The Formative Period of Capitalism

Merchant capital is the original formula for the operation of capital. As soon as commodity exchanges develop to some extent, the complex network of ‘sales for purchase’, $c\rightarrow m\rightarrow c'$ (where $c$ represents commodities, $m$ money and $c'$ other commodities), invariably gives rise to ‘purchases for sale’, $m\rightarrow c\rightarrow m'$ (where $m'$ means more money than $m$), which represent the characteristic activity of the merchant. The reason is that the circulation of commodities always entails a development in the function of money, from that of a mere medium of circulation to that of idle funds (or what Marx called ‘money as money’, the meaning of which is best conveyed by the Japanese word *shikin*, a step before *shihon* or capital), which enables the separation of the act of sale, $c\rightarrow m$, from the act of purchase, $m\rightarrow c$. Money that becomes free from commodity exchanges due to this separation can then be used as ‘capital’ with a view to profiting from price differentials, occurring spatially as well as over time, in the commodity-economy. Merchant capital, the first form of value augmentation, thus develops in the hands of the middleman, who typically does not question (and so stays aloof from) the social relations under which producers and consumers operate.

The profit, which merchant capital realises in the process of ‘buying cheap and selling dear’, has the inherent character of *expropriatory gain*. Yet there is another aspect to it as well. To the extent that the price differentials, prevailing among the products of more or less independent communities, reflect differences in their conditions of production, the action of the merchant, who turns their products into commodities, cannot remain entirely neutral. More likely than not, the contact with the merchant will teach each community to evaluate its own capacity relative to that of other communities, and will end in efforts to raise its productivity. This is not to deny the fact that the accumulation of mercantile wealth originates in the trade of surplus products, but trade can easily be extended to involve necessary products as well, which, at times, may even be encouraged by the feudal ruling classes. Nor do merchants refrain from speculative transactions. Thus, as merchant capital ‘commodifies’ certain products of the community, the latter’s production-relations cannot escape erosion in one way or another. Yet, in general, the commodity-economy, which exercises this disintegrating effect on the existing relations of production, remained external to them. Because of its indifference to any particular mode of production-relations, the commodity-economy does not, for its
part, intend to impose any definite alternative. Thus, the nature of the new mode of production-relations, when the old mode yields to the sway of the commodity-economy, will depend entirely on the specific nature of the productive powers that have already been cultivated in traditional society. Unlike ancient societies which simply wilted away upon contact with the commodity-economy, medieval societies followed a different course. Here the contact with the commodity-economy enabled them to raise their own productive powers, and thus to secure an extensive conversion of labour-power into a commodity on that basis.*

*In ancient societies, the growth of mercantile activity often intensified the exploitation of slaves, which impeded progress in their productivity, eventually entailing a decline, if not a collapse, of the existing social order. In medieval societies, in contrast, manufacturing productivity, stimulated by commerce, was not only preserved but was further developed in the hands of small handicraft producers. It can be said that this enhanced productivity in manufacturing provided the basis for the evolution of new (i.e. capitalist) production-relations, when the peasant economy disintegrated. This is not to suggest that merchant capitalists could be smoothly transformed into industrial capitalists. Yet it does explain why merchant capital (without as yet becoming industrial capital) could successfully infiltrate the production-process of commodities.

Indeed, the accelerated expansion of the world market from the fifteenth century onward made it possible for the merchants to establish capitalism in England. The merchants, who had long been excluded from the production-process by feudal restrictions, took advantage of the loosening application of these restrictions as medieval society disintegrated, and gradually found their way to the position of dictating to the producers. The so-called putting-out, or commission, system (which organised ‘domestic industry’) allowed capital to infiltrate the production-process, and to secure control over it, albeit in an indirect fashion. Under this system, small-scale individual producers were guided by the merchant in supplying commodities to meet a large-scale demand of the market. These small producers, though formally retaining their medieval independence from the merchant, but increasingly unable to reassert it effectively, were in the process of being integrated into capitalist production-relations. Small producers, who were separated from agriculture, and who could no longer return to it, were particularly vulnerable to this process. At the same time, ‘manufactories’, which incarnated Marx’s manufacture division of labour, also made their appearance. This new method of production clearly implied a more advanced stage of the conversion of labour-power into a commodity, even though it never actually grew powerful enough to assume a dominant position,