

The capitalist revolution

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Two major revolutions mark the history of mankind, the Agricultural Revolution and the capitalist revolution. The first, around ten thousand years ago, transformed the nomadic into sedentary societies, and, seven thousand years later, allowed for the realization of a permanent economic surplus and the formation of the first ancient empires in Mesopotamia. The capitalist revolution represented a tectonic shift in the history of civilization. It began with the rise of the first city-states and the emergence of the bourgeoisie in Venice, Florence, and Genoa. It advanced with the great navigations, the discovery of America, the establishment of the mercantile colonial system, and the rise of the absolute monarchies of the *ancien régime*. From mid eighteenth century to the end of the nineteenth century, the formation of the nation-state and the industrial revolution completed the capitalist revolution in the today's advanced countries. This revolution gave origin a contractual society where goods, services, and the labour-force are commodities sold and bought in the market, which the state regulates and assures; a society where a ruling class, the bourgeoisie, commands capital accumulation and innovation and, in this way, realizes profits; a monetary society where money besides facilitating transactions in the market, is a value in itself or a fully liquid asset. Or, as Ellen Meiksins Wood defined, "capitalism is a system in which goods and services, down to the most basic necessities of life, are purchased for profitable exchange, where even human labour-power is a commodity for sale in the market, and where all economic actors are dependent on the market."ⁱ

At the political level, capitalism involved the transition from the absolute to the liberal state –a state that assures the rule of law but not democracy. At the administrative level, capitalism implied the separation of the public from the private patrimony, or, in other words, the transition from the patrimonial state, where rent seeking was part of the game, to the modern bureaucratic state where rent-seeking turned a disease. At the cultural level, it involved the transition from tradition and revelation to reason and scientific research.ⁱⁱ

Capitalism changed the form of appropriation of the economic surplus from the direct use of force by an oligarchy controlling the ancient state to the realization of *profits* through the exchange of equivalent values in the market; it turned profit into the economic motive, and capital accumulation embodying technical progress into the means to achieve profits and economic development. Contrary to the previous modes of production, capitalism is necessarily oriented

to economic development because capital accumulation and innovation are not a choice but a condition of survival of the companies in a world in which technical progress is always happening. To create the conditions for capital accumulation and innovation, which are in the core of economic development or industrialization, peoples have historically organized as nations, built a state, controlled a territory and formed a nation-state endowed of a large domestic market which each nation required to realized its industrial revolution. With the capitalist revolution, the new nation-states were able to develop three basic institutions: the modern state (legal-constitutional system and the organization that guarantees it), the national markets, and the national money. When the market coordinates the competitive sectors of the economy, while the state coordinates the non-competitive ones, capitalism is developmental; when the state is supposed to just guarantee property rights and contracts, it is liberal.

With the capitalist revolution, the process of capital accumulation with embodiment of technical progress and improvement of the standards of living turned a reality and a necessary condition for the survival of business enterprises in a competitive environment. Before capitalism, the emperors and monarchs invested the economic surplus in military power, in building temples and palaces, and in luxury consumption. With the commercial revolution and mercantilism, the idea of profit and the practice of its reinvestment was generalized; with the industrial revolution and the acceleration of technical progress, reinvestment ceased to be an alternative to become a necessity – a condition for the business enterprises to keep competitive. This revolution was, therefore, so transforming that it no longer made sense to think about civilizations that for some time flourish, decay and disappear. Now, economic growth and, more broadly, progress or human development turned into a reality in all societies that succeeded in making their capitalist revolution: the improvement in standards of living, the gradual affirmation of civil rights, the change from authoritarian to democratic societies, and the formation of the welfare state. Today, formal colonies disappeared, and the earth is covered by nation-states which are either poor or pre-industrial countries, middle-income countries that recently industrialized, or advanced countries, which are the object of this book. Today there is an increasing doubt on the future of capitalism. In the last chapters of this book, I will discuss whether the capitalist class remains in command of capital accumulation and innovation, or the managerial class is now the main agent in investing and innovating. My response is that this transition is today basically achieved in the more advanced societies, and we must consider the prevalence of a managerial form of social organization.

Capitalism was born with the formation of the nation-state and the Industrial Revolution, but in the turn of the nineteenth to the twentieth century two new major revolutions changed it: in the economic and social realm, the Organizational Revolution introduced a new social class – the managerial class – while in the political realm, after a long fight for the universal suffrage led by the socialist political parties, the Democratic Revolution assured a new and relevant power to common people. By Organizational Revolution, which

happened originally in the US with the rise of the new private corporations, I mean the change of the basic unit of production from the family or the family enterprise to the bureaucratic organizations, mainly the private corporations. After a long political fight, the working class and the socialist intellectuals in advanced countries conquered the universal suffrage. As the liberal revolutions had already assured the civil rights, democracy finally turned reality. The Organizational Revolution opened room for the rise of the managerial class, while the Democratic Revolution, for the rise of the social democratic compromise and the Golden Years of capitalism. Thus, in the first part of the twentieth century, the capitalism originated from these two revolutions was progressive capitalism which faced two major challenges and have won both – the Nazi-fascist and the Communist challenge. And won also over a major economic crisis – the Great Depression of the 1930s. Two victories that led to the social-democratic and developmental Golden Years of Capitalism. Yet, 30 years later, confronting in the 1970s a substantially milder crisis, capitalism has undergone the Neoliberal Turn and has experienced a major social and political regression, as conservative and narrow rentiers-financiers' class coalition turned dominant and adopted neoliberalism as ideology.

These nation-states didn't rise alone, they have risen trading and competing if not making wars. Capitalism is a system of interdependent nation-states – interdependent because they never ceased to trade among themselves, while threatening each other with wars. Wars that made sense when they were part of the struggle for enlargement of the territory that each nation-state was searching to transform into its domestic market and industrialize; that ceased to make sense in the twentieth century when the borders of the major nation-states turned relatively consensual, the possibility of annexing territories fell, and was among major nation-states became negative-sum game. Nevertheless, in the twentieth century we had the First and the Second World Wars, which, essentially were just one war. Most analyses of these two wars, particularly of the 1914 war, was that it was “an irrational war” – not in moral terms (this is another discussion) but because no country really *won* the war. Wars were rational when the winner was really a winner. Today even the imperialist wars that the US, Britain and France wage against poor countries are ceasing to be rational in these terms.ⁱⁱⁱ

ⁱ Wood (2017: 2).

ⁱⁱ According to Marx (1864: 1024-25), the social formation turns dominantly capitalist when the relative surplus value (profit involving technological progress) turns the dominant form of surplus appropriation.

ⁱⁱⁱ Bresser-Pereira (2003).