

Transition In The Economy: Emergence Of Capitalism And Its Contemporary Phase

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Abstract: The change in the nature of economy in terms of development of capitalism has many implications in the modern world which are of global significance. But this development is not a linear transition. To understand the different events in the transition process to the development of capitalism, it is important to understand the nature, form and processes of commodity production and accumulation that varies as the society progresses. Hence, the purpose of the study is to have a perception about the crisis in different phases of society which would help to locate the transition in the mode of production and the nature of economy as a whole. The study finds the internal contradictions in the mode of production which determines the different phases of transition happening in the economy. The process of accumulation has changed continuously from the period of feudalism to industrial capitalism and therefore the key finding is how the crisis in each phase is inherently the internal contradictions in its production process. Thus, the process of transition that leads to capitalism is of inherent nature.

Keywords: Transition; Production; Economy; Development; Capitalism

1 Introduction

Adaptation of production opportunities in different phases of a society as the society progresses is what brings transition. Historical interpretation of this adaptation leads us to find the shift in the mode of production from one phase to another. The emergence of capitalism reveals a development movement through agrarian and industrial revolutions in Britain. The 'Transition Debate' deals with the question of what caused the decline of feudal mode of production and emergence of capitalist mode of production. This bears divergent explanations considering various factors. The question of whether the crisis in feudalism as a mode of production was brought about by an internal or external factor is one of the chief debates. Also, the context of looking at the demographic change in population from twelfth to sixteenth century Europe gives a lot of glimpses into the changing relations between the different sections of people (the feudal land lords and the peasants). This transition is being carried forward till the change in the form of capital from merchant capital to industrial capital up to the point till capital changes its character to finance capital at present which is of global nature. The social relations at present are the manifestations of the change in the production relations between these classes that has taken place over a period of time. The objective of the paper is to understand how the transition in the economy started historically leading to the development of capitalism till it is being carried forward to the structural change in the present-day context. Here an attempt has been made to look into the various explanations to understand the period of feudalism to its transition period and finally its culmination into capitalism along with the changing character of capital till modern period.

2 Understanding the Feudal Economy and its Crisis

The concept of capitalism started to take shape from the existence of feudalism in Europe. The feudal societies that existed from the twelfth to the fifteenth centuries had an agrarian economic base with peasants forced to work the

land for the feudal lords. The nature and system of production in the feudal economy as a 'static abstraction' (Banaji, 2008) is something where it subsumes the structural contrasts within its own uniform concepts. The causes and the nature of transition from one mode of production (feudalism) to another (capitalism) have been explained by two contending works: one by Maurice Dobb and the other by Paul Sweezy. The Dobb-Sweezy Debate argues on a number of contradictions on what led to the decline of Feudalism and the emergence of Capitalism. One of the main features of the debate is the idea of an internal crisis, spurred on by a number of factors (argued by Dobb) while the other idea was the emergence of towns by the rise of mercantile class, which was quite external to feudalism (argued by Sweezy). Another phase in the debate started with the publication of Robert Brenner's article 'Agrarian Class Structure and Economic Development in Pre-industrial Europe' in 1976.

2.1 Inner Contradictions for the crisis of feudalism

Maurice Dobb in his work 'Studies in the Development of Capitalism', provided his own interpretation that the inner contradictions within the feudal mode of production resulted in its decline. Scholars like Rodney Hilton, Christopher Hill and others strongly supported this view along with providing detailed explanation to it. Feudalism as a 'stable economy' based on the concept of 'natural economy' was in stark contrast to the 'exchange economy' that emerged as a result of trade and commerce. The exchange economy in contradiction to a stable economy goes in a serious process of disintegration with the rise of the new economic structure. In Dobb's words, 'Natural economy and Exchange economy are two economic orders that cannot mix, and the presence of the latter we are told, is sufficient to cause the former to go into dissolution' (Dobb, 1963). Dobb finds it very unlikely that emergence of trade and commerce would lead to a conflict with the old system has any sort of base. The money-based economy led to a more stringent hold of the feudal lords over the production process and the labour needed to facilitate the process (Dobb, 1963). Hence, the money-based economy cannot be seen as having impact on the feudal lord and his authority over production. Here, it is important to understand the significance of the order of feudalism. With trade, there was an increasing necessity to produce for the market and as such it 'reinforced the tendency to intensify

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feudal pressure on the peasantry' (Dobb, 1963). The 'manorial estate' (as a pure feudal system in which peasants have no bargaining power) economy surplus was appropriated by the lords of the lands and the system was completely dependent on the surplus labour-time of the servile class over and above what was necessary to provide for the latter's own subsistence. For an increase in the surplus, the agricultural labourers were exploited beyond measures. It is the internal relationship of the feudal mode of production that has determined disintegration of the entire system (Dobb, 1963; Hilton, 1976). It is important to put stress on the feudal establishments here, who were very much in favour of trade and were willing participants in establishing and giving legitimacy to trade. Also, the 'use of money' was not entirely alien to the system (Dobb, 1963). The feudal urge to produce more for the market intensified feudal pressures on the peasants with the outcome-'emigration' (Dobb, 1963). This form of emigration was widely seen in the fourteenth and the fifteenth century in England and other parts of continental Europe. Feudal production, as a result, faced a severe impact because of such wide-scale emigration of peasants from the manorial estates hampering the surplus appropriation by the feudal lords to a great extent.

2.2 External Pressure for the Crisis of Feudalism

Sweezy, on the other hand, was not convinced by the idea of peasants illegally emigrating outside the feudal manorial estates though he felt that the idea of feudal crisis from an exploitative class has some justification in it. He, therefore, believes that behind such wide scale migration, it is the emergence of towns as a result of the rise in long distance trade, which acted as an exodus for peasants to escape the feudal obligations. He views the '*flight of the serfs*' to have taken place simultaneously with the '*growth of the towns*', especially in the twelfth and thirteenth centuries as they were offered liberty, employment along with improved social status in the newly emerging towns (Sweezy, 1976). The economic structure, in Sweezy's Viewpoint, is signified by the flight of the peasants whose movement to the towns can be understood as a departure from the lands. This, in turn, is a departure from feudal structure whose foundation was defined by the peasant-land relationship. As such, the peasants were no longer part of the feudal production process and this departure bears the signal for disintegration of Feudalism. The rise of the towns due to trade was not a feature of feudalism and therefore the changes brought about by towns and trade in the crisis of the feudal order was external to the system (Sweezy, 1976). The whole idea of this kind of interpretation is to see trade as an alien phenomenon in the feudal structure. This assumption is based on the fact that trade emerged external to feudalism. Feudalism being viewed as '*production for use*' and trade as '*production of exchange*', the latter overpowered the former in the long run. The '*Production for exchange*' brought about the '*production of commodities*' for trade to happen. And this new form of commodity production started embodying a higher form of specialization and division of labour (Sweezy, 1976). This interpretation in explaining the crisis was favoured by Lefebvre (1976) arguing the explanation to be more sensible. He also views trade and towns to have equal pull qualities for the lords as well as the peasants. For the lords

the towns offered newer form of luxuries signifying a better form of lifestyle for them. Again, the peasants were offered by the towns a 'chance of refuge and gainful employment' who were under pressure of the demand for more produce by the lords (Lefebvre, 1976).

3 Reciprocal Modulation of Internal and External Factors

However, the pull (external) factor here, in terms of the roles played by the towns, that made provisions for the labourers to migrate, is to be seen as to have a push (internal) factor along with it which is the inner crisis in the feudal structure. No amount of pull factor of the towns can explain why the peasant would move if they were not under severe constraints put by the 'parasitic' feudal lord class in the feudal structure. Therefore, to understand the whole scale emigration of the peasants, there is a need to emphasize on the internal crisis within the feudal structure to have taken a toll on the peasants' lives which accentuated the need to look into the newer pastures, the towns. The pull factor is also being criticised as Sweezy's arguments runs into contradictions of its own so far as the idea of commodity production needed for trade goes. Regarding production of commodity for exchange it is very difficult to ascertain where this production was supposed to have taken place since it requires a wide scale production base for exchange to take place. Sweezy is unable to provide necessary evidence required to support the wide scale commodity production happening in the newly emergent towns. Brenner (2005) is of the opinion that the real economic opportunities of the towns for the migrants needs to be questioned on the ground that if production was happening within the town system then where was these huge number of escaped peasants finding their place, as with the sudden influx of peasant population, there was the risk of severe constraints to opportunity of work. Therefore, it is necessary to stress the inner contradiction in the feudal system more than the growth of towns pulling labour responsible for disintegration of feudalism.

4 The Crisis Explained in terms of Re-Defined Relationship

Before the emigration of labourers, the increased population in the manorial estates had a severe impact on the production process and also had a say in the lord-peasant relations. While on the one hand, this was favourable to the feudal lords' position as it gave them the impetus to dictate their terms, it highly affected the peasant class due to lack of worker class on the other. It is very important to understand that the economy at this time was based on the amount of time the bonded labourers used to put in the manorial estates instead of being wage-labourers or tenants. The appropriation of surplus by exploiting the peasants placed the lords in a very improved position and as a result, the peasantry, under the whims of the lords faced severe constraints for their own subsistence existence (Brenner, 2005). Again, Dobb (1963) is of the view that land productivity being able to bear a fixed number of peasants, the increased population put more pressure in the productive capacity on the land. But there was a sharp decline in the population in Europe in the fourteenth and the fifteenth centuries in contrast to the previous two centuries. This was a result of falling

productivity, famine and plague (Brenner, 2005). The population decline was for wars as well as the plague known as the - 'Black Death' that swept Europe (Dobb, 1963). In this context, idea of looking at the demographic change as a factor to explain the crisis in feudalism can be seen through two events – firstly, the population decline since the turn of the Fourteenth century caused agricultural produce decline which in turn led to 'serious fall of feudal income' and secondly, because of the reversal of production since the start of the fourteenth century there was an 'absence of reserve' of produce which led to serious 'malnutrition of the population' (Dobb, 1963). Consequently, there was a change in the lord's position in relation to the peasants, as there was continuously falling trend of population growth. The peasants now becoming wage earners started negotiating for relaxed rent and also for their freedom of mobility and the shortage of labour force compelled the lords to employ new measures of loosening their control over the peasant. Brenner (2005), however, felt that the fourteenth and the fifteenth centuries 'cannot be explained in terms of demographic/economic supply and demand' and views the relations between the lords and the peasants to have been based on the 'question of power' which yielded the conflict between them in the future.

5 Explaining the Nature of the Economy in the Transition Period

The transition period with the decline of feudalism being set in motion with its own crisis in the fourteenth and the fifteenth centuries caused by the peasants' resistances along with growing trade leads the economy to pass through a transition. However, this cannot be viewed as the emergence of capitalism as the intervening period had not yet moved into a free-fold production of commodities and the power of the lords over the production process and the peasants had not yet completely eroded. Dobb (1963), however, identified certain reflections in this period having feudal characteristics like peasants were bound to the land restricting their movements and still were to pay rents in terms of money to run the manorial economy. But the period was an 'advance stage of disintegration' (Dobb, 1963) for feudalism. Christopher Hill supports Dobb's views regarding the period of transition. He is of the opinion that Dobb is correct in asserting that the 'partial emancipation from the petty mode of production does not in itself change the economic base of the society, although it does prepare the conditions for the development of capitalism' (Hill, 1976). While Sweezy does not support the characterization of this period into a still continuing feudal system which according to him is not conducive in acknowledging the developed economic order that the transition has infiltrated (Sweezy, 1976) and claims it to be gross injustice to view the economic system of the thirteenth century and economic system of the sixteenth century to have the same traits. Sweezy prefers to call the period as 'pre-capitalist commodity production' as the transition paves the way for rise of capitalism through decline of feudalism.

6 Emergence and Growth of Capitalism

With the growth of merchant capitalism due to the growth of trade, the merchants started enjoying some political power. The merchant capital based on expanding power of the absolutist state in England and central Europe very much

reflected the ongoing nature of conflict between petty producers and privileged merchants (Heller, 1985). Thus, the class-struggle of the feudal society gets propelled in the next stages of development. With the peasants' revolt in the feudal period, a new class 'kulak class' (Dobb, 1963) emerged comprising of peasants who were able to accumulate some capital and were interested in bringing more lands under his production. This new class, undertaking more land for more production, started employing wage labourers to earn more and more surplus (Hilton, 1976). As trade grows, merchants started increasing production. However, according to Lchmann (1989) "producers' abilities to accumulate capital and to transform the petty mode of production into genuine capitalism were limited by unfair competition from guilds and mercantile monopolies and from lords who continued to collect rent under the protection of the feudal state. Yet, the situation in England being conducive due to stability in agricultural sector which led to its focus to shift to production of industrial materials that paved the way for Capitalism to emerge in England. "Proletarianization of labour" and "Commercialization of land" are the aspects of development of the capitalistic world economy, while "incorporation", that is, addition of new geographic areas is an integral part of capitalistic world development (Wallerstein, 1976).

7 The Contemporary Phase of Capitalism

The growth of capitalism discussed so far was merchant capitalism which was a form of market exchange that dominated trade until the early nineteenth century. But in the contemporary phase, the free movement of capital and other factors of production, finished products, services, technology and information led to the integration of markets in the global economy leading to increased interconnectedness of national economies. It, thus, can be called the international integration of countries. But this phase of capitalism is different from the period of its emergence in terms of its changing nature. In recent times, with the triumph of neo-liberal market, the political and economic arrangements have started to rely on a deregulated corporate sector, privatisation of public enterprises, setting of limits on the powers of labour class, reducing the role of the government in every economic and social sphere. With the growth of capitalism in the form of development of a new production system, production sharing between industrial and developing countries is comparatively a recent phenomenon. Transnational products and transnational capitalists are the result of the new phase of capitalism. According to Lichtenstein (2012), as commodities became essential to world commerce today, the transnational retailers have dominated the global supply chain which he calls the new power enjoyed by merchant capitalists. Lioudakis (2014) is of the view that it is the operation and implication of the most fundamental law of capitalism, that is, the 'law of value' which provides a connecting thread of developing the complications of growing interdependencies of contemporary capitalism. Capitalism has again evolved as there is has been a transition of capital from industrial capital to global finance capital. The increasing fluidity of finance created a tendency towards internationalisation of finance (Patnaik et al., 1995) which has changed the policy orientation of the institutions

managing capital (Went, 2003). Due to the institutional factors which underline the importance of finance in an economic system, capitalism has moved through stages and changes to finance capital in the early twentieth century and Lear et al. (2010) calls it to be “money manager capitalism” in modern period.

8 Nature of the State

The spread of trade, commerce and finance which otherwise should have consolidated the nation-states through economic decision making, now have ironically undermined the economic authority of the nation-states. with the reduction in the autonomy of the states, a modern state actually faces a loss of sovereignty in the modern era. With a global production system and a global capitalist class, the autonomy of the state regarding economic decisions gets reduced. Patnaik (1994) calls it to be the crisis of a welfare state and social democracy, since the curtailment of state intervention in independent economic policies reduces the role of the state. Under such a condition, global finance capital and interest of people in democratic politics becomes two conflicting parties between which the state tries to negotiate. Thus, the inherent class-character of capitalism can be seen in this modern era also- the contradiction between the capitalists and the citizenry. Jenkins (2003) stresses the significance of this transition from “democratisation” to “democratic consolidation” of the state possible due to democracy-capitalism interaction.

9. Conclusion

Emergence of a particular economic system in recent times cannot be seen in isolation. The economic influences that are operating across the globe results in the sharing of the world market. Looking at the events from political economy perspective, would help to understand how the production and accumulation takes place in today's world. The transition trajectory explains the urge of capitalism that has led to its development in the society. The question of crisis in feudalism is inherently the internal constraints put by the lords on the peasants that ultimately led to a crisis in the feudal mode of production. Along with that, the emergence of trade and rise of towns cannot be seen as alienated from feudalism. Thus, the crisis in each phase is important to locate the transition and the question of transition will have the answer that is of inherent nature of the system.

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