

IIIS 108 INTRODUCTION TO ECONOMIC HISTORY (CONT)

MODES OF PRODUCTION/STAGES OF GROWTH

Marxists believe that the economy is the foundation of the society. Hence they have analysed history in terms of modes of production or economic changes in society. These modes of production are primitive society or communalism, slave holding tributary, feudalism, capitalism and socialism/communalism.

Neo-classical scholars like W.W. Rostow have called theirs "Stages of Economic Growth". These are the traditional society pre-condition for take off, the take-off, the drive to maturity and the age of mass consumption.

1. Primitive / communal Mode of Production

At this stage people were grouped into small communities developing from clans to tribes. The clan was an ethnic, production and social entity. Its members were related by blood ties. Labour for hunting and gathering were performed in common as individuals were too weak to fight forces of nature alone. Common labour, common ownership of means of production (i.e land) equal consumption rights. Primordial communal system was promoted through traditional taboos.

The primitive clan was ran on the basis of primordial communal democracy by a council composed of all adult kinsmen. The elders didn't enjoy any special privileges. There was no yet existence of a state. Women were accorded respect like the elders. No category of people ruled the others. Primitive man continued to gather labour experience, his knowledge expand. He applied his knowledge to make instruments, build houses and secure means of farming. Implements made of stone or bone, invention of bows and arrows were the greatest technological achievements.

By the 6th C.B.C, the productive forces of primitive society experienced their "first truly revolutionary upheavals" which the British archeologist, G. Gilde called "the Neolithic revolution". It led to changes in economic production. Instead of gathering with fruits, and roots and hunting of animals, man turned to tilling and animal husbandry. The clan community was replaced by the agricultural commune of neighbours not based in kinship but collectivism, and landownership. Further changes included the invention of bronze and later iron impements. For the first time man could produce surplus. This could be redistributed or accumulated. The result was that man could exploit another man. Hence the society was divided into social classes. Early class society arose between 4th and 3rd millennia BC in Africa (Egypt), Asia (China, India) and Latin America (Peru).

The system resulted in despotic centralized state – which divided society into exploited and exploiter. Private property increased, wars were waged for spoils, plunder of property, capturing of people and conversion into slavery and slave trade. Communal society broke down and giving rise to slavery mode of production.

SLAVE MODE OF PRODUCTION

With the breakdown in communal mode of production, tribal chiefs and military commanders set up themselves as kings and emperors. They used their power to safeguard and increase their property and to put down slave uprisings. They set up armed forces, organs of power courts of laws and prisons. That was the origin of the state (authority), which could used force against the exploited class.

Slave-holding state first appeared in countries of the East: Egypt, Babylon, Persia and China. For the first time society was divided into classes which was based on exploitation of man by man. It was able to produce higher implements such as iron implements which replaced stone implement. They mined and smelted iron ores to make implements of labour. Progress was made in building of places, temples, theatres, cities, pyramids and construction of dams, canals, roads and irrigation systems. Handicraft was developed including pottery, weaving, spinning, making of musical instruments and medicines.

All there were based on exploitation of slave labour, but freemen were also involved. Agriculture was the mainstay of the slave holding society. Technical, development was cheap because of availability of cheap slave labour. Usury and debt bondage converted man, his wife and children into slavery. Predatory wars were fought to obtain slaves. The slave owner seized all the wealth of the slave.

THE FEUDAL OF PRODUCTION

The slave had no incentive to increase production and the productivity of his labour was low. Hence the need to give some incentives to raise his productivity. Growth of the productive forces required a change in the slave holding society in Europe slave owners began to attach the slaves to their land known as indentured tenants (serfs). The crucial factor of production which was land belong to the feudal lords who rented out to the peasants communes. These serfs or peasants were obliged to give away in kind as price of his tenancy part of his crops. Or serfs worked for himself and his family on several days in a week and spent the rest working for his master. The landlord had no concern for the maintenance of his workers. The serfs had duty to provide themselves with food and find ways of increasing his labour force.

In Africa the development of feudalism took place in Soghai Empire in the 14th and 15th centuries and more developed one in the Sokoto caliphate of the 19th century. The basic economic law of feudalism included production of surplus known as feudal rent used to satisfy the needs of the ruling class. The feudal ideal was "no land without a lord, no lord without a lord". The foundation of feudalism known as manoralism – dates from the 19th century. The manor consisted of land, building and the people who cultivated the land and inhabited the building. The land was divided into arable, pasture and meadow and woodland, forest, or waste. Legally it was divided into the lord's demense, peasant holdings, and common land (Cameron, 1991:46 – 47).

MERCANTILISM

The period lasted broadly between 1500 and 1800AD. The basic idea of mercantilism was that government should direct the economy so as to gain more national wealth and power usually thought as "more gold and silver" known as bullionism. The economic production was controlled by the king and the nobility. Government was expected to (a) stimulate the output of goods for exchange for gold and (b) limit domestic consumption (export and inputs). Kings and queens should own many things, Gold was seen as key to the nations wealth and power. Exports were encouraged while imports were discouraged.

Under mercantilism each nation should establish ^{colonies} colonies to provide sources of raw materials. These were processed into goods and sold back to the ^{colonies} colonies for gold. Various forms of mercantilism persisted for three centuries. From the discovery of the New World to the ^{American} American Revolution mercantilism was the game. The British, French, Dutch, Spaniards, Portuguese, Italians and others tried ^{to} increase the "wealth of nations" – The nations gold. The rulers and merchants of each nation worked together to enrich themselves and their nations at the expense of others.

Legacy of mercantilism are explorations, colonization, urbanization and increase use of money and ^{prices} prices as incentives.

THE PHYSIOCRATES

During the three hundred years of mercantilism – exploration, urbanization, the increase use of money and the emergence of prices a economic incentives. All this time the conditions were being laid for transition to industrial capitalism. Nobody was happy with mercantilism. With time, mercantilism came under War attack. During the 1700s the mercantilist philosophy was attacked by other philosophers. This came from the Scotsman, Adam Smith, author of the "Wealth of Nations" 1776 and French philosophers (Physiocrates).

The physiocrates said it would be better if government would leave people alone. They concentrated on physical production and emphasized the economic importance of agriculture. Only

agricultural production created "new things out of nowhere". Manufacturing and trade were "dead" activities. Nothing was really "created". Real wealth is created when the soil, nature and people are working partnership. This process was interfered with by the mercantilists.

The term "laissez faire" comes from the French physiocrats, pointed out to some fallacies of the mercantilists. Francis Quesnay a leading physiocrats explained that economic activity follows a kind of circular flow.

It means govt should leave people

His Tableau Economique – shows that the people of the society produce, then consume and save some then produce again. Using what they save they can produce more. Production – consumption circle goes on. This is how the nation gains its wealth. They criticized the mercantilist for different explanation of form and source of wealth.

CAPITALISM

In the capitalist system, the capitalist owns the means of production while the labourer owns the nothing but his labor which he sells to the owners of the capital. While in the communist mode of production the means of production are communally owned and the product of labor shared out in accordance to ones needs.

Capitalism is the mode of production that succeeded feudalism. In this form or mode of production, few members of the society own the means of production while the majority of the members of the society have nothing but their labour. To survive the owner of the labour is forced to sell out his labour to the owner of capital hence he gets employed by the later. In the process the owner of capital exploits the surplus labour of the labourer since he is obliged to produce over and above what he is paid for by the capitalist.

Though it is assumed that the owner of labour is free to sell his labour or otherwise, he is forced to do that to enable him survive. One other major feature of capitalist system is the cut throat competitions that exist between the capitalists. This is because production within the system is not for satisfaction but to make profits and more profits hence the issue of markets for the sale of the goods and profit maximization is the order of the day. ~~The interest of the people is not central to any economic activity.~~ The quest for profit maximization led to the cut throat competition. An outcome of this competition is that it motivates the various capitalists to invent to out produce one another. This invariably led to the development of production forces in the form of industrial revolution in Europe in the 18th century.

Since the driving force behind capitalism is profit maximization, it is necessary for it to exploit every available avenue to enable it make the profit hence increasing exploitation of labour and expansion of production is the order of the day. Invariably the system gave birth to two distinctive

classes: the capitalist class and the proletariat class. The increasing exploitation by the capitalist is bound to create problems for that class because the burdens will eventually become unbearable on the labourer or working class. This will make them fight the unjust system.

We have seen that the increasing competition between the capitalist in Western Europe led to the perfection of production through intervention. This invariably led to mass production of goods in Europe which subsequently meant that the market became inadequate for the goods produced and profit had to fall and to make it up, labour had to be retrenched and this further meant a reduction in the purchasing power of the people since the retrenched one had no income. As a response to this, many social ills like rioting, demonstrations, prostitution and robbery, drug addiction and trafficking among other social ills emerged rendering Western societies chaotic and unsafe.

The natural tendency for solving the problem therefore was to export capital to the virgin lands outside Europe where returns were very profitable. Additionally, the search for new raw materials and labour at cheap affordable rate were important reasons for exportation of capitals to other lands. This subsequently gave birth to colonialism, imperialism, and neo-colonialism as the brain children or outcome of capitalist. One can therefore understand that the development of capitalism invariably led to the development of underdevelopment of the third world countries, Nigeria and other African countries inclusive.

The development of capitalism in Africa from above, discussion actually came with the period of colonialism. The mode of production (capitalism) was not allowed to evolve on its own as happened in other countries of Europe. As a result, most of the countries in Africa at independence actually had become capitalist in nature and have decided to imbibe on a more confused mode which they classified as mixed economy. This however was an outcome of stage of immaturity in the development processes of the countries concerned.

Because capitalism as a mode of production was not allowed to evolve in Africa it has become more of an appendage to the developed capitalist society of the West. This is more so that the petite Bourgeoisie of these countries are incapable of engaging very much depend on the commissions handed down to them by their more advanced collaborations of the West on behalf of whom they seem to be acting in their own countries.

SOCIALISM

This coinage was got from Marx's Dialectical materialist analysis of society. According to Marx just like other modes of production dug their own graves as a result of the contradictions imbed in them, capitalism as a mode of production is very busy digging its own grave. The exploitation of the worker by the capitalist and the inborn contradictions in capitalism would, according to Marx eventually lead to the overthrow of the exploiters by the exploited who would eventually build a

socialist society based on the dictatorship of the workers or producers of wealth. While the predictions by Marx in 19th century was mainly looking at the French society and the working conditions of the workers there, the first feudal society at the time.

Administration in Russia was overthrown, giving birth to the first socialist country in the world. This development eventually led to polarization of the world into two power blocks: the West or capitalist block led by America (USA) and the socialist East led by defunct USSR.

The period after the Second World War saw the intensification of efforts by African nationalists to achieve independence for their countries. While some of these African countries found it relatively easy and entered into negotiations with their colonizers, others did not find it that easy hence they had to resort to wars of liberation to free their countries from the yoke of colonialism. Since the West was mainly in support of the domination of these countries by the colonial powers, the socialist East provided the only alternative left for the nationalists in these countries.

Again, at independence most of the African countries found themselves in very tight positions as they could not make serious headway in terms of development. The leaders of these countries understood that colonialism, Neo-colonialism and the international capitalist conspiracy was not going to give them chance to survive effectively within the international capitalist community. Socialism with its ideas which were much against capitalist exploitation offered them a better alternative. The socialists saw the perpetual poverty of the African countries as a result of their being exploited by the capitalist West hence liberation of these countries from the yoke could come about only as a result of complete severance of the bond between them and the West. These factors led to the adoption of the socialist path to development by many of these African countries. These alternative path to development by the African countries has not been a complete success. A number of countries in Africa who tried it have not come off better in any serious way. This is mainly because the history of African has been that of plunder by outsiders and the economies eventually conditioned in such a way including monoculturalism that it requires more than just the adoption of the socialist system to propel the continent into development.

CLASSICAL ECONOMISTS

This commonly describes group of predominantly British economists who followed Adam Smith in search for laws regulating production, distribution and consumption of wealth. Economics was then political economy, this was firmly established by the 19th century. Their work was epoch-making because it created the concept of economic society as deterministic system: ruled by laws of its own, the basis of which calculations and forecasts of events could be made. For the first time a determinism of law in the affairs of men comparable to determinism of law in nature was discovered. The period dates between the 17th and 18th centuries while others date ^{it from} ~~inform~~ the publication of

Adam Smith's ^{of} ~~Wealth~~ Nation, 1776, Among them are Adam Smith, David Ricardo, Rev. Thomas Malthus, John Miller, etc.

ADAM SMITH

The physiocrats and the mercantilist disagreed about the nature of a nation's wealth and the causes of the nation's wealth. The solution was provided by Adam Smith, a professor of economics and Scotsman. In it he criticized the mercantilist for wrong concept of nature and cause of a nation's wealth. Particularly he was against strict control of the economy and advocated for economic freedom of an individual.

We discussed the advantages of:

- a. Specialization and trade
 - b. Savings and investment and economic growth
 - c. How market forces of demand and supply determine prices
 - d. Functions of government
 - e. Laissez – faire and competition
- A. Division of Labour, Specialization and Trade

Smith explained that trade plays an important role in bringing about most productive and efficient use of society's resources. He explained that division of labour and specialization are related. A jack-of all trades can't be productive as one who specializes. A person who specializes must trade the output production to sell and get other things in return. Specialization requires trade. He formulates the theory of Absolute Advantage in international trade i.e. a country should specialize in producing only those goods it can produce more cheaply than its trading partners.

B. The function of Government

The tenets of economic liberalism called for a reduction of the role of government in the economy. According to Smith and his "system of natural liberty" the government has only three functions ^(a) of the duty of protecting society from violence and invasion (b) the duty of protecting every member from injustice or oppression ^{and} (c) the duty of erecting and maintaining certain public works. This idealized role of government gave rise to laissez – faire ("Let do").

C. Laissez – Faire

Smith explained how market forces will force the trader, industrialist, landowner, worker, etc into serving the interest of the society. People will use their energies and resources to make what the society wants most and they will be rewarded with profit. Everything would work best if government follows laissez – faire – hands off and doesn't interfere with economy.

As a result of his contributions, Smith has been described as the "Father of Economics". Many countries in Western Europe, U.S.A, Japan, etc ^{are} pursuing capitalism (free economy).

THOMAS MALTHUS

He is regarded as one of the classical economists. He was only ten years when Adam Smith wrote. He agreed ^{with} Smith about natural order in economic affairs and government should follow a policy of laissez - faire to let natural laws operate freely. Malthus wrote a book, Essays on Population in 1790, and explained that population tends to expand more rapidly than the food supply. Population tends to grow at geographical level while food at the ^{arithmetic} ~~arithmetic~~ level. Hence food will always be in short supply. He theorized that where population exceeds food supply death from famines would eliminate excess population - balance gap between food supply and population.

The idea that population expansion would keep the people poor and hungry is called the Malthusian Law of population. Despite technology which enables man to double food production population is still growing at a faster rate in developing countries. Hence there is the need for population control and family planning.

THE MARXIAN THEORY

Karl Marx was born in Germany in 1818. He studied Philosophy but went into journalism and wrote radical articles and was expelled from German city of Cologne. Went to Paris, developed an association with socialists and other radicals ^{and} wrote more radical articles and was expelled again. He went to Belgium but was expelled again after his first book - The Communist ^Manifesto appeared in 1848. He went to England and spent the remainder of his life in the British Museum Library. During his life in England, he saw a developed capitalism and he studies the writings of the classical economists, socialists like. - - -

In 1867 he completed and published the first volume of Das capital. Second and third volumes were completed in 1885 two years after his death by his friend and financier, Frederick Engels. Marx wrote both on philosophy, history and economics. His writings have been divided as follows:

- a. Dialectical materialism /historical materialism
- b. The doctrine of class struggle
- c. The theory of surplus value
- d. The theory of inevitable revolution
- e. The theory of the withering away of the state

In a critique of Hegelian philosophy of individual, Marx made history the centre of his philosophy. He emphasized the role of economic factors upon social and political activity. He wrote a long

critique of capitalism for its exploitative character. Marx was interested in establishing a law upon which society moves from one historical category to another (mode of production). Hegelian philosophy has explained it in term of "ideals. There are always certain ideas called "Theses", which there are anti-theses or opposite ideas. A reaction takes place between the two and the result is synthesis or new ideas, which attracts their own anti-theses. Marx used similar idea but his main mover of progress is the material condition of social life. Social production necessitates the creation of corresponding social production relations and these relations take various forms. These are not fixed but change with "the degree of the development of social productive powers". The economic structure of the society is correspondence to these production or social relations. These are collectively called modes of production. Based upon the mode of production is the super structure of political, legal and other institutions in the society.

When a new set of property relations came into being, a corresponding superstructure comes into being. But mode of production and superstructure are always in conflict with one another. A process is set into motion and eventually the existing mode of production is replaced by a new one and there will be a new superstructure in harmony with the mode of production. This is called dialectical materialism. (mode of production in history are communal, slavery, tributary, feudal, capitalist socialism).

Members of society have to enter into social relationships with each other for purposes of social production. These are appropriate to develop the productive powers of the society, it is these that brings it into conflict with the social relationships. Social relationship instead being a help to the productive powers of society, become fetters upon them and have to be destroyed for progress to be made. Hence Marx brings in the famous class conflict or class struggle, which determines the movement of social history. Whenever a new mode of production comes into existence, the society finds its productive powers enhanced. The new social relations brings benefit to the hitherto oppressed classes (eg. Slaves become serfs, or serfs become laborers). Very soon the society realizes that some classes are getting exploited by others. The class struggle becomes open and eventually the existing mode of production is changed and replaced by another. Class struggle is central to Marxist analysis. Marx also reveals that labour is the only factor of production which is able to produce more than what grew in to produce it self. Labour is the only source of surplus. Throughout history there has been a struggle regarding the appropriation of this surplus, in capitalism it becomes more open in terms of surplus value.