The Historical Evolution of the Capital Accumulation in the Capitalist System

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Abstract

Capital accumulation is essence of capitalist system. Making profit maximum is the system’s main goal and when the capital accumulation stops, this situation causes crises. These crises threaten capitalist system’s continuity and reproduce itself false so they bring internal contradiction out into the open. Capital accumulation mustn’t stop. Capital system’s continuity doesn’t attend if it stops. Capital accumulation is very important in capitalist system therefore this subject is argued very much in economics literature. Economists are interested in capital accumulation’s effects. On the other hand capital accumulation is a very important weapon for economists who are against the capital system. This situation is used for criticizing capital system’s faultiness by these economists.

Keywords: Capital Accumulation, Capitalism, Crisis.

Introduction

It is a known fact that the continuity of the capitalist system is possible with the capital accumulation. A deduction of the capital accumulation causes some great crises in the capitalist system. These crises threaten the continuity and its own reproduction of the capitalist system. Besides, they expose the internal contradictions of the system. Therefore, the reproduction of the capital and the ability of the continuity of the capital accumulation play an important role on the continuity of the motion of the capitalist system. The importance of the capital accumulation in the capitalist system makes this subject one of the most debatable issues in the economic literature. Moreover, the effects of the capital accumulation are some of the most important struggles of the economists who purpose to make the capitalist system continue. At the same time, the capital accumulation is an important weapon used by the economists who claim that the capitalism is not an endless system and it is destined to be destroyed while they criticize the capitalist system. The historical evolution of the capitalist system has an important role in the origin, formation and the development of the capitalist system. There is a parallelism between the change of the capital accumulation till now and the birth and the development of the capitalist system.

Capitalism and Capital Accumulation

Capitalism is the name of an economic system. The term ‘capitalism’ has been used in various meanings in the historical process. Capital in the root of the term refers to the goods which include labour and can be presented to the market. -ism suffix at the end adds different meanings to the term. Capitalism sometimes states a theory, a doctrine, a system or a view at goods and sometimes it states an ideology. The abstract meanings given to the term ‘capitalism’ cause different definitions of capitalism. According to the definition generally accepted, capitalism is a production organised widely by the owners of capital goods. These owners buy raw materials and machines and hire labor with the capital they accumulated. In this way they make much more wealth than they spent so they can make a profit (Talas, 1999:51-52).

Capitalism is a historical system. According to the idea that the system is located in late-fifteenth-century Europe, that the system expanded in space over time to cover the entire globe by the late nineteenth century, and that it still today covers the entire globe capitalism can be defined as: Historical capitalism involved therefore the widespread commodification of processes – not merely exchange processes, but production processes, distribution processes, and investment processes – that had previously been conducted other than via a ‘market (Wallerstein, 2002:16). The basic features of capitalism compose a system by mingling with each other. These features can be characterized by the following (Bremond be Geledan, 1984:8; Talas, 1999:51-52; Maillet, 1983:149-151):

- The ownership and change of basic means of production are private, so the system gives the authority of movement and decision on capitalist economic structures.
- There is a type of drive in capitalism that leads and shows a target to economic activity and determines the basic directions of economy. This basic drive is profit.
Most of the produced objects are the goods. The target of production is not an indirect consumption but a change. The goods are produced to be sold in the market.

Capitalism is an economic system that is built on the role of entrepreneurs who have the means of production. In capitalism there are a market mechanism and a price formation system that is based on this mechanism. In the system individuals are free to sell, to buy and to make the most suitable deals for their own benefits.

Capital has an important role in capitalism. The capital should not stay only as a capital but also it should lead the effect it caused and the economy. Besides, capital is a source of income in capitalism (profit, unearned income, interest).

In capitalist system, the considerable part of the population sells their labor for a certain price.

In capitalism, there is a legal and an economic organization that create convenient conditions in order to function in its own system like liberalism, individualism, private property, inheritance, freedom of contact etc.

Before capitalism an individual is a natural human being who thinks economic activity as only serving his needs and this natural human being is the standard of everything at the times before capitalism. The natural human being who has a primitive and original sense disappears and capital accumulation becomes the dominant drive of economic activity. Capitalism pursue this goal with a realistic and rationalistic attitude and quantitative calculation methods (Dobb, 1992:6-7). In this sense capital accumulation becomes one of the important factors that are necessary to make the capitalist system progress. As a matter of fact, the coming of the process of the capital accumulation to a self-governing and dominant position creates the unchangeable black bone of capitalism in which economy has control over the society materially and symbolically (Insel, 2004:61).

The Fall of Feudalism and the Birth of Capitalist System

Feudalism is a social system that is based on the dominance of the noble landowners before capitalism. Feudal society emerges with the end of the slavery society that had continued for centuries. Basically, this is a farming society and the labor of serf takes place of the labor of slave. The basis of the production relationships of feudal society lies on the right of property of the feudal landlord and the right of the limited property of serf, indirect producer (Nikitin, 1990:37). Serfs take place in the middle of slave and free man. They do not have the land that is the mean of production but tools that they use to cultivate the land belong to them. They make their livings with the land they cultivated and at the same time they work for the feudal landlord on that land. In this sense, serfs are owners because the small lands with which they make living belong to them (Eaton, 1990:26). The basic modes of production in feudal system are drudgery economy and interest economy. The mutual features of these modes of production are characterized by the following (Zagalov vd, 1976:105):

- Serfs are bound to feudal landlords personally.
- A feudal landlord is the owner of the whole cultivated land.
- There is a parcel of land where serfs work for their personal use.
- The whole agricultural production is provided with the labor power of serfs and living and unliving tools.
- Because of being forced out of economy peasants work harder and provide surplus crops for feudal landlords

Beside these mutual ones, there are different features in drudgery and interest economy. The whole feudal land is divided into two parts in drudgery economy (Zagalov vd, 1976:106): Some part of the field is the land of the feudal landlord. The agricultural products are produced with the labor the tools of the serfs and they are completely the property of the feudal landlord. Serfs work harder and harvest much more crops than usual in the field of the feudal landlord. Serfs have to work unpaid for the feudal landlord on the certain days of the week. This is the major type of exploitation in a feudal society. This case and measure of exploitation are not hidden on the contrary, they are even legitimated with the support of the church. The other part of the land is defined as the ration of the serf. In this part of the land serfs produced necessary crops for their family to make their living and for the reproduction of living and unliving production tools that are in a bad situation. On the other hand, in interest economy all of the lands are given to the peasants. Serfs give some part of the production to the feudal landlord as an interest and they support their family by reproducing their labor with the rest of the production. Beside this, they make the animate and inanimate means of production reproduce.
As it is understood from the features of these production systems, the basic law of feudalism is that the feudal landlord seizes the surplus product which the serfs who are bound to the landlord produce in a hard way (Zagalov vd,1976:109). At the same time, the production in a feudal society serves the needs of the people. Production is for consumption and usage. Beside this, some part of the surplus at the end of the production are sold by feudal landlords to buy luxury things.In time, the development of trade and transportation speeds the productive power up. Cities become stronger and production is started to be made with the aim of change. This production is based on the property of personal labor and means of production (Nikitin,1990:39). Merchants make wealth so class conflicts are on the increase. All of these affects start to prepare an end to feudalism.

There are some contradictions that shape the flaw of social development in the fall of feudalism. These contradictions are characterized by the following (Eaton,1990:51):

- The contradiction between feudal landlord who tries to increase the surplus product continuously and the serf who is against this
- The interior contradictions between the feudal landlords fighting with each other to survive
- The contradiction between the merchants with feudal power and urban and rural capitalists who start to become strong

The fall of feudalism is an inevitable historical consequence of these contradictions. In a society where the only source of wealth is land and the social relationships are shaped according to the relations between the landowners and serfs, the appearance of commercial capital, the increasing needs because of the development of trade change the social structure of the organized state (Göze,2000:75). A new social-economic system appears and starts to grow with the insistance of the authorities for change within the fall of feudalism in a society where the landowners are dominant (Haynes:1999:1). This new system is capitalism.

The discovery of new mainlands after the fall of feudalism and the financial economy which gets stronger with the valuable mines there, the high prices caused by the abundance of money and the trade caused by these high prices form the commercial capitalism which is the beginning of the capitalist system. The process that capitalists make the credit system common by institutionalizing it to take much more advantage of money follows this process. Therefore, native and foreign trade expands with the money economy (Talas:53-54). This development in the monetary economics causes the development of the capitalist system. A great increase starts with the development of the capitalist system in the capital accumulation and the capital gains are legitimated by the capitalists. The expansion of the trade and the increase in the capital accumulation on a wide scale cause the process of buying and hiring labor. Beside this, the value is started to be measured with money and wealth is started to be the measure of success. This economic evolution established the basis of mercantilist idea.

**Mercantilism and Capital Accumulation**

The period between the fall of feudalism and the industrial revolution is the period when the local government and the central government are formed in the fields of politics and the field of economy and in the field of economy capitalism which prepares the conditions of the capital accumulation and the market economy develops (Kazgan,1978:26). Mercantilism is a highly influential idea in this period. The economic and social conditions forming the mercantilism can be summarized as below (Turanlı,2000:27-28):

- The change of the technique of production in agriculture destroys the traditional urban economy and people who have more surplus products than their livelihood start to use them with the aim of change. Therefore, the agricultural production tends to the market and the profit causes the development of individualism. This situation creates an advanced change system
- Increase in the population in the cities causes great states that have central power to appear by making the borders of commercial activity expand.
- The government that takes place of the feudal landlord gives the opportunity of monopolization and many privileges to especially people who are busy with foreign trade. Because the income of the newly formed government is trade and the government should take the necessary precautions for the development of trade.
- The central government has formed a new system that is based on the authority of government and the capital accumulation are targetted by destroying the former system.

Mercantilism is the name of a politic and an economic system that reflects the theory and ideology of the commercial capitalism. Although mercantilist thought have some differences in time and from a country to another one it has main principles (Ölmezoğluller,200344-46):
Mercantilism gives importance to the relationship between the richness or wealth of a country and the balance of foreign trade. The mercantilists who realize the development of national economy defend the interventions to the economic activities to maximize the national wealth of the government.

According to the mercantilism, valuable mines such as gold and silver are the main source of politic and economic power of a country and to get much more from foreign trade is the final purpose to get these valuable mines. The government should take all necessary precautions to serve its purpose. In order to succeed this, importation should be decreased as much as possible and the export surplus is kept by exchanging it with gold and silver. Mercantilists defend the idea that prices in the country should be high because their unawareness that high prices make exportation difficult they give countenance to importation. Mercantilism is a system that includes phenomenon of nationalism. A mercantilist wants his own country be richer and stronger than other countries. The wealth of a country can be provided with the poverty of other countries. Mercantilists follow a colonial attitude as a strong country in order to make this purpose accomplish.

Mercantilist period is the period the awareness of the exploitation is realized (Selik, 1988:129). The exploitation is done in the way that the wealth of out of the country is seized. This is the main mechanism of exploitation and the seized surplus wealth is generally the product of the foreign citizens’ labor. In the industrial capitalism period, the capital accumulation that is provided in this way will tend to exploit the labor of its own citizens much more widely by going on to take advantage of the facilities of foreign exploitation. In addition to this, the exploitation of the labor of children and the law wages are different aspects of exploitation. Furthermore, mercantilist period is a period when the capital is accumulated in any way, the economic and social structure of the community is changed with the aim of having great profits and the conditions of the industrial capitalism are prepared and matured.

In epitome, mercantilism is an exploitation system through trade that is organized by the government and it plays an important role in the first stage of the industrial capitalism (Dobb, 1992:189). At the same time the factors that causes the fall of mercantilism accelerates the birth of the industrial capitalism that relies on Laisser-faire (Let them do). The technological improvement and improving foreign trade are some of the most important factors that accelerates the transition that is from commercial capitalism to industrial capitalism. Mercantilism, the ideology of commercial capitalism, is the opposite of liberalism, the ideology of industrial capitalism.

**Physiocrasy and Capital Accumulation**

In physiocratic thought system, ‘natural order’ is adopted, it is believed to be the best way for humanity and in this ‘natural order’, it is defended that economic events should be let slide. Therefore, it is understood that mercantilist system is not good for the country and state interference is not right.

The concept of ‘Natural Order’ of Physiocrats is the first basic principle of the liberal thought. Likewise, Laisser faire, Laisser passer (Let them do, Let them pass) that is the philosophy of Liberalism is the result of ‘natural order’. This philosophy is valid for ‘natural order’ and the region that is limited by the law of nature. Letting the economic events to their developments without any restrictions and believing that an invisible hand puts everything order are the thoughts that are accepted by economic philosopher after physiocrats. The economic concepts that are the basis of the economic systems of our day appear in this period. A brand-new doctrine appears in economic thought: classic economy. This doctrine is one of the rings of the chain that firstly gives liberalism taken from physiocrats to Neoclassics and then to today’s economic thought after Keynes (Çavdar, 2003:85).

In the historical process, capital and labor come face to face as the result of the separation of the unity of producer and production tool. With this dissolution the problems about capital and the concept of capital become the subjects in economic theories. The distinction of the labor and production tools is the basic factor in explanation of the concept of capitalism. In this stage, the problem is how the capital comes together with the labor that is isolated from the ownership of production tools for production and how it is reproduced. The result of this improvement is tackled in a theoretic level that the source of the surplus wealth is not change but the production that causes surplus (Kepenek, 1976:105). Physiocrats state that the production activities that cause surplus are only agricultural production and as the natural result of this only the agricultural labor is productive and the capital used in agriculture is efficient. According to physiocrats, capital used in the lands of activity out of agriculture does not contribute the creation of surplus wealth.
Industrial Revolution and The rise of Liberal Capitalist System

In capitalist system, industrialization is not a self-developing process. Capital accumulation, the formation of great markets, the Access of wide raw materials and the invention of machines are some of the important factors that accelerate the industrialization process. The progresses in the financial field provide great increase in volume in the activities of using credit and banking. Therefore, the capital, the dynamic feature of capitalist system, starts to accumulate and the financing that is necessary to turn scientific inventions to industry is supplied. The transition of the capital from commerce to industry with industrial revolution makes the capitalist class be extremely powerful.

In a general meaning, Industrial Revolution is that factory production which is full of machines takes places of hand looms and craft production and the stream power take the place of organic energy (Talas, 1999:64). In this new production process, production is done with new methods and as an accumulation and machines take the place of man increasingly. With the mechanization, division of labor improves and specialization gets easier. Besides, the guilds are destroyed and a lot of job collapse. New technic and division of labor increase both the personal performance and the total production. This process appears against mercantilism, the economic thought of commercial capitalism, and it makes the economic doctrine which is the advocacy of industrial capitalism, namely liberal capitalist system, be born and improve. The capitalist class in this system is against all the conditions which restrict its own activity. Their main idea are to create a competitive environment and to minimize the state interference.

The liberal capitalist system that develops freely in the economic and social field also causes serious problems which are hard to reconcile originally. The accumulated capital in cities along with industrial revolution supplies great power to both individuals and nations and it rises the Standard of living significantly. Industrialization causes great differences between the capitalist countries and other countries. These differences make the old colonies the target of economic exploitation on a larger scale and cause the countries without enough capital accumulation to industrialize to be semi-colony (Çavdar, 2003:57). Industrial revolution not only causes a lot of problems but also it brings some innovations to the techniques of production. For example; the continual increase in production that is the result of mechanization causes periodic excessive crises of production.

In this new world on one hand, the liberal capitalist system develops freely on the other hand, millions of people are not able to serve their basic needs and production cannot reach to these people. The income level which is formed freely according to the logic of the system does not let that happen. Again within this system, the crisis of production which is surplus and cannot be consumed much causes widespread structural unemployment. The main problems such as bad working conditions, low pay, increase of the class distinction and disagreement, unjust dispensing of the wealth and richness and the spread of injustice of income shake ‘Laisse-faire’, the main philosophy of the liberal capitalist system.

The First World War and the First Deviations from the Philosophy of ‘Laisser-Faire’

When capitalism completes its formation and the improvements reach to the top it faces with some problems which cannot be handled with the structure gained in the period of formation (Maillet, 1983:162). The nations are increasingly bound together because of the economic reasons and a situation of international dependency occurs. Inspite of this dependency trade, armaments, exploitation and the struggle for influence zones increase gradually between the capitalist countries. This struggle is based on the idea that firstly, the societies except for the ‘West’ are made colony. Colonialism has an economic content. Beside this, societies living in the exploited regions are forced to an ideologic and cultural transformation in case they serve the continuity of capital accumulation in the capitalist system (Türkay, 2006:1). Capitalist countries cause the First World War to reshare the colonial areas and to put an end to economic contradictions.

The system based on the fight in the field of military takes place of the system based on the rivalry between the capitalist countries along with the First World War. When the First World War broke out the capitalist system starts to the preparations of the continuity of the war. In this period political power starts to interfere to economic and social life. These interferences are the sign of the first official separation from the philosophy of Laisser-Faire. The problems and hardships caused by the war causes that the government starts to interfere much more to the economy. The opportunities of borrowing and tax are used on a wide scale to serve the financial and material needs caused by the war (Talas, 1999:59). In most of the countries that fought in the war extensive material ruins are seen. At the end of the war restoration of ruined places, the war debts, the inflation which Germany faces after being defeated in the war and the transition of Russia to the socialist economic system make some countries enter to a new social order. At the end of the war some systems separated from the capitalist system appear.
The birth of the systems such as Fascism and National-Socialism forms the capitalism that has an international identity to both an international and interventionist identity. As a result of the crisis, stability and regression in the economy, the visible, reformatory and regulative features of the government take place of the invisible hand.

### 1929 Great Depression

The process of capital accumulation is in a structural depression that goes on from the First World War to the end of the Second World War. This process testifies to 1929 Depression called as the great depression of the capitalism besides the two World Wars (Aydın, 1999:1). The capitalist system, which faces with some uncommon and economic problems before, is in a great depression in 1929. This depression is structural and common. 1929 Great Depression starts with the collapse of New York Stock Exchange in the U.S.A. that is in a situation of lending money to other countries although it was in a situation of borrowing from the others economically and it gained much more power than before at the end of the First World War contrary to other European countries.

The speculation in the stock exchanges caused by the capitalism reaches to the top in New York in October in 1929 and it cannot be stopped. High interest loans are gotten from the banks; debentures and shares are bought with the drive of the speculation. In a short time the situation turns down and the need of liquidity instantly causes great amounts of shares debentures in sole to pile in stock exchanges (Talas, 1999:67). A financial crisis starts because almost $13 million share and debenture bond that are put up for sale in New York Stock Market in 24 October 1929 cannot be sold. This crisis cannot be overcome although banks buy remarkable amounts of share. On the contrary, this situation makes the banks go bankrupt and the crisis gets greater. This crisis that starts in the U.S.A spreads all over the world in a short time. The features of 1929 Great Depression such as prevalence, deepness and continuity show that economy cannot balance on its own. This depression that causes big ruins in the economic system makes the applications of the state interference and the new economic politics compulsory. 1929 Great Depression is one of the most severe and problematic depression in the history of capitalist system. 1929 Great Depression and the result it caused are the statements of the bad operation of capitalist mechanism (Maillet, 1983:163) and the interior contradictions of the system. So far, the main philosophy of capitalism and standing strong, Laisser-Faire cannot find a solution and it has to gives its place to The General Theory of Keynes.

The main purpose of each economic movement of the capitalist system being shown as a social system which is the most suitable for human nature and mind and should never be changed but definitely be continued (Yörükoğlu, 1994:1) is to find formulas that make the system stronger by depending on the basic features belonging to that period. These economic movements are satisfied with only trying to cover up the defects of the system by ignoring the contradictions of capitalism. The General Theory of Keynes does not break with the tradition and it becomes the saviour of the capitalist system from the Second World War to the 70’s.

### The Second World War and Afterwards

The Second World War breaks out before the economic and social ruins of 1929 Great Depression are recovered. The important results of the Second World War appear in terms of the economic life (Talas, 1999:60). The colonialism movements are discharged in result of growing of the movements of national development. The socialist system spreads but besides this, new-planned and mixed economic politics appear. As a result of these new developments, the capitalist system loses its purity on a wide scale and it gains the features of interfering and organizing. The factors such as searching for getting rid of 1929 Depression, technological improvements, the effort to fix the destructions caused by the Second World War, internationalizing the process of capital production and the contradictions between the capital and labor which increase before and after the war force the capitalist system to make new regulations. The capital accumulation comes to the expansion period after the Second World War. In this transition period, the government applies Keynesian demand managements to prevent economical collapses in the capitalist countries. After the Second World War Keynesian demand managements come to an important position in the field of economy. On one hand, these managements that give an active role to the government in the matter of providing economic stability increase the level of total demand by manipulating the income and outcome of the budget in that period. On the other hand, it solves the problem of unemployment by increasing the possibilities of employment (Başkaya, 1999:86). Keynesian demand managements have an important role in the economic growth and they emphasize that some part of the wealth of the capitalism caused by the growth will be redispensed by taxing. This idea gives a birth to ‘Welfare State’. Although the known purpose is to do social justice the real purpose is the wish of the system to control the struggle of the exploited labor. The new identity of the capitalist system succeed to be effective till the 70’s (Yılmaz, 2009:26).
From 1970 to Now

The process of the capital accumulation and a fast economic growth in the capitalist countries from the end of the Second World War to the 70’s tends to slow down with the increase of the interior contradictions of the system because of the occurrence of the signs of crisis. Keynesian managements are based on the theory that an economy takes place in an employment or an inflation and none of them comes true at the same time (Ataç, 1999: 65). However, the concept of stagflation, a concept newly added to the economic literature in the 70’s, shows that the regulation idea of Keynesian managements are not valid. Because a new period when a continuing price starts along with the stability is seen in the economy. Capitalism starts to search for getting rid of this new depression and this process revive the philosophy of Laisser-Faire under the name of neo-liberalism. The purpose is again to make the capitalist system strong in its own period and to legalize the necessary mechanism for the continuity of the operation of the system. The theories found to save the capitalist system from the conditions of crisis it is in are not ‘new’ and ‘original’ but old ones that are presented with its ‘new identities’ since the first times of capitalism if it is necessary (Başkaya, 1927: 296). The activity of the theoretic approaches discussed is the result of not their originality but its providing the continuity of capital accumulation in the capitalist countries in the conditions of a structural crisis.

As a Result

Today, the capitalist system is in the statement of globalization in the mean that ‘the capital creates a new world in its own form.’ Globalization is a project defined by neo-liberalism to control and to direct the crisis in which capitalism is in the 70’s (Türkay, 2006: 1). According to this project, people all over the world have both abundance and wealth and unlimited freedom of election thanks to the extraordinary improvements in the fields of science and technology. Therefore, the economic, political and ideological disagreements between citizens of the country and the countries come to an end by themselves. These claims, in fact, do not reflect the real world of today. The stability of the capitalist system for a long period is along with the poverty and unemployment. The world surrenders a global poverty more and more. On the other hand, this increase is not shared equally between the people and the countries as it is claimed in the places where the increase of income and wealth are provided, on the contrary, a wild rivalry based on the exploitation of insufficient sources is observed. The increasingly unequal development between the countries and regions take places of mutual dependency and co-operation claimed which are claimed that they will improve together with the globalization of the economy and the market. As a result, not a united world but a gradually separated world starts to exist.

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