Capitalism

Capitalism?

- Merchant capitalism
- Industrial capitalism
- Financial capitalism

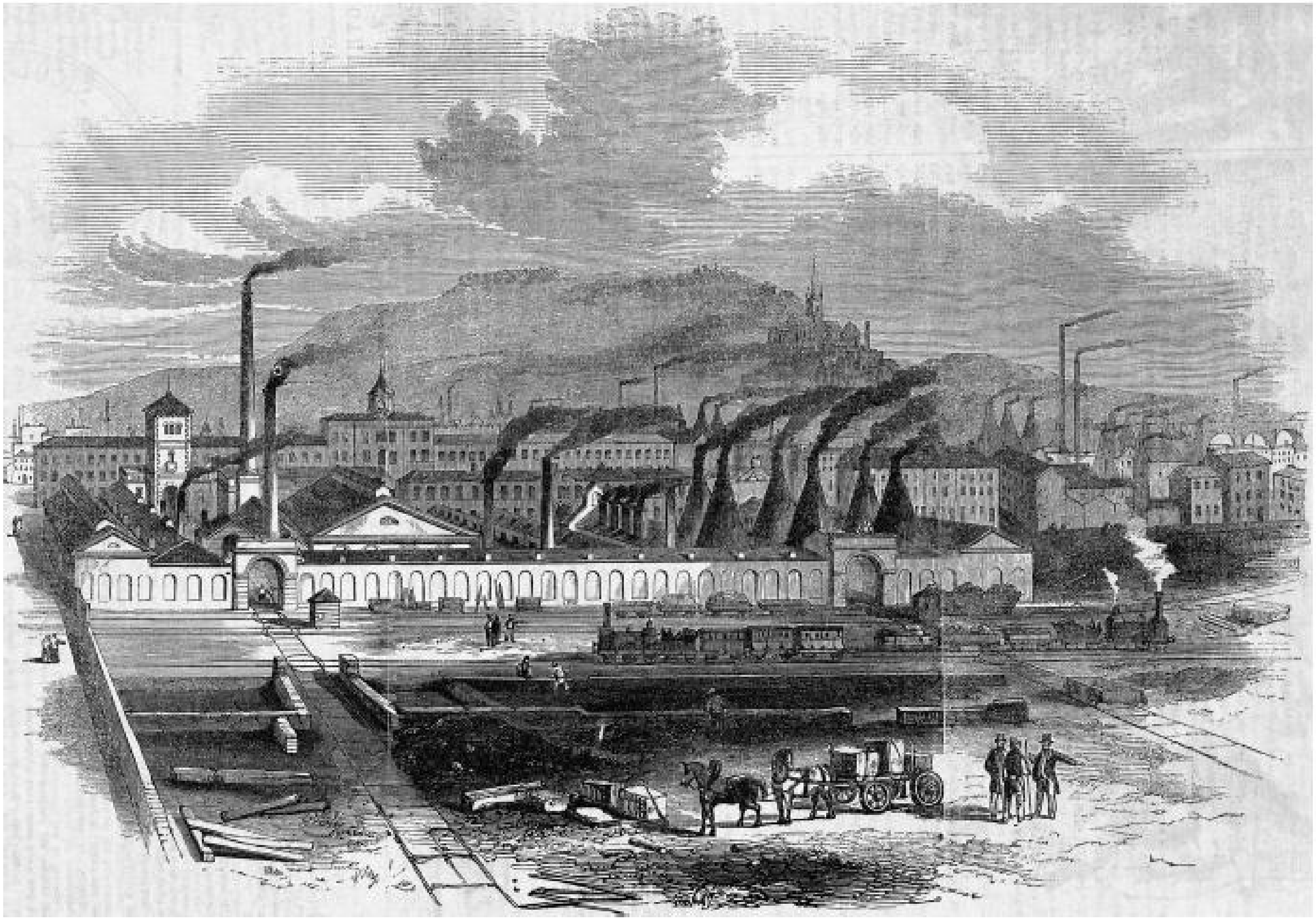
James Fulcher

CAPITALISM

A Very Short Introduction

Anarchic capitalism

- In the 18th and early 19th centuries
  - ❖Competitive small-scale manufacturing
  - ❖Weak labour organization
  - ❖Economic deregulation
  - ❖A strong state
  - ❖Minimal state welfare



6. The Cyclops steelworks in Sheffield, 1853: large units concentrated production and facilitated the organization of labour

Anarchic capitalism

- In the 18th and early 19th centuries
- The activities of capitalist entrepreneurs were relatively unchecked either by organized labour or the state
- Small factories and workshops engaged in intense competition with each other
- Labour was mobile, pouring into and building the new industrial cities, and constructing the canals, roads, and railways that made possible the mass transportation of goods and people.

Anarchic capitalism

- The state machinery set up in the 16th century to regulate apprenticeships, wage rates, and food prices was abolished by 1815.
- The freeing of international trade took longer but was achieved by the 1860s.
- The key step in this was the ending of import duties on corn in 1846
- Deregulation was in the interests of industrialists, who wanted the freedom to develop their activities without state interference. They wanted wage rates to be set by the labour market not by the state.
- They also wanted free trade, in part to assist exports but also because imports of cheap food would allow them to pay lower wages

Anarchic capitalism

- Deregulation was in tune with the rise at this time of liberal beliefs in the freedom of the individual and the free operation of the market but did not mean that the state totally withdrew.
- Market forces could operate freely only within an orderly society, which required a strengthening of the state at a time when industrial capitalism was generating great disorder!? (Strikes, rioting, machine-breaking, and crimes against property)

Anarchic capitalism

- State welfare hardly existed at this time. The rising number of poor people without means of support did become a cause of increasing concern.
- This was not, however, because of a concern for their welfare but rather because of a fear that they would become a burden on the local community.

Anarchic capitalism

- Craftsmen had been trying to organize themselves into associations that would give them some collective power since the earliest days of capitalist production
- In 1830 the National Association for the Protection of Labour was founded and in 1834 the Grand National Consolidated Union
- The only unions that could survive were those of skilled workers, who were able to control entry to their craft and were not easily replaceable

Anarchic capitalism

- The state did begin to regulate the conditions of factory work
- Attempts to limit the number of hours that children could work can be traced back into the 18th century and had their first success in the Health and Morals of Apprentices Act of 1802
- The 1833 Factory Act – against exploitation, moral welfare of the women and children employed in the factories and the maintenance of traditional family relationships

Anarchic capitalism

- In 1834 the Poor Law Amendment Act introduced a new system of relief
- Only those who entered a ‘workhouse’ would be given support.
- Liberalism persisted as a powerful set of ideas

Managed capitalism

- The evident deficiencies and intense conflicts of anarchic capitalism had generated the contrasting organizations, institutions, and ideologies of a 'managed capitalism'
- shaped by
  - the growth of large corporations
  - the development of class organization
  - corporatist relationships between the state and class organizations
  - state intervention and regulation
  - state welfare
  - the extension of public ownership

Managed capitalism

- Began in the second half of the 19th century and came to its peak in the 1970s
- Competition and market regulation declined as both sides of industry became more organized and as state management and control increased
- Capitalism had become increasingly ‘managed’.

Managed capitalism

- International conflict also played its part in this, as governments both sought to protect national economies from a growing international competition and more effectively manage and mobilize their resources against their enemies
- **Class organization**: the emergence of larger units of production, and the construction of stronger union organizations produced the conditions in which a national labour movement could at last emerge and survive

Managed capitalism

- The main way in which employers reduced uncertainty was not, however, through association but through concentration - the
- simplest way of dealing with the competition was to buy it up or merge with it!
- In the 1926 creation of ICI (Imperial Chemical Industries) out of four chemical companies that were themselves the products of earlier mergers.

Managed capitalism

- As corporate units became larger, the management function grew and with it managerial occupations and associations.
- A ‘managerial revolution’ was changing the character of capitalist industrialism
- Industrial production was undoubtedly a much more managed process than it had been before
- Managers rather than shareholders now controlled corporations

Managed capitalism

- Governments responded to class organization by becoming more involved in the management of class relationships: the inclusion and representation of the working class
  - extending the right to vote, most notably in 1867,
  - the subsequent competition for working class votes between the existing political parties
  - the emergence of the Labour Party into the 20th century
- The unions were given some legislative protection during the 1870s, though the employers still took occasional action against them through the courts, until the Trade Disputes Act of 1906 provided them with immunity from civil actions

Managed capitalism

- The state also increasingly took responsibility for people's welfare; "education and health taken out of the market-place"!
- the foundations of the modern welfare state were laid with the provision of state pensions, of unemployment, disability, and maternity benefits, and of sick pay and free medical treatment by general practitioners
- In the 1940s the construction of the welfare state was completed with the provision of free secondary education, the founding of the National Health Service, and the extension of benefits to provide a universal safety-net
- Employment is crucial to welfare and the experience of the 1930s depression made the maintenance of 'full employment' one of the highest priorities of postwar governments.

Managed capitalism

- ‘Municipal socialism’: important industries and services were also taken out of the market-place
  - took gas and water supply into public ownership and provided publicly owned city transport, public provision of housing, telephone companies, electricity generation, broadcasting, civil aviation, the railways, coal mining, and many other industries

Managed capitalism

- ‘Nationalization’ was motivated not by socialist beliefs in the merits of public ownership but by nationalist concerns with the public ownership of key services and the inefficiency of fragmented or backward industries, which had failed to modernize themselves

Managed capitalism

- The political incorporation of the working class, the rise of the Labour Party, and socialist ideas
- The First World War then led to a huge extension of state control over the economy and, although much of this was dismantled afterwards, it did establish important precedents for the future expansion of state ownership
- The First World War also boosted class organization, with both the unions and the employers for the first time developing centralized national organizations, in order to influence a government becoming heavily involved in economic management

Managed capitalism

- As international competition increased after industrial capitalism spread from Britain to other countries, free trade came to be eventually displaced by a protectionism that reached its peak in the 1930s.
- Markets could be protected, and the supply of cheap raw materials maintained, by constructing an empire and fencing it off from competitor nations
- This protection also made it possible for employers to arrive at compromises with the unions that could not have been sustained in the face of increasing competition from countries with higher productivity or lower wages

Managed capitalism

Arguments

- Firstly, it is not being argued that empires were constructed solely for economic reasons but rather that, particularly in the British case, they enabled the development of a managed capitalism based on class organization and class compromise.

Managed capitalism

Arguments

- Secondly, by empire is not meant only the colonial territories under imperial government but also those parts of the world dominated by British corporate and financial interests.
- Britain actually benefited economically more from its investments in Latin American countries that were not colonies but were controlled by British financial interests

Managed capitalism

Arguments

- Secondly, by empire is not meant only the colonial territories under imperial government but also those parts of the world dominated by British corporate and financial interests.
- Britain actually benefited economically more from its investments in Latin American countries that were not colonies but were controlled by British financial interests

Managed capitalism

- Governments also tried to pursue countercyclical policies that would maintain employment levels.
- Equality issues were politically prominent, particularly in relation to education, taxation, and welfare

Managed capitalism

Common characteristics

- Reduction in the significance of market relationships in people's lives, reflecting a general reaction against the **dehumanizing impact of the market forces** that had increasingly shaped the way that people lived during capitalism's breakthrough period

Remarketized capitalism

- In the 1960s the welfare state, corporatist relationships between governments and major interest organizations, and extensive public ownership all appeared to be well-established features of British society
- The structures and values of managed capitalism had been evolving for at least a century and it looked as though they would continue to develop into the foreseeable future

Remarketized capitalism

- Yet, during the 1970s managed capitalism collapsed and in the 1980s a new orthodoxy, centred on the revival of market forces, had imprinted itself on government policy

- Why did managed capitalism collapse?

Remarketized capitalism

- The cooperation they required between unions, employers, and the state was either not forthcoming or could not be engineered.
- When governments adopted more coercive policies, they met a union resistance they could not overcome, a resistance that could prove fatal to the governments themselves

Remarketized capitalism

- The cooperation they required between unions, employers, and the state was either not forthcoming or could not be engineered.
- When governments adopted more coercive policies, they met a union resistance they could not overcome, a resistance that could prove fatal to the governments themselves
- Their structures had been shaped in the 19th century and had not adapted to economic and social change

Remarketized capitalism

- As managed capitalism had developed, these unions had increased both their membership and their power so that they were in a strong position to resist changes that they reasonably saw as against the interests of their members
- the decline of empires and the growth of free trade, national insulation was breaking down, international competition was increasing, and the institutions of managed capitalism were put under pressures that they could not handle

Remarketized capitalism

- There were signs of a growing revolt against higher taxation and a rising dissatisfaction with the take-it-or-leave-it attitudes of public services financed by taxation
- These services did not provide the choice or responsiveness that consumers were coming to expect

Remarketized capitalism

- 'Neo-liberal' beliefs in the freedom of the individual and the free operation of market forces came to dominate ideology and policy.
  - [managed capitalism: The collectivist concerns with welfare, equality, and employment]
- Its main ideas were developed in the 1970s by Keith Joseph, the guru of the New Right, implemented by governments led by Margaret Thatcher in the 1980s, and then adopted by New Labour in the 1990s.

Remarketized capitalism

- After the Conservatives' election victory in 1979, Keynesianism – the maintenance of high employment through the government management of the economy and public spending – and corporatism were out. There was a clear shift of priorities from the maintenance of employment to the control of inflation.

Remarketized capitalism

- Welfare expenditure was cut through the restriction of benefit payments, particularly the payment of unemployment benefit, by the replacement of grants with loans, as students know to their cost, and by increases in charges
- A shift from income tax to indirect taxes which, it was claimed, at least gave people greater choice, since they did not have to buy the products that carried these taxes

Remarketized capitalism

- Public sector industries and services were returned to the market-place through various forms of privatization
- The sale of public companies to private individuals; They could, however, be made to behave as though they were competing in a market-place
- In 1983, for example, all district health authorities were required to introduce competitive tendering for the provision of cleaning, laundry, and catering services.

Remarketized capitalism

- The outright privatizing of health and education was not politically possible but the creation of internal markets in health and education forced schools, colleges, and hospitals into competition with each other
- At the same time, private alternatives in health and education (and pensions provision too) were subsidized and encouraged.

Remarketized capitalism

- The removal of international barriers, especially with the abolition of exchange controls in 1979, intensified these competitive pressures by allowing foreign banks a greater freedom to operate in London and British banks a greater freedom to operate abroad.
- New areas through the device of public-private partnerships

Remarketized capitalism

Argument

- A free economy requires a strong state !?
- The reviving of market forces actually increased state regulation

Remarketized capitalism

- There has been a broad shift from collectivism to individualism, as New Labour has distanced itself from its traditional social base, the trade unions.
- Labour's enthusiastic conversion to consumer choice in education and health demonstrates this individualism well.
- Significantly, inequality is now discussed in terms not of differences in wealth or income but of access. As Anthony Giddens has put it 'the new
- politics defines equality as *inclusion* and inequality as *exclusion*'.

Transformation of Capitalism

- The first transformation, from anarchic to managed capitalism, showed that it was possible to protect people from at least some of the worst consequences of the operation of market forces.
- The conditions of work could be regulated and through collective organization workers could limit the power of the employer and negotiate improvements in wages and conditions.: “Welfare!”

Transformation of Capitalism

- Governments tried to manage the economy by developing cooperation between the state and the organizations of unions and employers.
- Capitalism could be managed, even if those trying to manage it often got things wrong, sometimes gave in to pressure from the powerful owners of capital, or simply failed to deliver what they had promised

Transformation of Capitalism

- In a second transformation market forces were revived, but there was no ‘rolling back’ of the state, for market mechanisms could only operate in the context of state intervention and regulation.
- Restricting and replacing the market provision of goods and services it was weakening the central mechanism of a capitalist economy

Transformation of Capitalism

- The new world of remarketized capitalism provides greater choice and more freedom for the individual but also a less secure life, intensified work pressures, and greater inequality.
- The gap has widened between those trapped in low-wage occupations who face insecure futures and those able to exploit the new opportunities to accumulate wealth.
- As managed capitalism developed, the freedom of the individual was diminished in the name of greater equality, but in a remarketized capitalism, equality and security have been sacrificed to freedom and choice.