

THE BIRTH of CAPITALISM



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From its Emergence to the Twentieth Century;

Struggle and Paradigms

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Abstract

The European society, which tried to get rid of the scholastic thought of the church and the feudal system with the scientific and intellectual developments during the so-called Dark Middle Ages of Europe, experienced many political and intellectual revolutions. Through the exploitation of the riches of their newfound continents, the Renaissance, the Reformation, the Age of Enlightenment, the Industrial Revolution, the French Revolution and other revolutions, they moved from a feudal/closed economy to a market economy and then to a capitalist economy, both commercial and industrial. The capitalist structure, which reached its peak in the nineteenth century and later, began to actively use imperialism as a result of the search for resources and markets. Socialism and its radical dimension, communism, which emerged as a reaction against internal and external colonialism and the oppression of the working class in the capitalist system, initially defended the rights of factory workers, but in the following years it carried its cause against the capitalist system. Although socialism existed before Karl Marx and Friedrich Engels, who systematized it and turned it into a political movement, it is not possible to talk about its effectiveness; the activities carried out before that remained small and local and were considered utopian. Although socialism was known as the opposite of individualism until 1848, after this date it emerged as a new social order that included the economic and social life of human rights. In our article, we analyze the process of capitalism from its emergence to the twentieth century, mainly its intellectual infrastructure, models and reactions against it.

Keywords: *Feudalism, Capitalism, Bourgeoisie, Proletariat, Imperialism, Socialism, Communism, Mercantilism, Liberalism, Corporatocracy, Paraism*

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INTRODUCTION

There have been significant intellectual changes in our world over the last two centuries, and these intellectual changes have brought about great movements. Man's struggle for freedom and attempts to control the social environment continue today as they have in history. Some systems of ideas put forward in this process have created great debates and conflicts. As a matter of fact, the problems created by the concepts discussed in the context of state, power, society, equality, human rights and freedoms have not lost their relevance and do not seem to lose their relevance. Some of the most important of these concepts are 'Capitalism' and 'Socialism', which rose in reaction to it.

Capitalism, which emerged after the dissolution of the feudalism order in the Dark Middle Ages of Europe, caused the working class and other working segments of society to be driven into misery. Socialism emerged as a reaction to capitalism in order to eliminate social collapse and establish a new world order. It is possible to talk about socialism until Karl Marx and Friedrich Engels, but these paradigms of ideas are considered utopian. In fact, the paradigm, which was considered utopia before the aforementioned individuals, was put into practice, but without success. The systematization of these ideas by the aforementioned individuals and their introduction to society as a political movement set the stage for a relentless struggle between socialism and capitalism.

Examining the emergence of the concepts of Socialism and Capitalism and knowing their paradigms is important for understanding today's political events. In order to understand Capitalism and Socialism well, we think that the intellectual structure and development process of the developments in Europe of the period should be analyzed. In this framework, we will focus on the process of capitalism until the XXth century. In particular, we will talk about the effective role of the bourgeois class in Europe, which enabled the emergence and development of capitalism in this process, and it is seen that this class is behind many movements. We will also touch upon the Industrial Revolution and the process of its development in general, and introduce our main topic, capitalism.

1. General Situation in Europe

In the XVth and XVIth centuries, the Muslim domination of the trade routes of the known world put Europeans in a difficult situation. In the same period, the development of the means used for sea voyages and the assertion that the world was round against the church's claim that the world was a tray and that long-distance sea voyages could not be made, and subsequently pushed pirates and adventure lovers to find new trade routes

and overseas voyages. As a matter of fact, they started to carry the riches of the new continents they found to their own countries and to colonize those regions. These colonies were transformed into empires spread across the world with their headquarters in Europe. The implementation of mercantilism, an economic theory in the 16th century, also increased the prosperity of Europe.

The fact that the city-states of Italy were engaged in trade and were more prosperous there than in other regions ensured that intellectual ideas were active. The emergence of the Renaissance also occurred in the same region, and these intellectual movements were supported by the art-loving Mesen group within the bourgeois class, which became rich from trade, and intellectual development found a base with art. In the regions of Europe outside Italy, the feudal system, which is called closed economy, was actively continuing. In this system, which the feudal lords created for themselves by taking advantage of the weak authority of the kings, they were running it through the serfs they employed in their own castles. The peculiarity of this period was that production was land-based, that is, agricultural, and feudal lords confiscated surplus value. The physiocrats,¹ who believed that all wealth came from the land, were in fact capitalists.²

The bourgeoisie had succeeded in overthrowing the feudal system, in fact they had done so entirely in the process of gaining status in society. They fought against the feudal lords by supporting the kings who were trying to re-establish their authority. The bourgeoisie later practiced this against the kings by siding with the republicans. The main reason for acting in this way was the fact that under authority, in the event of state intervention in the economy, the bourgeoisie would not have the wealth it aimed for, and that its status in society and the rights it demanded would be recognized. But the system of capitalism can be successful when it is identified with the state, when it is the state. It is the absolute authority that the bourgeoisie struggles against here; this is why there have been movements such as the liberalization that started with the Magna Carta in 1215, that is, the limitation of the powers of the king, who is the absolute authority with the constitution. Magna Carta is also considered as democracy, but we do not agree with this. We consider it only as the demand of the bourgeoisie to demand rights in return for the taxes they pay and to demand an account of where the taxes are spent.

¹ Physiocracy, the governance of human societies by natural law or natural rights, and agricultural production form the center of their system of thought.

² For the theory that the physiocrats were capitalists see.: Oğuz Bal, "Ekonomik Sistem Olarak Kapitalizmin Evrimi Ve İstihdam", Kocaeli 2011, s.4.

The new currents of ideas that flourished with the Renaissance brought the reform movement in its wake. Although we are talking about the dominance of feudal lords over the land in this period, about 4/3 of the land of the period was in the hands of the church. The church was exploiting the society through various practices. The reform movement initiated by Martin Luther against these beliefs and the exploitation of the church on society created the Protestantism sect against the Catholic sect. After the innovations made in religion with Protestantism, especially due to the characteristics of the Calvinist branches, Max Weber stated that capitalism was the product of Protestantism, or rather puritanism.³

After the Seven Years' War between England and France, England emerged victorious but was economically exhausted. As a result of Britain's attempt to take out this economic depression from the colonies in America, thirteen colonies in America caused unrest. These colonies rebelled in 1774 and declared the American War of Independence and independence in 1776. This struggle for independence and the American Declaration of Independence published during this period also influenced the French Revolution. The ideas put forward during this period had a serious impact on society, and the people, who were characterized as the third class⁴ in France, started a revolutionary movement by claiming that they were the ones who bore all the burden, that everything was theirs, but that they could not benefit from any rights. Leading this mass was the bourgeoisie, which had sided with the king in the feudal system and now sided with the republicans against the king. In reality, the French Revolution was not a popular revolution but a bourgeois revolution. As a result, the new intellectual currents that developed after the French Revolution brought the idea of liberal economy in the economic field and nationalism in the political field. The Declaration of the Rights of Man and the Citizen, proclaimed during the revolution, also included nationalism. During the revolution, nationalists emphasized that their aim was to fight against oppression for freedom, and thus nationalists had a patriotic character. Nationalism and liberalism fought against feudalism and the church. Nationalists saw it as their duty to ensure that people oppressed under feudalism were liberated and could govern themselves as a nation. This became the justification for the revolutionary wars and Napoleon's expansionism. The Napoleonic wars spread the concept of national politics throughout Europe. The bourgeois class played an important role in the formation of nationalism. When the understanding of divine sovereignty and

³ For Weber's thesis see. Max Weber, *Protestan Ahlakı ve Kapitalizmin Ruhu*, çev. Mehmet Ökten, Ankara 2014.

⁴ For more information about the third grade see. Emmanuel-Joseph Sieyès, *Üçüncü Sınıf Nedir?*, çev. İsmet Birkan, Ankara 2005.

privileged relations were eliminated in the struggles against the church and its ideas, the church, absolute monarchy and aristocracy ceased to be political powers. In this historical dynamism, the Renaissance and Reformation movements led to the liberation of thought, the individualization of belief, and the centralization of reason in all human activities. The bourgeoisie, as the force that brought about these developments, advocated a share in political power, liberalism, secularism, representative politics and equality. Therefore, the bourgeoisie also defended nationalism.

The changes that started in the field of art in Europe in the XVth century brought about changes and developments in the fields of science, religion and philosophy in the XVIIIth century. After the developments in science, liberal and reason-centered findings were adopted instead of traditional, superstitious beliefs. The Age of Enlightenment, which was experienced with these scientific developments, brought with it new inventions. With these inventions, the introduction of machine power into human life led Europe to a rapid rise, the use of iron and steel in agriculture and the start of production with machinery, especially as a result of the introduction of steam into factories, production increased considerably compared to the past. This led to the migration of rural people to the cities where factories were located and the formation of a working class. The use of tools that accelerated production became widespread and the capitalist system began to show itself better and better. When the sale of manufactured goods exceeded the domestic market, new markets were sought, and at the same time, in order to meet the need for raw materials, imperialism began to look to foreign countries, especially today's third world countries. Inter-state production and market struggles have also emerged. As a result, inter-state blocs and world wars emerged.

We have outlined the intellectual, social, economic and industrial situation in Europe, and we will close with a quote that we think defines this process very well:

"It was the best of times and the worst of times, the age of reason and the age of stupidity, the age of faith and the age of doubt. It was a season of light and a season of darkness, a spring of hope and a winter of despair. We had everything and we had nothing, we were all going either straight to heaven or straight the other way. In short, it was a period so close to the present one that

*some clamorous authorities claimed that it could be compared to others, for better or for worse, using only the word more."*⁵

2. Capitalism

*"Capitalism is the term used to describe the economic system that has dominated the western world since the fall of feudalism. The condition of any system called capitalist is the relations between the private owners of the non-human means of production and the free but capitalless workers who sell their labor services to their employers... The resulting wage bargains determine the portion of the total output of society to be shared between the class of laborers and the class of capitalist entrepreneurs."*⁶

The above definition is from Encyclopedia Britannica, but we think it is narrow. Let us therefore try to broaden the concept of capitalism: It is a social-economic structure and mode of production. It is based on the liberal concept of individualism, private property, freedom of contract, competition, free market, free foreign trade and limited or no state intervention. Capital means capital that directs capital, capitalist capital. Whatever the nature of capital, the fundamental characteristic of capitalism as a mode of production is that the private ownership of capital is in the hands of the capitalist class, which constitutes a minority of the population.

2.1. The Birth of Capitalism

Its emergence can be traced back to the late Middle Ages when feudalism began to dissolve. The decline in the influence of feudal lords over serfs and the emergence of the merchant class engaged in trade during this period are among the factors that accelerated the formation of capitalism. A different view on the emergence of capitalism is that it emerged with the industrial revolution after the abolition of the feudal system based on the agricultural economy; in other words, it is argued that it was the transition from the land economy to the industrial economy. However, in this intermediate period, there is a process that we define as commercial capitalism. There is also the claim that feudal lords were also capitalists because they appropriated surplus value. The claim is as follows:

"The most fundamental characteristic of the pre-capitalist period is that production was agricultural and lords appropriated surplus value. In times of seemingly endless production, the

⁵ Charles Dickens, *İki Şehrin Hikayesi*, çev. Esen Rüzgar, Ankara 2012, s.5.

⁶ Ayn Rand, "Kapitalizm Nedir?", s.3.

*Physiocrats, who believed that all wealth derived from the land, and therefore from agriculture, were also capitalists."*⁷

In order for the capitalist individual to engage in enterprise, he or she had to have resources. In this context, the physiocrat was the owner of the land, and their being capitalists meant that they appropriated the land and surplus value, which left a net product after all expenses were deducted. The serfs, on the other hand, had to be content with what the lord offered them. Those who take an individualist approach to the capitalist's claim to own raw materials or resources argue that the source of capitalism is reason. We will discuss this theory under the heading "The Source of Capitalism".

The bourgeois class played a major role in the emergence and development of capitalism; the capitalist entrepreneur, the bourgeois, who wanted to be free in finding resources and managing them, supported the king as a supporter of central authority against the feudal lord, even though he appeared to be adventurous at the beginning, and supported the republic against the absolute authority of the king in order to protect the interests of his class. In the first phase, which we call mercantilist capitalism, they adopted mercantilist thinking, because in these periods resources were at stake. In the period after the industrial revolution, which we call industrial capitalism, mercantilist thought was replaced by liberal thought. The reason for this was less state intervention, faster growth and the search for foreign markets. Capitalism focuses on the profitability of entrepreneurial individuals based on a libertarian order. This is why the bourgeois class fought against absolute authorities and supported the liberal understanding, because its very existence depended on it. In addition, capitalism absolutely needs the existence of the state for its domination. It needs a state-sponsored policy to capture foreign markets. In contrast, communism, the radical dimension of socialism, aims to abolish the existence of the state.

The majority of authors attribute the emergence of capitalism to the revival of trade and the spread of monetary relations in the late Middle Ages. One of them, the economic historian Henri Pirenne, shares the same view: He attributes the origin of capitalism to the revival of trade and the formation of cities in Europe from the Xth century onwards.⁸ Against Pirenne's thesis is Fernand Braudel: He argues that capitalism emerged in the 16th century with the collapse of the Mediterranean trade economy and

⁷ Oğuz Bal, a.g.m., s.4.

⁸ For details of the thesis see. Henri Pirenne, *Ortaçağ Kentleri Kökenleri ve Ticaretin Canlanması*, çev. Şadan Karadeniz, İstanbul 2011.

the concentration of trade in the Atlantic region.⁹ As we have already mentioned, the Muslim domination of the Mediterranean and its trade routes led Christian Europeans to search for new routes. The new continents and trade routes they found led to a gradual shift of trade from the Mediterranean, which was dominated by Muslims, to the Atlantic region, which was dominated by Christian Europeans. Braudel's hypothesis is based on this. Max Weber, on the other hand, sees this issue differently. According to Weber's thesis: Capitalism was the product of Protestantism.¹⁰ However, the capitalism Weber refers to is a system characterized by the rational organization of free labor, the separation of workplaces from homes, and the development of rational accounting, legal and administrative systems. In this context, Weber argues that the main feature of the Calvinist branches of the Protestant movement is that the believers of this sect lived a life free from luxury and pleasure, and this lifestyle pushed people to rapid capital accumulation, rational behavior and success in business life. The Calvinist way of life became a value. They saw work and success as worship, and this gave birth to capitalism.

Karl Marx is undoubtedly the person who put forward the most important views on the emergence of capitalism and the formation of capital. Throughout his life he dealt intellectually with the system of capitalism. Marx starts the origin of capitalism in the XI century¹¹ in one of his works and in the XVI century¹² in another. Although the first examples of capitalist production were seen in some Mediterranean cities quite early, the beginning of the capitalist era dates back to the 16th century. Wherever capitalism emerged, it resulted in the abolition of serfdom. The cities in this region have also long since established their sovereignty, and the triumph of the Middle Ages has all but disappeared. While analyzing capitalism, Marx focused all his attention on manufactures and the industrial revolution. He pointed out that with the collapse of feudal society the peasants became dispossessed, they became wage labourers and the household economies in the countryside disappeared, while agriculture broke away from all forms of manufactures. Another important issue Marx emphasized was the formation of capital. By putting this in a historical perspective: In the beginning, he says, there was a usurious capital and a commercial capital. In order for these capitals to succeed in the face of the industrial capital system, new manufactures turned to port cities, which were preferably export centers, or

⁹ For details of the thesis see. Fernand Braudel, *Akdeniz ve Akdeniz Dünyası*, çev. Mehmet Ali Kılıçbay, İstanbul 1989.

¹⁰ see.: Weber, a.g.e.

¹¹ see.: Karl Marx ve Friedrich Engels, *Alman İdeolojisi*, Çev. Sevim Belli, Ankara 1999.

¹² see.: Karl Marx, *Karl Marx & Das Kapital*, Haz. Fulya Saatçioğlu ve Murat Ukray, Ankara 2014.

to other inland regions that were outside the control of some organizations and their artisan organizations. The discovery of America, the precious metals brought from there, the opening of the continent to settlement, the slave trade, and wars of interest all contributed to the accumulation of capital. According to Marx: the emergence of capitalism in the historical process also separated producers from the means of production. In this process the means of production became capital and the capitalist mode of production is based on capitalist ownership of the means of production. But the mechanism of capitalist functioning has created the material conditions that make it necessary to abolish ownership of the means of production. The capitalist mode of production also gives rise to the social force, the working class, which by its internal laws will provide the material transition to a more social mode of production. These are Marx's thoughts on the emergence of capitalism and capital formation in general.

2.2. Commercial Capitalism

This type of commercial capitalism existed between the period when the feudalism system began to disappear and the industrial revolution. From the XIIth and XIIIth centuries onwards, the intensification of urbanization, the impact of the crusades on Europe, the holding of various fair events, the capture of the wealth of new continents, the exchange of monetary loans, the change in religious and legal structure, and the increase in capital accumulation led to the development of commercial capitalism. According to Fernand Braudel: this process, and indeed the history of the economy, is a market economy from beginning to end.¹³ He puts forward this claim as an observation of Carl Brinkmann. By saying that the shopkeeper is definitely an element of the market economy and that the shopkeeper who sells what he produces is a craftsman, he means that he belongs to the class of merchants who sell what others produce. He thought that the faster development of the European economy compared to the rest of the world was probably due to the superiority of its instruments and institutions. Stock exchanges and various forms of credit, exchange mechanisms and games were also present to varying degrees outside Europe. The market economy and capitalism remained in the background until the eighteenth century, when people's activities were limited to the enormous material sphere of life, which swallowed them up. He says that the market economy can expand, it can spread over very large areas, but it usually lacks this depth. He says that capitalism has not been able to encompass economic life, that it has not been able to create a mode of production that would tend to generalize on its own, and that it has not been able to completely encompass

¹³ Fernand Braudel, *Kapitalizmin Kısa Tarihi*, s.23.

and direct the market economy, even though it is a very necessary, indispensable condition of the system called commercial or merchant capitalism.¹⁴

Towards the end of the XVth century, Europeans' maritime knowledge and the development of the compass resulted in the search for new continents and new trade routes. In fact, we have emphasized above that this was a necessity. As a result of their discovery of the continents of Asia, Africa and the Americas and their exploitation and transfer of the riches there to Europe, their economic horizons expanded, trade intensified and the group of merchants in Europe increased. After these developments, as F. Braudel states, the Mediterranean, which was the center of trade, lost its importance and the Atlantic Ocean gained importance. Therefore, the center of trade shifted from east to west. With the wealth transferred to Europe, precious metals and coins led to inflation in favor of the bourgeois class. This inflation impoverished the landed nobility and wage earners. Growing profits increased the value of movable assets. In this context, companies based on stocks were established and stock exchanges were established in some European cities to trade in goods and securities. As a result of this monetary mobility, the production of goods increased and the race to capture larger markets began.

After the Renaissance, Europe, trying to break away from medieval thought, saw science as the only valid method. The silver and gold inflation that favored the bourgeoisie, the supporters of the Renaissance, in the following years also led to the emergence of the technical revolution. The development of the printing press led to the birth of the book industry and was also important in the spread of the Reformation movement. Mechanized labor spread and the importance of private enterprise increased. The religious reforms of Martin Luther in Germany and Jean Calvin in France, one of his offshoots, brought about a religious change in the economic philosophy of society. As a matter of fact, according to Weber's thesis, Protestantism gave birth to capitalism, as we have already mentioned. According to this understanding, to be a worthy person in the eyes of God depended on enriching their worldly wealth. When this idea began to prevail, the church's property began to be transformed into workshops and factories. In this context, the church entered the wage labor system of capitalism. Cities where Protestantism was widespread became centers of commercial capitalism.

Mercantilism constitutes the intellectual structure of commercial capitalism, while another understanding brought by religious innovations is

¹⁴ The same work, s.41-42.

the idea that being wealthy will result in divine reward. These ideas pushed people to be successful in their working lives and led to a dynamism in economic activities as they became widespread. From the 16th century onwards, adventurous merchants who exported to foreign regions had a passion for profit, which led to an increase in capital accumulation. The concentration of this capital in private hands increased the role of these capitalists in economic, social and political life. As we have already mentioned, the bourgeoisie aimed to create a status for itself in society with the economic power it wielded, leading to major political movements. The laws enacted by the state to encourage economic growth and development, to control it and to intervene when necessary contributed to the development of commercial capitalism. Large capitalists started to buy the workshops of artisans from the 16th century onwards, thus transforming them into wage earners working in their homes. While commercial capitalism liquidated the artisans, it created new forms of organization in the banking sector, maritime trade and the woolen weaving industry. As a result of these developments, manufactories were formed in the 16th century. Former artisans came together in these large workshops to produce more and work in a rational way. When private loans were insufficient to send the increased production to foreign markets, trusts¹⁵ were formed. In this process, while capitalist relations developed in trade and industry, there were also changes in agriculture, and small businesses were replaced by large ones.

Finally, we will talk about the characteristics of mercantilism, which constitutes the intellectual structure of this period. Mercantilism encompasses all the theories and practices that emerged in the economic field in Europe between the XVth and XVIIIth centuries. This idea is based on money, nationalist and interventionist. It aims to ensure the entry of precious metals such as silver and gold, the expansion of trade, the strengthening of absolute monarchy, industrial development and national empowerment. Mercantilist thought was interpreted and applied differently by European countries. Basically, it was about the protection of raw materials and the export of processed ones, the realization of customs protection, the development of production methods and the intervention of the state in the economy when deemed necessary. Regulation and protection are essential in mercantilist thought. It is also claimed that this system remained only in thought.¹⁶ It was instrumental in the development of colonialism and in accelerating the collapse of feudalism. In short, this structure systematically ensured the accumulation of capital and created the bourgeois class as a result of capitalist movements; and the bourgeoisie

¹⁵ Trusts are horizontal mergers of businesses working in the same industry.

¹⁶ see. Oğuz Bal, a.g.m., s.5.

entered the agenda of economic and social life. In the 18th century, with the emergence of new economic and political ideas, it started to lose its effectiveness. The view that gold and silver were the source of wealth led to price increases and inflation, and caused national economies to enter into violent conflicts with each other. It also paved the way for status quo practices that prevented development. The bill for this negative development has fallen on workers and peasants, creating gaps between social and economic structures. All these factors led to a shift from mercantilism to liberalism in capitalism.

2.3. Industrial Capitalism

The industrial revolution, which started in England in the 18th century and then took place in all European states, North America and Japan, led to the emergence of industrial capitalism. In other words, these states have moved from agricultural societies to industrial societies, and from agricultural economy to industrial economy. With this modernization in societies, cultural, psychological and structural changes have occurred. This collapse in the agricultural society resulted in the mass of unemployed people working in agricultural areas migrating to the cities. Migration provided cheap labor¹⁷ for industrial production. Before the industrial revolution, the economy was based on traditional methods, but then it was no longer possible to produce with old tools. Only the owners of capital could afford the newly developed means of production. New production was fast and cheap, so the old system quickly disappeared. During this period, the increase in population and the formation of large cities brought about differentiation and specialization.¹⁸ We can say the following as the reasons for population growth: Developments in the field of medicine prolonging human life and increasing births. In this period, individualism and rationalism were the dominant characteristics of capitalism. On the other hand, the definition of socialism in the same period was collectivism positioned against individualism. Capitalism, with its two main characteristics, pursues goals such as competition and serving individual purposes.

In order to understand industrial capitalism, let us examine the causes of the industrial revolution, the process of its formation and how it developed rapidly. The technical renewal and development of the means of production; the processing of iron and steel mines with advanced techniques and methods, the invention of new machines and looms in the field of textiles, the invention of steam engines in the field of energy and their use in

¹⁷ The same work.

¹⁸ For detailed information on specialization see. Emile Durkheim, *Organik Dayanışma Teorisi*.

factories accelerated the transition to large-scale industry. Development of means of transportation; developments in this field supported the industrial revolution in many ways. Depending on the advances in transportation, factors such as the migration of the population from rural areas to cities and the provision of raw materials regularly and cheaply, and the transportation of produced goods to markets required a transportation network. Consequently, important developments were made in canals and railroads. The capital that fueled the industrial revolution was not actually provided by foreign trade and wealth from colonialism, as one might think. Even though this had an impact, the capital that England obtained from agriculture was the origin of the industrial enterprises. In addition, the very low wages paid to the working class and the fact that women and children were made to work all day were also effective in capital accumulation. The agricultural revolution and population growth caused the increase in labor supply; new methods used in agriculture increased the productivity of the land. Through these new methods, the feudal dependence of the peasants on the land was broken and they migrated to the cities as free peasants with a great labor supply potential. Consequently, the capitalist provided a very cheap labor force.

In the mode of production of capitalism, the market is everything; industrial capitalism is first and foremost a market economy. The phenomena that make this market work are private property and competition. Supply and demand constitute the relations in a free market, so the main consideration in a liberal market is profit and gain. In industrial capitalism, the capitalist and the working class are separated, i.e. capital and labor are valued separately. Karl Marx¹⁹ rebelled against this point and stated that capital is not a personal but a social force. Marx defends the proletariat in the following way: He emphasizes that in the wage-labor system, the proletariat's labor can never create property for it. He says that what the proletariat acquires through its own labor is only enough to maintain and reproduce its own mere existence. As a result, man is alienated from his own nature. Thus, man becomes alienated from himself, his own labor, his relations, the world and life. As an element of the capitalist system, he becomes one of the functioning wheels. Marx does not actually want the abolition of general property, but the abolition of bourgeois property.

Marx, similarly to F. Braudel, argues that capital cannot be created by a single person, but by society, and therefore property should belong to the general public and lose its class character. The oppression of the

¹⁹ For Marx's views see. Karl Marx ve Friedrich Engels, *Komünist Manifesto*, çev. İlhan Erman, Ankara 2014.

proletariat is explained by Marx with his theory of surplus value: The value of all goods that can be sold is determined by the amount of labor expended to produce them. Capital cannot create anything, but it is labor that creates it. However, the proletariat does not get its fair share of the value that is the product of its laborious work or skill. What he receives in return is only enough to sustain his life. The rest of this gain is divided into various parts; after subtracting the obsolescence and expansion of the factory, taxes and so on, a significant part of it goes into the pockets of the capitalist in the form of interest, rent and profit. To illustrate this theory with an example: Suppose a factory worker earns a thousand liras a month from his work. The capitalist pays the return of this gain to the worker, that is, his monthly salary, in the amount of three hundred liras; if we assume that this reaches five hundred liras with depreciation allowance, taxes and so on, five hundred liras of this gain goes into the pockets of the capitalist, and it is this part that is called surplus value. This is what Marx's theory explains and his theory has made an important contribution to the science of economics.

In this structure, new enterprises and old workshops are transformed into factories. The whole mechanism works in the direction of increasing profits. One of the most important features of the industrial pillar of capitalism is that money produces money. For this purpose, efforts were made to establish banks and insurance companies. As a result of the developments in banking, a new economic field called the capital market emerged. As a result of these developments, the commercial bourgeoisie was completely transformed into the industrial bourgeoisie. The working class (proletariat), which led to the emergence and development of socialism, was also formed in this process. The fact that industrial capitalism increased class contradictions meant that this social class, which we call the working class, consisted of people who supplied their labor and had nothing to sell but their labor. Women and children's labor was exploited in this class, which began in England; however, the increase in the number of this class was also instrumental in raising awareness and organizing. After the 1840s, conflicts began to emerge between this class and the dominant capitalist class.

Finally, in this section, we will talk about liberalism, which constitutes the mindset of industrial capitalism. The idea of liberalism is the reflection of the political ideas developed in the age of enlightenment on the economy. The slogan of this structure was Adam Smith's statement: "Let them do, let them pass".²⁰ This enlightenment movement, which marked the eighteenth century, developed a new understanding of the individual.

²⁰ Braudel, *Kapitalizmin Kısa Tarihi*, s.45.

Nevertheless, it also shaped the society and state system with liberalism. Changes in society and the state, in turn, reshaped economic activities. It developed an understanding of freedom of trade, freedom of production, freedom of price and competition based on the natural order and natural law. Smith, one of the most important representatives of liberalism, was initially influenced by the physiocratic school based on agriculture, but later on he developed original ideas.²¹ Smith's ideas form the foundations of economic liberalism, which in turn shaped industrial capitalism. In general, these ideas The production of goods and work as the source of wealth. He says that what is really productive for every nation is the work of the whole nation, and that annual work is the first source that enables everyone to produce all the goods necessary for life. Referring to the division of labor, Smith emphasizes that there should be certain conditions for this; the market should be large and wide, and capital should be large. As for competition, he states that every human being can compete with other human beings by putting forth their labor and capital, provided that they do not violate the law. Underlining that this economic activity should be completely free, he emphasizes that the state should not interfere in the economic sphere. In this position, he specifies what the state should do in three areas: The provision of justice and national defense, and the work to be done by individuals or groups of individuals, when it is not in their interest to do so, such as the construction and maintenance of public works and the work of some public institutions should not be entrusted to these individuals or groups. Also according to Smith:

*"The level of personal benefit is determined by the benefit of the general good. Every business is for the market. It is the capitalist's profit that regulates the market. The risk lies entirely with individuals."*²²

Let us try to look at capitalism from F. Braudel's framework. First of all, Braudel mentions that the definition of capitalism is an anachronism. He states that capitalism is a concept belonging to the twentieth century and attributes the real emergence of this concept to Werner Sombart's famous 1902 work *Der moderne Kapitalismus*. He thinks that Marx was unaware of this word. However, as we have already mentioned, Marx is aware of this word and even starts capitalism from the eleventh century. He says that he exclaimed that there was no capitalism before the industrial revolution: "*Capital, yes; capitalism, no!*". He defines capitalism as follows:

²¹ For Smith's ideas, see.: Adam Smith, *Milletlerin Zenginliđi*, çev. Haldun Derin, İstanbul 2016.

²² Ođuz Bal, a.g.m., s.5.

*"Capital is tangible reality, always present and effective, a mass of easily recognizable means; the capitalist is the one who directs or tries to direct the use of capital in the never-ending processes of production to which all societies are condemned; capitalism is roughly (strictly and only roughly) the way in which one takes part in this game of constant participation, which is not usually aimed at altruistic ends."*²³

We will conclude this section with F. Braudel's monumental observation on the activities of capitalist merchants. First of all, Braudel makes the following judgment on this subject:

"The reason why the big trader changes his field of activity so often is that the areas of big profits are constantly changing. The essence of capitalism is cyclical. One of its greatest strengths today is that it adapts and transforms itself easily."

This judgment is based on the following activities of the merchants:

"... Until the XIXth century, the high-flying merchant, so to speak, was never confined to a single activity: he was a merchant, of course, but never in a single field: he was a shipowner, an insurer, a moneylender, a borrower, a financier, a banker, even an industrialist or an agriculturalist. In eighteenth-century Barcelona, the retailer, the botiguer, is certainly a specialist: he sells cloth, linen or spices. One day, when he earns enough money, he becomes a wholesaler and goes from being a specialist to a non-specialist. His talent is now sufficient for every profitable business at his disposal.

*This anomaly has been pointed out many times, but the usual answer does not satisfy us: we are told that the trader divides his activity into various fields in order to limit his risks: if he loses in the red beetle trade, he wins in spices. If he misses an opportunity in trade, he makes a profit in barter or by lending money to a peasant. In short, he heeds the French proverb that says 'you shouldn't put all your eggs in one basket'."*²⁴

F. Braudel defines capitalism structurally differently, according to him, there are two types of exchange: one is concrete and transparent, based on competition; the other is a high level, highly developed, sovereign

²³ Braudel, *Kapitalizmin Kısa Tarihi*, s.47-49.

²⁴ The same work, s.57-59.

exchange, and he says that the world of capitalism is not located in the first but in the second.

2.4. The Source of Capitalism

In this section, we will present the views of Ayn Rand, the founder of the philosophy of objectivism and the ardent advocate of individualism and capitalism, on capitalism and our thoughts on these views.²⁵ Rand's central claim is that the resource in capitalism is not raw materials but man and his intellect. Political economists and advocates of capitalism have defined capitalism as the management, direction, organization and administration of the resources of a society or nation. The nature of these resources is undefined; it is automatically assumed that they are owned in common, and the purpose of political economy is to study how they should be used for the common good. In contrast, Rand took into account the fact that the real resource in question was man himself, a being of special nature with special abilities and special needs. She rejected the notion of man as simply one of the factors of production, or even the least important of them, like land, forests and minerals.

Rand speaks of the de facto existence of private property in pre-capitalist times, but in the sense of custom and indulgence. By law and in principle, all property belonged to the head of the tribe, the king, and could only be held with his permission. This permission could be revoked at any time at the king's will, i.e. at the king's discretion. He claims that throughout European history, kings expropriated the property of nobles who did not submit. Intellectually, he distinguishes between America and Europe. He argues that Europeans cannot understand America's struggle and the philosophy of human rights. He transformed the idea of being free in Europe from the concept that man is a slave of the absolute state embodied by the king to the idea that man is a slave of the absolute state embodied by the people. In other words, she says that they have moved from slavery to the tribal chief to slavery to the tribe. In this respect, we agree with Rand, nationalism and, in its advanced dimension, European consciousness seem to confirm this theory, and the same is hidden in the phrase "to be American". The fact that they are now under the roof of the nation state instead of under the roof of kings, the idea of fighting for the state instead of fighting for the king actually reinforces this theory. She says that in order to understand capitalism, it is the tribal idea that needs to be examined and challenged. Rand has a different perspective from other capitalist philosophers. For example, she says that capitalism brings morality and freedom and is the best system for human nature. That is to say, is man free?

²⁵ For Rand's views, see.: Ayn Rand, "Kapitalizm Nedir?".

Does man have the right to exist for himself, or is he born a slave, an indentured servant, who must buy his life through service to the tribe, but can never obtain this right in a free and paid-for state? Rand, in fact, shares similar ideas with socialists about the existence of the state and its domination over society. However, while socialists believe that emancipation is possible in collectivism, Rand thinks that it is possible in individualism and capitalism. For the above questions, Rand says that capitalism is the only system in the history of mankind that answers yes to these questions. The ability to buy oneself through service to the tribe can be exemplified by the compulsory services that the state requires from society, such as compulsory military service; it should be noted that capitalists have always found a way out of this situation. This shows that there are practitioners of Rand's theory of capitalism or confirms her theory. That is, the vast majority of capitalists get away with the idea of serving the tribe. Of course, with this idea, the question of whether countries can continue to exist or whether a new world order and a single society can emerge instead may come to mind. This is exactly what the concept of globalization corresponds to, and although it seems to be active in the economic and cultural context at the moment, we think that it will not be possible to say that it cannot bring a single society going forward.

Let's look at Rand's definition of capitalism, the role of government, and how human beings are liberated in this system: Capitalism, she says, is a social system in which all property is privately owned, based on the recognition of individual rights, including property rights.

"The recognition of individual rights is related to the prohibition of physical force in human relations: basically, rights can only be violated through the use of force. In a capitalist society no individual or group can initiate the use of physical force against another. In such a society, the only task of the government is to protect human rights, that is, to protect man from physical force; the government acts as the guardian of man's right to self-defense and uses force only as violence against violence and only against those who initiate the use of force; accordingly, the government is the means of ensuring the use of force in the sense of retaliation under conditions of objective control."²⁶

She says that capitalism recognizes and protects the link between human survival and the use of reason. According to Rand, in a capitalist society, all human relations are voluntary. People are free to cooperate or not to cooperate, to do business or not to do business with each other, based

²⁶ For more details see. Ayn Rand, "Hükümetin Doğası".

on their individual judgment, beliefs and interests. People deal with each other only on the terms of reason and through reason, through the voluntary choice of mutual benefit. The right to agree with other people is not a problem in any society; it is the right to disagree that matters. It is the institution of private property that protects and enforces the right to disagree and thereby removes obstacles to the creative intellect, the most valuable quality of human beings personally, socially and objectively. This, he emphasizes, is the main difference between capitalism and collectivism. What Rand says is not contrary to human nature, but we should also consider this: Does every human being start life on the same terms? Some people have capital from their families that they can use, that they can cooperate with through that voluntary relationship, while others have to work in jobs that they did not volunteer for just to survive. To what extent can we talk about volunteerism or the creative mind in such an environment, where people deprived of many opportunities cannot even receive the most basic education. Does the protection of the creative mind only apply to the upper class; of course there are exceptions from the lower class, but there is no balance. Moreover, the upper class is always obliged to the lower class in terms of enrichment, because all the workload of the upper class is on the shoulders of the lower class. F. Braudel agrees with this view by saying the following:

*"Capitalism, the privilege of a few, is unthinkable without the active cooperation of society. It is a necessary fact of the social order, even of the political order, even a fact of civilization."*²⁷

This is why socialism has aimed to achieve revolution through a worldwide organization using internationalism. If the entire lower class were to act by being organized from a single center, the upper structure's hands would be tied and their wealth would be of no use. Since the upper class is aware of this situation, they have always tried to prevent the lower class from coming together, they have managed this situation with fear in all societies, and the worst part of this is that the lower class has often willingly done what the upper class wanted. The reason for this is that the upper class has many instruments to manage and direct society and they use them well. Marx: "*The proletarians have nothing to lose but their chains. They have the world to gain.*"²⁸ We don't think that this is valid any more, and we have reasons for this: Because the capitalists have begun to give the proletariat things other than chains, the proletariat no longer sees its chains and feels free.

²⁷ Braudel, *Kapitalizmin Kısa Tarihi*, s.61.

²⁸ Marx, *Komünist Manifesto*, Ankara 2014, s.73.

The point on which we agree with Rand (the primacy of human intellect over raw materials) is precisely this: The practical validity of capitalism does not lie in the collectivist idea that it 'optimizes the allocation of national resources'. Man is not a 'national resource', neither is his intellect; and without the creative power of human intelligence, raw materials will remain just that: raw materials. When a movement is started on the basis of these ideas, it is not difficult to imagine the result: one state and one society in the world. In this case, we do not think that the existence of the state is merely the protection of the creative mind of man. We have reasons for this: There is already a cartel in the world that aims to create one state and one society, and these are the money barons. Almost all the central banks in the world (they are private institutions, not state-owned), the stock market, trade are in the hands of this cartel; they can create economic crises whenever they want and subjugate or kill those who do not obey them. This cartel can easily start wars for its own gain and provide financing and weapons to both sides. Nevertheless, it has many actions. In such a situation, shouldn't we question this: Are they doing this for more profit, when the wealth of this cartel could last them for centuries, even if they did not work at all? We think that this is not only for money and we will end the subject here as it is out of our scope. Rand defends the moral justification of capitalism as follows:

"It lies in the fact that capitalism is the only system in accordance with the rational nature of man, that it protects man's survival as a human being and that its governing principle is justice. Of all the social systems in human history, capitalism is the only one based on an objective theory of values. The free market represents the social application of an objective theory of values."

Rand's thoughts in this area are much deeper, and we have only touched on some of them. Finally, we will present what she considers to be the success of capitalism:

"The special virtue of capitalism that made it superior to all previous economic systems was the productive use of the 'social surplus'. Instead of building pyramids and cathedrals, those who managed the social surplus chose to invest in ships, warehouses, raw materials, manufactured goods and other material wealth. The social surplus was thus transformed into greater productive capacity."

This achievement is mentioned in the Britannica, and Rand adds the following:

"The enormous progress that capitalism has achieved in a short period of time (i.e. the significant improvement in the conditions of human existence in the world) is an event that will go down in history. No amount of propaganda by the enemies of capitalism can conceal it, cover it up or make it go unnoticed. But what must be emphasized in particular is the fact that this progress has not been achieved at the sacrifice of man."

Rand's thoughts on reason and capitalism can be summarized with Descartes' quote: *"Being smart is nothing, the important thing is to use it properly."* Because he says that a minority who use their intellect properly can realize all these achievements.²⁹

3. Imperialism

As a result of the developments in industry and trade, overproduction occurred. This overproduction caused a crisis in England between 1870 and 1884. The production of goods and the accumulation of capital increased faster than the population of this country. In the US, the laying of steel rails on the railroad was abruptly halted in 1873-1874. The reason for this was the fall in prices and profit margins due to the competition between US capitalism and British capitalism. The solution to the crisis was to increase centralized control against the dangers of unlimited competition. Between 1870 and 1890, the number of trusts increased in the US. Increased competition, risk and falling profits led to the imperialization of capitalists. Two features of capitalism in this period stand out: the export of capital and capital goods by trusts and colonization.³⁰ Capitalist scholars have taken colonialism for granted, concerned with the so-called progress it would bring to underdeveloped countries. History shows us how much of a farce this is, with the treatment of the indigenous peoples of the Americas, the fate of the countries of the Middle East and so on. The colonizers have always seen and tried to portray themselves as transmitters and protectors of moral, spiritual, political and social values, and unfortunately they have often succeeded. It is an indisputable fact that the main purpose of colonialism is to enrich the central country. History shows us that even in regions where actual colonialism has ended, the spirit of exploitation has continued to have its effects. When we look at the world today, the colonizing countries are referred to as the rich countries of the world, while the exploited countries are referred to as the third world countries. What moral value or creative mind can explain this situation, one must ask the defenders of capitalism who claim that it is a moral and libertarian system

²⁹ For more details see.: Ayn Rand, "Kapitalizm Nedir?"; Rand'ın fikirlerine karşı liberter komünizmin fikirlerine ve hedeflerine bakılabilir.

³⁰ Oğuz Bal, a.g.m., s.9.

and that people are not sacrificed for the sake of this development. Whose freedom is it, the freedom of the colonizer to exploit(!)? All these colonial activities are aimed at eliminating the capitalist depression. It is an attempt to fight for foreign markets in order to expand investment areas, to share undeveloped regions and turn them into privileged markets. Towards the end of the nineteenth century, US capitalism could not open up to foreign colonialism like Britain due to the adequacy of the domestic market. Unlike the US, Britain's foreign income was higher than its domestic income. As a result, in the competition between the US and the UK, the US had the upper hand.

Imperialism continues to exploit and destroy many societies today as it did in the past. Is there anyone who is satisfied with colonialism other than the bourgeoisie, the founders of the capitalist system that gave rise to imperialism? Is there anyone other than those who claim that the bourgeoisie, the creative mind, has developed to an unprecedented degree throughout the history of the world? Those who say that this development leads to civilization, are they saying that civilization is something like Erich Fromm's aphorism, "We are creating machines that look like people and people that look like machines."

CONCLUSION

We have tried to deal with the process of capitalism from its beginnings until the XXth century. In this process, we agree with some views and disagree with others. In fact, we generally agree with F. Braduel's statement "yes to capital, no to capitalism". However, he said this to emphasize that capitalism is not at a certain stage in history, whereas we say it from an economic point of view. We do not reject the existence of capital, but we object to the fact that it is in the hands of the few and oppresses the majority, and we think that this is not in accordance with moral and creative reason. In this case, we also share the ideas of the proponents of libertarian communism, who argue that it is not the making of money and the creation of capital that actually makes people happy. They do this by pointing to the fact that people do a lot of work for nothing, which is not insignificant. They say that helping and sharing with others is what makes people happy, and we agree with them. As Benjamin Franklin said: "Money has never made man happy and never will. The more money a man earns, the more he will want." We do not deny that capitalism contributes to development, this is obvious. Even today it is possible to see this by looking at the situation of countries, but we think that we are and should be opposed to it turning into colonialism and creating classes. In a world where 1% of the population owns 40% of the world's wealth, where 34,000 children die every day from poverty and preventable diseases, and where 50% of the population earns less than \$2 a day, one thing is very clear: Capitalism's loopholes can never

be defended. Capitalism exploits the economy through fractional reserves (today's banking term for creating money out of nothing, i.e. virtually creating money out of thin air by extending credit to customers) and interest. It disguises exploitation with incomprehensible economic terms and a complex economic system. In the face of this confusion, people either do not understand exploitation or do not pursue it. In fact, exploitation is simple and clear, but they manage to mask it well. Capitalism is also a barrier to development at the moment, because of the fear of making a loss. For example, while electric energy is very advanced, cars are still using gasoline, and because it has a vested interest in this situation, it blocks the other. Many similar examples can be given.

We do not think that the order that Marx and the communists claimed, communism, is viable. We are not talking about socialism, we are evaluating its radical dimension, communism. Because Marx, in historical materialism, says that the substructure determines the superstructure, in this context: Primitive communism: Tribal communities living together; Slave society: Tribes develop to form city-states, birth of aristocracy; Feudalism: Aristocracy in power, merchants evolve into capitalists; Capitalism: Capitalists are in power, production is carried out by the proletariat, which rents its labor; Socialism: Workers gain class consciousness, take power through revolution and nationalize the means of production; Communism: A classless and stateless society is created when socialist governments come to power all over the world. Marx predicts that these socio-economic contradictions have realized and will realize themselves in the form of these social structures. This is why he says that history is a clash of classes. He says that the transition from socialism to communism is possible with the abolition of the existence of the state, which we disagree with. Because we don't see any examples of this in history. Socialists aim to take over capitalism through their own revolutions, in which socialists say that they can carry out some of the capitalist behaviors, and then, once they dominate the system, they aim to abolish the state and move to communism. History shows us that this is not really possible, because at this stage the socialists who took power from the capitalists started to become capitalists. In fact, we see that capitalism was at a dead end for a while, it came to the stage of overthrow, but with the change in capitalist policy, which is called "Keynesian Economic Policies", it experienced a recovery. Later, when this policy also reached a dead end, we see that it continued its continuity with different policies. It is not possible to predict whether capitalism will disappear, just as it is not possible to predict whether a communist order will come. These issues belong to the twentieth century and are beyond the scope of this article, so we have not dealt with them. Finally, capitalism with its money barons has destroyed nations; there are no longer nations but corporations, which are much more powerful and richer than nations.

'Corporatocracy' is now the dominant system in the world and with it monetarism is the center of life. Capitalism, socialism, communism, communism, nationalism or Islam, Christianity and so on, none of them have any value or place; only 'monetism' shapes people's lives and societies. It is not difficult to understand that the majority of the masses will not step into anything that they do not consider profitable. And you, if you object to this order, you are labeled a terrorist.

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