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Review Article

Capitalism – Describing an Elite Movement

Joyce Appleby: The Relentless Revolution: A History of Capitalism, New York/London: W. W. Norton & Company, 2011, ISBN: 9780393339390, xii + 494 pp.

Ivan T. Berend: An Economic History of Nineteenth-Century Europe: Diversity and Industrialization, Cambridge: Cambridge University Press, 2013. ISBN: 9781107030702, xvii + 566 pp.

Jack Goody: Metals, Culture and Capitalism: An Essay on the Origins of the Modern World, Cambridge: Cambridge University Press, 2012, ISBN: 9781107614475, xix + 366 pp.

Jürgen Kocka: Geschichte des Kapitalismus, Munich: C. H. Beck, 2013, ISBN: 9783406654923, 144 pp.

Jerry Z. Muller: Capitalism and the Jews, Princeton: Princeton University Press, 2010, ISBN: 9780691153063, 280 pp.

Speaking or writing about capitalism inevitably involves the susceptibility to political reasoning and moralities. Taking this into account, there are great difficulties in defining capitalism and many ways that have been taken to approach this concept as well as the various intents of its use. The review of the above stated books shall help to understand capitalism as a complex social order, which developed primarily from practices of organised elites representing different groups in society. These social groups have performed specific functions in capitalism and produced elites in order to pursue their interests for capitalistic ends. The elites did not have to be elected, but to possess certain features relevant for capitalism, like the control of private property, certain skills and other forms of capital. The pursuit of capitalistic interests and its success has increasingly penetrated the social world and led to the expansion of capitalism, making growth not only the economic fundamental, but the imperative for the existence of the concept of capitalism.

The five monographs combined help trace the expansion of capitalism in the Western world by differentiating its functions between social groups and their shared economic tasks. As I consider trade as the commercial activity that began developing capitalistic principles, I shall first look at the role of merchants in the literature concerned. Their trade has generated and sustainably shaped financial practices, and eventually produced

a new group, the financiers. Merchants and financiers laid the ground for landlords and industrialists to develop and take advantage of new scales of production in agriculture and industry in the course of industrialisation. The rise of the joint-stock company and the development of large corporations introduced managers, who would become the steersmen and administrators of industries. Finally, it was the workers who were becoming aware of their position in capitalism and shaping it by fighting for higher wages and better working conditions, and ultimately rising productivity, demand and consumption.

Bridging the Gaps – Merchants

The role of trade for the origin of capitalism has been frequently mentioned in the history books. Also Jürgen Kocka and Joyce Appleby focus on trade in their histories of capitalism. Kocka, in his short but proficient study, emphasises long-distance trading and the accumulated demand of ancient empires as the origin of “merchant capitalism”.¹ Since around 1500, Kocka argues, this led to a major expansion of capitalism, which would become a worldwide concept over the following three centuries.² Joyce Appleby, on the other hand, detaches capitalism from trade. She agrees with Max Weber’s approach towards the study of capitalism in looking at the origins of our ideas of human nature and conceiving capitalism foremost as a cultural system, which was set in place by the end of the 19th century. This sounds like a sensible approach, as she argues that “[t]here can be no capitalism, as distinguished from select capitalist practices, without a culture of capitalism, and there is no culture of capitalism until the principal forms of traditional society have been challenged and overcome.”³

However, the question is whether there was really no culture of capitalism earlier than this. By employing a notion of culture as a holistic concept, Appleby obstructs the idea that there can be a “partial” capitalist culture. As Jack Goody suggests, a culture of capitalism can be also embedded in traditional societies. His book traces the origins of capitalism to the ancient world of the early Bronze Age around 8000 BC. Goody argues that the search for, the production of, and most importantly the trade of metals, was the precondition for Europe to “take off after the Renaissance to produce what has been called *capitalism*”.⁴ The author follows the French historian Fernand Braudel, who looked at history from a *longue durée* (long term) perspective, which allows to identify

1 Jürgen Kocka: *Geschichte des Kapitalismus*, Munich 2013, p. 23, translated by the author.

2 *Ibid.*, p. 46.

3 Joyce Appleby: *The Relentless Revolution: A History of Capitalism*, New York/London 2011, p. 119.

4 Jack Goody: *Metals, Culture and Capitalism: An Essay on the Origins of the Modern World*, New York 2012, p. xiii.

structural changes over long periods. The focus is primarily on the development of trade between the Near East, parts of China and India, and Europe. Goody argues that the “use of metal did not necessarily lead to urbanisation nor to complex urban arts and crafts [...], but it made for a more complex culture.”⁵

Goody’s approach is remarkable considering that he detaches metals from its importance for money. He is not dazzled by gold and silver, leaving aside the role of metals played for treasury, but takes into account the skills and the knowhow, which evolved out of the frequent usage of bronze and iron and resulted in the development of a particularly “complex culture”. It is regrettable, however, that he is not able to draw a clearer connection between the use of metals and other features of civilisation.

Goody also emphasises the importance of trade for the spread of religions. He mainly refers to Judaism and the establishment of synagogues in the Mediterranean. As the most prominent example he mentions the oldest synagogue in Europe at Ostia. He sees its construction an outcome of the density of commerce in the region. Goody draws a connection between the involvement of Jews in trade and their diaspora from their native land, which he believes had begun long before the destruction of their temple in 73 CE (Christian Era).⁶

It is exactly this concept of Jews as a “diasporic merchant minority”, which Jerry Z. Muller dismisses in his four provocative and inspiring essays. Muller wants to construct a new idea of the connection between Jews and capitalism.⁷ In his view, Jews have been much more successful in practicing capitalism than other groups, and therefore their experience had been very relevant to its development. Muller writes the Jews were “by no means [...] merchant people for much of their history, they became one in medieval Christendom [...] develop[ing] transregional trading networks, as well as the skills and cultural dispositions conducive to trade.”⁸ He emphasises that the concept of a diasporic merchant minority is nevertheless inadequate, because it would underestimate the significant influence Jews had in Christian Europe through their engagement in lending money at interest, an activity that Christianity condemned.⁹

What Muller points to is the interdependence of trade and finance for economic progress. However, in his first essay, *The Long Shadow of Usury*, he discusses the traditional linkage between Jews and money but focuses on the role Jews played regarding European thinking about economy and capitalism. Muller approves that the Jews were politically powerless and outcasts. Therefore they were not in the position to create institutions for more security and high interest rates were taken from outsiders.

5 Ibid., p. 119.

6 Ibid., p. 64.

7 Jerry Z. Muller: *Capitalism and the Jews*, Princeton 2010, p. 7.

8 Ibid., p. 7.

9 Ibid., p. 8.

Muller's approach is far reaching, deducing his idea of the Jewish contribution to the development of capitalism primarily from their influence on the economic culture in Europe. Nevertheless, in early modern times the centre of trade was situated in southern Europe, where Jews had significant relevance as merchants. Goody, for example, shows that the competition between Venice and Ancona resulted in lower tariffs, aimed to attract more merchants. For the same reason, Venice, amongst other Italian cities in the early sixteenth century, also liberalised its policy towards the settlement of Jews.¹⁰

However, the Jews remained outcasts and were barely tolerated by the communities of merchants. Goody, providing new insights on the development of trade between the Near East and Northern Italy, supported by the exchange with Southern Germany, discusses the question why a "true capitalism" did not develop in the Near East. Referring to the work of Eliyahu Asthor, Goody writes that trade in the Near East was undertaken by a "large class of merchants", which consisted of "a lively bourgeoisie *exactly as in the Italian republic*."¹¹ This transfer of the term "bourgeoisie" between different times and circumstances is highly problematic and serves as a good example of the difficulties Goody faces when applying a modern concept, like capitalism, to pre-modern times. His account of merchants as a separate and connected group, however, does work very well and supports Muller's hypothesis concerning the cultural relevance of Jews for the development of capitalism until the 19th century.

This assumption is also sustained by Ivan Berend, who writes about the role of "displaced merchant elites" in the development of European banking. He acknowledges the deep roots of capitalism, but also highlights the formative causes for its expansion from the late 18th century to the First World War. Berend combines a gradual with a revolutionary approach by referring to the concept of paradigm shift, as suggested by Thomas S. Kuhn. This enables him to differentiate between the conceptual changes that have occurred over long periods and ultimately contribute to a scientific revolution.¹²

In his well-structured book, which reads like a textbook and contains a great number of informative diagrams, Berend sets out to outline the economic development of Europe by applying a macro-regional approach and constructing relatively consistent economic regions as defined through their uneven industrialisation processes. According to Berend, it is important to carefully look at the relations between backward and advanced regions, because "Europe's economy has developed in a closely interrelated

10 Jack Goody: *Metals, Culture and Capitalism: An Essay on the Origins of the Modern World*, p. 197.

11 *Ibid.*, p. 143.

12 Ivan T. Berend: *An Economic History of Nineteenth-Century Europe: Diversity and Industrialization*, New York 2013, p. 13.

environment, and [...] a single country or region's case cannot possibly understood without those interconnections."¹³

Berend maintains that “[i]nternational merchant networks of various diasporas were already well established in the seventeenth and eighteenth centuries.”¹⁴ There is no doubt to him that the Jews played an important role among these groups. However, referring to Larry Neal, he stresses that England benefited from various religious minorities and also German merchant banking was a result foremost of Dutch immigration.¹⁵

Especially the influence of the Dutch merchant elite should not be ignored when discussing the effect of merchants on the development of capitalism. It was in the Netherlands, after the decline of the Italian merchant cities as precursors, where the increase of trade – enhanced by colonisation – went along with the institutionalisation of new financial practices. Jürgen Kocka emphasises particularly one of the first and most important joint-stock companies, the *Vereinigte Ostindische Kompanie*, in his brief discussion of the alliance between government and private interests in the Netherlands which he saw reflected in the monopolistic character of the company.¹⁶

Overall Kocka is, similar to Joyce Appleby, more concerned with grasping capitalism “in its period”, beginning with the industrialisation in the 19th century. However, the influence of the Dutch merchants on Europe's economic development received greater attention in Appleby's study. She estimates the Dutch, with herring being the backbone of their trade, as an economic model. The fact that the outcome of the Glorious Revolution in England, which set a “Dutchman” on the throne and greatly promoted the political power of the parliament, put commercial interests above government interests, should in Appleby's view not be underestimated.¹⁷ As a result, these political changes renewed and consolidated government financing in England. They increased creditworthiness and established a new source for financing the state budget, which empowered England to defeat its European rivals, notably mercantile France, and fostered its dominant role in global trade.

Securing the Risks – Financiers

Trade was one of the main reasons for the development of new financial practices and institutions. To bear the risk of investments, and to have an equivalent value for commodities sent to foreign markets, the acceptance and the availability of money was essential for the increase of global trade.

13 Ibid., p. 2.

14 Ibid., p. 154.

15 Ibid., p. 155.

16 Jürgen Kocka: *Geschichte des Kapitalismus*, p. 49.

17 Joyce Appleby: *The Relentless Revolution: A History of Capitalism*, p. 41.

The role of banks is usually considered as crucial for Europe's economic development. Ivan Berend, however, referring to Alexander Gerschenkron's ground-breaking approach, exemplifies that the significance of institutions for, and the role of the state in economic development can differ widely. Applying a comparative method, Berend forms three macro-regions: 1. Central Europe, the Baltic area, Finland and Ireland; 2. the Mediterranean and Russia; and 3. the Balkans and the borderlands of Austria-Hungary. He discusses the industrialisation process by differentiating between the exceptional British, industrialisation based on agriculture and food processing, and industrialisation based on the second Industrial Revolution from the late 19th century onwards. In studying these European peripheries, he distinguishes between "types of backward regions", dismissing Joel Mokyr's view that each case had to be discussed separately. Berend opposes postmodern historiography, as he presents "various types of backwardness" and regards backwardness as a "harsh reality".¹⁸

With regards to the development of finance, Berend assesses three consecutive banking revolutions in the 19th century, which led to the creation of a modern banking system throughout Europe. At the beginning of this process, Scotland had the most innovative banking system. While the emergence of joint-stock banking, which had also first existed in Scotland, and the role of the diaspora bankers began to decline in Europe, old private financiers, like the Rothschilds, specialised and remained successful.¹⁹

There seems to be a turning point, indicated by the rise of joint-stock banking from the 1820s, with new laws restricting interest rates, which marks the end of lending money as a unique feature of Jews and other diaspora minorities. The professionalisation of this activity assisted Jews in founding finance institutions or working for one.

The precondition to this development, the enhancement of money lending from a stigmatised activity to a needed and vital part of economy, is profoundly reconstructed by Jerry Z. Muller in his first essay, which discusses the debate concerning the linkage between Usury and Jews in European thought. By the middle of the 18th century, due to the development of economic theory influenced by the rationalism of the Enlightenment, the analysis of the causes and consequences of interest rates became much more accepted among European states.²⁰

This progress contributed greatly to the recognition of banking as an important part of the economies in Europe, where the old networks of diaspora and merchant financiers were replaced by newly founded institutions. Berend, in the third and most impressive chapter of his book, reflects on the impact the development of banking had on the peripheries, and he concludes that "[t]he foundation of major banking institutions

18 Ivan T. Berend: *An Economic History of Nineteenth-Century Europe: Diversity and Industrialization*, p. 10.

19 *Ibid.*, pp. 156–162.

20 Jerry Z. Muller: *Capitalism and the Jews*, p. 29.

throughout Europe was a pan-European affair, with various large Western banks acting in consortiums". According to Berend, modern banking in the peripheral regions had been established before industrialisation began. Therefore, investments from western European countries had been one of the key elements of modernisation and European economic integration. Berend outlines the "important mediatory role" governments and financial players performed in this process. In his view, it was not "naked economic expropriation" but the political power of the facilitators of the capital which determined the distribution and usage of capital in a country which received foreign capital.²¹

Berend mentions the economic developments in Spain and Russia as cases to sustain this observation. The Spanish mining law of 1868 caused an inflow of capital, mostly from British and French investment. Mineral was Spain's second largest export item, but the mines were converted into foreign exclaves and therefore the slow growth of the country's economy was blamed on the current account deficit. Berend counters this conclusion by referring to the Basque and Catalanian regions, which supplied textiles and minerals for a strongly protected domestic market that suffered under extremely unequal distribution of wealth.²²

Berend sees the progress of industrialisation in the Donets Basin in Russia and around St. Petersburg as well as the increase of Russian oil production as the result of foreign capital investments. Nevertheless, modernisation and industrialisation in Russia clearly failed, in his view, because it were primarily the industries in the western peripheral countries next to Russia that supplied the empire.²³

The central precondition for increasing foreign investments during that period was the gold standard, which was established in the 1870s and tied its members to a fixed exchange rate of their currencies in relation to gold. Joyce Appleby stresses the importance of the gold standard for capital exports abroad, especially for the fostering of the US economy. She regards banks, in their traditional role, primarily as institutions accumulating savings, which function as a precondition for investments.²⁴

This argument serves as a good example to illustrate the overall character of Appleby's book, which comprises a multitude of aspects of *capitalism* that she uses in order to divide her book into small sections. Her book includes general knowledge concerning the history of capitalism. It is very differently organised than Jürgen Kocka's work, even if their histories of capitalism concentrate on the same period and have a common benchmark in the global financial crisis of 2008 (GFC). Kocka's book, in contrast, reads like a collection of short but thought-out essays and is much more descriptive.

21 Ivan T. Berend: *An Economic History of Nineteenth-Century Europe: Diversity and Industrialization*, pp. 354–363.

22 *Ibid.*, pp. 418–422.

23 *Ibid.*, pp. 426–430.

24 Joyce Appleby: *The Relentless Revolution: A History of Capitalism*, p. 188.

Kocka distinguishes between many different types of capitalism as dependant on their circumstances. In his opinion “financial capitalism” has increasingly separated from social contexts since the 1970s. From then onwards, the financial sector became more “self-referential”, enhancing speculation and debts instead of serving the traditional industries. Kocka argues that companies then became fundamentally dependent on capital markets, because shareholder value would be the only measure of success.²⁵

The idea of an exclusive group holding the monopoly over the finance sector, and not serving the welfare of society, has been a key theme in Karl Marx’s work. To illustrate their moral contradictions to capitalism, Jerry Z. Muller examines how Marx and Friedrich Engels focussed on Jews and the practice of usury. However, according to Muller, “Marx’s strategy” was to show the Christians that capitalism would turn their negative characterisation of the Jews against society in general, since “[t]he Christian tradition of stigmatizing Jews and the economic activity in which they engaged by virtue of their marginality now becomes a stick with which to beat bourgeois society as a whole.”²⁶

A core assumption of Marx’s work is that there can be no freedom as long as self-interest is propelled by capitalism. Muller judges this as an archaic vision from pre-Enlightenment times and proceeds to the debate about the origin, nature and moral significance of capitalism between Georg Simmel, Max Weber and Werner Sombart in Germany at the turn of the 20th century. By drawing on Simmel’s major work *The Philosophy of Money*, he dismisses the pessimist view of capitalism enforcing particularism. Simmel pointed to the integrative effects of competition as well as the market economy’s promotion of a new form of individuality, based on choice. Muller is thus able to look at the relevance of Jews for capitalism by discussing their exceptional success in liberal money-based economies.²⁷ Nevertheless, the Jews had to respond to increasing social exclusion. According to Muller, this happened in three different ways: migrating to liberal nations, embracing in socialist movements and Zionism.

Shaping the World – Landlords, Industrialists and Managers

The European countries, the United States and Russia underwent significant socio-economic changes in the 19th century. Jack Goody and Ivan Berend question England’s role as a pioneer and model for these developments. In chapter 11 and 12, Goody draws a line from the Bronze Age to the Industrial Revolution in the 18th century. However, while his explanation of the preconditions for capitalism before the Renaissance is very convincing, he falls short of a sufficient explanation of England’s take-off at the beginning of

25 Jürgen Kocka: *Geschichte des Kapitalismus*, pp. 89–99.

26 Jerry Z. Muller: *Capitalism and the Jews*, p. 39.

27 *Ibid.*, pp. 46–53.

the 17th century. He concludes that the industrialisation of England relied on German mining and metallurgy expertise, mainly technical inventions.²⁸

Goody contributes to the general assumption that the transformations during the 19th century in Europe were deeply rooted in world history, but he underestimates the triggers for a unique process, the Industrial Revolution. Berend, on the other hand, not only recognises the reasons for the transformations, but also a number of causes that determined the unequal developments of states between the late 18th century and the First World War. In his multi-causal analysis, he states that “[s]ocio-economic and cultural developments occurred in a very symbiotic way, inspiring and engendering one another”.²⁹

Discussing the socio-economic development of backward regions, Berend demonstrates how Central Europe, the Baltic area, Finland and Ireland benefited from being next to rapidly industrialising countries and part of expansive imperial markets. He indicates the influence of elites, consisting of landlords and merchants, together with the advantage of protectionism responsible for those countries to have stayed mainly agricultural based. The economies of those regions relied on the export of natural resources. For the agricultural countries in the east, the industrialising West provided vast markets. And due to the development of complementing sectors of their economies, international trade in Europe was greatly enhanced. Therefore the agricultural economies in the above mentioned regions could easily sell their products on Western markets and increase their exports faster than the European average, which helped them emerge from their peripheral backwardness.³⁰ Berend also identifies the attitude of the elites and the survival of collectivist-egalitarian village communities during the 19th century as the major reasons for the Mediterranean area to not have modernised their agricultural economies.³¹

Russia constitutes the most interesting and controversial case in that regard. Berend reviews the latest research concerning the role of the peasant industry. He believes that the preservation of the village community (*obshina*) not only limited free movement of persons, but also hindered investments in agriculture and the development of the peasant cottage industry (*kustar*). However, downplaying the account that the constraints on free movement had less effects on the internal migration within Russia, Berend highlights the role of the Peasant Bank to argue that half of the Gentry lost its land to the buyers among the peasantry before the beginning of the 20th century. Berend also challenges

28 Jack Goody: *Metals, Culture and Capitalism: An Essay on the Origins of the Modern World*, p. 221.

29 Ivan T. Berend: *An Economic History of Nineteenth-Century Europe: Diversity and Industrialization*, p. 77.

30 *Ibid.*, pp. 377–396.

31 *Ibid.*, pp. 401–408.

the argument that the overtaxation of the peasantry had hindered the development of industrialisation in Russia.³²

He explicitly considers the interregional connections by breaking up general patterns from national perspectives. Therefore, he can convincingly demonstrate the synchronism of developments in a region or state without underestimating the effects on the economic development of a nation. This is especially well illustrated in his analyses of Siberia and Finland regarding the results for Russia in chapters 11 and 12.

There should be no doubt that it would be imprecise to substitute “industrialisation” by *capitalism*. Rather, as Jürgen Kocka argues, capitalism, or more appropriately capitalistic practises, served as a precondition for the Industrial Revolution, which then became the engine propelling the implementation of capitalistic ends. A strong reciprocity between both resulted from the reliance on financial investments and the relevance of technological inventions.³³ The difference becomes obvious though, when tracing the origin of capitalism. Following Berend, and also Kocka, it was a cultural-institutional pan-European transformation, starting in the 17th century, from which a new *zeitgeist* evolved. Both identify the Renaissance as a turning point when a process of changing ways of thinking and the spread of a “commercial spirit” began and had a crucial effect on the advancement of capitalism.³⁴

If capitalism existed before industrialisation and the 19th century, as discussed above, what becomes evident is that the concept of the Industrial Revolution has been strongly based on socio-economic developments, whereas the cultural foundations deserve further attention. It is therefore compelling to define capitalism as a cultural concept in order to be able to grasp its socio-economic developments as a constant in history. It is exactly this Weberian concept of capitalism Joyce Appleby suggests. Appleby sees it as a “cultural system rooted in economic practices that rotate around the imperative of private investors to turn a profit.”³⁵ Kocka, on the other hand, gives a working definition of capitalism that is more limited, consisting of individual property rights and decentralised decisions, coordination on markets and the investment in the present for future gains.³⁶

The industrialisation played a vital role in enhancing enormously the possibilities for investments, and thus encouraging more inventions and the production of goods. Societies always possessed certain skills in production and have developed new ways of producing. Their knowledge spread especially through trade and occupation. The question

32 Ibid., pp. 410.

33 Jürgen Kocka: *Geschichte des Kapitalismus*, p. 81.

34 Ibid., p. 73; Ivan T. Berend: *An Economic History of Nineteenth-Century Europe: Diversity and Industrialization*, p. 44.

35 Joyce Appleby: *The Relentless Revolution: A History of Capitalism*, p. 25.

36 Jürgen Kocka: *Geschichte des Kapitalismus*, p. 20.

is how this knowledge was preserved and transmitted after established regimes, like the Roman Empire, fell apart. According to Goody, following his thesis of the use of metals as the main precondition for a complex culture evolving capitalism, the “German-speaking”³⁷ Visigoths were mainly responsible to preserve the knowledge of the use of metal, establishing themselves near Toulouse in France. Goody displays this with a map, which is, like all the maps in his book, vague and lacks definitions. He concludes that the “Germans [...] were the leading metal-miners of the world from 1200 down to the modern period”.³⁸ Goody might overestimate the part “Germans” played in the industrialisation, but his idea that certain groups (tribes) were the key agents in bringing special skills for production into “modernity” is reasonable.

Goody describes the Industrial Revolution as an expansion of the use of iron and coal, which together with the rise of a productive factory system indicated a “quantitative leap”. Due to the growing amounts that could consequently be produced, new technologies were increasingly used and more capital was therefore needed. For Goody this process ended the “democratic” use of metals.³⁹

Nevertheless, as Jürgen Kocka points out, initially the companies of the 19th century were mostly family businesses and tied to private ownership based on heredity. Because of this connection between family and business during the industrialisation, he recommends a more gradual understanding instead of a “revolutionary” development of capitalism, which slowly changed traditional structures from within and resulted in different types of “industrial capitalism”.⁴⁰

Evidently, the path to industrialisation and modernisation can differ widely in cause and effect. Considering England as a “trailblazer” in creating new conditions for world economies and global trade and putting new screws of competition on markets, Appelby concludes that the ascent of Germany and the United States resulted out of the advantage as latecomers. With regards to both nations’ economic success in even passing the pacesetter, she stresses that “[o]nce the key elements of industrialization were exposed, they could be adapted to different settings and cultures”.⁴¹ She therefore outlines the different settings in the US and Germany and concentrates on the elements of industrialisation the two countries adopted.

Appelby identifies giant corporations as the main feature of the capitalism of the 20th century as most prominently demonstrated by Germany and the US. She highlights the achievements of “entrepreneurs” by constructing “leviathans of industry” defining

37 Jack Goody: *Metals, Culture and Capitalism: An Essay on the Origins of the Modern World*, pp. 121.

38 *Ibid.*, pp. 121–126.

39 *Ibid.*, p. 252.

40 Jürgen Kocka: *Geschichte des Kapitalismus*, p. 86.

41 Joyce Appleby: *The Relentless Revolution: A History of Capitalism*, p. 167.

a history of personal endeavours. Unlike Kocka, she places much emphasis on crucial achievements in science and engineering as preconditions for the exceptional economic performance of few individuals.⁴²

Kocka follows the separation of ownership and management by the establishment of joint-stock corporations. He speaks of “manager-capitalism”,⁴³ characterised by a new scale of capital resources and professionalised staff. According to Kocka, corporations became much more rational, diversified and interconnected with the financial sector. As a result, new market structures for business with increasing coordination and political organisation between corporations evolved. Nevertheless, strong competition persisted, even if within a much more framed field. Hence he concludes that Manager-capitalism was a precondition for another substantial expansion of capitalism.⁴⁴

Appelby slightly differs in her perspective on the development of corporations and cartels as an important feature of capitalism. She employs the term “bureaucracy” to describe the new internal organisation of corporations and highlights the role of the state in enhancing the industrial conglomerates and supporting industrialists with liberalism. Discussing the decline of England, she points to Britain’s free trade policy and not having done the corporate restructuring that the USA and Germany underwent.⁴⁵

Ivan Berend challenges this connection between the concentration of corporations in a country and its economic performance. He states that Britain did not require any managerial organisation because of the size of its imperial market and the predominance of its exports, arranged by a “mercantile network” with widespread foreign agencies. He argues that Alfred Chandler’s categorisation of the “organisational response” does work for the US, but is not effective for the analysis of the historical development in Germany, because of the “alternative type of business organisation, the *cartelization* of the economy”. For Berend the cartelisation in Central Europe was the result of a “strong entrepreneurial class, in some cases in alliance with the traditional noble-bureaucratic-military elite”, which hindered anti-cartel legislation.⁴⁶

42 Ibid., pp. 200–209.

43 Translated by the author

44 Jürgen Kocka: *Geschichte des Kapitalismus*, pp. 89–93.

45 Joyce Appleby: *The Relentless Revolution: A History of Capitalism*, p. 254.

46 Ivan T. Berend: *An Economic History of Nineteenth-Century Europe: Diversity and Industrialization*, p. 167.

Made of Labour – Workers

The history of labour for capitalism begins with food production. Joyce Appleby dedicates a whole chapter to “crucial developments in the countryside” arguing that scholars discovered this research field relatively late. She carefully discusses the agrarian improvements in England, where it would remain an open question whether the landlords or the freeholders played a greater role in developing a “market-driven regime” in English agriculture.⁴⁷

As Appleby reverses the Marxist position that new social relations were the cause of the transformation of English farming, she avoids taking sides on the question of how important the Atlantic slave system was for the development of capitalism. It is clear to Appleby that it was not the decline in British sugar industry which was responsible for the fast disappearance of plantation production, as sixty years of historical research had proven.⁴⁸

Jürgen Kocka more firmly neglects the assumption that the industrialisation of Europe had been fed by profits from slavery, nevertheless he mentions that their effects on trade have to be considered. Kocka provides the reader with a sophisticated discussion about the relation between labour and capitalism. He shows that capitalism massively increased unfree labour before the 19th century. Capitalism has thus been compatible with various forms of labour and does not necessarily have to rely on formally equal market participants.⁴⁹

Kocka acknowledges the debate about wage labour as the central form of labour in capitalism. Nevertheless, he argues that this concept (wage labour) is still valid for our understanding of capitalism. It is most relevant for differentiating between forms of labour and analysing capitalism in other, non-Western parts of the world. Coming back to agricultural improvements, Kocka maintains that labour relations were not as much organised and formalised as generally assumed. Therefore, he explains, wage labour became a mass phenomenon only in the 19th and 20th century, when industrial capitalism started to take off only in the 19th and 20th century, when wage labour became a mass phenomenon.⁵⁰

Still, the exploitation of labour played a crucial role for free, market-coordinated employment in the factory system, as a new scale of production developed with industrialisation. Appleby convincingly shows that the character of work changed with the improvements in agriculture. “High-pressure work” became the norm in 18th century.⁵¹

47 Joyce Appleby: *The Relentless Revolution: A History of Capitalism*, p. 68.

48 *Ibid.*, pp. 133–137.

49 Jürgen Kocka: *Geschichte des Kapitalismus*, pp. 55–59.

50 *Ibid.*, pp. 99–102.

51 Joyce Appleby: *The Relentless Revolution: A History of Capitalism*, p. 154.

The rise of productivity in agriculture was the precondition for Western societies escaping the Malthusian Gap leading to a population explosion. However, as Ivan Berend shows, the demographic revolution did not occur in European countries at same speed. It depended on its economic development, starting in Britain and the Netherlands in the second half of 18th century.⁵²

With this linkage between the state of development and population growth in mind, it is interesting, as Jerry Z. Muller points out, that in the course of the 19th century the Jews of Eastern Europe (that is half of all Jews in the world at this time), “experienced one of the most rapid population increases in all of Europe”.⁵³ Muller describes how this growth resulted in a process sometimes called proletarianisation, meaning that many of the Eastern Jews became semiskilled handicraft workers, and enforced emigration. Most of the Jewish emigrants settled in New York City, where they started off as workers with very little capital, often in industries with the worst working conditions. However, many of them quickly returned to work in trade and commerce. Their great “cultural capital”, overall consisting of a profound education and the ability to develop social networks, facilitated their economic performance in the new homeland.⁵⁴

Muller assumes that the Jews repelled political positioning and favoured liberalism in all circumstances. This becomes most striking in his third and most interesting essay, which discusses Jews in communism. Muller shows that Jewish engagement in communism was a response to the anti-Semitic czarist government and the pogroms during the civil war in the course of the First World War (1918–1920). It is important to remember that a high percentage of Jews lived in urbanised surroundings and were well educated. They were thus more prepared to move into important positions in administration and bureaucracy of the new regime. Nevertheless, as Muller outlines, despite their overrepresentation in the communist leadership, there were far more Jewish victims of, and opponents to the regime. Just before the Second World War, a campaign was launched to cleanse the Soviet elite of ethnic Jews.⁵⁵

However, as Muller shows in a passage entitled *The Myth of the Jew as Bolshevik*, the idea that Jews were inclined to political radicalism was more a product of ideology and propaganda. This also affected the American Jewish community. As the Immigration restrictions of the 1920s, were “motivated in part by the identification of Jews with political radicalism”.⁵⁶ Muller draws the conclusion that Jews, like their non-Jewish counterparts, took part in “disastrous policies”, committing crimes against other Jews and

52 Ivan T. Berend: *An Economic History of Nineteenth-Century Europe: Diversity and Industrialization*, p. 261.

53 Jerry Z. Muller: *Capitalism and the Jews*, p. 78.

54 *Ibid.*, pp. 81–92.

55 *Ibid.*, pp. 141–143.

56 *Ibid.*, p. 161.

non-Jews. Moreover, he emphasises the symbolic significance of Jews as communists, which contributed greatly to the development of capitalism, by influencing the European culture of economic policy.⁵⁷

In his last essay, Muller discusses the economics of nationalism by concentrating on Zionism. He draws on Ernest Gellner's work on nationalism and Dov Ber Borochoy. Muller rejects Benedict Anderson's concept of nations as "imagined communities", as it would neglect the economic factors for nation building. He recognises the national state as a "product of *bourgeois society*". Referring to Gellner, Muller understands the emergence of nations as the consequence of the functional necessities of industrial society, dependent on mass literacy and easy communication, and legitimated by economic growth.⁵⁸ He takes over Gellner's view of Jewish nationalism as Diaspora Nationalism and cites Max Horkheimer to outline the dilemma of the Jews which were forced to take "the nationalist option" in order to exist.⁵⁹

Quoting Borochoy, Muller underlines that as long as the Jews had not possessed their own territory, there could be no class conflicts. The workers and employers of this minority faced discrimination and thus had shared interests. While Jews were also engaged with trade unions, Muller argues they never considered themselves to be part of a "transgenerational" working class and just wanted fairer conditions for their families.⁶⁰

Joyce Appelby's work is helpful in that regard, as she examines the development of trade unions in the United States. She finds that the restrictive American law construed labour unions as conspiratorial and marginalised labour activists. At the same time the majority of US citizens rejected organised labour. In contrast to Europe, unions in the US remained comparably weak until the New Deal and the Wagner Labour Act.⁶¹ Appelby shows that – with the new policies welcoming immigrants to the US, and most importantly with the intensifying war production and the shared experience of depression – unions became stronger in and were backed by a greater part of the American society willing to fight for a living wage.⁶² After the Second World War, however, union membership declined constantly. In 2007, only one out of eight workers belonged to a union. Appelby points to the success of very well organised business interests, which have been dominating the much greater number of wage earners in the US. Another reason she mentions is the erosion of trust in the unions, due to corruption and misuse of funds. She also addresses the difficulty of labour to organise in the expanding service sector. This

57 Ibid., p. 187.

58 Ibid., pp. 191–205.

59 Ibid., pp. 212–217.

60 Ibid., p. 81.

61 Joyce Appleby: *The Relentless Revolution: A History of Capitalism*, pp. 216–221.

62 Ibid., p. 302.

development had shaped the public discourse, which became less concerned with the “working class” but with the “middle class”.⁶³

Discussing the failure of America’s Alliance for Progress with Latin America and the efforts of “developing” the “Third World”, she turns to Walt W. Rostow’s stage theory for modernisation. However, she argues that foreign investment is not playing such an important role for economic development compared to skilled labour and “entrepreneurial energy”. As she is sticking to her political ideals as a “left-leaning liberal”,⁶⁴ she leaves unmentioned the power of capitalist interests searching for cheap production by unskilled labour and therefore hindering socio-economic development.

Realising that the achievement of “normal” working relations are still more the exception than the rule, Jürgen Kocka stresses that only capitalism could empower labour movements as a result of the resistance against capitalist pillars of individuality, competition and growth. For Kocka the labour movement was one of the most important causes for democratisation and has greatly contributed to “civilise”⁶⁵ capitalism. However, this should not be seen as a necessary result of the general strains in capital-labour relations, but as an outcome of specific cultural and political preconditions in Europe. The development of labour movements in countries like China is therefore difficult to foresee.⁶⁶

Kocka writes about labour in capitalism most proficient. It is a pity that he does not explicitly mention the development of the unions in the United States, which has been the most successful capitalist nation in the world. Especially when he continues to give a detailed analysis of the causes for the declining strength of labour as a binding force for society in Western Europe, it would have been sensible to compare this to the situation in the USA.

Apart from the fact that the role of labour movements has changed, and that the “labour question”⁶⁷ lost its disturbing character in the West, Kocka claims that the responsibility for fair working conditions has been shifted to the government. Discussing the situation in the southern hemisphere and the dependence on production by multinational corporations, he emphasises the role of the state for stopping the increase of informal wage labour. He sees a new stage of “market capitalism”⁶⁸ rampant since the 1970s which succeeded the non-capitalist alternative, is responsible for devaluating claims of workers, and partly reversed the achievements of former labour movements. Kocka stresses the importance of the state for the functioning of capitalism, stating that historic experience shows that the destructive consequences of capitalism can be miti-

63 *Ibid.*, p. 323.

64 *Ibid.*, p. 18.

65 Translated by the author.

66 Jürgen Kocka: *Geschichte des Kapitalismus*, pp. 103–109.

67 Translated by the author.

68 Translated by the author.

gated by state intervention. He therefore acknowledges the problem that the transnational capitalism is not contained by a global state.⁶⁹

Kocka also mentions the rise of “consumption capitalism”⁷⁰ since the 1950s as a cause for the rise of financial capitalism since the beginning of the 1970s. He indicates that there was an increasing acceptance of capitalism, due to better living standards, but also enhanced by the increasing possibilities to incur debts and live beyond one’s means.⁷¹ However, he fails to explicitly turn to the connection between the changing character of the labour question and the new quality of participation of workers in capitalism as consumers since the 1950s. In her discussion about agricultural improvements, Joyce Appleby points to the “double role of workers” as producers and consumers.⁷² She insists, that high wages were fundamental to the rapid industrialisation in England by enhancing consumption.⁷³ In her view, by the end of the 20th century the US workers were affected much stronger by globalisation than forty years earlier. Globalisation had not only brought greater inequality not only between nations and regions, but also between workers’ salaries, and led to relatively cheap prices for products.⁷⁴ Therefore, Kocka’s conclusion is very compelling: the labour question is still prevailing in a globalised world.⁷⁵

When reviewing the development of capitalism, it becomes apparent that the continuous expansion of capitalist practices was the result of a combination of factors. The rise of capitalism has been greatly enhanced by change in the perception of business and economic thinking as well as the organisation of capitalistic interests. In pursuing capitalist ends, different groups performed key functions to push forward industrialisation and modernisation. These groups established broad networks and intercontinental relations, like diaspora communities had done earlier. They were represented by elites and possessed certain skills and forms of capital; they founded institutions and played a role in politics.

All authors of the discussed books recognise trade as the cradle of capitalism and employ a gradual perspective to explain its development. Jack Goody focuses on the role of trade and metal since the Bronze Era and he stresses the importance of merchant networks for the spread of a “complex culture”. Considering the part the Jews played in the development of capitalism, Jerry Z. Muller emphasises the relevance of this group for capitalism on a “cultural level”. Ivan Berend, who is especially concerned with the role of the finance sector, shows that elites were able to both hinder as well as enhance

69 Ibid., pp. 111–123.

70 Translated by the author.

71 Ibid., p. 95.

72 Joyce Appleby: *The Relentless Revolution: A History of Capitalism*, p. 85.

73 Ibid., p. 139.

74 Ibid., pp. 357–363.

75 Jürgen Kocka: *Geschichte des Kapitalismus*, p. 111.

industrialisation, which should be grasped as a pan-European process. What has become particularly obvious in this review, is that the workers were not able to influence the development of capitalism as much as the other groups referred to in this article. They could not organise their interests well enough and lacked the capacity and willingness to establish international networks. Overall they were caught in their “double role” for capitalism as producers and consumers.

For Joyce Appleby and Jürgen Kocka, who look at capitalism from the perspective of the 2008 GFC, the 1970s mark a turning point. Appleby puts many pieces together to explain the “culture of capitalism”, which for her was set in place at the end of the 19th century when all traditional elements of western society were overcome. She closely looks at the developments in the United States and grasps the fluid character of capitalism at the turn of the 21st century.

Kocka gives an overview of the history of capitalism in Europe, different forms of capitalism, and the role of labour in its development. In his opinion, one should analyse economic actions as separate from their social contexts in order to understand today’s “financial capitalism”.⁷⁶

A book which stringently deals with the social-economic development of labour and the role of workers for the development of capitalism would be an enriching addition to the research on the history of capitalism.

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76 Translated by the author.