Capitalist Rising

The Short History
Of a Long Insurgency

Why Insurgency?

- A revolution against the establishment
  - Church (Christianity) tithing, and restrictive economic structure and vision for society
  - Prevailing political structure (absolutism, nobility, divine right) and their control over the economy
  - Prevailing social structure (feudalism, manorialism) restricted land ownership, productivity
Why Capitalism?

- Medieval system - subsistence agriculture and little or no trade - autarky
- System of world trade had to be organized in order to function.
  - Once trade accelerated, the world economy became capitalist
    - willing sellers and buyers
    - trade capitalist by nature
- Varied forms of capitalism
  - mercantile capitalism (merchant/trade based)
  - mercantilism (state/monopoly based)
  - free market (laissez faire)
  - corporate
  - regulated/market socialism
- Different forms can and do exist simultaneously even within one nation

Key Factors in Early Development of Capitalism

- Feudalism went beyond its capabilities to sustain civilization in difficult times led to capitalist agriculture
- Mediterranean and Baltic Trade and Champagne Fairs
- Evolving system of Banking and Finance
- Communications and Accounting
- Growth of towns centered on markets superceding manorial villages
Medieval Economic Issues

- Populist oriented and Church driven (Acquinas)
- Early philosophy opposed to Monopoly
- Church opposed to lending at interest (usury)
- Cartels and monopolies became common to eliminate competition, often with church or government partnership
- Early monetarism focus on value of money and debasement of currency

Early Capitalist Endeavor

- Capitalist Agriculture – lands freed up were bought and reorganized from feudal structure, production increased and many serfs moved to emerging towns
- Evolution of banking and finance – credit, precious metals and bills of exchange
- Schumpeter – credit creation - 13th C - beginning of capitalism and expansion/ contraction of credit was beginning of business cycle
- Early capitalists were international merchant/bankers
Contributions of the Italian City States

- Foundation of capitalist institutions and processes
- Venice, Florence and Genoa major players among many others
- Merchant bankers led way
- Implemented financial instruments and accounting procedures
- Conquered territories for trade & traded with Levant
- Banking and trade migrated to northern Europe by Italians
- Venice became core of European world economy

Doge’s Palace - Venice
Rialto Bridge and German Market
Venice

Inside the German Market
Expansion of Trade - Mediterranean to the North

- Champagne fairs – trade by land 13th-14th C
- Genoese – established sea route to Bruges in 1277
- Bruges became center of N/S trade
- Widespread use of *bills of exchange* as credit mechanism
- Italian merchant-bankers established trade hegemony until 16th C
- Textiles N→S
- Exotic goods & spices S→N

Spaniards and Empire

- Charles V and Phillip II of Austrian Habsburgs
- Conquered New World 100 years before the Northern Europeans
- Quest for precious metals - Mexico and Peru
- Influence on development of capitalism in northern Europe
- Price Revolution – inflation similar to today’s driven by supply/demand issues and influx of precious metals
- International bankers managed finances for crown and empire
The Early Industrial Revolution

- Textiles, Metallurgy and Small Manufacturing led the industrial ramp up in the 15th through the early 17th centuries
- Antwerp was clearinghouse for trade, northern Europe’s financial core, controlled by bankers
- Netherlands, Germany (Holy Roman Empire) and northern France were main industrial powers
- Germany strong in mining and manufacturing
- Central-eastern Europe was breadbasket

Dutch Influence on Commerce and Economic Development

- Overcame decades of Spanish domination in 17th Century
- VOC and WIC – East India and West India Companies
- Inventive and industrious
- Became dominant in fishing, shipbuilding, carrying trades, textiles and numerous other industries
- Withstood onslaught of English and French without being major land power
Replica of VOC East Indies
Retourschipp - Amsterdam

West Indies Company HQ
Amsterdam
17th Century Warehouses in Amsterdam – Modern Apartments

Windmills – The Netherlands
The Experience of Mercantilism

- Mercantilism was the complementary economic system during early-modern Europe’s nation building era
- Trade protectionism, bullionism, monopoly, regulation and balance of trade policies
- Economic development believed to be a zero-sum game – most nations used these principles
- State-backed capitalism to build national power
- French were leaders of mercantilist policies but restrictive policies prevented economic success

Capitalism and Transatlantic Colonialism

- Originated with Portuguese and Spanish in search of precious metals
- Northern Europeans sought colonies for settlers and capitalist agriculture
- Fish, sugar and tobacco were most important products until cotton introduced during Industrial Revolution
- Slavery was important factor in colonial agriculture
- English and French depended on colonial companies to conquer lands and introduce settlers
The Evolution of British Capitalism

- British less successful than French in mercantile policies
- Major arguments for years between the mercantilists and those for free economy
- Glorious Revolution of 1688 vital to increased parliamentary power and economic freedoms
- Textiles always in forefront
- Country banks vital to financing the industrial revolution
- Metallurgy and power generation also vital in economic development
- Fixed capital becomes more important than working capital

Cromford Original Factory
Arkwright’s Cromford Mill
Water Power

Masson Mill
Masson Mill Machinery

Early Influential Capitalists and Economic Thinkers

- Acquinas & Oresme
- Medici and Fugger
- Jacques Coeur
- Thomas Mun
- Misselden and Malynes
- John Law
- XVII Heeren
- Johan van Oldebarnevelt
- Jean-Baptiste Say
- Physiocrats – Francois Quesnay
- David Hume
- Richard Arkwright
- Matthew Boulton/James Watt
- Adam Smith
Major Influences and Factors in the Development of Capitalism

- Financial and Accounting systems crucial to innovation and capital creation
- Mobility of Capital
- Productivity relative to other systems
- Rational approach to decisions and risk in investment decisions
- Increasingly sophisticated financial services and credit operations
- Dynamics for change engendered by capitalism
- Free markets and property rights crucial
- Financial and trade infrastructure

Impediments to progress of Capitalism

- Controls by external factors – government and religion
- Monopolies and government protectionism limited trade and produced inefficiencies
- Restriction of incentives limits progress
- High interest rates and taxes
Conclusions – Factors for Success

- Economic freedom critical to success
- Property Rights
- Free trade
- Infrastructure
- Rationalized approaches to risk and decision making
- Mobility of Capital

Cromford Railroad Station