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Chapter 1 : Islamic Capitalism and Finance: Origins, Evolution and the Future - Murat Ã‡izakÃ§a - Google

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Instead of planning economic decisions through centralized political methods, as with socialism or feudalism, economic planning under capitalism occurs via decentralized and voluntary decisions. Capitalism and Private Property Private property rights are very important in capitalism. Once owned, the only legitimate means of transferring property are through trade, gifts, inheritance or wages. Private property promotes efficiency by giving the owner of resources an incentive to maximize its value. The more valuable a resource, the more trading power it provides the owner. In a capitalist system, the person who owns property is entitled to any value associated with the property. When property is not privately owned, but shared by the public, a market failure can emerge, known as the tragedy of the commons. The fruit of any labor performed with a public asset does not belong to the laborer, but is diffused among many people. There is a disconnect between labor and value, creating a disincentive to increase value or production. People are incentivized to wait for someone else to do the hard work and then swoop in to reap the benefits without much personal expense. For individuals or businesses to deploy their capital goods confidently, a system must exist that protects their legal right to own or transfer private property. To facilitate and enforce private property rights, capitalist societies tend to rely on contracts, fair dealing and tort law. Capitalism, Profits and Losses Profits are closely associated with the concept of private property. By definition, an individual only enters into a voluntary exchange of private property when he believes the exchange benefits him in some psychic or material way. In such trades, each party gains extra subjective value, or profit, from the transaction. Voluntary trade is the mechanism that drives activity in a capitalist system. The owners of resources compete with one another over consumers, who in turn compete with other consumers over goods and services. All of this activity is built into the price system, which balances supply and demand to coordinate the distribution of resources. A capitalist earns the highest profit by using capital goods most efficiently while producing the highest-value good or service. Profits are an indication that less valuable inputs have been transformed into more valuable outputs. By contrast, the capitalist suffers losses when capital resources are not used efficiently and instead create less valuable outputs. Capitalism and free enterprise are often seen as synonymous. In truth, they are closely related yet distinct terms with overlapping features. It is possible to have a capitalist economy without complete free enterprise, and possible to have a free market without capitalism. Any economy is capitalist as long as the factors of production are controlled by private individuals. However, a capitalist system can still be regulated by government laws and the profits of capitalist endeavors can still be taxed heavily. Although unlikely, it is possible to conceive of a system where voluntary individuals always trade in a way that is not capitalistic. Private property rights still exist in a free enterprise system, although private property may be voluntarily treated as communal without government mandate. Many Native American tribes existed with elements of these arrangements. If accumulation , ownership and profiting from capital is the central principle of capitalism, then freedom from state coercion is the central principle of free enterprise. Skilled workers lived in the city but received their keep from feudal lords rather than a real wage, and the farmers were essentially serfs for landed nobles. It took the Black Plague, one of the most devastating pandemics in human history, to shake up the system significantly. By killing scores of people in both town and countryside, the various plagues of the Dark Ages actually created a labor shortage. Nobles fought to hire enough serfs to keep their estates running and many trades suddenly needed to train outsiders, as entire guild families were wiped out. The advent of true wages offered by the trades encouraged more people to move into towns where they could get money rather than subsistence in exchange for labor. As a result of this change, birth rates exploded and families soon had extra sons and daughters who, without land to tend, needed to be put to work. Mercantilism Mercantilism gradually replaced the feudal economic system in Western Europe, and became the main economic system of commerce during the 16th to 18th centuries. Mercantilism started as trade between towns, but it was not necessarily competitive trade. Originally, each town had vastly different products and services that were slowly homogenized by demand over time. After the homogenization of goods, trade was carried out in wider and wider circles: When too many nations were offering similar goods for trade, the trade took on a competitive edge that was sharpened by strong feelings of nationalism in a continent that was constantly embroiled in wars. Colonialism flourished alongside mercantilism, but the nations seeding the world with colonies were not trying to increase trade. Most colonies were set up with an economic system that smacked of feudalism, with their raw goods going back to the motherland and, in the case of the British colonies in North America, being forced to buy the finished product back with a pseudo- currency that prevented them from trading with other nations. It was Adam Smith who noticed that mercantilism was not a force of development and change, but a regressive system that was creating trade imbalances between nations and keeping them from advancing. His ideas for a free market opened the world to capitalism. Fortunately, a new gold mine was found in the mechanization of industry. As technology leaped ahead and factories no longer had to be built near waterways or windmills to function, industrialists began building in the cities where there were now thousands of people to supply ready labor. For the first time in history, common people could have hopes of becoming wealthy. The new money crowd built more factories that required more labor, while also producing more goods for people to purchase. Contrary to popular belief, Karl Marx did not coin the word, although he certainly contributed to the rise of its use. Wages increased, helped greatly by the formation of unions, and the standard of living also increased with the glut of affordable products being mass-produced. This led to the formation of a middle class that began to lift more and more people from the lower classes to swell its ranks. The economic freedoms of capitalism matured alongside democratic political freedoms, liberal individualism and the theory of natural rights. This is not to say, however, that all capitalist systems are politically free or encourage individual liberty. Economist Milton Friedman , an advocate of capitalism and individual liberty, wrote in "Capitalism and Freedom" that "capitalism is a necessary condition for political freedom. Capitalism and Economic Growth By creating incentives for entrepreneurs to siphon away resources from unprofitable channels and into areas where consumers value them highly, capitalism has proven a highly effective vehicle for economic growth. There is no historical evidence of any society experiencing compound economic growth prior to the rise of capitalism in the 18th and 19th centuries. Research suggests global per-capita income was unchanged between the rise of agricultural societies through approximately , when the roots of the first Industrial Revolution took hold. In subsequent centuries, capitalist production processes have greatly enhanced productive capacity. More and better goods became cheaply accessible to wide populations, raising standards of living in previously unthinkable ways. As a result, most political theorists and nearly all economists argue that capitalism is the most efficient and productive system of exchange. The Differences Between Capitalism and Socialism In terms of political economy , capitalism is often pitted against socialism. The fundamental difference between capitalism and socialism is the scope of government intervention in the economy. The capitalist economic model allows free market conditions to drive innovation and wealth creation; this liberalization of market forces allows for the freedom of choice, resulting in either success or failure. The socialist-based economy incorporates elements of centralized economic planning , utilized to ensure conformity and to encourage equality of opportunity and economic outcome. In a capitalist economy, property and businesses are owned and controlled by individuals. In a socialist economy, the state owns and controls the major means of production. In some socialist economic models, worker cooperatives have primacy over production. The capitalist economy is unconcerned about equitable arrangements. The argument is that inequality is the driving force that encourages innovation, which then pushes economic development. The primary concern of the socialist model is the redistribution of wealth and resources from the rich to the poor, out of fairness and to ensure equality in opportunity and equality of outcome. Equality is valued above high achievement and the collective good is viewed above the opportunity for individuals to advance. The capitalist argument is that the profit incentive drives corporations to develop innovative new products that are desired by the consumer and have demand in the marketplace. It is argued that the state ownership of the means of production leads to inefficiency, because without the motivation to earn more money, management, workers and developers are less likely to put forth the extra effort to push new ideas or products. In a capitalist economy, the state does not directly employ the workforce. This can lead to unemployment during economic recessions and depressions. In a socialist economy, the state is the primary employer. During times of economic hardship, the socialist state can order hiring, so there is full employment. In addition, there tends to be a stronger "safety net" in socialist systems for workers who are injured or permanently disabled. Those who can no longer work have fewer options available to help them in capitalist societies. The proper role of government in a capitalist economic system has been hotly debated for centuries. Capitalism operates on two central tenets: These dual concepts are antagonistic with the nature of government. They do not engage voluntarily, but rather use taxes, regulations, police and military to pursue objectives that are free of the considerations of capitalism. Strictly speaking, any government intervention in a capitalist economy takes place outside the defined confines of capitalism. In fact, some argue that a capitalist society needs no government at all. Anarcho-capitalism , a term coined by Austrian-school economist Murray Rothbard, describes a market-based society with no government. Politics and taxes would not exist in an anarcho-capitalist society, nor would services like public education, police protection and law enforcement that are normally provided by government agencies. Instead, the private sector would provide all necessary services. For example, people would contract with protection agencies, perhaps in a manner similar to how they contract with insurance agencies, to protect their life, liberty and property. Victimless crimes, such as drug use, and crimes against the state, such as treason, would not exist under anarcho-capitalism. Assistance to the needy would be provided through voluntary charity instead of compulsory income redistribution welfare. The idea is that an anarcho-capitalist society would maximize individual freedom and economic prosperity; proponents argue that a society based on voluntary trade is more effective because individuals are willing participants and businesses have the profit incentive to satisfy customers and clients. Classical liberals, libertarians and minarchists free-market proponents argue that the government must have authority to protect private property rights through the military, police and courts. In the United States, Keynesian economists believe that macroeconomic forces within the business cycle require government intervention to help smooth things out; they support fiscal and monetary policy as well as other regulations on certain business activities. In contrast, Chicago School economists tend to support a mild use of monetary policy and a minimal level of regulation. When government does not own all of the means of production, but government interests may legally circumvent, replace, limit or otherwise regulate private economic interests, that is said to be a mixed economy or mixed economic system. A mixed economy respects property rights, but places limits on them: Property owners are restricted with regards to how they exchange with one another.

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Chapter 2 : History of capitalism - Wikipedia

A development of the theme that there is an ever-expanding difference between finance and industrial capitalism.

Search Theory of Capitalism Capitalism is a system of largely private ownership that is open to new ideas, new firms and new ownersâ€”in short, to new capital. At the same time, capitalism is also known for its tendency to generate instability, often associated with the existence of financial crises, job insecurity and failures to include the disadvantaged. There are basic questions about capitalism that have hardly begun to be studied. How large are the benefits of this system both in productivity and more broadly in the rewards to its participants? How much worse if at all is this system with respect to stability and inclusion - compared with corporatist systems found in continental western Europe and east Asia? What changes or additions to those institutions and policies could be hoped to improve its dynamism, stability or inclusiveness? Are capitalists systems more or less prone to financial crises than corporate ones? The Debate Over Capitalism The claims for capitalism differ from the classical case for a competitive market economy. This valuable ability of unimpeded markets could not be matched by a central government bureau, as Ludwig von Mises warned the socialists in the s. Would competition among firms suffice to generate change, with or without private ownership? A few central European economies twice became laboratories in recent decades for testing competition without private ownership. From the late s to the late s they allowed each state-owned firm to set their own prices, outputs, wages and workforce in competition with the others. Whether or not efficiency improved, it was clear that economic dynamism did not ensue. In the s, the state firms were put on their own. This time, with their backs to the wall, they began innovating like mad, hoping that with luck it would be their ticket to survival. But these state firms were not able to innovate successfully. More recently, it has come to be argued that the corporatist economies of east Asia, which had achieved wonders when there was a yawning gap with the West, ran into trouble in the s because state intervention in the corporate sector through permissions, subsidies and guarantees led ultimately to mass overinvestment and insolvency. How does capitalism do it? With the upheavals of the late 19th century still in their thoughts, the German School, led by Arthur Spiethoff and Gustav Cassel, linked innovations to technological developments and the opening up of overseas markets and materials. And it did not provide an economics of innovations in normal times, when capitalism has to generate endogenous innovations, if there are to be any at all. A decade later, Joseph Schumpeter arrived with a new perspective. Innovations are normally the creation of business people, he said, and do not spring reliably or quickly from recent inventions by scientists and engineers. Banksâ€”the venture capitalists of that eraâ€”selected which investment projects of these entrepreneurs to finance. Friedrich Hayek saw it as a core feature that, under capitalism, entrepreneurs are self-selected, aided by their particular experience and driven by their distinctive visions. For this reason capitalism will generally draw on richer experience and wider knowledge than any one central planner could draw on. In reality, financiers must also act on intuition, taking an initial and limited chance on an applicant in spite of the ambiguity of the evidence. Since an innovative project is in part inherently difficult to articulate, the success of bankers and venture capitalists in selecting among them hinges not so much on their knowledge of the project as on their ability to enter into a sequential and provisional relationship with the entrepreneur that leaves the latter leeway to experiment and prove himself. The innovation is there: But the entrepreneurship differs: In this sophisticated sector, other institutional mechanisms are evidently at work but their functioning is not well understood and their effectiveness is not yet estimated with much confidence. Yet innovation is not the only aspect of capitalism on which there is not yet much fundamental understanding. It is obvious that jobs are far more precarious in the relatively capitalist economies than in the corporatist ones, where governments try to avoid any rocking of the boat and to backstop with assorted job protection laws. However, capitalism appears to exhibit long swings in economic activity, as measured by employment and unemployment rates, of far wider amplitude than those detectable in the more corporatist economies. Here too a reply is conceivable. It may be that when contractionary forces strike, the prompt restructuring that firms in the relatively capitalist economy are generally permitted to do actually dampens the size of the slump that follow, while the rigid posture maintained by firms in the relatively corporatist economies, with their strictures against layoffs, entails a much deeper and longer slump. Another of the fluctuation issues is the justice of regarding long booms as no better than long slumps. A more radical position raises questions about the justification for blocking or moderating long slumps, provided they are purely or mainly structural rather than the result of monetary malfunctioning. This is the question of economic inclusion. Quite possibly, there is little cost from a failure of highly corporatized or highly socialized economies to include the less advantaged; in those economies a low rate of inclusion is often deemed acceptable and, in some of them, only a minority of the population are in the labor force. Far more may be at stake in the inclusion of the less advantaged where the business sector is predominantly capitalist. If these capitalist business sectors offer relatively good job satisfaction and personal growth on the whole or offer relatively high wages in comparison with the pay in underground and domestic activities, then an appreciable deficiency in inclusion arising from a wide gap between low-end wage rates and the median wage, with the consequent demoralization and decline of employability, may be deemed unacceptable and may impose high social costs on virtually everyone. And that problem is now more difficult since the West has grown aware of how fortunate it was to have had the capitalist engine driving its development over the past two centuries and how valuable this engine can be again. So the West is faced with a conundrum: Among the issues are whether retraining can address job losses, whether long booms are to be treated, and whether employment subsidies are cost-effective as a remedy for a deficiency in inclusion. The other hypothesis is the volatility of financial flows. Norton, New York,

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While ongoing disagreement about exact stages exists, many economists have posited the following general states. These states are not mutually exclusive and do not represent a fixed order of historical change, but do represent a broadly chronological trend. Laissez-faire capitalism, a social system in which the government is exclusively devoted to the protection of individual rights, including property rights â€" one in which there exists absolutely no government intervention in the economy. Agrarian capitalism, sometimes known as market feudalism. This was a transitional form between feudalism and capitalism, whereby market relations replaced some but not all of feudal relations in a society. Mercantilism , where national governments sought to maintain positive balances of trade and acquire gold bullion. Industrial capitalism , characterized by its use of heavy machinery and a much more pronounced division of labor. Monopoly capitalism , marked by the rise of monopolies and trusts dominating industry as well as other aspects of society. Often used to describe the economy of the late 19th and early 20th century. Colonialism , where governments sought to colonize other areas to improve access to markets and raw materials and improve the standing of nationally based capitalist firms. Predominant in the s, notably as a response to the economic crises of the s. Welfare capitalism , where mixed economies predominated and governments sought to provide a safety net to alleviate the worst abuses of capitalism. The heyday of welfare capitalism in advanced economies is widely seen to be from to as major social safety nets were put in place in most advanced capitalist economies. This stage sees the rise of advertising as a way to promote mass consumption and often sees significant economic planning taking place within firms. Some economists also include the economies of the Soviet Union and the Eastern Bloc in this category. Notable for being an economic model of fascism, it can overlap with, but is still significantly different from state capitalism. Financialization , or financial capitalism , where financial parts of the economy like the finance, insurance, or real estate sectors predominate in an economy. Profit becomes more derived from ownership of an asset, credit, rents and earning interest, rather than actual productive processes. Debates sometimes circle around how capitalism is defined, but a significant body of work has been able to bring substantive historical data to bear on key questions. One is associated with economic liberalism , with the eighteenth-century economist Adam Smith as a foundational figure, and one with Marxism , drawing particular inspiration from the nineteenth-century economist Karl Marx. Liberals tend to view capitalism as an expression of natural human behaviours which have been in evidence for millennia, and the most beneficial way of promoting human wellbeing. They tend to see capitalism as originating in trade and commerce, and freeing people to exercise their entrepreneurial natures. Marxists tend to view capitalism as a historically unusual system of relationships between classes, which could be replaced by other economic systems which would serve human wellbeing better. They tend to see capitalism as originating in more powerful people taking control of the means of production, and compelling others to sell their labour as a commodity. This sees capitalism originating in trade. Since evidence for trade is found even in palaeolithic culture, it can be seen as natural to human societies. The VOC was a driving force behind the rise of financial capitalism in the early modern period. By the early seventeenth century Dutch shipyards were producing a large number of ships to a standard design, allowing extensive division of labour , a specialization which further reduced unit costs. Within the Communist countries , the spectrum of socialism ranged from the quasi-market, quasi- syndicalist system of Yugoslavia to the centralized totalitarianism of neighboring Albania. One time I asked Professor von Mises , the great expert on the economics of socialism, at what point on this spectrum of statism would he designate a country as "socialist" or not. For it means that there is a functioning market in the exchange of private titles to the means of production. There can be no genuine private ownership of capital without a stock market: Other companies existed, but they were not as large and constituted a small portion of the stock market. The Dutch Republic was also an early industrialized nation-state in its Golden Age. The Dutch also played a pioneering role in the rise of the capitalist world-system. But the only states to be controlled by capitalists before the European transformation in the seventeenth century were semiperipheral capitalist city-states such as the Phoenician cities , Venice , Genoa , and Malacca. These operated in the interstices between the tributary states and empires, and though they were agents of commodification, they existed within larger systems in which the logic of state-based coercion remained dominant. The first capitalist nation-state was the Dutch Republic in the seventeenth century. This coming to state power by capitalists in an emerging core region signaled the triumph of regional capitalism in the European subsystem. Moreover, in the Netherlands an entire people became imbued with the capitalist spirit; so much so, that in the 17th century Holland was universally regarded as the land of capitalism par exellence; it was envied by all other nations, who put forth their keenest endeavours in their desire to emulate it; it was the high school of every art of the tradesman, and the well-watered garden wherein the middle-class virtues throve. This notes that traditional mercantilism focused on moving goods from markets where they were cheap to markets where they were expensive rather than investing in production, and that many cultures including the early modern Dutch Republic saw urbanisation, and merchants amassing great wealth, without capitalist production emerging. In the wake of the Norman Conquest , the English state was unusually centralised. This gave aristocrats relatively limited powers to extract wealth directly from their feudal underlings through political means not least the threat of violence. These circumstances produced a market in leases. Landlords, lacking other ways to extract wealth, were incentivised to rent to those tenants who could pay the most, while tenants, lacking security of tenure, were incentivised to farm as productively as possible to be able to win leases in a competitive market. This led to a cascade of effects whereby successful tenant farmers became agrarian capitalists; unsuccessful ones became wage-labourers, required to sell their labour in order to live; and landlords promoted the privatisation and renting out of common land, not least through the enclosures. Twenty-first-century developments[edit] The twenty-first century has seen renewed interest in the history of capitalism, and "History of Capitalism" has become a field in its own right, with courses in history departments. They have grown in the aftermath of the financial crisis of â€" and the associated Great Recession. Notice the large commons area and the division of land into small strips. The mustard-colored areas are part of the demesne , the hatched areas part of the glebe. Shepherd, Historical Atlas, According to some[which? Manorial arrangements inhibited the development of capitalism in a number of ways. Serfs had obligations to produce for lords and therefore had no interest in technological innovation; they also had no interest in cooperating with one another since they produced to sustain their own families. The lords who owned the land[citation needed] relied on force to guarantee that they were provided with sufficient food. Because lords were not producing to sell on the market, there was no competitive pressure for them to innovate. Finally, because lords expanded their power and wealth through military means, they spent their wealth on military equipment or on conspicuous consumption that helped foster alliances with other lords; they had no incentive to invest in developing new productive technologies. This crisis had several causes: These factors led to a decline in agricultural production. In response, feudal lords sought to expand agricultural production by expanding their domains through warfare; they therefore demanded more tribute from their serfs to pay for military expenses. In England, many serfs rebelled. Some moved to towns, some purchased land, and some entered into favorable contracts to rent lands from lords who needed to repopulate their estates. Lords who did not want to rely on renters could buy out or evict tenant farmers, but then had to hire free labor to work their estates, giving them an incentive to invest in two very different kinds of commodity owners: The free workers were "free workers" in the double sense that they neither formed part of the means of production nor did they own the means of production that transformed land and even money into what we now call "capital". Feudalism was mostly confined to Europe[citation needed] and lasted from the medieval period through the sixteenth century. Feudal manors were almost entirely self-sufficient, and therefore limited the role of the market. This stifled any incipient tendency towards capitalism. However, the relatively sudden emergence of new technologies and discoveries, particularly in agriculture [67] and exploration, facilitated the growth of capitalism. The most important development at the end of feudalism[citation needed] was the emergence of what Robert Degan calls "the dichotomy between wage earners and capitalist merchants". Enclosure Decaying hedges mark the lines of the straight field boundaries created by a Parliamentary Act of Enclosure. England in the 16th century was already a centralized state, in which much of the feudal order of Medieval Europe had been swept away. This centralization was strengthened by a good system of roads and a disproportionately large capital city, London. The economic foundations of the agricultural system were also beginning to diverge substantially; the manorial system had broken down by this time, and land began to be concentrated in the hands of fewer landlords with increasingly large estates. The system put pressure on both the landlords and the tenants to increase agricultural productivity to create profit; the weakened coercive power of the aristocracy to extract peasant surpluses encouraged them to try out better methods, and the tenants also had an incentive to improve their methods, in order to succeed in an increasingly competitive labour market. Land rents had moved away from the previous stagnant system of custom and feudal obligation, and were becoming directly subject to economic market forces. An important aspect of this process of change was the enclosure [70] of the common land previously held in the open field system where peasants had traditional rights, such as mowing meadows for hay and grazing livestock. Once enclosed, these uses of the land became restricted to the owner, and it ceased to be land for commons. The process of enclosure began to be a widespread feature of the English agricultural landscape during the 16th century. By the 19th century, unenclosed commons had become largely restricted to rough pasture in mountainous areas and to relatively small parts of the lowlands. Marxist and neo-Marxist historians argue that rich landowners used their control of state processes to appropriate public land for their private benefit. This created a landless working class that provided the labour required in the new industries developing in the north of England. The earliest recorded activity of long-distance profit-seeking merchants can be traced back to the Old Assyrian merchants active in the 2nd millennium BCE. However, while trade has existed since early in human history, it was not capitalism. The city republics maintained their political independence from Empire and Church , traded with North Africa , the Middle East and Asia , and introduced Eastern practices. They were also considerably different from the absolutist monarchies of Spain and France, and were strongly attached to civic liberty. Painting attributed to John Riley. England began a large-scale and integrative approach to mercantilism during the Elizabethan Era. An early statement on national balance of trade appeared in Discourse of the Common Weal of this Realm of England, Queen Elizabeth promoted the Trade and Navigation Acts in Parliament and issued orders to her navy for the protection and promotion of English shipping. These efforts organized national resources sufficiently in the defense of England against the far larger and more powerful Spanish Empire , and in turn paved the foundation for establishing a global empire in the 19th century. It was written in the s and published in Numerous French authors helped to cement French policy around mercantilism in the 17th century. French mercantilism was best articulated by Jean-Baptiste Colbert in office, â€" , although his policies were greatly liberalised under Napoleon. Doctrines[edit] Under mercantilism, European merchants, backed by state controls, subsidies , and monopolies, made most of their profits from the buying and selling of goods. In the words of Francis Bacon , the purpose of mercantilism was "the opening and well-balancing of trade; the cherishing of manufacturers; the banishing of idleness; the repressing of waste and excess by sumptuary laws; the improvement and husbanding of the soil; the regulation of prices However, under mercantilism, given the contemporaneous rise of absolutism , the state superseded the local guilds as the regulator of the economy. The Anglo-Dutch Wars were fought between the English and the Dutch for control over the seas and trade routes. Among the major tenets of mercantilist theory was bullionism , a doctrine stressing the importance of accumulating precious metals. Mercantilists argued that a state should export more goods than it imported so that foreigners would have to pay the difference in precious metals. Mercantilists asserted that only raw materials that could not be extracted at home should be imported; and promoted government subsidies, such as the granting of monopolies and protective tariffs , were necessary to encourage home production of manufactured goods.

Chapter 4 : Politics of Money â€“ The Resilience of Finance Capitalism

Description Economic Theory Literature Excerpt Preface: THE title of this book, finance capitalism, is employed as a concession to popular usage, for this study is essentially an inquiry into the nature of the non-financial and the financial institutions of Security capitalism which is a more accurate term.

This intensification had begun during the second half of the 19th century. Domestically, capital was concentrating into large monopolistic corporations integrated with and led by a few large financial oligarchies. Lenin theorized that these two developments were intrinsically linked. The concentration of capital created inequality. Inequality in the core constrained aggregate demand levels. The general population could not absorb the mass of commodities achieved by higher levels of productive capacity. Insufficient demand created continual realization crises. The price of raw materials threatened profits further. The falling rate of profit required economic expansion to open up new regions for investment, sources of raw materials, and new consumer markets. In the periphery, capitalists would 1 use oppressed peripheral labor to produce primary commodities and raw materials cheaply; 2 create an affluent strata a peripheral elite to consume expensive commodities imported from the core; and 3 undermine indigenous industry, making the colonies dependent on core investment. The overall effect was that the core pumped wealth out of the periphery. The wealth flowing into the domestic economies of the core stifled the fall in the rate of profit. Lenin called this set of circumstances "imperialism. One, surpluses permitted the development of a "labor aristocracy," a stratum of well-paid workers loyal to the capitalist class. Two, nation-state rivalry in the imperial system intensified nationalist sentiments among the working class and this deflected class struggle. Both of these effects functioned to strengthen the bourgeoisie over against the proletariat. Although this strategy would work in the short-term, Lenin argued, in the longer term it would undermine first imperialism and then capitalism in the core. Nation-state rivalry would lead to inter-imperial wars. The costs financial drain and devastation destruction of productive capacity of these wars would weaken core nation-states, not only because the losers would find themselves in an unfavorable position and with a diminished capacity to exploit the periphery, but because nationalist movements in the periphery and anti-colonial wars would undermine the capacity of even victorious core nations to exploit the periphery. Once the core lost control over its colonies the imperium would stagnate domestically. Domestic economic stagnation would raise the level of antagonisms between the bourgeoisie and the proletariat leading to a social revolution in the core. There are at least two criticisms of the theory. First, the theory neglects the fundamental exploitative capitalist relations between core and periphery that existed for several hundred years before the "imperialist" phase, calling into question the claim that Lenin is describing something truly unique. What Lenin sees as the wave of colonization is actually an intensification in colonialism. It therefore appears, contrary to Lenin, that "imperialism" is a continuation of the same fundamental system of colonial domination not a new phase of capitalist development. Second, while some of what Lenin predicted happened, capitalism was not undermined in the period that most closely approximates the conditions he claimed would cause the core socialist revolution. Andrew Austin Any thoughts on the work of Harry Magdoff the locus of which is the distinction between colonialism and imperialism? With Magdoff, I think there is a continuity between the two but they are nevertheless distinct. The problem facing the ex-colonial powers in the aftermath of the first wave of decolonizations immediately after WW deuce was how to maintain economic dominance of the decolonized countries [control of raw materials, cheap labor supply, market for industrial goods] without having to resort to colonialist style occupation and governance all while giving them a semblance of economic and political independence. From the Colonial Age to the Present p95ff]. Magdoff argues that Imperialism is the result of the process of capital accumulation. Magdoff lays down 5 conditions for a satisfactory theory of imperialism: The desire and need to utilize resources of other nations for this accumulation process are present in all stages of capitalist development Yet today, taking into consideration debt repayment, many peripheral countries are net exporters of capital [cf. Michael Hoover Michael Hoover: The Highest Stage of Capitalism of restricting the use of the term "imperialism" to describe the period since the end of the nineteenth century. The movement of this pattern leads to this effect: I wanted to know what definition of imperialism posters were using. I tend not to share the Leninist conception. Not necessarily state power. It depends on what you think colonizes, whether it is the state, culture, or capital, or a combination of all three. In fact, the conditions you describe are what are often defined as the conditions signaling neocolonialism. However, their "retreat" does not reveal the old colonial patterns but something new, something many people are calling the global economy. Also, to show that earlier colonialism was, itself, not important for capitalism because it was prior to the "era of imperialism". This is precisely what Lenin called "imperialist economism," and he fought it tooth and nail because it carried the message that capitalism has no real geopolitical contradictions wars can be settled amicably; etc. In other words, you define "imperialism" in such a way as to say, "see, it was just a growing pain of modern capitalism and has been replaced by peaceful globalization. There are and were many forms of colonialism and many forms of necolonialism. It has this aim always. It accomplishes the aim through political and military control. The "classical colony," with an appointed governor, the imperial flag flying, etc. British India, present-day Puerto Rico. Some of these places were "protectorates," not "colonies. Neocolonialism was originally used as by Nkrumah to describe former colonies which, though having gained formal "flag" independence, were still under the economic rule of, and generating the same healthy profits for, the former colonizing poorer and, by extension, the whole of metropolitan capitalism. But quickly it became applied also to places, notably Latin America, where modern imperialism produces a colonial-like situation in countries that have been free since Bolivar. And it implies the nasty "Thirdworldist" belief that metropolitan capitalist countries are hindering development -- for these Marxists, the diffusion of capitalism is necessarily progressive, a matter of modernization, development, civilization, etc. Mainstream scholars HATE the word, precisely because it denies the postulate that advanced capitalist countries are helping, not hurting the poor countries note the similarity to the Euro-Marxist argument. The majority of progressive African-American and Latino scholars have no problem about applying the word "neocolony" to ghettos, migrant labor camps, reservations, prisons, etc. These places are colonial in the fundamental sense that power is used to create superexploitation of the people who inhabit them -- that is to say, lower wages, no job security, shit work, a standing reserve army, terrible housing, etc. Sometimes superexploitation means maintaining a barracks for the reserve army, or imprisoning some people in order to force everyone else to knuckle under, etc. Not long ago there were fierce debates on the Left about the question whether the ghetto is a neocolony. As I recall, it was pretty much ONLY the white left or much of it -- but the "much" was the influential academic crowd that disliked the idea of comparing ghettos to colonies. Jim Blaut Jim, Industrial capitalism is very much alive and well. Let me explain myself. I have been working on the notion of internal colonialism lately, where domestic economies are conceptualized with the core-periphery model. Here, for example in the US, black America represents a peripheral zone complete with collaborators. If colonialism is reckoned this way, then it can only pass when there is no racialized ethnic character to capitalist exploitation. This is only maybe a theoretical possibility, of course, and I do not see it happening in reality. I am therefore leaning towards adopting a general colonialist model to explain the fundamentally racist features of the capitalist system, at the same time trying to maintain a critical stance towards the model, since it may exhaust its conceptual usefulness to give it such a wide application i. Some say it is a useful metaphor, but I think it is more than this; however, I want to be careful not to reify an analytic. Does that make sense? Let me explain just a littler further that in my view racialization has been historically fundamental to capitalist accumulation and vice-versa. I believe that this way of looking at things, i. The tense thus reflects two points in my present considerations: That is probably an awkward way of putting it, but it expresses how I am leaning towards the second definition, which would then make terms like "neocolonialism" and "neoimperialism" less useful; in other words, the basic relation is colonial, it only manifests differently in particular situations of course! In this sense, and certainly this is empirically true, there has not been a capitalism without colonialism, which I believe is a position somewhat closer to some of the arguments you have made. In any case, I think I am moving in that direction, at least for the moment. And I am not sure yet if their is a fundamental contradiction between the way I have previous looked at things and the way I am beginning to look at things, thanks to your influence, as well as the influence of many others such as my present mentor, Asafa Jalata. What do you think? I apologize if that was completely confusing. Its in a sense a split-labor market view taken back through five centuries and even, in some ways, longer. It starts I think with what I believe is a cultural principle that holds in essentially all class societies. The ruling class cannot, most of the time, exploit the producers to the extent that they do not retain enough income or food, etc. To do so is to kill the goose that lays the golden egg. For this reason, there never was, anywhere! To do so would have led to the collapse of the social system. Therefore, essentially all slavery of this type and other types never, anywhere, were numerically or economically significant, contra conventional views about, e. Rome or trade e. Cultural rules, laws or custom, mandated that the ruling class could not do certain things to members of the given society -- to kill under some conditions was murder -- but no such limitation applied to producers in conquered societies. They could be worked to death if this brought wealth to the ruling class. Or they could be genocided off the land which is then settled by producers from within the society generating additional rent and surplus produce. The basic point is: There have always been -- in the case of class societies, one of which is powerful enough to conquer another -- internal working classes and external working classes, the former superexploited if you will , the latter just plain exploited to the limits allowing reproduction. I developed this idea first to explain the kinds of national struggles that took place before the era of modern nation-states: And both exploitation and resistance by external workers is likely to be more severe: So differential treatment of the working class defined so as to include non-capitalist producers, who, after all, work has always tended to have differential effect on two class communities of workers: In the 16th and 17th centuries, I am certain, the numerical significance of external workers, on plantations, haciendas, in workshops and mines, was greater than that of internal workers; or at least as great. European workers could not be enslaved: Its important to note that colonial plantations, mines, and genocided lands-for-settlement e. Add to this the profits from slave-raiding and the slave trade.

Chapter 5 : The Evolution of Finance Capitalism: calendrierdelascience.com: George W Edwards: Books

The Evolution of Finance Capitalism. London: Longmans, Green and Co., First edition. Quarto (24 cm). Blue buckram with gilt spine; xvi, pp. The scarce first edition of Edwards' seminal work on finance, or security, capitalism.

These wealthy merchants minimized the need for cash by issuing liquid trade receipts backed by a unified system of payments. This was the dawn of modern public finance, with the introduction of debt instruments backed by taxes dedicated to a specific purpose, such as erecting levees to hold back the sea or building great sailing ships for trade. Each nation developed new capacities for transportation, communications, and storage, and financial innovations were necessary to fund long-distance trade, industry, and military expansion. The British, however, eventually reshaped the rules of the game. By the beginning of the eighteenth century, they were relying not just on financial institutions alone, but on a combination of institutions and financial markets. The British were embroiled in a succession of wars during the eighteenth and early nineteenth centuries, and the need to fund these campaigns led to a financial revolution. Peter Dickson has argued that the ability of the British to fund their government debt so effectively was an important factor that enabled them to regularly defeat the French for more than a century, despite the fact that their population was roughly one-third that of France. Without capital markets at work, excessive volatility distorted the prices of assets. Capital was priced to protect entrenched interests instead of financing new and more efficient producers. Payment systems and monetary regimes in much of Europe were subject to the vagaries of politics, but the British capital markets promoted efficiency and productivity. Rail, steel, and coal emerged as the backbones of a new industrial economy by the s. The resulting economic and geographic integration of markets created vast new demands for capital. Significant external financing was especially needed for rail systems, which required mighty infusions of investment and labor. New forms of equity and debt securities appeared at this time, from the use of common and preferred stock to various income-related debt instruments and equipment trust certificates. In more recent times, the dramatic expansion of public equities and the initial public offering market after World War II led to the ability to finance large-scale manufacturing and new mass-consumer markets, from aviation and automobiles to entertainment. The automobileâ€”rubberâ€”oil industrial cluster that drove U. The s brought soaring inflation to the United States, and against this backdrop, interest rate derivatives appeared. Industrial manufacturers found that exchange rate shifts could wipe out price advantages because of the absence of hedging mechanisms. This situation could and did drive corporate bankruptcies and sovereign debt insolvency in the developing world. The "new" asset of interest rate derivates provided the ability to pay or receive an amount of money at a given interest rate. High-yield corporate bonds were also devised around this time as an attempt to create longer-term, fixed-rate financing for growth companies and even emerging industries that could not get financing elsewhere. Mortgage-backed securities also emerged in the s as the demand for housing spiked, far outstripping the ability of government agencies to provide sufficient liquidity for home lending. Yes, overcomplexity and leverage were layered onto the backs of these instruments during the bubble years, but mortgage-backed securities worked smoothly for decades. Securitization contributed in a monumental way to the development of the mortgage market by tapping into a broader base for funding and providing vital liquidity. Market innovators have never stopped searching for new strategies that can address price instability and risk. Later chapters of this book detail the most visionary financing concepts currently being deployed to reboot the housing market, protect the environment, promote faster medical cures, and tackle a host of other social problems.

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Chapter 6 : Introduction To Capital Markets History

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While open to different theoretical approaches when it comes to explaining and understanding the evolution and the consequences of money, our common empirical starting points are that a money plays a central role in making private property tradable and hoardable b money is a credit-debt relation the financial liabilities â€" primarily but not exclusively: This view is consistent with theoretical diversity within the network â€" Marxist, Neo-Chartalist, Minskyan or other approaches are all welcome. They follow from the intuition that this basic setup of the monetary system is more problematic today than it used to be, serving the interests not of society as a whole but of the owners and the producers of financial capital. We seek a better understanding of the role money and finance play in the cyclical emergence of over-exploitation and extreme inequality under finance capitalism. The following attempt to formulate a research agenda is based on and motivated by this intuition. Where do we want to go? To assess the role of capitalist money for the global political economy and to gauge its role for the resilience or lack of fundamental change in crisis-prone capitalism, the network will explore how money works as a global systemic relation, how and which actors work with, for and against it, which hierarchies this entails and what the implications for inequality are. Capitalism imposes a systemic need to compete and to accumulate and invest money in order to make more money â€" which is how money turns into capital. It follows that money and the actors producing and working with it are crucial for both the stability and the instability of the global political economy. We ask two main questions throughout our endeavor: What are the specific historical developments that have rendered the hybrid monetary system less productive, more exploitative, and thus less legitimate? Why has this latest incarnation of finance capitalism proven so resilient even in the face of deep and recurring crises? We believe that there is real value in a contribution to the literature that investigates these questions in its various dimensions, while maintaining a collective focus on the big picture of the politics of money and contemporary finance capitalism are intertwined. Such a project would seek to identify and to understand the institutional changes, power shifts, etc. How do we get there? Money, financialization and finance capitalism: The nature of the changes triggered by recent forms of financialization is contested. The expansionary nature of capitalist money, the de-coupling and re-coupling of the financial and the real sphere have been recurrent. What is more, the relationship between capital and labor, and between capital and the state has sometimes been more cooperative and at times conflictive. Is there anything new in current practices of fiat money creation, asset and liability management and the entrenched position of rentiers? Or are we just witnessing another form of capitalist crisis, tied to the contradictions enshrined in the labor-capital relation, money, capital and the international division of labor? The evolution of financial markets has shown that theory and technology â€" the two being often inseparable â€" have fundamentally transformed modern finance. However, the task of integrating these theoretical and technological developments into the analysis of modern money is still ahead of us. What role did pricing and risk management models and technologies play in the evolution of the shadow banking system? How has the evolution of accounting impacted the capacity of different actors to acquire and control assets? The changing ecology of the financial system I: The actors and the system. The ecology of the financial system is constantly in flux. While banks have always been central to capitalist money, their activities have changed, as manifest in the growth, for instance, of Special Purpose Vehicles or derivative trading. Along the capital investment chain, we have seen the proliferation of asset managers mutual, hedge, private equity, venture capital, and exchange-traded funds , investment advisors, and proxy voting firms. Corporate cash pools and sovereign wealth funds have altered the investor landscape, while households have increasingly been drawn into the finance capitalism both as investors and as debtors. How do these changes impact the politics of money and finance? The changing ecology of the financial system II: Global financial integration and dependency: To say that the global monetary system is a hierarchical system is to point to the relations of power, dependency, and violence that are the flipside of monetary and financial relations between creditors and debtors. In dealing with global money, what opportunities and risks confront governments and countries in the Global South? Has global financial integration eroded the domestic institutional arrangements that underpinned global money relations under the post-war Bretton Woods system? How did the evolution of global value chains increase the pressure of firms in non-core economies to borrow in foreign currencies, and thus their dependency on foreign lenders? Governance, regulation and the law: What were the key institutional changes that unleashed the finance franchise, turning credit into fuel for financial rather than real economic expansion? How can we connect developments such as the end of US dollar gold convertibility, the repeal of Glass-Steagall, or the taming of inflation and the global diffusion of central bank independence? The law, including legal loopholes and their exploitation for profit, are essential to making money. What role do regulatory arbitrage, law firms and law enforcement play in keeping that business profitable? In a sense, inequality is the bottom line for the entire project. But inequality is not just a consequence of the developments mentioned under themes 1 to 5, but also a causal force for further financialization. Greater concentration of wealth means more demand for financial assets on one end of the spectrum, and greater demand for credit on the other. Does the degree of inequality alter the cost-benefit analysis for a financial system based on private credit money? Might a more prominent role for the state as in public banking be the next step to counter these developments?

Chapter 7 : Theory of Capitalism | The Center on Capitalism and Society

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Chapter 8 : Lenin's Theory of Imperialism

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Chapter 9 : The Evolution of Finance Capitalism - CORE

The Rise of Financial Capitalism. New financial innovations emerged with the explosion of global trade in the seventeenth century. When the Treaty of Westphalia () ended the bloody and protracted Thirty Years' War, the Holy Roman Empire broke apart into sovereign political entities, creating a structural need to finance these nation-states and territories, along with the enterprises.