Applied Research Journal of Humanities and Social Sciences
Vol 2(2), pp. 1-5, August, 2019
Article number: SE-J-ARJHSS-2019.0202001
https://skies.education/arjhss
International Institute for Applied Research, Skies Educational

A review of capitalist mode of production

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ABSTRACT

Capitalist mode of production is one of the parameters adopted by Marx to extrapolate materialist conception and interpretation of human society. Capitalist mode of production has features of commodity production, a polarize wealth where ownership of the means of production is separated from the properless class and labour has to sell his power to the capitalists in return for wages. The development of capitalist mode of production was attributed to the accumulation, concentration and centralization of capital albeit invested and reinvested in form of finance capital exported to the third world nations through loan facility. It is against this backdrop that two theories of capitalist mode of production were developed. The first perspective argues that capitalist mode of production was responsible for economic growth and development of the third world nations through the establishment of industries from the finance capital which provides employment opportunities. While the second perspective argues that capitalist mode of production was responsible for underdevelopment of the third world nations through centre-periphery relations, inclined by unequal exchange relations in trade relations.

Keywords: Capitalist mode of production, finance capital, centre-periphery relations, development and underdevelopment

INTRODUCTION

In the olden days, dialectics was a method of arriving at the truth by disclosing the contradictions in the argument of an opponent and overcoming the contradictions. This dialectical method was later extended to cover the phenomenon of nature. The phenomenon of nature reflects constant movement and change and the subsequent development of nature as a result of the development of the contradictions hence the interaction of the opposite forces (Brewer, 1980).

Marx developed a modern dialectics that goes beyond the seeking of the truth of a statement because contradictions are inherent in statements and shaping understanding that contradictions exist throughout the nature and whole material world. Historical Dialectical Materialism is a way of understanding the reality that various modes of production were successive stages in the history of human society. These modes of production included the primitive communal mode of production, slave-owning, feudal and capitalist mode of production (Brewer, 1980). Each of these modes of production has its structure and reproduces itself and maintains both the forces of production and relations of production by replacing the means of production and perpetuating the subordination of one class to another. Although, the mechanisms of reproduction in each of the modes of production differ, however, each mode generated development of the forces of production. In the process of this development, changes occurred which led to the breakdown of the existing structure and its subsequent replacement by another structure (Brewer, 1980).

Among the modes of production mentioned above, the capitalist mode of production was the only one discussed and analyzed in details by Marx. The characteristics of capitalist mode of production as identified by Marx included a generalized commodity production; production was geared towards market by many distinct and uncoordinated units of production; there is polarization of wealth where ownership of the means of production is separated from the propertyless workers; and workers have to sell their labour power to the capitalist in return for wages (Marx, 1976).

Capitalist mode of production first emerged in Europe. It was institutionalized in the colonies of European settlements and spread to the rest of the world. From the Marxist perspective, capitalist mode of production started in few towns and centers and gradually generated capital accumulation and concentration. Marx argued that large scale production is more efficient than small scale (Marx, 1976). Therefore, competition, forces capitalists to accumulate and reinvest to produce on a large scale. This phenomenon allows the capitalists to achieve capital concentration and centralization.

Capitalist mode of production has a feature of commodity production. Production was geared towards market by many distinct and uncoordinated producers. Ownership of the means of production is separated from the propertyless workers. The workers have to sell their labour power to the capitalists for wages (Marx, 1859).

The development and expansion of capitalist mode of production requires the demand for natural resources. This is responsible for the geographical expansion of capitalism. The increasing struggle among the capitalists to accumulate capital increases the demand for labour power (Marx, 1976). However, the introduction and adoption of labour-saving technology relegates the demand for labour power. The need for cheap labour in the third world nations increases the tempo for geographical expansion of capitalism.

Theories of Capitalist Mode of Production

Marxist theories of capitalist mode of production could be classified into two perspectives. In the first perspective, there are Marxists who believe on the progressive role of capitalism in developing the forces of production (Brewer, 1980). This argument was attributed to Marx, Lenin and his contemporaries. According to this perspective, capitalism creates material preconditions for the development of a society. The development of each country is determined primarily by its internal structure and specifically by the nature of the dominant mode of production. According to them, capitalist mode of production gives free wage workers the opportunity to be employed by competing firms which generates economic development.

In the second perspective, there are Marxists who believe that capitalist mode of production is a system of exploitation of one area by another hence the development of few countries is at the detriment of the development of underdevelopment of other countries. This perspective has been developed since the Second World War by Frank and Wallerstein as a response to failure of the development of capitalist mode of production in many parts of the world. In this perspective, the framework of analysis is the world system in which different geographical areas are part and parcel of the capitalist mode of production. In this theorizing, capitalism is not characterized by class relations but by production for profit within the world system of exchange and facilitated by exploitation of weaker states by the powerful ones (Brewer, 1980). Put differently, the metropoles exploit the satellites or periphery through direct extraction of profit or tribute, unequal exchange and monopolistic controls over trade. The facilitators of these exploitations are the state machineries of the international capitalist system. In the periphery, ruling class emerges and acts as intermediaries in exploiting the weaker states.

Features of Capitalist Mode of Production

Competition for capital is the bedrock for classical Marxist interpretation and analysis of the capitalist mode of production (Marx, 1976). Marx argued that the biggest and most efficient industries with the highest instruments of labour become the most profitable and facilitate their superiority over the weaker industries hence the weaker industries could be squeezed out of business due to bankruptcy. Marx (1859) also argued that the threat of business failures by the industries motivated the capitalists to maximize profits, reinvest the accumulated profit, adopt the methods of production to increase economies of scale, expand market and search for new sources of supply.

Capitalist mode of production consists of many different capitals. This serves as the basis for exercising direct control. Capitalist mode of production is governed by economic laws independent of the will of any individual. This made Marx to present the pre-existing social structure that determined the development of capitalist mode of production. Marx and Engels argued that it was the development of the forces of production that represented the essential historical function of capitalism. This makes capitalism to expand and integrate other societies into the international capitalist system.

Another development of capitalist mode of production is determined and shaped by loan capital. This capital borrowed to the industrialists and merchants yields interest to the capitalists. The sources of loan capital include money that industrialists and merchants saved, funds accumulated by capitalists and income and savings of the public concentrated in savings banks (Ryndina, Chernikor and Khudokormer, 1980). Loan capital has certain characteristics. It serves as a property because capitalists give it to manufacturers and merchants to invest. It is also a commodity because capitalists sell it to investing capitalists. In addition, loan capital is the most parasitic form of capital because its owners have nothing to do with the functioning of the capital. Furthermore, the source of capital increases in value and exploitation of the wage labour if the production has been concealed (Ryndina, Chernikor and Khudokormer, 1980). The capitalists give out their capital in form of debt or loan to secure profit through the charge of interest. This makes interest to be a modified form of surplus value appropriated by the capitalist class (Marx, 1961).

Lenin identified the tendencies for the development of capitalist mode of production via the export of capital or credit. Export capital could be in different forms. Commercial credit is granted by investing capitalists to one another in commodity form. Bank credit is given to investing capitalists by money capitalists in form of money. Consumer credit is granted to the people in form of deferred payments for goods intended for personal consumption. State credit is obtained by the state through issuing of loans and treasury bonds. The loans obtained or the debts incurred are often utilized unproductively in arm race and maintaining police and officials. Some of the debts are used to repay the national debt and pay out the interest on the loans. Credit performs significant roles in capitalist society. It assists in the redistribution of capital between the branches of production and the formation of the generate rate of profit. It makes possible to save cash and contributes to the concentration and centralization of capital. At the same time it leads to the aggravation of capitalist contradictions. As credit speeds up the socialization of production, it equally acts as the main contradiction of capitalism. In stimulating the expansion of production, it increases the gap between production and effective demand which exacerbates economic crises (Lenin, 1917).

A further development of capitalist mode of production was presented by Lenin. He developed a theory of finance capital. Lenin argued that as capital and production in industry grew, the consolidation of banks continued. Therefore, the concentration and centralization of banking capital resulted to the emergence of banking monopoly. However, the concentration of banking capital depends on the development of material production and concentration in industry. Concentration of production promotes the growth and development of money market. This creates demand for credit facilities and stimulates the expansion of banking services. As the banking monopolies grew, they turned from ordinary credit agents into powerful syndicates with huge funds and resources at their disposal. In effect, the banks increasingly penetrate into the industry and become the owners of industrial enterprises. Thereto, the industrial monopolies buy shares of major banks or open their own banks. Thus, a new form of monopoly emerged as a result of the conglomeration of banking and industrial capitals. This is the finance capital (Lenin, 1917).

Finance capital emerged as a result of the fusion of industrial and banking capital. During the imperialist era, finance capital became the dominant force in the capitalist economy. The features of finance capital include the manifestation of the role of banking capital and banking monopolies. The growth of industrial monopolies increases the role of loan capital monopolies because the ties between banks and industrial enterprises are becoming broader and diverse. In addition, through credit, banks provide industrial enterprises many services. These include: holding their money capital reserves; organizing financing through third parties; performing cash and accounting and financing operations; settling accounts with the industrial companies' customers; paying out dividends on their shares; and recovering debts. Others are paying taxes and making other payments to the state; supervising the pension funds of industrial companies; providing financial and economic information of every kind; giving advice on reorganization; drawing economic programmes and assisting in the companies external economic expansions (Lenin, 1917).

Over the years the monopolization of banking industry through capital accumulation and concentration has continued to growth and expand. Indeed, in most of the capitalist countries higher positions in the international credit system are managed and controlled by global giants and syndicates. Another important characteristic of finance capital is the growth and development of specialized international financial institutions (Rundina, Chernikor and Khudokormor, 1980). This indicates the proliferation of insurance companies, savings banks, pension funds, investment companies etc. many of these financial institutions constitute a forum of conglomeration of industrial and banking capitals, an agenda that further intensifies the growth and development of finance capital. A considerable proportion of the capital accumulated in the new development is concentrated in the hands of credit and financial institutions.

The monopolization of financial institutions by the capitalist oligarchies resulted to the emergence of finance group. A financial group represents the merger of banking and financial oligarchies. This group acts to expand the domination of few financial magnates over many industrial establishments. The financial group has the following features. It has a nucleus formed by closely linked of industrial and banking monopolies. It is subject to unified leadership exercised by a variety of means and methods. In addition, it is marked by relations of control by which the magnates control its unity and constantly extend its boundaries (Rundina, Chernikor and Khudokormor, 1980).

CONCLUSIONS

The development of capitalist mode of production through the concentration and centralization of capital by the international capitalists led to the establishment of international financial institutions. The establishment of international financial institutions resulted to the formation of finance capital. The development of finance capital thereto led to the formation of financial groups or oligachies who export their capital in form of loan facility to the Third World nations in order to generate profit. Thus, the Paris and London Clubs via other international financial institutions act as financial syndicates that grant resources or capital in form of debt to most of the third world nations through the instrumentalities of IMF and the World Bank who imposed adjustment programmes as conditionalities. The conditionalities include devaluation of the Naira, deregulation, privatization and trade liberalization. In essence, the IMF and the World Bank perform the role of policy surveillance on Nigeria to ensure strict compliance with the adoption and implementation of the adjustment programmes.

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