The Origin of Capitalism
A Longer View

Ellen Meiksins Wood

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Ellen Meiksins Wood was a distinguished Marxist academic (she died in 2017, having been for many years Professor of Political Science at York University Toronto and also a co-editor of *The Monthly Review*). She first published this short book in 1999, but produced a revised edition late in life (it appeared the year after her death). It is an excellent, scholarly text which opens with a definition of capitalism, a system in which:

> goods and services, down to the most basic necessities of human life, are produced for profitable exchange . . . and where all economic actors are dependent on the market . . . Above all, it is a system in which the bulk of society's work is done by propertyless labourers who are obliged to sell their labour-power in exchange for a wage in order to gain access to the means of life and labour itself. In the process of supplying the needs and wants of society, workers are at the same time and inseparably creating profit for those who buy their labour-power. In fact the production of goods and services is subordinate to the production of capital and capitalist profit. The basic objective of the capitalist system, in other words, is the production and self-expansion of capital.

She points out that this manner of supplying humanity's material needs is completely novel. Nothing like it had existed prior to its first appearance in sixteenth century England. From there it spread across the world via the expansion of English (British after 1707) trade and conquest, with other states finding themselves compelled to adopt the practices of capitalism in order to avoid complete subordination to a global political and economic order centred on London.

Meiksins Woods points out that there have been many accounts of capitalism's origins. Historians, Marxist and non-Marxist, have tended to argue that capitalism was latent in all earlier forms of human social and political organisation. There were merchants trading for profit during the era of slavery. The feudal period which followed also saw the development and multiplication of markets throughout Europe and beyond. Increasingly after about 1100, their growth financed the rise within towns and cities of the *burghers* (later known to all as the *bourgeoisie*), traders and artisans, organized into guilds, dependent on commerce and the production of luxury goods. This was a capitalist chrysalis within the feudal order, restricted to the urban environment by monarchs (and barons). Conventional wisdom has long held that its increasing power and prosperity, reinforced and serviced by the development of banking and accounting practices, originating in the northern Italian city-states, undermined the authority of European monarchs and aristocrats. This had been rooted in landownership and the use of political and military power to extract wealth from merchants and peasants in the form of taxes and feudal dues. But the old bonds of the medieval social and political order gradually dissolved and were replaced by a new one where economic activity revolved around the making of money and political authority became increasingly dependent on the accumulation of private wealth. After about 1500, capitalist practices became increasingly evident in Europe (though spreading across the continent at different rates), growing in response to the dismantling of feudal restrictions on the economic and political activities of the bourgeoisie by monarchs keen to harvest the wealth of the rising new class.

Meiksins Wood does not accept this thesis. She points out with good reason that there is a fundamental problem with it: *it assumes the pre-existence of what it seeks to explain.* In other words, it is based on the assumption that capitalism was already there, albeit in a limited and restricted form, before it became dominant. This, she argues, does not explain why capitalism came into being in the first place. What is striking for her, and the point is well made in the book, is the sheer historical novelty of capitalism. It is, she argues, quite different 'from all preceding ways of organizing material life and social reproduction'. The trader's pursuit of a profit had been around for centuries and can be seen in both ancient and medieval societies. But this did not amount to some kind of proto-capitalism. Merchants had generally made their fortunes from arbitrage, or buying cheap in one market and selling dear in another. This is by no means the same as the accumulation of private wealth through production based on the extraction of surplus value from a labour force. Like profits, markets and banking systems were familiar features of pre-capitalist societies. But while it is true that capitalism could not have existed in their absence, they had to be reassembled and transformed into a new set of relations with each other before they could become the metabolism of the new system.

Why, and when, did the critical development which sparked off this transformation develop? Meiksins Wood locates its origins in late medieval and early modern England. The country was characterised by three features which could not be found together elsewhere at this time. One was its impressive network of roads and river transport, which facilitated the economic unification of the state and prevented the emergence of the numerous local tolls and tariffs which could be found overseas. A second was the relative centralization of the state, which was not, as it was in most of Europe, broken up into small, competing parcels of political power where monarchs and aristocrats struggled over who held authority. Authority in England was exercised by the Crown acting through Parliament, a constitutional order reinforced by the settlement of 1660 following the Civil War and the collapse of the Commonwealth. A third was the existence of an aristocracy which, while owning more land than its equivalents on the European mainland, did not possess the political and military power to extract surpluses from their tenants by non-economic means. It was instead dependent on economic methods, such as high rents and leases (a market in the latter was already developing by the second half of the sixteenth century).

The determination of landlords to extract wealth from their tenants led both to find ways of reducing agricultural costs, with rising rents forcing farmers to search for mounting profits. They would then tend to use these profits to 'improve' the land (adding to its value through improvements in its productivity) so that the process of commercial expansion could continue. Nothing else would provide security against inability to pay the rent (or lease) and subsequent eviction. While some tenant farmers became wealthy agrarian capitalists, others lost out and were driven from the land into the towns and cities. They were identified as 'masterless men', their numbers swollen over time as landlords, looking for higher income from activities such as sheep farming and grain production, enclosed common land. (England became one of Europe's foremost grain producers by the end of the seventeenth century.) This led to the development of a landless proletariat which acted both as a consumer market and as a reserve army of labourers forced to hire out their labour power to employers (artisans and then, increasingly after about 1760, factory and mine owners) in order to pay for the necessities of life.

As industrialization spread across the country it gradually became possible to find these necessities in the national market. Access to this became increasingly straightforward, facilitated by the expansion and modernization of the transport network, especially in the period from 1750-1850, thanks to the construction of canals, turnpike roads and then railways. But there was no reason why this process should stop at national borders. English and then British overseas expansion provided the landowners with new markets and the chance to 'improve' territories where the financial returns from (for example) sugar, tobacco and cotton plantations were significant. It was a self-sustaining process in which, as Meiksins Wood argues, the market did not provide *opportunities* but *imperatives* whose satisfaction was essential to the survival and prosperity of all participants. The best way of achieving those objectives was through the continuous improvement of productive techniques, a function of rising profits which would then be reinvested to ensure ongoing success in the competitive struggle with other producers.

The argument in this book explodes a series of common assumptions. One, already discussed, is that capitalism was latent in every pre-existing social and economic system. A second is the idea that the nation-state was the cradle of capitalism. Meiksins Wood, however, argues convincingly that this only applies to the case of England. She points out that the absolute monarchies of eighteenth century Europe were rooted in nation-states but these were not capitalist. They may have contained a large bourgeoisie but for the most part this was not a class of property-owning bankers, merchants and artisans. Rather, it was largely composed of office-holders in state organizations, mainly rewarding themselves by taking over under royal license key state function such as tax collection. A third is that capitalism was a product of the Enlightenment project to modernise society and liberate humanity from repression, ignorance and superstition. But although the French revolution may have located modernity in the project to emancipate humanity, Britain's capitalist revolution's idea of improvement was related to property and land values, to increasing the productivity of labour and the exchange value (not the use value) of goods produced for the market. As Meiksins Woods suggests, it is perhaps no accident that mad cow disease appeared first in Britain, or that the country has experienced massive outbreaks of foot and mouth disease in its recent history (most notably in 2001-2). Both were widely attributed to marketing practices and to intensive farming, features of agriculture which have their roots in the doctrine of 'improvement'.

The contradictory record of capitalism has not been restricted to Britain. Throughout the world, capitalism has been responsible for great gains in the production of food and raw materials which have transformed humanity's prospects of living free from hunger and from want. It has brought great material advances and an abundance of consumer goods with the potential to make life for the masses more comfortable than it has ever been. And yet, as Meiksins Woods concludes, the drive for accumulation which is intrinsic to capitalism leaves billions living in poverty. The gulf between rich and poor grows and the contrast between 'private opulence and public squalor', a feature of modern capitalism noted by J. K. Galbraith over sixty years ago,[1] becomes increasingly obvious. At the same time the system generates an unsustainable economic growth which is degrading the global environment to the point at which the future security of humanity on the planet is becoming increasingly questionable.

Meiksins Wood concludes that capitalism is incapable of a humane, democratic and ecologically sustainable transformation, and that only by grasping 'the real alternative of socialism' will humanity achieve those goals. But that leap cannot occur until we accept that capitalism is not an eternal feature of human history. It did not lurk in the background until, liberated from restraints in the early modern epoch, it finally emerged from the shadows to perform its historic mission. We need to appreciate its uniqueness and historical specificity. Just as there were functioning and sophisticated human societies before the appearance of capitalism, so there can be after its demise. The argument of *The Origins of Capitalism* is robust and developed with very great care and clarity. Anyone seeking to understand how we came to be where we are and how humanity might avoid an increasingly grim future should read this important book.

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[1] See J. K. Galbraith, *The Affluent Society* (2nd edition, London: Pelican Books, 1970), p. 212. The book first appeared in 1958.