

VOLUME XXV

NUMBER 1

Kyoto University Economic Review

MEMOIRS of The FACULTY of ECONOMICS
in
KYOTO UNIVERSITY

Peculiarities in Local Finance..... *Masao Kambe* (1)

The Growth of Iron and Steel Industry in

Japan and the Problems of Raw Materials (1)

..... *Kazuichiro Ono*
Heitaro Namba (11)

Capital Accumulation

—A Note in Reply to Professor Hideichi Horie—

..... *Maurice Dobb* (42)

APRIL 1955

PUBLISHED BY
THE FACULTY OF ECONOMICS
KYOTO UNIVERSITY
KYOTO, JAPAN

CAPITAL ACCUMULATION

— A NOTE IN REPLY TO PROFESSOR HIDEICHI HORIE —

By

Maurice Dobb*

19. 1. 55.

Dear Sir.

I am enclosing a short-reply to the article by Professor Hideichi Horie which you published in your "Review" for April 1953, in the hope that you may think it suitable for publication in a future issue of your "Review". I may add that I have informed Professor Horie that I should probably be sending this article, and he replied welcoming the suggestion that I should do so.

Your sincerity Maurice Dobb.

There is one point of criticism in Professor Hideichi Horie's interesting discussion of my views on the development of capitalism¹⁾ upon which I should like to be allowed to comment, if I may. This is the question of the so-called "primitive accumulation" and his criticism of my suggestion (in Chapter 5 of my *Studies in the Development of Capitalism*, §I) that this process had two phases. In his criticism of my notion of a second phase of so-called "realisation" of accumulated assets (which he regards as "metaphysical", "absurd" and "funny") he makes a number of pertinent points which deserve emphasis and which I am in full agreement. At the same time he has not quite adequately represented what I was trying say (no doubt with too little clarity) on this subject, and has ignored certain aspects of the actual historical process which are, I believe, important and have to be reckoned with.

In the chapter of my book (in its first section) where I touched on the theoretical aspect of accumulation I was principally concerned to combat what one might call the enrichment notion of accumulation: the view (associated specially with the name of Sombart) that enrichment of a group

* The author is lecturer at Turinity College, Chambridge.

1) "Dobb's Theories of Economic History", in *Kyoto University Economic Review*, Vol. XXIII, No. 1, April 1953, pp. 30-45.

or a class is of the essence of the process, and to stress instead that its essence, as precondition of capitalist production, was *dispossession*. On this Professor Horie does not comment. He may have treated it as too obvious to be worth mentioning. I presume, at any rate, that he would here agree with me. If so, I gather that his quarrel is that I did not go far enough in rejecting the Sombart-view, and that I failed to deny to enrichment any rôle at all, in addition to stressing that enrichment was an incidental aspect, not the essence, of primitive accumulation. It is quite true that I am unwilling to go so far as to deny enrichment any rôle in preparing the stage for capitalist production. That it played a certain part, if on the whole a subordinate part, cannot I think be denied, for reasons which I shall mention in a moment. If, on the other hand, Professor Horie does not wish to deny this, then he has to explain in *what* way enrichment had an effect; and I suggest that he cannot do this without bringing in the sort of events to which I was referring when I spoke of a "phase of realisation."

This question is, of course, connected with that of the "two ways" — the way of the small producer rising to be a trader and a capitalist, organising production on the basis of wage-labour, and the way of merchant capital turning towards production and financing (and to *some* extent organising) production. Professor Horie rightly points out that it could only have been those associated with the latter who, at an early stage of capitalism, were accumulating non-productive assets; and that for capitalists rising from among the petty producers "enrichment" mainly took the form of a ploughing-back of profits into new means of production. Thus there were two *sorts* of enrichment, each with its distinctive social and economic character. So far as the growth of capitalism took the first way, there was no *prior* phase of accumulation in the sense of acquisition and hoarding of non-productive assets (and hence no subsequent phase of "realisation"): enrichment and the expansion of capitalist production were concomitant, indeed conjoint, processes.

To dispose of the problem in this simple manner (as Professor Horie apparently does) raises, however, two difficulties. Firstly, I believe that we cannot ignore altogether the influence of Way No. 2 as an aid to the growth of capitalist production, at any rate in England at certain periods. It seems to me quite clear that Marx did not deny that it served "historically as a mode of transition" up to a point, even though he called No. 1 the "really revolutionary way". Evidently there was a complex interaction between these two ways; and at certain crucial periods Way No. 2 played a preparatory or accessory rôle in furthering the extension

of capitalist production, (a) by extending the market for the embryo-capitalists rising from among the small producers, (b) by financing the latter. At the most early stage (a) seems likely to have been the more important; but (b) to have been so inherently bound up with a relationship of *dependence* which it fastened on the small producer as very quickly to become obstructive and reactionary. Moreover, as regards both marketing and finance, the influence "from above" of merchant capital was apt to restrict and conflict with the interests of production in the degree to which it could rely upon feudal methods of dominating production (e. g. politically-enforced monopoly-restrictions of guilds and corporations); and this, again, was the more likely to be the case in the epoch when merchant capital was in alliance (if a vacillating ally) with the feudal ruling class. After the bourgeois revolution, however, financing of the producers of Way No. 1 by merchants and others was less calculated to imply dependence and to be restrictive; and it seems clear that in 18th Century England and at various stages of the Industrial Revolution a good deal of this occurred. Moreover, to say that some of the wealth of the "merchant-nobility" was later transferred into the hands of capitalist entrepreneurs is *not* to say that "merchant-nobility, money-nobility and landed nobility was to change into an industrial bourgeois."¹⁾

Secondly, even supposing that it is realistic to assume that the capitalist mode of production developed *exclusively* by Way No. 1, I find it hard to see how qualitative "leaps" in technique—in the forces and methods of production—such as those that we describe as the Industrial Revolution could have been financed; since expansion at such times would have had to be financed entirely out of current income, and the pioneer entrepreneurs of Way No. 1 were still, comparatively speaking, small-scale capitalists. Not till a much more mature stage was it possible for the main needs of "expanded reproduction" to be met by the re-investment by industry of current profits, or surplus-value (the so-called "internal financing" of modern discussions of the subject)²⁾; but not always even

1) Horie, *loc. cit.*, p. 42. Nor did I anywhere state or imply, so far as I am aware, that the "period between the middle part of the 16th century up to the early part of the 17th century was one of the disintegration of the feudal mode of production and was never one of the realisation of the capitalist mode of production" (*ibid.*, p. 42.) The disintegration of the feudal mode had been going on, of course, since the 14th Century. By the 16th Century there was certainly an "industrial bourgeoisie" rising from the ranks of the producers (though they were still quite small-scale capitalists), and capitalism was expanding at the time by an interaction, and (as Professor Horie rightly says) also a *conflict*, of the two ways.

2) C.f. Marx's definition of "primitive accumulation" as "preceding capitalistic accumulation; an accumulation, not the result of the capitalist mode of production, but its starting point." (*Capital*, Vol. I, trans. Moore & Aveling ed. Engels, p. 736.) See also, on the investment-problems and the 16th and 17th century, which delayed industrialisation: E. J. Hobsbaum, "Crisis of the 17th Century, II," in *Past and Present*, No. 6, p. 52.

then, as discussion in recent decades of the rôle of investment-banking indicates. In the second half of the 18th Century and the early 19th we know for a fact that progress along Way No. 1 depended on finance drawn (apparently) from wealth earlier accumulated from trade (regulated and monopolised as this was under the Mercantile System) or from the rents of land: in other words, from social strata previously enriched, grown conservative and standing apart from the active "captains of industry" who were developing production on a larger-scale, factory basis.

If this is true, there remains the question as to how this *prior* enrichment, whether of merchant princes, of usurers or of landowners (Professor Horie's "merchant nobility, money nobility and landed nobility"), came later to make a contribution to the expansion of capitalist production. It was to this problem that I was referring when I spoke of a "realisation phase"; and I am not yet convinced that it is the non-existent pseudo-problem which professor Horie takes it to be. To give a concrete example: it is commonly said (and Marx certainly believed it to be so) that the growth of capitalism in England was considerably aided and accelerated by the colonial "loot" acquired during the period of Mercantilism—in particular, gain and loot brought home from India by so-called "Nabobs" of the East India Company. It is not at all obvious how and why this wealth acquired from colonial exploitation helped on the expansion of capitalist production in England.¹⁾

So far as such enrichment and accumulation was something prior in time, and separate from, the expansion of capitalist production itself, it could only have consisted of the acquisition of existing assets (such as land and houses, bonds and precious metals): in other words, of a concentration or transfer of ownership of the latter. If these assets were concentrated originally in the hands of the feudal class or its allies (merchant princes etc. of the Tudor and Stuart period), they had subsequently to be transferred into bourgeois hands (e. g. the confiscation and sale of royalists' estates during the Commonwealth). But even when this concentration was initially in more or less bourgeois hands (e. g. the Whig aristocracy of the 18th Century), there remained the necessity for the assets accumulated to pass into *active* bourgeois hands—the hands of those who were actively organising the expansion of new form of production and trade. Some large landowners, it is true, themselves became promoters of improved capitalist farming on their estates in 18th Century England; others

1) Another example would be the growth of the public debt which Marx called "one of the most powerful levers of primitive accumulation" (*op. cit.*, p. 779). How did enrichment of bondholders assist capitalist production?

directly financed mining enterprises on their properties. But in the main it was not those originally enriched who put their wealth directly to the service of production: the use of such accumulation to promote capitalist production was indirect and at second hand.

Besides transfer, something else is needed; for it is obvious that the acquisition of assets such as bonds or country houses or precious metals cannot directly enable an entrepreneur to expand production. To enable him to do so, such assets must be "realised" and turned into the liquid funds wherewith actual *means of production* can be purchased. This is what I mean by the completing "realisation phase" *per se*.

It is easy enough to see what this process means in any individual case. The individual simply has to find a purchaser or else someone who will lend to him on the pledge of such assets as collateral security. What is less easy to see is what it means on a social scale. For if everyone is simultaneously realising such assets, their value will fall (and their owners be consequentially impoverished) unless there are numerous potential buyers for them, ready at least to be attracted into the market at the first sign of a fall in price. Professor Horie asks the pertinent question: to whom are the assets sold which have been the object of previous accumulation? But he seems to think that he has exposed the unreality of such a realisation phase by stating simply that they cannot be sold (by the bourgeoisie) to *another class*, since this would imply the existence of "a class which buys non-productive assets only" (p. 41). Maybe they cannot be sold to another *class*—although there may well be *remnants* of a former feudal nobility still sufficiently prosperous to acquire some of them out of income. But the bourgeoisie as a class is not homogeneous; and it may quite possibly happen that certain strata of it, perhaps growing reactionary, *rentier-like* and remote from production, are acquiring a taste for such assets (e. g. retiring to country houses and a bondholder's income) at the same time as rising and active strata of industrial capitalists are desirous of selling them. Again, some of the more movable types of asset, with a world market, such as precious metals can be exported: a practice which has bridged a crucial phase of a process of industrialisation in more than one country by paying for the import of raw materials and capital goods. Finally, of course, there is the rise of the institution of banking: an institution that will take deposit of precious metals, mortgage land, and on the security of bonds and other collateral lend the means wherewith reserves of labour power and untapped productive resources generally may be harnessed to production. One could say, indeed, that the historical rôle of banking at the period of efflorescence of capitalism was that of an institu-

tion ready to buy, or to "liquify", illiquid assets. In England, however, at the time of the Industrial Revolution (unlike countries on the Continent of Europe later) banking as an institution for anything more than short-term lending was quite undeveloped; and the decentralised system of small "country banks", which grew up to supply the needs of rapidly expanding trade and industry, proved to be weak and unstable, subject to periodic epidemics of financial crisis and bankruptcy.

I do not pretend to know what is the actual historical answer to this question as to how previous bourgeois enrichment aided the rapid expansion of capitalism in the course of transformation into factory industry (a rapid acceleration of growth that had the character of a discontinuous leap forward). But I do not think it is an entirely pointless question; and until more actual research has been done to disclose the concrete answer, with this problem specifically in mind, I believe that an important gap in our explanation both of "primitive accumulation" and of the Industrial Revolution will remain unfilled.

Summing up, one can accordingly say that from the standpoint of society viewed as a whole the problem is *only* one of untapped reserves—in particular, a reserve of proletarian labour power—except where an export of hoarded wealth (e. g. gold) is involved. On a social scale, expansion of production, and with it of "productive consumption", can *only* be financed by investment out of *current* income (or output). From an individual standpoint (or from the standpoint of those sections of the bourgeois class that were active entrepreneurs of the new industry) there *is* a problem, however: a problem as to how they can mobilise investible resources so that production can be expanded ("expanded reproduction" proceed) more rapidly than would be possible out of their own current profits. This they can only do by borrowing on some kind of security or else by selling to others previously accumulated wealth (i. e. previously accumulated by themselves, or if accumulated by others then subsequently transferred by some process into their own hands). The more "democratic" (in the sense of *parvenu* and small-scale) is this active pioneering section of the capitalist class—the capitalists of Way No. 1—the *more* does this constitute a problem (and not less, as Professor Horie seems to imply).

In conclusion, I would again stress that in this Note my emphasis has been, on the whole, the opposite of that in my chapter on "Capital Accumulation and Mercantilism". There my emphasis was that prior accumulation of wealth *per se* could not aid the growth of capitalism (that is, unless at some later stage such wealth was disposed of and "realised"; and that the essence of the matter was the *dispossession* which accompanied

concentration of ownership. But if the latter were all that could be said about this preparatory stage, the word *accumulation* would be a misnomer. Since I do not think that dispossession is the *whole* of the story, and believe that prior bourgeois enrichment played a contributory rôle at least, I have tried to redress the emphasis here by pointing out where and how enrichment exercised such influence as it had, which is to my mind the same thing as saying that there was a problem of certain bourgeois strata "realising" previously acquired assets.