

Let's Compost Capitalism

Commentary Session 3 So what is the system? It's called capitalism.

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Welcome back to Let's Compost Capitalism, and thanks for joining me for Session 3 So what is the system? It's called capitalism.

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As we saw in Session 1, the disastrous consequences of capitalist production are obvious throughout every part of the planet. Its poisonous spores penetrate everywhere. There's a growing awareness that it can't be allowed to go on wrecking our life support systems and triggering pandemics, driving billions into extremes of poverty whilst enriching a tiny minority.

But what is it, exactly? Unless we can identify it, understand it, tie it down, we have little – or no - chance of stopping it in its tracks, getting rid of it, transforming it into something else through **composting** or some other process.

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Let's begin to zoom in a little closer

- Capitalism is an economic system in which goods and services are produced for profit
- It's a social system founded on class divisions : the means of production and distribution are held in private hands
- It has a social and legal framework defining ownership and employment
- It's a system beset by periodic crises, which have given rise to two world wars, fascism, a series of revolutions.... and the age of the pandemic
- Since the end of the second world war there have been two distinct periods: Keynesian recovery and collapse, and Neoliberal recovery and decline

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So what is capitalism?

It's a social, economic and political system with a beginning, a middle..... and an end.

Like any social and economic system it is the way in which society produces what it needs to reproduce itself.

Using the proceeds of the enclosures, slavery and the system of indentured labour that replaced it, the modern capitalist system started to become dominant, in Britain around 250 years ago, with the 18th century industrial revolution.

From the outset it has been in transition, constantly driven to shapeshifting by its internally opposed, contradictory forces.

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In a more limited, economic sense, capitalism is

a system of production and distribution of commodities in which privately-owned companies compete with each other for profit.

When we talk about **commodities** in capitalist society, we're referring to goods and services produced by human labour for sale in the market.

From mobile phones

to their components and the giant containerships.....

that carry them both around the world, along with myriad other products; from the smallest items of saleable digital data to the gigantic server farms where they are stored, from an hour of childcare to a gym subscription, an insurance policy or a visit by a plumber to fix a leaky tap, or a dose of vaccine, the list of commodities is infinite and lengthens by the minute.

Producers go to great lengths to differentiate their products from similar, competing ones available from other producers in the market.

People who buy commodities for their own use are called consumers. The exchange of money for commodities stands out as a defining, dominant feature of human interaction in capitalist society. We'll be looking into that in detail later in the course.

Q. Is there something about knowledge products/digital content that differentiates them from food, or fuel, or clothing?

Q. Where is the commodity in using social media for free?

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In capitalist production, the owners of capital – accumulated wealth in the form of money – become 'investors', they use their wealth to buy their way into the production of commodities which are offered for sale on the market.

Capitalist owners expect that the money they get from sales will turn out to be greater than the amount invested.

It's why they are in business.

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As of 2021, Walmart remained the largest company in the world by revenue. The supply of commodities to 'end users' or 'consumers' in many parts of the world by retail giant Walmart has made it the world's biggest corporate earner of revenue throughout most of the 21st century.

In 2017 it was the tenth largest economic entity in the world, with higher revenue than every other corporation and most countries in the world other than these 9.

They seem to sell everything you could want including Karl Marx's Capital and Groucho Marx's glasses.

The scale of their operation underlines the importance of commodities in capitalist society.

We'll look deeper into the commodity later in the course.

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Capitalism is, in many ways, the class struggle

but it's nothing like the game this antidote to Monopoly might suggest.

It's an economy in which the employment contract ties owners of *capital* to workers in a struggle between the two classes.

To make a living, workers can only... sell their ability to work to the capitalist employer owners of capital – the means of production.

The way in which people make a living and in particular their law-governed relationship to 'the means of production' has a profound influence on the character of the society they live in.

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In feudal society it was all about the land – the means of production.

The laws governing the relationship to the land bound the people who tend the animals and do the digging to those who own or like these vassals temporarily held and controlled it.

Peasants were anything but free.

Sometimes the vassal or lord owned and could sell the peasant, like slaves, independently from the land, but, often, the peasants were legally a part of the landed estate, inseparable from it,

It was a society of land-owning aristocrats exploiting the labour of peasants.

Feudalism was the predominant form of social reproduction in many parts of the world - especially Europe -for many centuries.

The long-drawn out breakdown of feudal society – partly as a consequence of repeated occurrences of the Black Death – the plague pandemic of the time - involved the enclosure of common land and the forcible removal of peasants who became notionally ‘free’.

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Today, 600 aristocratic, British landowning families have morphed into super-rich investors, tied to the fortunes of capitalist social relations.

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In slavery, people, deprived of most rights, are the property of others to be used, forced to work and disposed of when no longer useful. The wealth accumulated from the transatlantic trade of an estimated 12 million slaves – many from West Africa, the exploitation of their labour and the products of that labour were instrumental in the development of the industrial revolution.

When slavery was abolished, many slaves were replaced by indentured or bonded labourers contractually tied to employers to work on sugar, cotton and tea plantations, and rail construction projects in British colonies in the West Indies, Africa and South East Asia.

From 1834 to the end of the WWI, Britain transported about 2 million Indian indentured workers to 19 colonies including Fiji, Mauritius, Ceylon, Trinidad, Guyana, Malaysia, Uganda, Kenya and South Africa for a fixed period usually of five years. Often the promise of land and a small wage failed to materialise.

Abolition meant that many others were, like former peasants, ‘freed’ - but left with no choice but to sell their ability to work, to become wage-slaves or labourers. The former slave-owners received huge amounts of compensation enabling many of them to set up as bankers, merchants or capitalist investors in the industrial revolution.

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Capitalism is all about ownership

In contemporary capitalist society so-called 'free' labourers can - generally speaking - only earn a living if they sell their ability to work to the few who own and control the factories, the offices, the transport and communications networks and the land.

As we've seen, many sources define capitalism as 'privately-owned production of goods and services for profit'.

So that gives us several more questions: ... What is 'ownership'? What is being owned? .. and how does ownership relate to the major class divisions?

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There are people who own capital - the capitalist class - and there are the rest of us, who don't.

The owners of capitalist companies own both the means of production **AND** – and this is really important – they own..... .. the commodities which are produced by the workers employed by their companies.

Workers own nothing but their ability to work which they can – and must - sell to their employer in exchange for wages and 'benefits'.

[The distinction between private and public ownership has become less clear over time but, put simply, 'private' means not owned by the state or other public body.

There are private individuals, and confusingly, so-called 'public' corporations which are really private, issuing shares for sale to the public on stock exchanges like the London Stock Exchange; and there are 'private' companies, less open to public scrutiny, in which shares are bought directly (in private) – or given to family members for example, with restricted possibilities for exchange.

More than 50% of Walmart is owned by the Walton family. The remainder of its shares are traded publicly which means anyone with money to invest can buy them.

And then there are 'public' institutions – owned by governments or states, bodies like the NHS and the BBC operating with a degree of independence from the state - but even these are increasingly infiltrated by private sector, for-profit organisations.]

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Legally-speaking it's the limited liability company that owns the assets....

Owning shares in a company gives the share-holder the right to a share in the profits.

Whilst there are some very rich individuals – like Elon Musk, Jeff Bezos, Bill Gates and Mark Zuckerberg who own shares in the companies they've created, the vast majority of the wealth of the big corporations that dominate today's economy is owned or controlled by financial institutions. ...

These include wealth and investment managers, pension funds and insurance companies, all of which act on behalf of their customers, attempting to maximise the income derived from owning shares and lending. ...

They wield enormous power over the players in the 'real economy' forcing them to maximise profits above all.

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Ownership in capitalist society gives the owners – the capitalist class - rights *and obligations* to use the capital – the wealth they've accumulated, to buy the productive resources: mines, factories, machines, tools, office blocks, information technology, trucks and ships, and most importantly the labour needed to produce goods and services from them, and to sell what has been produced at a profit.

The forms of ownership of capital and the raising of new investment evolve quickly but the essence – making profit – remains the same.

And this primary objective increasingly conflicts with other urgent priorities...

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The system functions by extracting profit from the creation of 'value' by labour through exploitation of workers and natural resources

...It rewards shareholders with a share of the profits, and

.....it accumulates capital for further investment

....This ACCUMULATION is the starting point of the growth spiral

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So, how does it work?

Mainstream economists say that profit is the difference between the cost of production and the amount generated in sales.

Or they say it is the reward gained by entrepreneurs for risking the capital they own.

What they don't do is explain where the profit comes from.

Marx explained that profit consists of unpaid labour

And.... ... resources/raw materials taken from Nature *WITHOUT REGARD TO THE CONSEQUENCES*

We'll explain that more in section 4.

Be patient!

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Capitalism is an economic and social system, it has developed a social and legal framework defining, governing and enforcing ownership and employment

So, capitalism is an economic **and** a social system - a set of social relations, the social relations of production [and reproduction].

The social relations of property and employment are enshrined in law which you'll learn about in the Unit devoted to the state.

Much of the law governing the social relations of capitalist society can be found in the

Companies Acts

Including Royal Charters which gave the rights to trade

Joint-stock companies – legitimising and regulating the socialisation of ownership through selling shares

Limited Liability which protects companies from their creditors.

The legal structure of the company acts as a protective barrier between the owners and its employees, customers and suppliers.

Employment Law defines the rules governing the employment contract between the company and its employees

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No laws can prevent the crises which, as we shall see, arise inevitably from within the process of capitalist production.

...From the start of the 20th century, ...

alternating periods of economic booms and catastrophic busts resulted in...

two world wars ...

...long periods of fascism in Europe

....a series of revolutions

And two major pandemics separated by a century

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Capitalist production was returned to profitability by the destruction of World War II, and the adoption of policies promoted by John Maynard Keynes at the establishment of the Bretton Woods Agreement in 1944.

This was an international system of rules aiming to stabilise the relationship between national economies, and institutions - including the International Monetary Fund - to manage them.

State intervention including nationalisation of basic industries and control of the money supply enabled a period of growth that lasted until 1971, just 27 years, until it broke down.

The present period known asNeoliberalism, began, in 1973, as it meant to continue, with the US-supported overthrow of the Chilean liberal-democratic government of Salvador Allende, and the installation of General Augusto Pinochet at the head of a brutal military dictatorship.

We'll look more deeply at the rise and fall of neoliberalism later in the course.

We look forward to being with you again for session 4, when we'll delve deeper into the essential features of capitalist production.