

# THE PERIOD OF COMMERCIAL CAPITALISM

By

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# The Period of Commercial Capitalism

- **Marx** placed the beginnings of the industrial era in the 16th century but admitted that **‘the first attempts of capitalist production’** (not merely capital accumulation, it should be noted) appeared precociously in the **Italian city-states in the Middle Ages**.
- Any emerging organism, even if it is still far from having developed all its final characteristics, bears within it the potential for such development before it can be assigned a name.
- **The roots of capitalism** were, therefore, embedded, with **all potentials of modern industrial capitalism in the middle ages**.
- The main reason behind this lay in the fact that **although making of profit or heaping up of wealth was generally condemned**, the development of certain circumstances left an indelible impact on the existing situation and transformed the entire process of economic activities.

- Between 1100 and 1300, new gold and silver mines were opened up in Bohemia, Transylvania and the Carpathians. Furthermore, as various rulers became stronger they were able to coin more and better money.
- Florence began to issue gold coins called florins, in 1252. Venice began the coinage of similar pieces, called ducats in 1284.
- In the same century France began to issue gold coins and improved silver ones.
- The increase in the number of coins permitted an increase in the volume of business transacted by money.
- The middle ages were gradually developing what is called a money economy.

- According to scholars, while every economic system appears first within the **Commercial Capitalism** framework of another, there are some periods during which economic processes reveal in a comparatively pure form the features of a single economic system.
- These are the periods of full development of the system; until they are reached, the system is going through its early period, which is also the late period of the disappearing or retreating economic system.
- Applying to capitalism this division into epochs, we may distinguish **the periods of early capitalism, full capitalism (Hochkapitalismus) and late capitalism.**

# The period of early capitalism

- In the period of early capitalism, which lasted from the 13<sup>th</sup> century to the middle of the 18th century, economic agents, i.e. the entrepreneurs and the workers operated within the old feudal framework and retained all the features of their handicraft origin and pre-capitalist mentality; the output of factories and manufactories was still not very significant.

# The period of full capitalism

- In the period of full capitalism, which closed with the outbreak of the World War, the scope of economic activity was expanded enormously, and scientific and technological application was also remarkably broadened.
- Intensified commercialization of economic life and debasement of all economic processes into purely commercial transactions were the typical characteristic features of this period.

# The period of late capitalism

- The period of late capitalism can be best characterized by describing the changes which capitalism has been undergoing since the World War I.

# Maurice Dobb

- **Maurice Dobb** admits that systems are never in reality to be found in their pure form and in any period of history and elements characteristic both of preceding and of succeeding periods are to be found, sometimes mingled in extraordinary complexity.
- However, he refuses to look upon the transitional period prior to the ‘putting out system’, when the craftsmen had started losing their independence and were being subordinated to merchants, as early capitalism.
- As he says, ‘...we cannot date the dawn of capitalism from the first signs of the appearance of large-scale trading and of a merchant class, and we cannot speak of a special period of ‘Merchant Capitalism, as many have done.’



# Maurice Dobb

- According to him, the opening phase of capitalism must be dated in England, **not in 12th century** as **Henry Pirenne** has done, nor in the 14<sup>th</sup> century with its urban trade and guild handicrafts as others have done, but in the latter half of 16th and early 17th century when capital began to flow into production on a considerable scale and such relationships as that between the capitalist and hired wage-earners or that between domestic handicraftsmen and merchant capitalist in the putting-out system emerged.

- From 1100 on, real accumulation of wealth were made, frequently in the first instance in the form of coin, which might later be invested in land, buildings, or ships. In some instances these accumulations sprang from the **existence of an agricultural surplus**.
- **The profits of a rising commerce and the new mines** enabled some **merchants to heap up wealth**. Often a man gathered wealth from one or two of these sources at once.
- Indeed, few medieval accumulations of money had a single, simple origin. However, one thing is very noteworthy.

- ‘Surplus value’ or surplus above subsistence existed both in feudal society and in the Egypt of the Pharaohs, but in neither case was bourgeois class its recipient. But under **Commercial Capitalism** capital accumulation took place out of the profits of merchants, quite independent of the employment of workers for wages.
- This is the point which distinguished commercial capitalism from other forms of capitalism. The ancient period, therefore, was the age more of commercial accumulation rather than of commercial capitalism

- Roughly speaking, therefore, the entire period from **13th to 18th century**, till the coming of **industrial capitalism**, can be designated to be the period of **commercial capitalism**, though, following Dobb, it can be said to have attained its **climax from 16th century onwards**.

# **SIGNIFICANT FEATURES OF COMMERCIAL CAPITALISM**

- The intervening period between feudalism and industrial capitalism can be designated as Commercial Capitalism.
- As historians have argued, any historical period reveals the characteristics of both the preceding and succeeding periods. In a similar way, **Commercial Capitalism** also has certain features of feudalism along with **capitalistic traits**.
- In fact, according to **Sombart**, Commercial Capitalism or '**early capitalism**' operated within the feudal framework.

# The feudal features are as follows

- 1) Work was generally done in the homes of the producers and not under the **factory shades of modern industries**.
- 2) **Not full-scale machines**, but **simple tools** were used for manufacturing. And many a times these factors of production were owned by the workers themselves.
- 3) Since factors of production were limited, manufacturing was also on a much smaller scale as compared to goods produced in factories.
- 4) One man, i.e., the **merchant entrepreneur**, controlled the whole process from start to finish.

# The capitalist features were as follows

- 1) Incentive of profit was the main driving force behind the entire process.
- 2) With increasing desire for profit, the demand for labour was rising tremendously with the result that the merchant capitalists were hiring more and more workers.
- 3) Financial advances were **provided** to the producers by the capitalists. These could be equated to wages under industrial capitalism.
- 4) The final product as well as the entire profit was appropriated by the capitalist.



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