³ Moreover, for him the character of such a transition was no mere academic question. It bore on the political and economic future of capitalism and the prospects for socialism in Germany and elsewhere. In *The Peasant Question in France and Germany* (1894) he tried to deal with the fact that the peasants in these two countries remained an influential political element that had to be dealt with by astute socialist policies. On the other hand, he noted that as a result of the development of landlord capitalism the peasants were no longer a

factor in the important German state of Prussia: 'east of the Elbe the same process has been going on for centuries; here too the peasant is being increasingly "put down" or at least economically and politically forced into the background'. They were no longer a significant element. Big landed estates in Prussia present a simple political case: 'we are dealing with undisguised capitalist production'.⁴ It was not necessary to temper socialist measures in Prussia, as it was elsewhere in Germany where peasants remained politically influential.

The agrarian question was of urgent concern for the most important successors of Marx and Engels, particularly for Karl Kautsky, the acknowledged leader of German Social Democracy until the First World War, and Vladimir Ilyich Lenin, the leader of Russian Bolshevism. In *The Agrarian Question* (1899) Kautsky sought to deepen Engels's analysis by assembling and examining data from Germany, France, Britain and the United States with an eye on their political implications. He was particularly interested in the different pace and character of capitalist accumulation in industry and agriculture. His study included the extent of rural capitalist development, its emergence in different national contexts and the barriers that impeded its further progress. Kautsky analyzed both the nature of class relations and the forms of the productive forces, including the level of mechanization. The penetration of capitalism in agriculture was more complex than in industry, but was no less inexorable. It would be wrong for Marxists to either retard or accelerate the disappearance of the peasant producer, Kautsky concluded.⁵

But while Lenin fulsomely praised Kautsky's work and its political conclusions, he was above all concerned with the possibility of revolution in Russia. It was in this context that he elaborated Engels's conception of capitalism from above into one of two contrasting paths to capitalism. In the second edition of *The Development of Capitalism in Russia* (1907), Lenin outlined the alternative routes to capitalism:

Either the old landlord economy, bound as it is by thousands of threads to serfdom, is retained and turns slowly into purely capitalist, 'Junker' economy. The basis of the final transition from labour-service to capitalism is the internal metamorphosis of feudal landlord economy. The entire agrarian system of the state becomes capitalist and for a long time retains feudal features. Or the old landlord economy is broken up by revolution, which destroys all the relics of serfdom, and large landownership in the first place. The basis of the final transition from labour-service to capitalism is the free development of small peasant farming.⁶

Under the Prussian path the state assumes a capitalist form but retains feudal characteristics. As Lenin puts it in *The Agrarian Programme of Social-Democracy in the First Russian Revolution*, composed the same year, the Prussian route assumes the political form of a 'landlord monarchy'. The American path leads to what he describes as a 'farmers' republic'.⁷ In the same work he names the alternative paths as Prussian and American:

These two paths of objectively possible bourgeois development we would call the Prussian path and the American path, respectively. In the first case feudal landlord economy slowly evolves into bourgeois, Junker landlord economy, which condemns the peasants to decades of most harrowing expropriation and bondage, while at the same time a small minority of *Grossbauern* ('big peasants') arises. In the second case there is no landlord economy, or else it is broken up by revolution. In this case the peasant predominates, becomes the sole agent of agriculture, and evolves into a capitalist farmer.⁸

In this passage Lenin points out the terrible economic consequences of Prussian-style capitalism on the mass of producers. Elsewhere in the same work he contrasts this outcome with what is possible for such producers under the American route:

A mass of free farmers may serve as a basis for the development of capitalism without any landlord economy whatsoever since, taken as a whole, the latter form of economy is economically reactionary, whereas the elements of free farming have been created among the peasantry by the preceding economic history of the country. Capitalist development along such a path should proceed far more broadly, freely, and swiftly owing to the tremendous growth of the home market, and of the rise in the standard of living, the energy, initiative, and culture of the entire population.⁹

In these few lines Lenin captures not only the economic but also the political difference a capitalism from below made to the political and social evolution of England, France and the United States as suggested by Moore. At the same time we are able to appreciate better why Gramscian class wars of position have characterized these countries, compared with the class wars of socialist revolution

and fascist counter-revolution in places like Russia, Germany and Japan where capitalism came to predominate.

At the same time as he outlined these contrasting paths Lenin moved from a Eurocentric to a global understanding of capitalist development. Initially preoccupied with the development of capitalism in Russia in order to contest *narodnik* claims that it was not developing and could not develop there, and to lay down an understanding of how socialism could arrive there that was more sophisticated than their naïve conception of ‘skipping’ capitalism, he aimed, in *The Development of Capitalism in Russia* (1899), to show that despite economic backwardness, capitalism was emerging in Russia in the late nineteenth century. Indeed, Lenin’s text is path-breaking in dealing with the emergence of capitalism in a non-Western country. Later, during the First World War, which he and other Marxists recognized clearly as an imperialist war first and foremost, his attention turned to backward and colonized countries in general in *Imperialism, The Highest Stage of Capitalism* (1916). Together these two works shifted the focus from capitalism in the West to its development on the capitalist periphery. It need hardly be added that, following in the footsteps of Marx’s discussion of the prospects of socialism in Russia, this reorientation raised the spectre not simply of further capitalist development, but of the breakthrough of socialism on the periphery.¹⁰ Indeed, it needs to be underlined that Lenin’s discussion of both imperialism and the development of capitalism in Russia is preoccupied not with the historic development of capitalism, but with learning from the past in order to make socialist revolution in the future. In Lenin we find a deeply politicized understanding of the transition in which the state plays a fundamental role.

THE AMERICAN AND PRUSSIAN PATHS

Lenin’s distinction between the Prussian and American paths formed the starting point for an extended historical and comparative analysis of American and Prussian capitalism by Terence Byres.¹¹ We encountered Byres earlier in the debate on the decline of feudalism. He criticized Brenner’s stress on the importance of social property relations and the initiatives of landlords in the development of capitalism, emphasizing instead the differentiation of the peasantry through market mechanisms.

Lenin’s account of the American path toward capitalism highlighted the absence of a strong landlord class as a barrier to the

process of the social differentiation of the rural producers. The basis of the transition was a process of differentiation within the mass of peasant-farmers – the market-driven evolution of economically well-positioned producers into capitalist farmers, and the transformation of disadvantaged petty producers into wage workers. Lenin initially hoped for such an evolution in Russia. He regarded the failure of a landlord class to develop in America as a result of the continuing availability of ‘unoccupied free land’. Byres notes that Lenin’s remark unfortunately leaves out the forcible expropriation of the aboriginal population of North America. In contrast it should be recalled that Lenin’s mentor Marx did not ignore the dispossession of the aboriginals. We can recall his passing and sarcastic reference in *Capital* to the fact that ‘the extirpation, the enslavement and entombment in mines of the aboriginal population ... signalled the rosy dawn of the era of capitalist production’.¹²

Two pages further Marx shifts his glance to the North American mainland:

The treatment of the aborigines was, naturally, most frightful in plantation colonies destined for export trade only, such as the West Indies, and in rich and well-populated countries, such as Mexico and India, that were given over to plunder. But even in the colonies properly so called, the Christian character of primitive accumulation did not belie itself. Those sober virtuosi of Protestantism, the Puritans of New England, in 1703, by decrees of their assembly set a premium of £40 on every Indian scalp and every captured red-skin: in 1722 a premium of £100 on every scalp; in 1744, after Massachusetts-Bay had proclaimed a certain tribe as rebels, the following prices: for a male scalp of 12 years and upwards £100 (new currency), for a male prisoner £105, for women and children prisoners £55, for scalps of women and children £50.¹³

Such passages indicate that Marx fully understood that the growth of capitalist forces of production came at the expense of non-European peoples. Rosa Luxemburg in *The Accumulation of Capital* (1912) pointed out how ‘in the wake of the railways, financed by European and in particular British capital, the American farmer crossed the Union from East to West and in his progress over vast areas killed off the Red Indians with fire-arms and bloodhounds, liquor and venereal disease’.¹⁴

Nonetheless, when it came to evaluating capitalism in its own terms,

Lenin like Marx thought of the United States as the most advanced capitalist country, unleashing extraordinary productive forces while promoting social and political progress. In the case of the productive forces, not only did agricultural output increase, there also developed an expansion of demand for manufactures including agricultural means of production as well as consumer items.¹⁵

Lenin's other path to capitalism, as we have noted, was 'capitalism from above' or the Prussian route to capitalism. There, the late eighteenth and early nineteenth-century feudal class gradually transformed itself into a class of capitalist farmers in a way that stifled the development of the peasant economy. As Lenin described it, the Prussian landlord dependence on serfdom of the early modern period continued, while being slowly transformed in the direction of capitalism. Byres concludes that Prussian agriculture became capitalist while retaining many feudal aspects, and was reactionary in its effects on the population: 'this was a far more reactionary solution for the agrarian question than the English or the North American It was politically and socially reactionary. It was also "economically reactionary".'¹⁶ Prussian landlordism became Junker-controlled capitalist farming, the new basis for the social and political domination of this class. The peasants were reduced to wage workers while still bearing the degrading stigma of serf status, and the development of the home market and the forces of production were retarded because of the impoverishment of the mass of the population.¹⁷

Byres's scholarly study, which includes economic and historical sources that have appeared since Lenin wrote, finds the latter's account of the Prussian path still convincing and scarcely departs from it. His investigations enable him to deepen Lenin's notion of the Prussian path's economically reactionary nature. He acknowledges that Prussian capitalism did release labour for industry. On the other hand, it did not provide a market for producer or consumer industries, and did not supply capital or food to the industrialization process. Industrialization progressed in spite of, rather than because of, the contribution of capitalist agriculture in Prussia.¹⁸

In contrast Byres's account of the American path differs substantially from that of Lenin. It features a much greater regional diversity than indicated by Lenin. Though Lenin was aware of the plantation slavery economy in the Southern states of the United States, he underestimated its importance. More importantly, contrary to Lenin's expectations the social differentiation of the agricultural population into capitalist farmers and agricultural workers in the North did not run its course, and the bulk of American agriculture

remained based on the family farm or petty commodity production. Not only did the spread of tenant farming and the development of mechanization in agriculture allow the perpetuation of the family farm,¹⁹ according to Byres:

we also see, in the activities of the American state, powerful intervention which served to reinforce significantly the survival of the family farm/petty commodity production. ... That state intervention acted to maintain and support agricultural overproduction and so sustain the widespread existence of family farms.²⁰

With regard to the intervention of the state, Byres refers to the American government's clearing of the West of its indigenous population, conversion of the land from state-owned to private property, encouragement of the railways and establishment of state banks. In the longer run he refers to the establishment of permanent farm subsidies by the federal government in the 1930s.²¹ The conception of American capitalist development as the result of the free play of the market is completely mythical. Yet Byres's own account of American capitalism from below might be criticized for not making more of the importance of political revolution, with the significance of the American Revolution and Civil War and the role of petty producers in these conflicts. Breaking with the English state and capitalist merchant oligarchy in the initial revolutionary clash and ending slavery in the second conflict made it possible to consolidate a strong state, allowing the better part of North America to be exploited on a capitalist basis. Farmers, petty merchants and craftspeople provided the rank and file of the victorious armies in these conflicts.

Byres achievement was to criticize and deepen Lenin's conception of the two paths to capitalism, and by doing so show how fertile a political and historical conception it was. He concludes his study of the American and Prussian path in the transition with reflections on the significance of these cases to the study of capitalist origins elsewhere. He argues that such an extension of Lenin's idea requires investigations of the nature, the prerequisites and the class agents of accumulation, which almost invariably will be found to lie in the countryside.²² As Brenner has suggested, the outcomes of such transitions are determined by class struggle. But, Byres argues, the nature of the landlord class in each instance, as well as the process of peasant social differentiation, must be studied in greater detail than Brenner allows. The intervention of the state is also critical

to the transition, and must be investigated carefully. Finally, *pace* Brenner, the form and level of development of the productive forces are crucial to an understanding of the nature and outcome of class conflict.²³ In the Prussian and American cases, the transition was provoked by a crisis in the feudal and slave modes of production respectively. But such a crisis need not have led to the end of the system, whose existence might have been indefinitely prolonged. In both cases a dramatic external political shock – the crushing defeat inflicted by Napoleon in the Prussian case, and defeat of the South in the American Civil War – was the catalyst for the demise of the existing system.²⁴

Byres concludes that his study suggests great diversity in the historical circumstances under which a transition can occur. But such diversity does not obviate or preclude the need for theory.²⁵ In fact Byres's work on the Prussian and American path constitutes a remarkable vindication of a comparative and theoretical approach to the problem of capitalist transition. The main categories with which he works – the traditional Marxist categories of class relations, mode of production and the state – have allowed him to study the problem at a sufficient level of abstraction to be generalized to the problem of transition not only in these two instances but also other cases.²⁶

COMBINED AND UNEVEN DEVELOPMENT IN SCOTLAND

Neil Davidson has recently analyzed the transition to capitalism in eighteenth-century Scotland as an example of capitalism from above. As in Prussia, the conversion of the nobility from feudalism to capitalism was essential to the future. Equally important was the fact that the Scottish state had a reactionary character, facilitating the imposition of capitalism. In England the 1688 Glorious Revolution ended the seventeenth-century civil war by thwarting the final attempt to impose Stuart absolutism, and inaugurating a capitalist and constitutional state. In backward Scotland the revolution of 1688 only restored the feudal regime. Centralized government had been imposed on a still-feudal Scottish society by the Stuarts. Their overthrow returned power to a feudal nobility to whom the rural population were personally subject. The Crown ruled through heritable jurisdictions and military tenures controlled by certain great feudal families.²⁷

In the decade that followed, the restored Scottish establishment feebly responded to an especially severe subsistence crisis which

killed as many as 15 percent of the population of one million.²⁸ Population catastrophe was followed by the crash of the speculative colonial venture in Panama known as the Darien Project (1698). Much of the nobility as well as the commercial bourgeoisie of the Lowlands bought land sight-unseen in Panama. The Scottish state and civil society proved unequal to the colonial effort, and it collapsed, setting off a nation-wide financial and commercial crisis.²⁹ The successive disasters convinced the Scottish ruling class that the only way out was to accept union with England (1707).

Over the next half century, though feudalism remained in place, it came under increasing strain as a result of the growing pressure of English commercial and financial influence. A minority of great lords responded positively by moving toward capitalism, while the rest of the nobility sought to deal with their dire economic circumstances by increasing the exploitation of their peasant tenants while participating in a succession of Jacobite political uprisings.³⁰ The Jacobites were led by the most unreconstructed feudal nobles, and professed loyalty to the Stuart line. With their final defeat at Culloden in 1746, the British Parliament in which pro-unionist Scottish nobles and commoners sat ended Scottish feudalism as a socio-economic system by abolishing military tenures and heritable jurisdictions, albeit leaving intact the economic power of lords over tenants.³¹ Enough of the structure of the feudal state was retained to ensure one-party Tory rule in Scotland on the basis of a total rural electorate of less than 3,000 male voters. Under this reactionary political set-up the capital Edinburgh had a mere 33 voters.³² Meanwhile with no other economic option open to them, the bulk of the Scottish lords made a rapid transition towards capitalist agriculture. In Scotland as in Prussia, capitalist relations of production were imposed by the landlords.

In the wake of this change Scotland experienced an extraordinary economic transformation:

the transformation which took place in Scotland between 1746 and 1820 was unprecedented in European history and would not be seen again on such a scale until the industrialization of Russia after 1929. Indeed, the experience of Scotland was far closer to that of Russia than England in terms of the speed and intensity with which it occurred.³³

Its rate of economic growth, including industrialization, equalled or even surpassed England's. Citing Wallerstein, Davidson even speaks

of a 'Scottish Great Leap Forward'.³⁴ These dramatic changes were introduced by an emerging capitalist class made up of the now-capitalist nobility, tobacco and sugar merchants, academics and professionals, sustained by a British state which totally excluded popular representation.

We have seen that uneven development is a fundamental if not a founding characteristic of capitalism. In explaining this rapid and deep transition, Davidson makes use of this idea but he enriches it by employing Trotsky's further conception of combined and uneven development. Davidson notes that uneven development is often confused with combined and uneven development. He explains that the notion of uneven development is part of the classical Marxist tradition, and this is the way we have employed it up to now. The notion of combined and uneven development, on the other hand, grew out of the debates on revolution in the international socialist movement at the turn of the twentieth century. According to Trotsky, the notion of uneven development should properly come before that of combined development, because the latter grows out of the former and completes it. It is a conception which arises out of the advance of industrialization and imperialism. According to Trotsky, workers in under-developed countries like Russia can seize the political initiative on the basis of such a theoretical conception.³⁵

Under capitalist conditions, the economic advance of some states requires those left behind to try to catch up: 'crucially, the prior development of some states cannot but affect the conditions under which the late developers enter the world system, not least through imperialist domination which prevented the latter from becoming independent centres of capital accumulation'.³⁶ In the case of Great Britain, not only were English merchants ahead of their Scottish counterparts, they actively blocked their entry into the world market. Yet obstacles put in their path by English capitalists were dramatically surmounted by Scottish entrepreneurs. Davidson concludes, 'a theory of uneven development alone, however, even in a modified form, is inadequate to explain the pattern of development in Scotland, or indeed anywhere else. We also require a theory of combined and unequal development.'³⁷

This theory was initially outlined by Trotsky to show how a revolutionary political situation developed in Russian as a result of capitalist development:

When the productive forces of the metropolis, of a country of classical capitalism ... find ingress into more backward countries,

like Germany in the first half of the nineteenth century, and Russia at the merging of the nineteenth and twentieth centuries, and in the present day in Asia; when the economic factors burst in a revolutionary manner, breaking up the old order, when development is no longer gradual and 'organic' but assumes the form of terrible convulsions and drastic changes of former conceptions, then it becomes easier for critical thought to find revolutionary expression.³⁸

From the perspective of global history Trotsky explained that:

a backward country does not take things in the same order. The privilege of historic backwardness – and such a privilege exists – permits, or rather compels the adoption of whatever is ready in advance of any specified date, skipping a whole series of intermediate stages. ... The development of historically backward nations leads necessarily to a peculiar combination of different stages in the historic process.³⁹

Often this process of assimilation and modernizing development proceeds within an overall social and political structure marked by archaism, as was the case with Russia but also Scotland.⁴⁰ Trotsky concluded that 'without this law ... it is impossible to understand the history of Russia, and indeed of any country of the second, third or tenth cultural class.'⁴¹

It was the sudden and rapid transformation of Scotland into a capitalist country that provided the catalyst for the dawn of the Scottish Enlightenment. At the heart of this cultural movement lay the birth of political economy – a body of thought which sought to theorize the transition to capitalism and provide a program for its advance. Its single greatest achievement was Adam Smith's *Wealth of Nations*, which as Hobsbawm put it, 'is best read – as his contemporaries read it – as a handbook of development economics'.⁴² Davidson insists that the program of political economy of Smith and the others was bourgeois and capitalist in its class basis and revolutionary in its intent, which was to impose capitalism on rural Scotland.⁴³ Smith, in particular, aimed to reduce the role of the state, which he identified with the vestiges of feudalism, while at the same time freeing market forces within the field of civil society.⁴⁴ Along with other members of the Scottish Enlightenment, he sought to accelerate the removal of the remaining legal obstacles in the way of the modernization

of Scottish agriculture while dissolving the intellectual barriers to enlightenment by substituting the study of political economy for obscurantist Calvinist or Jacobite ideology. The goal was to enable Scotland to compete in all respects with the English within the British state.⁴⁵ In such a politically unified British state the only possible development strategy for a Scotland undergoing combined and uneven development was paradoxically not to further increase state intervention, but to accelerate the introduction of laissez-faire economic policies.

Born at the climax of the Scottish transition from feudalism to capitalism, Smith's work constitutes the first comprehensive theorization of the emergent capitalist system. That Smith could conceptually bring together the various elements of capitalism into a political-economic synthesis reflects the growing maturity of the capitalist system as a whole toward the end of the eighteenth century.

JAPANESE CAPITALISM

In the view of Byres the Japanese case is another example of the imposition of capitalism from above. The Japanese instance, as was noted in Chapter 1, already formed part of the original debate on the capitalist transition during the 1950s. Takahashi had pointed out that proto-capitalist elements were already challenging Japanese feudalism prior to the Meiji Restoration. Nonetheless, he conceded that feudalism remained important throughout the early modern period, and inflected the development of Japanese capitalism into the twentieth century. Hobsbawm and Anderson took account of proto-capitalist tendencies in Japan prior to the intrusion of Admiral Perry, reflecting an internal dynamic in the direction of capitalism. But Anderson insisted that the prime mover was the incursion of the West, which forced Japan to join the world market – an indispensable attribute of capitalism.

The agrarian question or when and how the key capitalist transition in agriculture took place, which preoccupied Byres, also divided two contending schools of Japanese Marxist scholarship in the first part of the twentieth century, and Byres provides a useful account of their debates. The *Kozaha* or feudal school intellectually supported the Japanese Communist Party's position, which envisaged the revolution in Japan occurring in two stages: a bourgeois democratic revolution against feudalism and then a socialist one. According to interwar *Kozaha* scholars, the Meiji

Restoration had simply reformed the feudal land system, leaving the emperor as an absolutist monarch, albeit one who now relied on the support of bourgeois capitalists as well as feudal landowners. The extreme poverty of the largely tenant farming population, whose payments in kind to the landlords amounted to about 50 percent of gross product, tended to confirm the *Kozaha* analysis that even by the 1930s no agrarian transition to capitalism had occurred. While they did not deny that capitalism existed in Japan, it was based on semi-feudal landownership and semi-serfdom. The Comintern's 1932 thesis concurred: the Japanese situation could not be appraised 'without taking into account and analyzing the peculiarities of the system prevailing in Japan, which combined extraordinarily strong elements of feudalism with a very advanced development of monopoly capitalism'.⁴⁶

By contrast the *Ronoha*, or workers and peasants school, supported the left wing of various socialist parties which rivalled the Communist Party theoretically and politically. It held that a direct advance to socialism was possible because capitalism had penetrated all aspects of Japanese society, including agriculture, since the Meiji Restoration, a bourgeois revolution. The peasantry was undergoing disintegration into a class of wage labourers as capitalism developed in the countryside as well as everywhere else in society. The high level of tenant rent was the result of the extreme competition for land between producers rather than of landlord coercion.⁴⁷

Byres accepted the *Kozaha* emphasis on the persistence of feudalism, in which landlords continued to control the peasantry, whose holdings were minimal. He also emphasized the prevalence of tenancy, the scarcity of wage labour and the very high rate of surplus extraction through a heavy burden of rent. But he departed from this school, emphasizing the central role of the Meiji state in the capitalist transition in dissolving classic Japanese feudalism. These measures fell short, however, of preventing the further development of feudal tenancy. State power was also used to break peasant resistance to high rents, usury and heavy taxation. Indeed, government taxation of the peasantry was vital to the accumulation of capital outside of agriculture.⁴⁸

In these debates it is the *Kozaha* perspective, which stressed the persistence of feudalism, that is the more persuasive. Even the onset of capitalism was conditioned by the continued extraction of surplus by heavy landlord rents. Capitalism was then imposed by the state using these surpluses to initiate capitalist modernization. Such a process represents a variant of the path of capitalism

from above, familiar in the case of Prussia and Scotland. But in contrast to the latter cases where the landlords became the agents of capitalist accumulation, it was the state itself that directed this process. Those scholars in the *Kozaha* school who regarded the reforms of the American occupation as decisive to the full flowering of Japanese capitalism were particularly discerning. The post-1945 agrarian reform raised the productivity of Japanese agriculture, released labour into industry, destroyed the political and social grip of the landlords and ensured the triumph of industrial and finance capital.⁴⁹

In the case of Japan a capitalist transition occurred without the presence of capitalist relations in agriculture. Rather, it was the surplus pumped out of the agrarian sector that largely financed capitalist industrialization. In each case the state played an essential role in this process, albeit in Japan the landlords initially played an intermediary role. Such a state-directed transition, which may also be seen in Taiwan and Korea, presents another variant of capitalist transition alongside the Dutch, English, American, French, Scottish and Prussian examples. Byres doubts the likelihood of such a state-directed transition in Pakistan and India, where landlord influence remains considerable.⁵⁰ On the other hand, the examples given do not exhaust the diversity of possible passages to capitalism. Based on these examples the following factors have to be taken into consideration in studying capitalist transitions taking place in other parts of the under-developed world: the nature of the landlord class, differentiation of the peasantry, class struggle, labour supply, changes in the productive forces and the role of the state.⁵¹

This discussion of the role of the state in Asian capitalism points to the fact that the development of capitalism has varied greatly. Whereas late-developing Japan represents a clear case of state-directed development, England seems an instance of a more largely market-driven capitalism. The United States appears as an even more extreme example of the latter. Yet the state loomed large in the early stages of English capitalism, and some regard the United States as an outright neo-mercantilist state. It maintained high tariffs, and forcibly and consciously instituted capitalist agriculture at the expense of slave holders and the hunting and gathering populations. Russia exemplifies the very embodiment of state-directed capitalist development. The case of German capitalism, based on an alliance of capitalist landlords on the one hand, and bankers and industrialists on the other, appears to approximate the Japanese and Russian model. It has been suggested that these cases, as well

as those of, for example, Korea and Taiwan, might all be examined from the perspective of the so-called developmental state. Even mercantilist Holland and England could be regarded as instances of such a state.⁵² An understanding of capitalist development requires a comparative understanding of such historical and geographical differences and the role of the state in each instance. Likewise we should be open to comparing these cases with those of the socialist Soviet Union and Maoist China. In terms of their development strategies, both socialist states appear to be closest to the example of Japan, in which the surpluses necessary to industrialization were squeezed out of the peasantry by the state. The difference would seem to lie in the Soviet and Chinese attempt to not only exploit but reorganize peasant production. Indeed, in the latter case Mao pursued policies of rural industrialization comparable to the development of rural industrialization in early modern Europe.

THE MERCANTILISM OF FREE TRADE

The deep-seated prejudice that capitalism represented a triumph of free trade over political imperialism goes back to Adam Smith. In fact as John Gallagher and Ronald Robinson pointed out long ago, capitalism has used both overt political imperialism and free trade to assure global domination depending on the historical and strategic circumstances.⁵³ For both political and economic reasons, Smith was a committed advocate of the free market and a believer in a minimal state. A determined opponent of Stuart and other absolutist monarchies' restraints on individual and economy liberty, he aimed to reduce the role of the state to undertaking public works and maintaining order. He was at pains to denounce what he called the mercantile system, or state-regulated overseas trade. According to Smith, mercantilism was biased in favour of foreign trade and export-oriented industry to the neglect of the development of the internal economy, which depended on agriculture and attendant industries. Smith, to be sure, was to a certain extent a supporter of overseas commerce, regarding it as favourable to the division of labour, competitiveness and innovation. However, he was opposed to protectionism and the conquest and maintenance of colonial possessions.

Countries that acquired colonies in quest of power in international affairs often benefited less than the countries that were hindered from acquiring such colonial possessions. The regulations

that were designed to exclude rivals frequently ended up crippling the industry of the colonizing power.⁵⁴ Such prohibitions represented a distortion in the efficient employment of capital which might otherwise be used to meet more effectively the demands of the market at home and abroad. Smith here is theorizing based on an amnesia which ignores the history of capitalism which was based on state protectionism. Excluding foreign goods through tariffs and navigation acts allowed local manufacturers to accumulate capital, create a home market, and force open foreign markets. Smith's amnesia in fact is a harbinger of the moment, noted by Gallagher and Robinson, when the politics of early modern capitalist imperialism gave way to the politics of free trade in England, the most advanced of the capitalist states.

In this discussion of capitalist origins, we have seen how the early modern state was at first essential to prolonging the feudal order but in the longer run provided an indispensable framework within which capitalism and national markets developed. Continuing to take the English case as our example, the state's enclosure acts, labour statutes and poor laws, justices of the peace, regulated markets, militias, armies and navies, definition of private property relations, provision of means of exchange and credit, and government contracts were indispensable to early capitalism. Mercantilism has been seen as being concerned with state-directed and supported overseas trade as part of this pattern of state intervention in the economy. But it is important to emphasize that the internal economy of early modern states was another important aspect of the mercantile system, or mercantilism. The creation of national export industries dependent on the state entailed restructuring which enhanced the internal as much as the external power of the state.

In the eyes of early modern governments no real distinction existed between political and economic power. In its latter aspect mercantilism was a theory of international relations viewed from an economic perspective. Such doctrines reflected policies of economic nationalism which characterized European governments between the sixteenth and eighteenth centuries. No one better summed up the mercantilist theory than the late seventeenth-century political economist William Petty. In 1690 Petty described the theory as concerned with 'the Wealth of every nation, consisting chiefly in the share which they have in the Foreign Trade with the Commercial World rather than in the Domestick Trade, of ordinary Meat, Drink, and Cloaths, &c. which bring in little Gold, Silver, Jewels and other Universal Wealth'.⁵⁵ As Michael Perelman notes, 'for Petty

universal wealth was merely a sign of power which derived from the development of the economic forces of the nation'.⁵⁶

Under the sway of Adam Smith's negative judgement, the assessment of mercantilism on the part of liberal economic theorists and historians has traditionally been hostile. Government interference, the existence of monopolies and the overall search for economic rents have been seen as crippling economic growth. However, strands of a dissenting interpretation remained alive. The nineteenth-century German historical school, influenced by the neo-mercantilist views of Friedrich List, tended to be more favourable to the role of the state in the economy, and in the 1930s when state intervention was on the agenda, the history of mercantilism attracted much interest. It was then that the great works on the history of mercantilism by Eli Heckscher and Jacob Viner were written.⁵⁷ The followers of Smith tended to deride the mercantilist belief that money was an essential ingredient in the wealth of a nation. On the contrary, John Maynard Keynes argued that the mercantilist view was an implicit recognition of the tie between the abundance of money and low interest rates which would stimulate trade and investment.⁵⁸

Despite its bias toward *laissez-faire*, Ronald Findlay and Kevin O'Rourke's recent sweeping history of world trade adopts a historical perspective which eschews passing judgement on whether mercantilism was positive or negative. The authors explain that the mercantilist theoreticians of the seventeenth and eighteenth centuries regarded international trade as a zero-sum game. Colonies were regarded as a market for manufactures and a source of raw materials from which foreigners had to be excluded. Political and military conflict between states was taken for granted. Those states that could garner a sufficiently large amount of financial resources would triumph in war. Such success could then ensure the wealth necessary to maintain and extend the power of the state. The objective of a state's economic policy was to secure monopoly control over a given sector of trade, thereby gaining monopoly profits and providing the means to carry on warfare. Acquiring precious metals was important in this regard. Given the presumed reality of the zero-sum nature of these conflicts, the liberal notion of gains from trade to all parties as a result of peaceful commerce was beside the point.⁵⁹

As our brief discussion of the historiography of mercantilism indicates, non-Marxists have made important contributions to an understanding of mercantilism. Nonetheless, in the course of discussing the transition to capitalism, the Marxist school provides important insights into the theory and practice of mercantilism.

Marx himself regarded mercantilism as part of the apparatus of the early modern state which promoted capitalism. It is a feature of a system of state power, parts of which can be found in the states on the European Continent, but which comes together in England at the beginning of the seventeenth century. It involved a systematic combination of elements which included colonies, a national debt, a modern mechanism of taxation and the protectionist system. Each of these elements makes use of the state, defined as the concentrated and organized force of society, to accelerate the transition from the feudal to the capitalist mode of production. Summing up this process, Marx concludes:

But they all employ the power of the State, the concentrated and organized force of society, to hasten, hothouse fashion, the process of transformation of the feudal mode of production into the capitalist mode, and to shorten the transition. Force is the midwife of every old society pregnant with a new one. It is itself an economic power.⁶⁰

As Perelman notes, Marx saw mercantilism as an attempt to overcome the slow development of the internal and overseas market by the use of coercion to speed the accumulation of capital.⁶¹ In other words political power was used to create and accelerate the emergence of markets, as we have emphasized. Elsewhere Marx speaks of colonialism, public debts, heavy taxes, protection, commercial wars and such like as 'children of the manufacturing period'.⁶²

As a set of economic ideas, mercantilism marked the first attempt to speculate about the emerging capitalist order according to Marx:

The first theoretical treatment of the modern mode of production – the mercantile system – proceeded necessarily from the superficial phenomena of the circulation process as individualised in the movement of merchant's capital, and therefore grasped only the appearance of matters.⁶³

This was partly the result of commercial capital being the first independent mode of the existence of capital in general, but it was also the consequence of the overwhelming influence of commercial capital in the period when feudal production was overthrown and modern production began to develop.⁶⁴ Moreover, for Marx mercantilism served the interests of a rising bourgeoisie:

the national character of the mercantile system is not merely a phrase on the lips of its spokesmen. Under the pretext of concern solely for the wealth of the nation and the resources of the state, they, in fact, pronounce the interests of the capitalist class and the amassing of riches in general to be the ultimate aim of the state, and thus proclaim bourgeois society in place of the old divine state. But at the same time they are consciously aware that the development of the interests of capital and of the capitalist class, of capitalist production, forms the foundation of national power and national ascendancy in modern society.⁶⁵

It is under the mercantile system that industrial capital, and consequently wage labour, first develops in antithesis to, and at the expense of, feudal landed property. Indeed under mercantilism, 'one form of wage labour, the industrial, and one form of capital, the industrial, were recognized as sources of wealth, but only in so far as they produced money.'⁶⁶

Dobb perceptively discussed the economic motivations behind the mercantile system. According to him, those who wrote on economic matters, and the merchants themselves, took it for granted that political interference or economic regulation by the state was indispensable to making a profit in trade. The petty mode of production still dominated, and the rent of land still seemed the only natural form of surplus. According to Dobb:

the productivity of labour was still low, and the number of workers employed by a single capitalist was seldom very numerous. It was accordingly still difficult to imagine any substantial profit being 'naturally' made by investment in production. ... Under such circumstances if merchants or merchant manufacturers were to be subject to unrestrained competition what basis for profit could there be?⁶⁷

More or less unrestricted competition and the extraction of surplus value were seen as incompatible with one another. Without regulation which limited competition and protected price margins, merchant capital might enjoy windfalls but could obtain no enduring source of income. As a result it was believed that trade and industry would languish for lack of an incentive to invest money in such enterprises.⁶⁸ Dobb is here speaking of overseas trade, but *pace* Brenner such conditions have to be borne in mind with respect to the evolution of the internal market as well.

Mercantilists of the seventeenth century sought to increase the amount of money circulating in the state. This was part of a drive toward a favourable balance of trade. What was sought was an increase in exports, particularly of manufactures, while permitting as few imports as possible. The French finance minister Jean-Baptiste Colbert (d. 1683) defined commerce abroad as facilitating the import of goods that favoured manufacture while placing an embargo on the import of foreign manufactures. While the import of foreign manufactures was discouraged, the import of raw materials necessary to manufacture at home was sanctioned. A favourable balance of trade which drew money into the country could be expected to increase prices internally. At the same time, it tended to depress the price level of the country from which the gold had been drained. It thereby helped to lower the price of the products which were purchased abroad for import, and to raise the price of exported commodities – the policy of buying cheap and selling dear. These notions particularly applied to captive or colonial markets in which alternative sources of supply could be politically excluded.⁶⁹

According to Dobb, mercantilism simply continued at the national level the exploitative policies of the late medieval towns in relation to the surrounding countryside. As such, the mercantile system played an important role in the nurturing of capitalist industry. From this perspective mercantilist authors sometimes regarded the surplus gained from foreign trade as the only real source of accumulation and state revenue. It was essentially the economic policy of an age of primitive accumulation, Dobb concluded.⁷⁰ By this he meant that accumulation took place as a result of trade based on political manipulation and control of exchange.

As we noted, Keynes suggested that mercantilist thinkers associated a plenitude of money with cheap credit or low interest which would stimulate the economy. Dobb demurred, saying that the balance of trade and the profits so derived were uppermost in the minds of theorists and policy makers. From the late seventeenth century onwards proponents of mercantilism made no simple connection between the quantity of money in circulation and interest rates. Emphasis was placed instead on the growth of commerce, a capitalist class and stock or capital as the surest ways to ensure the availability of credit.⁷¹ From the same period dates a preoccupation with using a favourable balance of trade to create employment at home through an expansion of manufacturing industry. At the same time, the mercantilist conception of prosperity was premised on the notion of keeping wages for workers low.⁷²

Keynes brought forward more historical evidence than Dobb credits him with for his view of a mercantilist notion of monetary economic stimulation. But the disagreement between the two is about more than just historical facts. Keynes advanced his overall argument about the balance of payments, the level of interest and economic activity to counter the still-prevalent liberal orthodoxy of the 1930s that such relationships were self-adjusting in terms of the international division of labour and should not be tampered with. In his eyes the mercantilist policy which tried to bring money into the country and lower the rate of interest was a laudable attempt to stimulate the economy using the relatively primitive political tools at hand. The Marxist Dobb, like orthodox economic liberals, tended to be sceptical about the feasibility of such short-term and politically inspired fixes.

Dobb clearly sees mercantilism as a policy emanating from the royal court and the ruling state elites. But he also views it as reflecting the interests and outlook of the more privileged merchants and manufacturers. Clearly these two groups were affiliated, the one subordinated to the other. Dobb is sensitive to the fact that the class basis of the two groups differed. That being the case, he also points out that the system of privileges, monopolies and rents fuelled conflict between the privileged merchants and manufacturers and the newer merchants and manufacturers.⁷³

Perry Anderson's view of the class basis of mercantilism follows from his view of the early modern state, which he sees as reflecting the class interest above all of the nobility. As such mercantilism represented the economic outlook of a feudal ruling class that had accommodated to an integrated national market yet retained its fundamental perspective on matters economic and political. It was a theory of the intervention of the political order into the workings of the economy in the interest of both the prosperity of society and the power of the state. Its amalgam of the political and economic represented the antithesis of the later Smithian attempt to separate the political from the economic – a nexus which scandalized the Scottish political economist.

If we follow Anderson, the aristocratic bias of the policy is reflected above all in its attitude toward war. Whereas Smith and his followers were predisposed in favour of peaceful and mutually advantageous commerce, the mercantilists were strongly bellicose. They stressed the necessity and profitability of war. According to them, a successful economy depended on success in war. It was the same zero-sum view applied both to war and economic life,

according to Anderson. While this is undoubtedly a brilliant insight, one would have to question whether bellicose attitudes were unique to the nobility. It makes it appear that a policy of war would presumably have to be foisted on a reluctant early modern bourgeoisie. Yet for the most part, the latter group were equally bellicose, although for different reasons. War was an intrinsic part of the history of the emergent bourgeoisie. Indeed, based on his notion of aristocratic control over the early modern state, Anderson insists that mercantilism emanated from an aristocratic perspective on international politics. This runs counter to the more convincing view shared by Marx and Dobb that it emanated from the bourgeoisie within the structure of the state, which absent a bourgeois revolution was still dominated by the nobility. Mercantilism undoubtedly sought the suppression of particularistic obstacles to commerce within the national territory, and strove to create a unified domestic market for commodity production. Its characteristic creations were the royal manufactures and regulated guilds in France, and the chartered companies in England. The medieval and corporatist lineage of the former seems evident.⁷⁴

Unlike the above authors, Arrighi focuses on the mature mercantilism of the eighteenth century. He regards mercantilism as a synthesis of capitalism and territorialism, which was perfected by the British and the French in the eighteenth century. According to Arrighi the British instance represents a third stage in the historic cycles of global capitalist development, in which capital was fused with state power as the basis of great imperial power. It challenged the established positions of the Spanish, Portuguese and Dutch empires. Mercantilist policy had three parts: colonialism based on settler colonies, capitalist slavery and economic nationalism. Of the three, settler colonialism was the most important, relying largely on the private initiatives of subjects. French and English colonies were more successful than the earlier colonies of their rivals. Slavery grew out of the colonies' need to supplement their labour force, and reached huge proportions in the eighteenth century. The third element was economic nationalism, which facilitated the open-ended accumulation of economic surpluses and the construction of the domestic or national economy of the mother country. Through private and bureaucratic initiatives the French and British monarchies internalized as much of the inputs necessary to war and state-making as was feasible, enlarging the tax base while strengthening the state. Britain's island geography and transatlantic status gave it an important comparative advantage.⁷⁵ Nonetheless,

both eighteenth-century British and French mercantilism were quite successful.

Teschke's view of mercantilism arises from his overall view of the evolution of international relations. It is based on an extension into the field of international relations of the premises of Brenner and Political Marxism, with which he strongly identifies. He rejects the dominant paradigm of the discipline of international relations which considers the Treaty of Westphalia of 1648, ending the wars of religion, as the founding moment of the modern state system. Rather, geopolitical modernity began with the Glorious Revolution in 1688, which saw the birth of the first capitalist state in England, and was marked above all by the consolidation of parliamentary rule in that country. The subsequent expansion of English capitalism in the eighteenth century then step-by-step undermined the governments and the state system of the *Ancien Régime*. Modern sovereignty embodied in English politics should not be confused with absolutist sovereignty, which was reflected in the Treaty of Westphalia. The Bourbon monarchy in France was the most perfect exemplar of the latter. French absolutism is regarded by Teschke as standing in complete opposition to English capitalism, in conformity with Brenner's and Wood's view of non-capitalist France. Like Wood, too, Teschke views Holland as an example of merchant capitalism closely tied to feudalism. Indeed, whereas Arrighi regards Holland as the linchpin of seventeenth-century European politics, Teschke downgrades its importance in the operation of the post-Westphalian system.

Mercantilism created a structural nexus between trade and government. Such a structural link between the economic and political is the antithesis of modern capitalism. Commercial capitalism under the mercantile system was not capitalism. According to Teschke, international trade under capitalism is characterized by open and competitive markets. Under dynastic conditions, mercantilism was a geographical strategy of extending the accumulating reach of pre-modern states, not a qualitative change in the logic of the world economic order. Internationally, the redistribution of wealth through unequal exchange was a zero-sum game: total wealth was not increased thereby. The zero-sum conception which conceived of total wealth as finite was elevated into an economic law in mercantilist doctrine. This was because the sphere of production remained outside its theoretical scope: 'profits from trade were not systematically reinvested in the means of production but in the means of violence'.⁷⁶ On a national level, economic growth was

thought of in terms of absolute population growth, absolute gains from trade and immigration, or absolute territorial gain.⁷⁷

Teschke's account is deficient in its view of the relationship between the state and market on at least three counts. In the first place, he refuses to take account of the fact, already pointed to by Arrighi above, that the most successful mercantile state was not an absolutist state, but the most successful capitalist country: post-revolutionary eighteenth-century England.⁷⁸ Robin Blackburn has described the English mercantilism of that period as an inverted one, not with financiers and merchants serving the *raison d'état* any longer, but with the state serving capitalist purposes. For all that, it was still mercantilist in that the state more than ever interfered in the market. The state created a zone of imperial 'free trade' for its merchants and manufacturers, offered them protection and gained favourable terms for their entry into other markets.⁷⁹ Eighteenth-century France, too, is an example of a successful mercantile state which willy-nilly was drawn in the same direction. Despite its feudal and absolutist character, competition with England forced it to increasingly preoccupy itself with the well-being of French commerce and industry.⁸⁰

Second, Teschke fails to recognize that as mercantile states both England and France were very interested in the development of new, more productive manufacturing technologies. This is true of virtually all mercantilist regimes in the eighteenth century. Third, and most egregiously, Teschke quite mistakenly twists the story of capitalism into a history of the triumph of the market and the effacement of the state. Nothing could be more in conformity with the opinions of Adam Smith and further from the historical truth. It belies Marx's view that the mercantilist state was used to accelerate the creation of the market. England did not become a truly free-trading state until the mid-nineteenth century, and then only for a generation. Its free-trade ideology amounted to propaganda designed to discourage would-be industrial competitors like the United States and Germany. Statesmen and thinkers like Alexander Hamilton of the United States and Friedrich List of Prussia fully appreciated the importance of state protectionism to the development of industry. The United States, the most dynamic capitalist state of the nineteenth century, may rightfully be considered neo-mercantilist. As against the Smithian view of the history of capitalism, which insists that it is the history of a progressive liberation from the thrall of the state, the existence of a strong state is integral to it. Indeed, I have insisted on this as a basic theme from the late Middle Ages onward.

COLONIALISM

As I have noted, Marx closely connected mercantilism with the development of industry. It was an aspect of the age of early modern manufactures. According to Marx colonialism was a critical feature of the mercantile system:

Today industrial supremacy implies commercial supremacy. In the period of manufacture properly so called, it is, on the other hand, commercial supremacy that gives industrial predominance. Hence the preponderant role that the colonial system plays at that time.⁸¹

Marx's judgment of colonialism was an ambivalent, or better a dialectical, one. For while condemning its injustice and ills, he also saw colonialism as advancing the development of capitalism as a world system, and ultimately leading to socialism, which he conceived of as a unified global order based on social and political equality. From the sixteenth century the development of capitalism and colonialism was part of a single process of increasingly global accumulation. Western Europe was undeniably at the centre of capitalism. But socialism would put an end to uneven development and self-evidently would have no political headquarters.

Many historians and postcolonial theorists choose to deny or forget Marx's dialectical approach and universalist and socialist perspective on the ultimate fate of capitalism. Looking at the short or medium term they prefer to see Marx's view as fundamentally Eurocentric. But I cannot go along with those who take offence at Marx for his view of the history of capitalism. For him the extension of European domination over most of the rest of the world while capitalism universalized itself was a historical process that could not be ignored, wished away or merely denounced. Two centuries or even half a millennium under the thrall of capitalism is not long in terms of humankind's long past or socialist future.

Marx's critics accuse him of Eurocentric attitudes. Where such lapses occurred they have been acknowledged and criticized by Kevin Anderson, a recent sympathetic student of Marx's approach to non-Western societies.⁸² But Anderson makes clear that Marx's faults in this respect have little to do with his essential point of view. Those who brandish the charge of Eurocentrism against him often do so because they refuse or are unable to appreciate his dialectical sense of the historical process, his mordant sensibility and his

tough-mindedness.⁸³ This dialectical approach was the one he took to the study of capitalism itself. In the *Communist Manifesto* and the *Grundrisse*, for example, we find magnificent paeans in appreciation of the power of capitalism. At the same time such praise is accompanied by denunciation of the intrinsically exploitative and destructive character of the system, which degrades the producers and nature itself. This double-sided perspective helps to reinforce Marx's authoritative and scientific method with an aesthetic and stylistic sense of detachment which helps readers grasp the fact that history proceeds in an ironical fashion. Writing about India, for example, his early accounts viewed the British conquest as positive although violent, because it furthered the progress of capitalism in England through primitive accumulation, while leading to the liquidation of the so-called Asiatic mode of production. This was inescapable as capitalism extended its global reach. Yet reporting the bloody-mindedness and racism of the British in repressing the Indian Mutiny (1857), Marx brought to the surface what he had undoubtedly already understood, namely, the cruelty of the British conquerors. Moreover it was not overly Eurocentric of him correctly to conclude that the British in India were preparing the ground for their own demise, as the Indians would sooner or later develop the capacity to liberate themselves from British domination.⁸⁴

Marx's views on India have been questioned at a deeper level.⁸⁵ Based on what is now understood of the economic and manufacturing dynamism of India during the eighteenth century, some critics point out that Marx's notion of India as locked into the Asian mode of production, based on the symbiotic relationship between village peasants and artisans, is open to serious doubt. Yet in a nuanced response Irfan Habib has pointed out that Marx's early view of the Asiatic mode was not set in stone. He was never prepared to go so far as to acknowledge that pre-colonial India could be considered a particular form of feudalism, as some scholars do today. On the other hand, as he studied further, he came to acknowledge that private property, commodity exchange and a class structure did emerge in early modern India, and that it was accordingly far from being a stagnant society. Habib also noted Marx's condemnation of the deliberate destruction of Indian textile manufacturing by the British at the beginning of their rule, and the way they milked India through the siphoning off of tax as the tribute of 'good government'.⁸⁶ On the other hand, we should recognize that Marx's approval of the British policy of building railways, introducing Western education and political centralization must be offset by the recognition that the

British systematically crippled Indian manufacturing and inhibited economic development almost up to the end of their rule.⁸⁷

Marx understood that the exploitation of India was made possible by colonialism, which he saw as basically a form of political and military domination. Likewise he understood that it was essentially through military conquest that the English imposed landlordism on Ireland. Furthermore, English political control enabled them to undermine Irish industry at the same time as they were destroying Indian manufacturing.⁸⁸

The English conquest of Ireland was based on what Wood argues was a distinctively English and capitalist landlord-based colonialism. Its distinctiveness from the Spanish, French and Portuguese form of colonial exploitation was rooted in an agrarian capitalism whose dynamic lay in raising the level of relative surplus value.⁸⁹ In other words English colonialism was an outgrowth of a unique and superior form of capitalist economy. This judgement perhaps makes sense with respect to some British colonies of North America like New York and Pennsylvania in the short run. In the longer term such English-style landlordism was undermined in North America by access to cheap land.

We can question whether it applies to Ireland at all. Marx noted that under colonialism Irish agriculture was organized along similar lines to English capitalist agriculture. He furthermore recognized the capitalist aspirations of Irish tenant farmers. But, contrary to Wood, he stressed that both the labour and capital of such farmers, rather than going toward the creation of more relative surplus value and further accumulation, were for the most part confiscated by rack-renting and largely absentee English landlords.⁹⁰ Political and economic colonialism in Ireland, it should be noted, worked through what has been described as a classic form of racial oppression – the precursor of the racial oppression inflicted on African slaves in the New World.⁹¹ Viewed from this perspective, racism was a form of ideological control that was born in the early modern period and was designed to reinforce colonial domination and exploitative relations of production.

Following the Second World War many theorists in the under-developed countries explained under-development through the notion of unequal exchange. Samir Amin, for example, underscored the transfer of surplus from colonial countries to the developed world as a result of the transfer of surplus value from countries of lower to those of higher productivity.⁹² Apparently unbeknownst to Amin this process of unequal exchange had already been pointed

out in Marx's *Grundrisse*, in a critique of David Ricardo's theory of comparative advantage entitled 'Two nations may exchange according to the law of profit in such a way that both gain, but one is always defrauded'.⁹³ As Marx explains:

nations may continually exchange with one another, may even continually repeat the exchange on an ever-expanding scale, without for the that reason necessarily gaining in equal degrees. One of the nations may continually appropriate for itself a part of the surplus labour of the other, giving back nothing for it in the exchange.⁹⁴

In common with other proponents of the dependency school, Wallerstein views unequal exchange as a characteristic feature of colonialism, facilitating the export of capital from the periphery and its accumulation at the centre of the world system. Responsibility for this state of affairs was due in large degree to the power of the strong states in the core, which politically enforced economic inequality. In direct opposition, Brenner insisted that the failure of capitalism in the periphery and the haemorrhage of capital toward Europe was due not to colonial domination but rather to the class relations within colonized states which stymied the rise of capitalism. As we have noted earlier, Brenner ignores the way that the international relations of dependency shape internal class relations in favour of ongoing colonialism.

Jim Blaut, a Marxist geographer, has been the most outspoken opponent of Brenner's Eurocentrism, regarding it as directed against not only Wallerstein's view, but also other proponents of the dependency school like Amin and André Gunder Frank. Blaut made known his position in different places, but nowhere more cogently than as part of a debate in the journal *Political Geography* (1992).⁹⁵ Prior to 1492, according to Blaut:

Europe was not in any way ahead of Africa and Asia in development or even in the preconditions of development. After 1492, Europeans came to dominate the world, and they did so because 1492 inaugurated a set of world-historical processes which gave to European protocapitalists enough capital and power to dissolve feudalism in their own region and begin the destruction of competing protocapitalist communities everywhere else.⁹⁶

There are four main points to Blaut's argument:

- Europeans had no advantage over Africans or Asians prior to 1492 in respect of an evolution toward capitalism and modernity. Medieval Europe was no more advanced or progressive than Africa or Asia.
- It was colonialism especially in the Americas which made capitalism possible and gave Europe the advantage after 1492.
- The exploitation of the Americas in the sixteenth and seventeenth century produced much more capital than is acknowledged and enabled a major transformation of European society.
- There was no uniquely European transformation of relations of production from feudalism to capitalism, as Brenner and others have insisted. Rather, there was a transition toward capitalism from a range of broadly feudal and feudal-tributary modes of production that was hemisphere-wide prior to 1492. It was European colonialism after that date that arrested the process outside of Europe.

In response to the first point, Chris Harman, who was committed to the idea that Western Europe was the starting place of early capitalism, conceded Blaut's argument to an extent.⁹⁷ According to him, the productive forces of humanity were developing across Eurasia and in Africa over a long period prior to 1492. In several places in these regions, tendencies to capitalism were emerging. But Harman underscores that for contingent historical reasons such tendencies emerged more slowly elsewhere than in Western Europe, and this provided Europe with an advantage. On the contrary, Blaut asserts that these proto-capitalist tendencies were developing uniformly everywhere. But even if this is true, the first breakthrough to capitalism turned out to be a zero-sum game, with the Europeans emerging as the winners. Once ahead, the Europeans were able to maintain their advantage by force.

Moreover, the development of European colonialism, which is Blaut's second point, is regarded by him as the key stumbling block in the way of further non-European capitalist development. Indeed, it should be stressed that the essence of colonialism is in the final analysis not economic domination. It is about the use of force and the opportunities that force allows. Political control permits the restructuring of economic relations in favour of those who wield coercive power.

But colonialism has to be understood in dialectical fashion as an outgrowth of the dynamic development of capitalism within Europe. Its development did not come out of the blue, but reflected the

expansive drive of capitalism. It arose out of the quest for increasing amounts of bullion necessary to supply the rapidly emerging capitalist marketplace within Europe at the end of the fifteenth and beginning of the sixteenth centuries. The urgency to find fresh sources of gold and silver was admittedly increased by the simultaneous search for profit in the African slave trade and slave plantation economy, as well as the growth of the Asian spice trade. In the course of its subsequent development, colonialism expanded out of the need to find markets for European manufactured products, create settler-colonies and profit further from the slave trade and the slave plantation economy.

It should be reiterated that even so, Europe's early overseas success was as much or more a military and political than an economic one. Yet its martial and administrative superiority already reflected a growing technical and organizational capacity which was an outgrowth of an internally expanding capitalist economy. It then used its martial strength and political power to enhance its internal economic development while expanding its political and economic reach further overseas. In other words, Blaut tends to view colonialism as a contingent, or perhaps political and military, factor ensuring European success, while standing in the way of the economic development of non-Europeans. In fact colonialism sprang from Europe's internal dynamic, which for better or worse included both its emerging political and economic strength.

André Gunder Frank radically challenged Blaut's conception.⁹⁸ Contrary to Blaut's view of even global development, Frank insisted on its uneven character. Against the whole pack of Eurocentric historians, he argued that in 1492 and for long afterward it was Asia that was globally in the economic ascendant, not Western Europe. But it should be immediately recalled that it was Hobsbawm who first invoked uneven development as part of the original transition debate conceding the backwardness of Western Europe in relation to much of Eurasia. But instead of seeing this as a disadvantage as Frank would have it, Hobsbawm argued that it turned to Western Europe's advantage. Hobsbawm, we can recall, also harked back to the notion of uneven development, insisting that capitalism developed on the periphery of Eurasia and entailed a process of rapid coming from behind and leaping ahead. In other words, it was the very backwardness of the West which gave it an advantage.

Marx's view of the integral role and significance of overseas conquest and colonialism in the history of capitalism remains intact. From the beginning his view of colonialism was dialectical,

destructive of non-European societies while helping to accelerate the development of the capitalist world market and the process of capital accumulation. Blaut's argument that Europe's conquest of the world was not based on capitalism but rather on colonial conquest is unsustainable because the power of colonial expansion depended on the growing strength of capitalism. Frank's point about the economic superiority of Asia over Europe throughout the early modern period confirms that economic progress was far from being a monopoly of Western Europe. On the other hand, the notion of uneven capitalist development in which what had been peripheral emerges as the centre is key to understanding the eventual advance of Western Europe over the rest of the world.

SLAVERY

At the focal point of colonialism were the slave trade and the colonial slave plantations. The relationship between capitalism and slavery has been debated even more fiercely than colonialism. The slave and colonial trades emerged as the most dynamic sectors of the Europe-centred capitalist economy in the seventeenth century. It stoked the flames of European, and especially British, trade and manufacturing-based economic expansion in the eighteenth century. British exports accounted for over 56 percent of all industrial production in the period 1700–1760, and over 46 percent in the period 1780–1800. Overwhelmingly North America, the Caribbean and Latin America were the major markets for these overseas sales.⁹⁹ It is estimated that in 1770 this Atlantic trade furnished as much as 55 percent of 'gross fixed capital formation investment' in Great Britain.¹⁰⁰ At the heart of this Atlantic economy, including the North American mainland, lay the slave trade and the plantation economy based on slave labour. Already in the sixteenth century the number of Africans taken from Africa as captives and enslaved amounted to 370,000. By the eighteenth century the total reached no less than 6,130,000. In 1800 there were over 3 million slaves in the Americas despite an enormous mortality.¹⁰¹

It was Eric Williams, in his *Capitalism and Slavery* published in 1944, who first made the connection between the profits made in the slave trade and slave plantations and the Industrial Revolution.¹⁰² He argued that the surplus extracted from the sugar-slave plantation complex and the associated triangular trades opened the way to industrialization. Williams's thesis was contested by historians

uncomfortable with the idea that the breakthrough of European capitalism was based on slavery. They succeeded in throwing some doubt on his statistics regarding the profitability of slavery and the significance of exports, arguing that the capital necessary to industrialization was available within the British economy. Yet Williams for the most part has been vindicated by recent historiography.¹⁰³

Certainly there is little question now that the sale of manufactures in the Caribbean was important to the development of British capitalism in the eighteenth century. The speed-up in the rate of industrial growth based on exports depended in good part on purchasing power generated by the British West Indies. It seems that demand stemming from Africa, the Caribbean and North America ultimately generated by the production of sugar raised the export of manufactures from Britain abroad by a large factor. It may have been responsible for more than half of the growth of English exports in the third quarter of the eighteenth century. The institution of slavery had an important effect in increasing investment in the Empire through the development of the triangular trades with North America and the Caribbean, as well as in the building of maritime and transportation infrastructure. Return on this investment in turn increased income in England. At the same time the re-export of sugar to the Continent brought enormous profits.

How can we understand the relationship between capitalism and slavery? The classic analysis of the slave mode of production is by the Marxist historian of Greek Antiquity, Geoffrey E. M. de Ste Croix.¹⁰⁴ According to him, the free wage labourer has his own labour-power to sell and must be considered variable capital. In contrast, the slave is the property of the master, and as such is a means of production, or is a constituent part of constant or fixed capital, like land, tools and draft animals.¹⁰⁵ In Antiquity slavery was not the only form of unfree labour. But it was the archetypical form of such labour, and the one on which the ruling class depended for its control over society and the state.¹⁰⁶

What was its relationship to capitalism in the early modern period, when wage labour was gradually becoming the dominant form of exploitation? In attempting to answer this question we find that there are a number of differing positions. Wallerstein, concerned as he is with conceiving capitalism as a single system, considered slavery and serfdom as forms of exploitation alongside wage labour as part of a capitalist world-system which emerged in the sixteenth century. Although wage labour defines the capitalist system, slavery and serfdom are integral parts of the global

capitalist division of labour according to Wallerstein. Coming from the completely opposed tack of neoclassical economics, American historians Robert Fogel and Stanley Engerman applied quantitative techniques to economic history and claimed that the American slave plantation operated like an efficient capitalist enterprise. Fogel and Engerman particularly denied that slave labour was any less productive than wage labour or intrinsically incompatible with capitalism.¹⁰⁷ Critical to their argument is a comparison of southern plantation with northern capitalist farming. Critics point out that the two econometricians use questionable data and measurements of productivity in their comparison, so that the results turn out in favour of southern plantation agriculture.¹⁰⁸

According to Byres, at a time when capitalism was flourishing and developing, slavery had to adapt to the norms of the capitalist world market. But he insists such adaptation does not make slavery capitalist. Planters in the Southern states of the United States sought to accumulate and maximize profits, but that did not transform them into capitalists. Rather they sought to restore and maintain an archaic mode of production.¹⁰⁹ Rakesh Bhandari, contrariwise, argues that so long as capital seeks to valorize labour through profits, it can do so through a variety of forms of exploitation: slavery, labour tenancy, nominally independent petty commodity producers, and formally free wage labour. From the perspective of capital there is no essential difference between a wage worker who is a wage slave and a slave who is an enslaved wage worker.¹¹⁰ In opposition to Bhandari, I would argue that it is only the labour power stemming from wage labour that allows the ballooning of value and capital accumulation through the extraction of relative as against absolute value, involving systematic and cumulative gains in productivity. For Bhandari to be correct he would have to show that forms of exploitation like slavery could produce such continuing increases in productivity.

In two massive volumes, *The Overthrow of Colonial Slavery, 1776–1848* (1988) and *The Making of New World Slavery* (1997), Robin Blackburn has made a fundamental contribution to understanding the relationship between slavery and capitalism.¹¹¹ For many years a stalwart of the *New Left Review*, Blackburn is professor at the New School of Social Research and at Essex University. Both of Blackburn's books are both theoretically informed and deeply rooted in archival research. In discussing early modern slavery, Blackburn seeks to distinguish Eastern European serfdom from New World slavery, and thereby sets himself at a

distance from Wallerstein. The latter had insisted that the emergence of the capitalist world system made Eastern Europe the granary of the West. The profits derived from exports encouraged landlords to turn their peasant tenants into serfs while tying the Eastern European economy to the capitalist world system. But, according to Blackburn, serfdom east of the Elbe was not the product of the capitalist mode but the response of landlords to the demographic crisis of the late Middle Ages. The subsequent turn of landlords to grain exports required very few productive imports from the West, and stimulated no reciprocal commercial exchanges. Eastern Europe was barely integrated into capitalism. In contrast the American slave plantations were established to produce cash crops for sale in Europe, which was their sole purpose. They remained intimately tied to imports of European manufactured goods, which included means of production as well as consumer items. At their height Polish grain exports never amounted to more than 15 percent of production, with luxury goods dominating imports. Europe's trade with the slave plantations was more conducive to cumulative and reciprocal expansion. Hence New World slavery was much more closely tied in with West European capitalism than was serfdom in Eastern Europe.¹¹²

Blackburn agrees with Byres that New World slavery was not intrinsically capitalist in its internal dynamic. Rather, the slave economies of the New World were a form of primitive accumulation. They were primitive because their productive organization relied not on the economic coercion of the sale of labour power, but on non-economic compulsion. The producers were compelled by direct and physical coercion to produce a surplus and a commodity for sale in the market. Britain's formal and informal empire rested on its military, and especially its naval, strength, or in other words on violence or the threat of violence. If primitive accumulation had completed itself within England by 1700, it was reinforced and extended for a century and more overseas through slavery.¹¹³ Summing up his view of the relation between slavery and the emergence of industrial capitalism, Blackburn notes that:

capital's thirst for surplus-value and the necessarily uneven advance of mechanization has, indeed, repeatedly produced regimes of extended primitive accumulation, in which forced or sweated labour is driven to match the pace of machine industry, and is expected to rely on 'natural economy' or communal resources for their reproduction. New World slavery was the first and least-camouflaged expression of this capitalist logic.¹¹⁴

But if Blackburn's view captures the essence of the relationship between early modern slavery and capitalism, the question remains of the extent of its importance to the development of capitalism since the sixteenth century, and more particularly, to the origins of the Industrial Revolution in the late eighteenth and early nineteenth centuries. The early historians of the Industrial Revolution (1880–1945) were nearly unanimous in linking the expansion of British commerce of the eighteenth century, including the slave trade and plantation slavery, with the onset of industrial capitalism.¹¹⁵ British Marxist historiography, including Hobsbawm's *Industry and Empire* (1964) and Christopher Hill's *From Reformation to Industrial Revolution* (1968), acknowledged the importance of this link.¹¹⁶ After the Second World War a new trend in academic historiography surfaced, stressing the importance of British internal factors to the Industrial Revolution. It became dominant by the late 1960s and remained so until the 1980s.¹¹⁷ The turn toward examining the roots of industrialism in Britain was obviously to be welcomed. But we cannot help noticing the connection between this Eurocentric trend and hostility towards the Williams thesis in these years, which coincided with decolonization and national liberation struggles in the third world.¹¹⁸ Some still bearing the white man's burden were unwilling to acknowledge that there could be a relationship between capitalist development, the Industrial Revolution and slavery that might merit an apology.

Brenner of course cannot be counted as one of these. But among Marxists who have espoused the internalist view, it is he who has been most outspoken. In the first place, Brenner argues that the capital required to build the first factories was actually relatively slight. Accordingly, he questions whether a heaping-up of capital by primitive accumulation was required as a precondition for industrialization. Furthermore, along with others, he argues that it was the growth of the home market that was decisive to the development of the colonial trade. The growth of internal demand in Britain for colonial products was the independent variable that animated the Atlantic trade, which was subordinate to it.¹¹⁹ Since the 1980s historiography in fact has veered back toward emphasizing the significance of overseas trade to industrialization. In 1982 Engerman and O'Brien wrote in strong support of the leading role of exports in the industrialization process in England between 1688 and 1802. They demonstrated that up to 50 percent of the non-agricultural workforce in England and Wales was employed in production for export. They showed that increases in overseas sales accounted for

much of the increase in manufacturing output during the period.¹²⁰ Meanwhile Utsa Patniak has shown the tremendous sums that Britain skimmed from the slave plantations and India through fiscal manipulation and re-export of colonial products. Liberal economists obsessed with computing comparative advantage in weighing up the balance of colonialism take little account of these realities she points out.¹²¹

It is Blackburn's work on slavery, meanwhile, which is the outstanding Marxist reflection of the trend toward taking the role of slavery and colonialism in industrialization seriously. In answer to Brenner, Blackburn admits that the initial outlays for factory construction tended to be relatively small. But he points out the huge sums invested in the laying down of infrastructure: canals, roads, harbours, docks, warehouses and shipping, all of which required capital. In addition, if manufacturers required relatively little fixed capital, they needed copious amounts of working capital or credit.¹²² Much of this capital came from the Atlantic trade. Moreover, the overseas market was the most dynamic sector of the British market in the eighteenth century, and its range included the whole of the Americas. Its growth and volume cannot be accounted for by the growth of demand from the home market. Rather, profits from this sector provided much, if by no means all, of the capital required for industrialization.¹²³ As I pointed out earlier, dazzled as he is by the rise of the productivity of social labour under capitalism, Brenner loses sight of the source of the capital that made productivity growth possible.

Merchant capitalists were the most important backers of the first generation of industrial manufacturers. The mass-produced goods produced in the latter's factories were in good part aimed at the American market. This is especially true in the all-important cotton industry, where the connection between slave-trading merchants and producers of cotton goods, as well as metal and other manufactured products, was particularly close.¹²⁴ Finally, the direct connection between the development of the slave cotton plantation and the rise of cotton manufacture needs to be underlined. Cheap raw cotton from the Caribbean, then from the deep South of the United States, gave Britain its competitive edge, helping to inspire the spread of industrialization. Moreover, that success spurred the spread of slavery based on the cotton plantation.¹²⁵

Overseas trade, the slave trade and the slave plantation clearly reinforced the development of capitalism and the Industrial Revolution. But Blackburn's account insists that capitalism battened on this

older mode of production and exploited it until it had exhausted its possibilities. While underscoring the importance of slavery to the emergence of industrial capitalism, Blackburn insists on its ultimate limits. It is this that Byres explores in his treatment of the economic development of capitalism from below in the United States. His main stress is on the transformation of the petty producers of the United States into capitalist farmers. But Byres emphasizes that this trend was rivalled by the development of the slave plantation. In accord with the views of Marx and the well-known historian of American slavery Eugene Genovese, Byres argues that beyond a certain point, slavery was incompatible with industrial capitalism. Byres criticizes Fogel and Engerman's attempt to prove that the slave plantation was an efficient form of capitalist enterprise. Not only did it have fundamental limitations with respect to making gains in productivity, it cramped the development of the home market in the southern states. This is obvious with regard to the impoverished slave population. Not so evident was its effects on the million of white small rural producers living in the slave states of the American South. Byres observes that the Southern master class which politically ruled these states shielded this class of farmers from the capitalist marketplace. But in doing so it blocked the process of social differentiation which was underway in the north and west. As a result, most of these farmers were unable to serve as a home market for manufactures in the South. Nor could they acquire the capital necessary for agricultural improvement, as was the case elsewhere in the American Union.¹²⁶

CONCLUSION

Looking back we can note that the theoretical conceptions of Lenin, Trotsky and Marx have formed the basis of the argument of this chapter that the state played a central role in the development of capitalism. Lenin's idea of capitalism from above and below has been our central guidepost. The cases of Prussia, Scotland and Japan have been used to demonstrate that capitalism can develop as a result of initiatives from the state and the landlord class. Trotsky's insight into the role of combined and uneven development reinforces the idea of the key role of the state in a capitalism imposed from on high. But our account of the role of the American state demonstrates that politics were to the fore even in cases of capitalism from below. Finally Marx's view of mercantilism as a use of the power of the state as a means of accelerating the growth of the market

has guided our examination of the mercantile system. Moreover I have abided by his view that mercantilism above all reflected the interests of a rising bourgeoisie, albeit one initially contained within the shell of the absolute state. Furthermore I have insisted that the most successful mercantilisms were practised not by absolutist but by post-revolutionary capitalist regimes like Holland and England. Colonialism and slavery were two vitally important aspects of the mercantile system. Their relationship with the development of capitalism has been much disputed. I have sided with the position that they were critical to its development. Indeed, I have taken the position that colonialism and overseas slavery were vitally important to industrialization. Growing markets, plunder and profits from abroad proved essential to the Industrial Revolution at home. It is to the disputes over the origins and nature of the Industrial Revolution that we next turn.