

Industrial & Hyper-industrial Economies



By Dr. Frank Elwell

World Capitalism

By the last quarter of the 19th century, the capitalist world-economy was dominated by four core societies: the United Kingdom, the United States, Germany, and France.



World Capitalism

These four societies were the most highly industrialized and urbanized societies in the world. In 1900 they collectively produced about $\frac{3}{4}$ of all the world's manufactured goods, despite having only about $\frac{1}{8}$ of the world's population.

World Capitalism

While the U.S. was rising, Britain was in decline. Britain's share of world industrial production fell from 32% in 1870 to 14% just before WWI, and then to only 9% by 1930. By the early 20th century the U.S. had clearly replaced Britain as the world's major core power.

World Capitalism

- Trends in World Capitalism
 - Monopoly Capitalism
 - Rise of the U.S.
 - Foreign Investment
 - Multinationals



Tony Triolo, The Huntsville Time

Monopoly Capitalism

A crucial feature of world capitalism in the 20th century was its entry into a new phase of capitalist development, what has often been termed monopoly capitalism.



Monopoly Capitalism

- Large corporations begin to dominate the market and drive out smaller producers by ruining them economically and then swallowing them up.
- Eventually a few giant corporations dominate the market for many industries.

Monopoly Capitalism

Under monopoly capitalism, the competitive character of capitalism is increasingly reduced as capitalist companies grow in size and in their concentration of capital.



Monopoly Capitalism

"Everywhere, the average size of business establishments and industrial companies increased...In times of crisis mergers took place which benefited the most powerful companies; thus during the period 1880-1918 in Britain, 655 companies 'disappeared' into 74 merger companies."

Monopoly Capitalism

By 1900, the percentage represented by the trusts included 50 percent of textile production, 54 percent of the glassmaking industry, 60 percent of the book and paper industry, 62 percent of the food industry, 72 percent of the liquor industry, 77 percent of nonferrous metals, 81 percent of the chemical industries, and 84 percent of iron and steel.

Rise of the U.S.

In 1870 the United States produced 23% of the world's goods; by the eve of World War I it was producing 38%; and its share of world production had climbed to a full 42% by 1930.



Archives of Labor & Urban Affairs

Rise of the U.S.

In the U.S. in 1908 the seven largest trusts owned or controlled 1,638 companies.



Foreign Investment

The emergence of monopoly capitalism was also characterized by a substantial increase in foreign investment by the core capitalist nations.

Foreign Investment

Foreign investments quadrupled in Britain from the early 1890s to 1910. In Germany, such investments doubled between 1883 and 1893, and then doubled again by 1914. Most of these new investments were made outside Europe and North America.

Multinational Corporations

By the middle of the 20th century, a new economic unit had become prominent in the capitalist world-economy: the multinational corporation.

Multinational Corporations

A multinational corporation is a company that has branches of production in more than one country.



Multinational Corporations

- The multinational is today the central economic entity within world capitalism.
- Before the rise of such corporations, capitalists sold their products in a world market, but the rise of the multinational marked the emergence of international production.

Multinational Corporations

- By internationalizing production, capitalists are able to overcome certain barriers imposed on their activities.
- The multinational is only the latest in a series of strategies used by capitalists in the historic process of capital accumulation.



Robert Harding Picture Library

Multinational Corporations

They can get around tariffs on imports, follow the lowest wage levels, non-union, low taxes, free from environmental and worker safety regulation. their ability to locate production anywhere is also a check on the nation state assuring that their controls/taxes over the corporation will not be too strict.

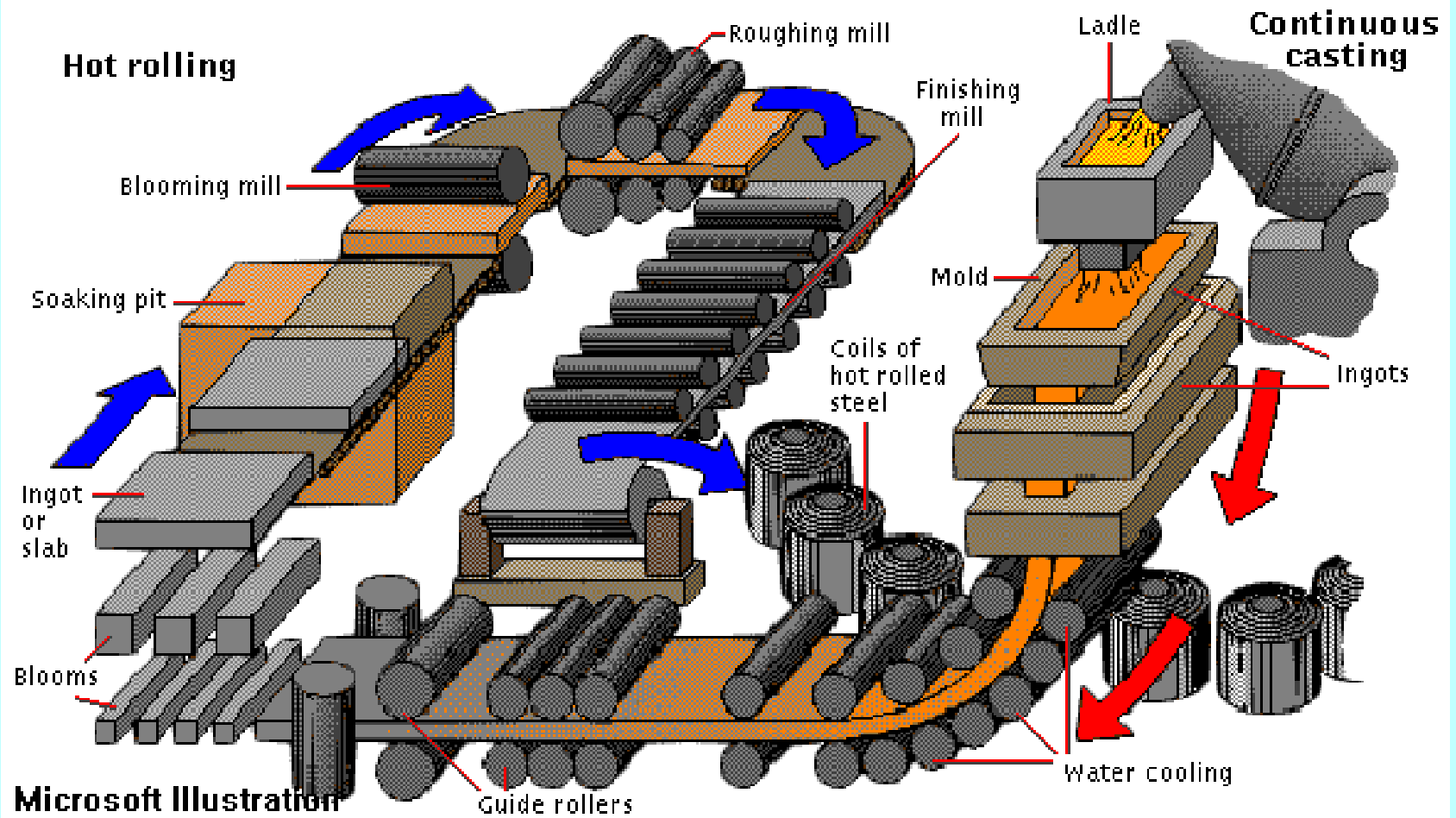


The most striking characteristic of the economies of hyper-industrial societies is their remarkable productivity: Saks Fifth Avenue, a New York department store.

Capitalism and Intensification

The industrial mode of production has long been associated with growth. The reason for this association lies with capitalism.





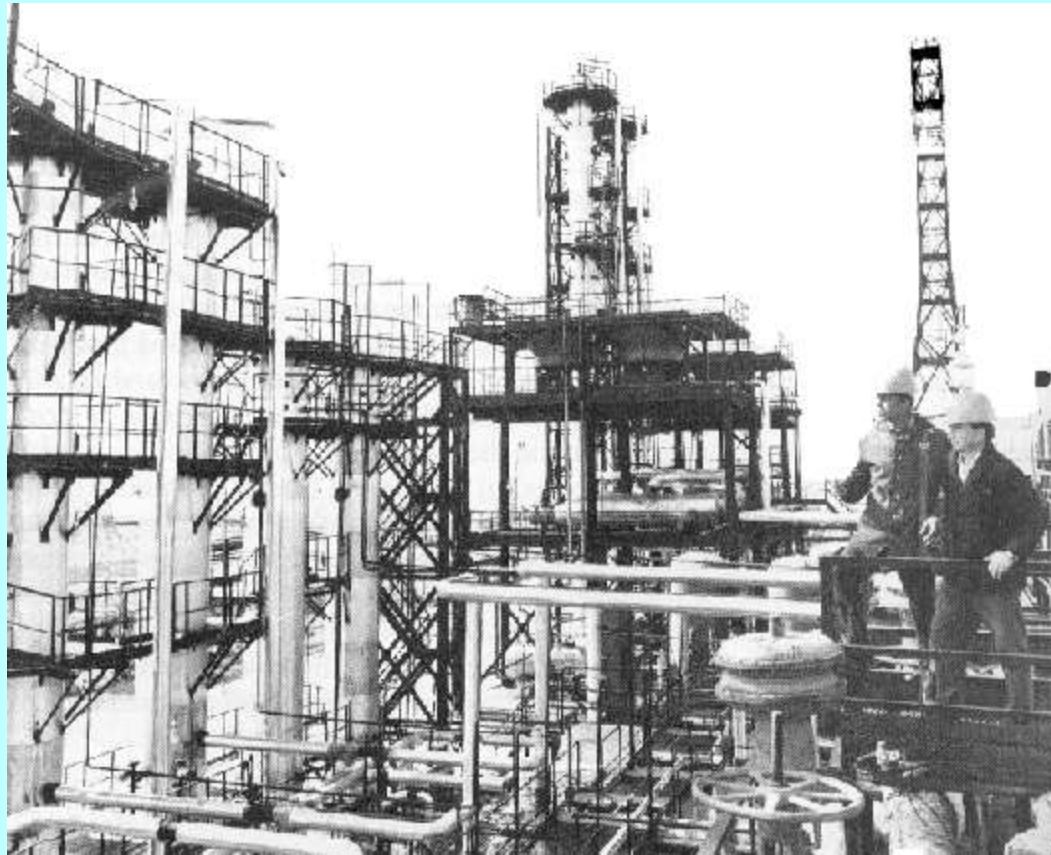
Capitalism and Intensification

Under capitalism the distribution of most goods and services is carried out by "companies" which control or have access to accumulated supplies of money or "capital."

Capitalism and Intensification

The object of such companies is to accumulate more capital and to do it as quickly and efficiently as possible by maximizing the rate of making profits.





The petroleum industry is a capital-intensive industry requiring heavy investment in machines but minimal investment in human labor: oil refinery in Kazakhstan.

Capitalism and Intensification

- A company can increase its rate of profit if it gains technological advantage over its competitors and lowers its unit cost.
- Technological innovation, therefore, soon becomes the key to the accumulation of capital and business success.

Capitalism and Intensification

Science, in turn,
provides the key to
technological
innovation. Hence,
capitalism, science,
and scientific
technologies form a
mutually reinforcing
complex.



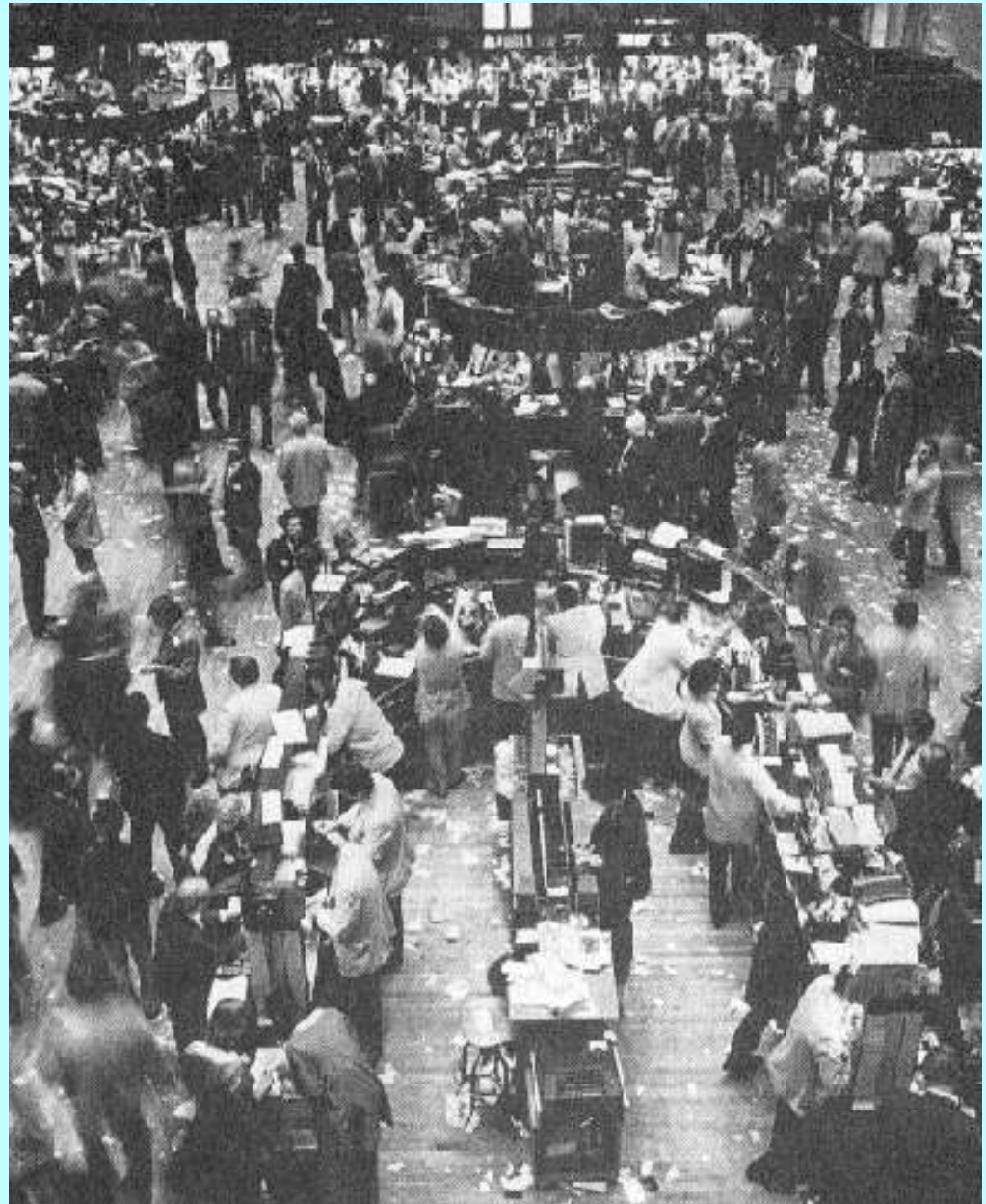
Capitalism and Intensification

To date, industrial socialist societies (both democratic and state socialism) have made the same commitment to the expansion of industrialization.



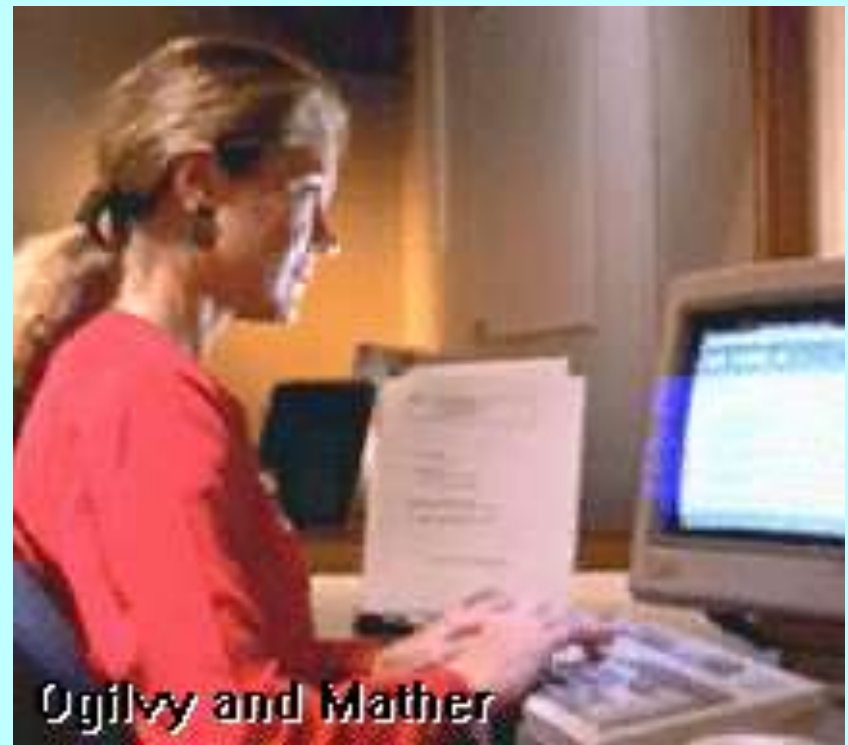
Jeff Greenberg, Photo Researcher

In a market economy prices are set by the forces of supply and demand: floor of the New York Stock Exchange.



Capitalism Today

In the capitalist world-system today the great core powers are the U.S, the European Union, and the Pacific Rim.



Capitalism Today

Although the U.S. is still the leading core power, its dominance is not as great as it once was.



Capitalism Today

- Much of the wealth of the core industrial countries depend on the continued exploitation of the periphery countries.
- This inequality between countries has been growing.



Capitalism Today

The semi-periphery principally consists of European nations like Spain and Portugal; some of the better-off less developed nations like Argentina and South Africa, and the resource rich OPEC countries of the Middle East.



Shanties going up next to railroad tracks and across the way from middle-class housing in Bombay.

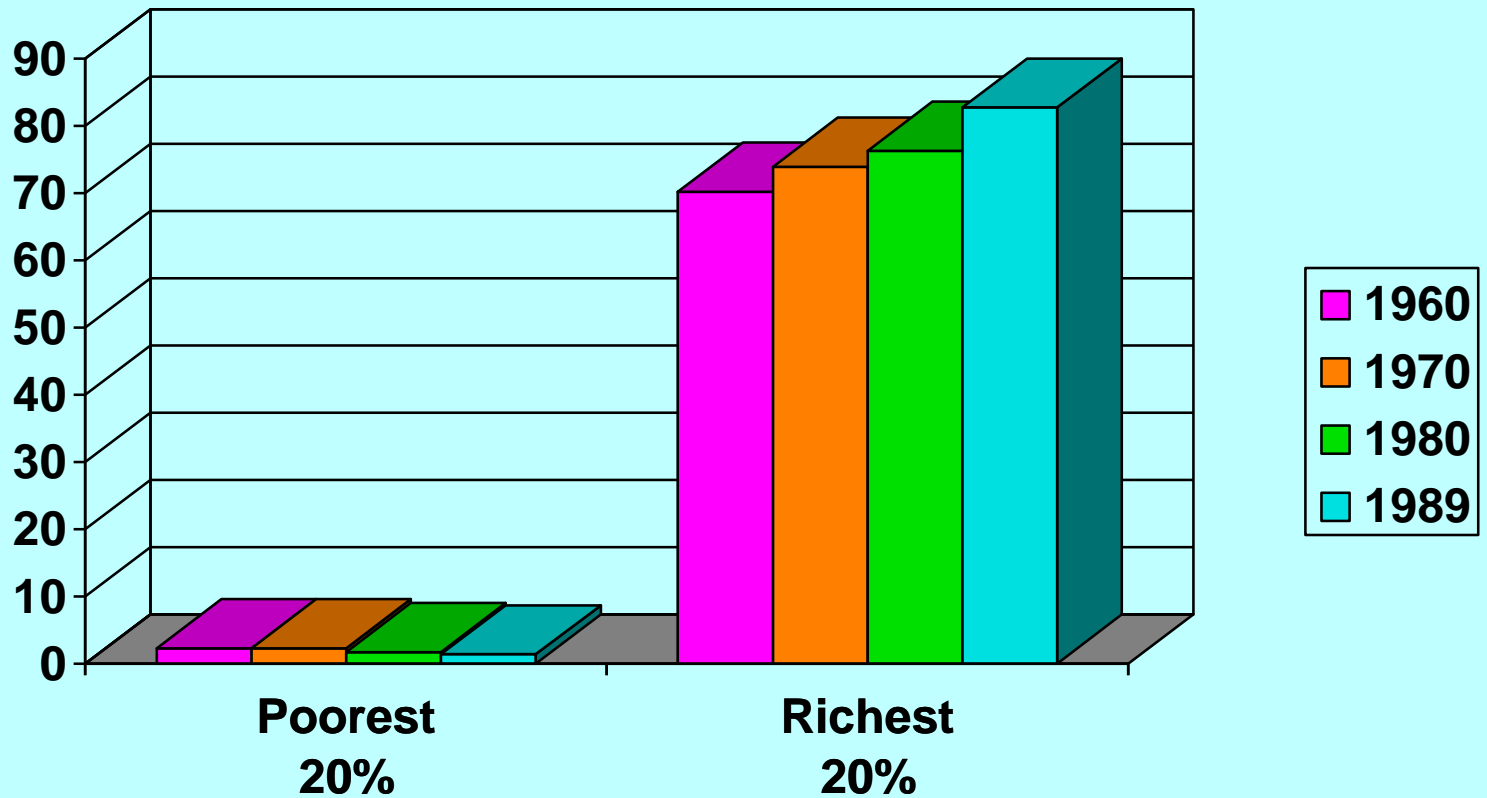
Capitalism Today

The periphery consists of the rest of the less developed world in Africa, Asia, and Latin America.



Life on the streets of Calcutta. These people have their residences on the sidewalk. They cook, eat, and sleep here.

Share of Global Income



Capitalism Today

- The poorest 20 percent of the world's people had their share of global income drop from 2.3% to 1.4%;
- The richest 20% climbed from 70.2 to 82.7%.
- The ratio of richest to poorest went from 30 to 1 in 1960, to 59 to 1 in 1989.

State Socialism

Also called “Command Economies.” The world's first state socialist society emerged in 1917 when Russia underwent the Bolshevik Revolution and became the Soviet Union.

State Socialism

These societies are best termed “state socialist” because of the strong role that government plays in the direction of the economy.



State Socialism

In the classical exemplar of state socialism, the former Soviet Union, private property was almost completely eliminated, with the exception of consumer goods.

State Socialism

Thus, one can own one's house, car, or wardrobe privately, but one cannot privately own the mode of economic production.



Shortages of consumer goods have been a characteristic feature of stores in many socialist societies: empty shelves in yard-goods store in Katowice, Poland, 1988.

State Socialism

Most of the industrial sector and part of the agricultural sector (except for small plots of land) had been nationalized.



Despite the Communist Party's claim to govern in the interest of the working class, Soviet workers were denied the right to strike until 1989, but only in nonessential industries: Soviet miners striking illegally, 1989, for better food and a new national constitution.

State Socialism

- The very core of the Soviet economy was its state sector; all major industries were state owned and operated.
- This includes areas if mining, heavy construction, railroads, communications, power production, retailing, large cooperative farms, etc.

State Socialism

- The major means of production are thus publicly owned, and all employees work for the state.
- Industrialization in the state socialist societies has taken place under the close control of the state.

State Socialism

- In the Soviet Union, the major drive toward industrialization occurred from the late 1920s through World War II under the leadership of the Stalinist regime.
- In a very short time the Soviet Union was transformed from a largely agrarian society into one of the world's major industrial societies.

State Socialism

- The speed of the initial industrialization process in the Soviet Union, and the fervor with which the Soviet leaders carried it out, took a terrible human toll.
- Several million peasants were either killed or sent to labor camps in order to make the transition from agriculture to industry. This was one of the sorriest sagas in human history.

State Socialism

State socialism proved to be too rigid to sustain a viable advanced industrial society. When it came to the efficient production of consumer goods, more complex technology of computers and telecommunications, the soviet system proved to be incredibly inefficient.

State Socialism

- State socialist systems never achieved the high levels of economic prosperity characteristic of capitalist industrial societies.
- The GNPs of state socialist societies generally attained only about a third to a half of those of industrial capitalist nations.



Waiting in line for scarce commodities has been a daily experience in socialist societies: Muscovites waiting at a store selling fruit, 1988.

State Socialism

- It is also important to note that the state socialist societies depart significantly from the classical Marxian conception of socialism.
- The totalitarian political character of state socialism was not part of Marx's vision.

State Socialism

- Marx envisioned a society with a level of economic equality much greater than that of state socialist societies.
- He also thought of socialism as being relatively democratic in nature, as giving everyone a strong voice in the whole process of social and economic planning.

State Socialism

- The totalitarian character of state socialism is probably rooted more in the historical experience of Russia with Czars than in Marx.
- Although these states generally characterize themselves as Marxist, this is at best only a partial truth.

Democratic Socialism

- Also called “Mixed Economies.” There is a variety of socialism that has arisen in the Scandinavian nations, primarily in Sweden, Denmark, and Norway.
- To a lesser extent this variety has also arisen in such Western European nations as England and Germany.

Democratic Socialism

While their economies are still overwhelmingly capitalist, socialist parties came to occupy a dominant place in the government. These parties have had the express aim of reforming the economy so as to make it more just and egalitarian.

Democratic Socialism

The great bulk of production takes place for profit. There has been, however, some nationalization. Some heavy industries and utilities are owned and operated by the government.

Democratic Socialism

Although much production takes place for profit, the government considers that private companies should have a strong concern for the national interest. The welfare state is also much more highly developed in these societies.

Democratic Socialism

The government has entered into close collaboration with private business in order to manage the economy for the public good. The state closely watches over and helps to regulate prices, wages, interest rates, and so on.

Democratic Socialism

The Scandinavian version of "socialism" is in effect a reform of capitalism, and is also somewhat removed from the Marxist vision.

Democratic Socialism

Marx held that capitalism was incapable of being reformed, and that socialism necessarily involved the complete abolition of private property and the collective ownership of the mode of production.

Democratic Socialism

He would have taken a dim view of any social experiment designed to merely reform the capitalist system.