

Did capitalism originate as a Western social form, which began in one place in Europe and then gradually spread throughout the rest of the world? Or, alternatively, was capitalism always an intrinsically global social form?

Different areas of the world experienced very different factors while the emergence of capitalism was underway. In this paper, I will argue that the foundations for capitalism had begun to be laid throughout the world around the 1600s but it was only allowed to flourish when specific conditions came together. Those specific conditions such as a coal boom and controllable peripheries happened to have been experienced by Europe and hence capitalism came to be known as a Western social form which began in Europe and then gradually spread to the rest of the world. While it may have been developing concurrently in other parts of the world, the wave from Europe changed markets across the globe. The rest of the world may have still been trying to develop their markets in the face of resource constraints but when the wave came, other areas could *literally* not resist it whether they liked it or not. And once capitalism was introduced as a social form, it was difficult if not impossible to get rid of. This paper will argue that capitalism originated an intrinsically global social form, however when Western Europe repurposed the world system to their benefit, it made it seem as if capitalism was a Western Social form.

Before furthering this argument at all, let's define capitalism in context of this paper. I will be interpreting capitalism as an economic system that has features that include, but aren't limited to: private accumulation of capital, goods and service production with a focus on exchange value maximization and a large proportion of wage labor workers.¹ This leads to the social observation that there is a small class of capital owners who organize production and allocate resources. Supporting this small class, there is a populous of workers who toil away for a wage under profit maximising objectives of the 'capitalists'. Goods and services are produced with the motive of

¹ Heilbroner, Robert. *The New Palgrave Dictionary of Economics*. "Capitalism". 2nd ed. Palgrave Macmillan, 2008.

exchange and these are traded in competitive markets where prices and quantities are determined by supply and demand.

Before a historical analysis, let's consider why capitalism is very durable and hard to overhaul once it is implemented. Since capitalism by its very nature creates winners and losers, the winners are heavily invested in keeping things the way they are. To add to this, the winners are the ones with the power and hence have the ability to keep things the same. Unlike a monarchy where you could overthrow a specific king, the target of a rebellion against capitalism is essentially everyone and everything around the rebel. Thus, a rebel finds themselves intertwined in the system they're against. It is impossible for rebels to leave the system without harming themselves.²

Having established a couple things about capitalism, let's consider the conventional wisdom about its development and spread. In the middle ages, we saw a rise in spirits of frugality, reinvestment and city life³. This, coupled with favorable conditions in places like England where Lords were allowed repurpose peasant lands started the process of capital accumulation⁴. With the existence of 'doubly free workers', large 'enclosures' and city dwelling, people started producing goods for the purpose of exchange rather than subsistence. With this, markets were created and trade began in Western Europe and a world system began to emerge. Western Europe formed the core of the world system, and mercantilism grew to support it. Voyagers from

² (eg: North Korea) as described in: Robinson, Michael E. *Korea's twentieth-century odyssey*. Honolulu: University of Hawaii Press, 2007. Page 151

³ Weber, Max. *The Protestant ethic and the "spirit" of capitalism and other writings*, trans. Peter R. Baehr and Gordon C. Wells (New York: Penguin Books, 2012), Page 16.

⁴ Marx, Karl. *Capital*, Vol. 1, trans. Ben Fowkes (London: Penguin, 1976), Chapter 27, Page 1768 (EBook)

the core tried to capture or form relationships with peripheral regions that could provide land, labor and resources. As the peripheries became a part of this world system, these places such as Poland, the Americas and North Africa - whether they liked it or not - began trading with the core as well. World markets were formed such as the ones in Amsterdam and very few were able to cut themselves off from trading the things they produced for the variety of goods all around.⁵ Once this order began, it was almost impossible to contain its spread. The beneficiaries were too invested in keeping things the way they were if not increasing the spread of the world system.

This is just a quick summary of the spread of capitalism but it leaves a lot of questions unanswered. Was it only in Western Europe where manic savers, capital accumulation, exchange of goods and banking services came about? What was the rest of the world doing at this time? Was it just subsistence agriculture? Did they not have any forms of markets? If capitalism had begun in other parts of the world as well, why didn't those places rise to power as the core did and why didn't capitalism spread from there? The next part of this paper will focus on answering these questions and provide some insight as to why it may seem like capitalism *originated* as a western social form even though reality may be very different.

Many economic variables had very similar values in China as they did in Europe in the 1700s. Despite dense populations, the Chinese delta wasn't facing worse strains than the most

⁵ Wallerstein, Immanuel. "The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis," *Comparative Studies in Society and History* 16, no. 4 (Sept. 1974), 387-415.

developed areas in Europe.⁶ China too experienced urbanization of elites and nobility declined as a main mark of status. Smithian dynamics worked equally well in China as in Europe where we saw specialization and increasing labor. In both places, grain-buying power was falling - however, death inventories were increasing. People spent more hours producing goods for market sale and likely spent less time making their own products. They also likely had less leisure time.⁷ Numerous accounts from Europe travellers confirm that levels of consumption and the range of goods in China were similar to those in Europe before 1800.⁸ Thus Chinese and European consumption and production looked pretty similar until around the 1800s.

Similarly, the Indian subcontinent was not dramatically different to Europe. Demographics were not radically different and nor was the political and economic order. Contrary to common belief, Indian states at the time were not despotic and competition propelled development of administration and technology.⁹ The Mughal Empire also boasted some exceptional features such as 'hundi' (credit instruments) and 'taccavi' (0% interest loans) which go to show how evolved markets in Southeast Asia were as well.¹⁰ The advanced regions of India has substantial trade with the rest of the world, not just nearby countries. We also observed a lot of economic

⁶ Pomeranz, Kenneth. "Political Economy and Ecology on the Eve of Industrialization: Europe, China and the Global Conjuncture," *American Historical Review* 107, No. 2 (April 2002), 425.

⁷ De Vries, Jan. "The Industrial Revolution and the Industrious Revolution." *The Journal of Economic History* 54, no. 2 (1994): 249-70. <http://www.jstor.org/stable/2123912>.

⁸ Some accounts:

i. Staunton, George. *An Authentic Account of an Embassy from the King of Great Britain to the Emperor of China*, 3 vols. (Philadelphia, 1799), 2: 48

ii. Macartney, George. *An Embassy to China: Being the Journal Kept by Lord Macartney during His Embassy to the Emperor Ch'ien-lung, 1793-1794* (1962), 225

iii. Dermigny, Louis. *La Chine et L'Occident: Le commerce à Canton au XVIII siècle, 1719-1833*, 3 vols. (Paris, 1964), 3: 1253

⁹ Parthasarathi, Prasannan. *Why Europe Grew Rich and Asia Did Not: Global Economic Divergence, 1600-1850* (Cambridge, UK: Cambridge University Press, 2011), 52-53

¹⁰ Parthasarathi, *Why Europe Grew Rich...* Page 63-64

specialization and witnessed high growth and prosperity in India at the same time as the industrial revolution was sparking up in Europe.¹¹

So, we observe that it wasn't just Europe where there were capitalist developments. During the middle ages, parts of Asia too experienced a much harder working populous than in the past, exchange and trade of goods, capital accumulation, banking services and trade. There were many different kinds of goods on the market and people produced goods and services with the objective of exchange. Capitalism as a social form was growing in various places across the globe almost simultaneously. But if capitalism in its evolutionary stages was global, what changed later that associated capitalism with Western Europe? The next couple paragraphs will attempt to explain why this divergence happened and what caused capitalism to be viewed as a Western European social form.

In the late eighteenth and nineteenth century, Europe's wood crisis was alleviated by a coal boom. While Europe had very levels of deforestation as Asia, their issues were greatly diluted by this boom. While China too had extensive coal deposits, they were far inland from the developed deltas of China. England, on the other hand, had coal geographically close to London. Furthermore, a number of factors regarding the geological properties of the mines made coal much easier to extract in England than in China.¹² Thus, these ecological blessings form part of an escape route for Europe from the resource constraints that economies around the world were facing.

¹¹ Parthasarathi, Why Europe Grew Rich... Page 84

¹² Pomeranz, Kenneth. Political Economy and...Page 436-437

Having considered internal reasons, let's talk about the elephant in the room - Western European relations with its peripheries. The "second serfdom" in Eastern Europe meant that peasants couldn't produce handicrafts themselves and undertake import substitution like people in China's peripheries did.¹³ This prevented the grain trade with Western Europe from being squeezed like that in the Chinese interior, and thus allowed Western Europe to focus on manufacturing. However, it also limited agricultural improvement and export demand in the Eastern European peripheries. This is where Western European mercantilism came in. The slave trade and the new world's bounty kept new world production expanding, thus allowing Europe to specialize in manufacturing.¹⁴ With Western European colonialism and mercantilism, they were able to break past their resource constraints and develop specialized manufacturing unlike areas like India and China. It is estimated that replacing sugar imports with locally grown calories would have required land equivalent to the size of another England and replacing cotton would have required yet another England.¹⁵

Earlier in this paper, I mentioned India and how it was not very different from Europe. India had very similar glimpses of capitalism and as we noted, even had impressive financial instruments just like Western Europe. In fact, when the British arrived on India's shores, India's share of the world economy was greater than 20 percent, producing a fine array of goods desired all over the world. The large trade surplus India had can be examined in the build up of huge amounts of

¹³ Pomeranz, Kenneth. Political Economy and...Page 441

¹⁴ Richardson, David. "The Slave Trade, Sugar, and British Economic Growth, 1748-1776," *Journal of Interdisciplinary History* 17, no. 4 (1987): 765-66.

¹⁵ Pomeranz, Kenneth, Political Economy and... Appendix D ("ghost acreage")

silver in the subcontinent.¹⁶ However, by the time Britain left, India's share of world GDP was down to less than 4 percent.¹⁷ Britain essentially governed its colonies for its own benefit such that it deindustrialized them to allow its own industrialization.

For example, it was said that Indian weavers in the time produced muslin "light as woven air". The British came in, smashed the weaver's thumbs, broke their looms, imposed tariffs and took raw materials from India to the mills of Manchester where they manufactured cloth that flooded the world's markets.¹⁸ This meant that India went from being a world famous exporter to an importer of cloth. By the 19th century, India had been made into the biggest purchaser of British goods and the source of funds for highly paid British civil servants.¹⁹ And while India played the part as a source of goods and a market for British exports, the British made it a point to deny them any opportunity to progress. While I have only mentioned India here, many of the Western European colonies have very similar stories. It has been estimated that 1/5th of the Victorian elites made their fortunes on the slave trade across the Atlantic.²⁰

Thus, back in the 16th century, various regions across the world were making their own moves towards capitalism and had extremely similar properties. In China, India and Europe, goods were being produced for exchange and people were working harder and longer hours. Death

¹⁶ Parthasarathi, Prasannan. Why Europe Grew Rich... Page 60

¹⁷ Maddison, Angus. "A History Of World GDP." The Economist. June 20, 2012. Accessed May 19, 2017. <http://cdn.static-economist.com/sites/default/files/images/2012/06/blogs/graphic-detail/22-201034nac119.gif>.

¹⁸ Tharoor, Shashi. "Britain Does Owe Reparations." OxfordUnion. July 14, 2015. Accessed May 21, 2017. <https://www.youtube.com/watch?v=f7CW7S0zxv4>.

¹⁹ Tharoor, Shashi. "Britain Does Owe Reparations"

²⁰ Manning, Sanchez. "The stately homes built on the back of slaves." The Independent. March 02, 2013. Accessed May 21, 2017. <http://www.independent.co.uk/news/uk/home-news/the-stately-homes-built-on-the-back-of-slaves-8518002.html>.

inventories were rising and markets were pretty evolved. Even back then, there was a global system with markets, capital accumulation and trade between various countries. If one was looking at the world then, they'd recognize that capitalist cores formed in Western Europe and East and Southeast Asia almost simultaneously. Looking at this, one would likely come to the conclusion that capitalism was always an intrinsically global social form.

However, it was coal, slavery and mercantilism that propelled Western Europe to world supremacy. While China and India had constraints in energy and food, Europe didn't need to worry about these due to coal and productive peripheries that were able to support its expanding population. This allowed it to form a high degree of industrial specialization and undertake more and more colonial missions. Colonial missions on which, as we saw, it destroyed the capitalist structures in other places only to impose upon them new systems as they saw fit for the new world system that placed Western Europe at the core. And when they did so, it seemed as though the western social form of capitalism was spreading throughout the rest of the world. So, capitalism was always an intrinsically global social form which began to develop around the world. But, due to various factors, Western Europe was able to progress ahead. Once ahead, countries like Britain leveraged this progress to reorganize the world system in their own favor. People today often point to this reorganization and claim that capitalism is a Western social form that began in Europe and then spread the world over. However, as we have seen in this paper - that is not the entire story.

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