

WILL CAPITALISM SURVIVE?

by Fernand Braudel

I A Long Life

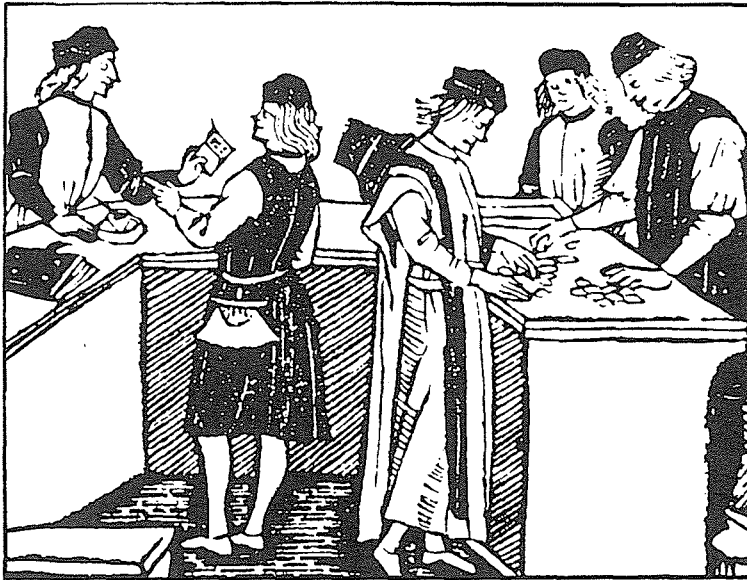
Capitalism as a potential force emerges from the dawn of history, developing and perpetuating itself over centuries. Well in advance, there were signs heralding its arrival: the take-off of cities and exchanges, the appearance of a labor market, population density, the diffusion of money, long-distance trade.

When India, in the first century of our era, seized the far-off Indies, or at least penetrated it; when Rome held the entire Mediterranean and more under its sway; when China, in the 9th century, invented paper money; when the West, between the 11th and 13th centuries, reconquered the Mediterranean; when, with the 16th century, a "world" market began to take shape—at all of these times the "biography of capital" was being written, in one way or another.

In search of capitalism's origins, some historians refuse to go back much beyond the 16th century. Many prefer to draw the line at the 18th century, identifying capitalism with the prodigious burst of the Industrial Revolution. But even in this "short" perspective, there are three to five centuries involved; we are looking at a structure of long duration. Sometimes, rarely, great ruptures intrude, and the Industrial Revolution is certainly one of them. But capitalism has remained fundamentally recognizable over the years. Indeed, this is one of its chief traits: Capitalism maintains itself precisely through change itself. It feeds on change, always adapting itself to the limits that, in different eras, define the rewards and possibilities of the economy of men.

Just as it is wrong to imagine that capitalism is a newcomer, so it is an error to suppose that capitalism grew by stages: first precapitalism, then, seriatim, merchant capitalism, industrial capitalism, and financial capitalism, with "real" capitalism coming late, after its seizure of the means of production in the 19th century. In fact, the great "merchants" of the preindustrial era never were so specialized. They dabbled—simultaneously, successively—in commerce, banking, high finance, market speculation, even manufacturing.

The coexistence of several forms of capitalism was already



Courtesy of Thames and Hudson Ltd.

A bank in Florence, 1490.

apparent in Florence in the 13th century, in Amsterdam in the 17th, in London from before the 18th. When, at the beginning of the 19th century, technological advances made manufacturing a sector of great profit, capitalism, to be sure, adapted to it in a big way. But the capitalist always kept his options open. When, in England, increasing competition began to chip away at the profitability of textiles, capital flowed to steel and the railroads. There was a resurgence of finance capitalism, banking, speculation, international trade, colonial exploitation. Look at the Wendel family in France: They were simultaneously owners of iron forges, bankers, clothiers in the Vosges, and outfitters of the French military expedition to Algeria in 1830.

In short, the principal privilege of capitalism over the centuries, today as yesterday, remains the freedom to choose. And because it can choose, capitalism has the ability, at any moment, to change tack: That is the secret of its vitality.

Such agility cannot, of course, shelter capitalism from *every* risk. At times of great crisis, many capitalists go under. But many others survive, and others still enter the ranks from below. The historian d'Avenel was astonished—and rejoiced—that wealth, over time, passes from hand to hand, so that different “races” of unrelated landowners succeed each other upon a

single piece of real estate. This is what happens with capitalism. Even as it changes, it has an infinite ability to replace itself. Consider the words of Henry Hope, an Amsterdam businessman of some importance, who remarked of trade in 1784 after the fourth Anglo-Dutch War that "it often falls ill, but it never dies."

II Society Envelops Everything

It is the greatest of mistakes to contend that capitalism is simply "an economic system" without acknowledging that it is on a nearly equal footing with the state and always has been; that it is buttressed by the culture within which it operates for the simple reason that culture, whatever its contradictory currents, is rooted in the status quo; and that it props up a society's dominant classes since they, by defending capitalism, defend themselves. Capitalism cannot be extricated from the society in which it is embedded; money, government, culture confront one another but support one another all the same.

Which of these dominates? The answer must be: now one, now the other.

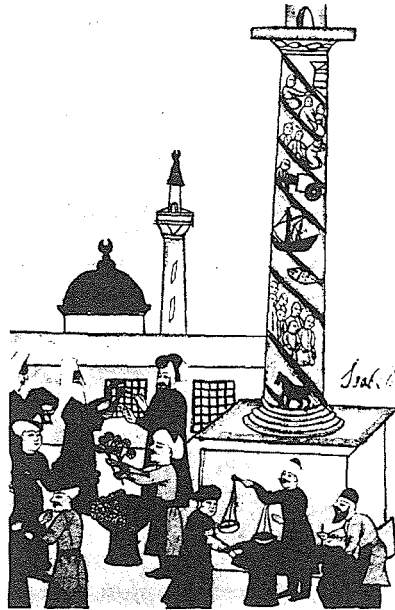
Businessmen these days are quick to charge that government is currently in the driver's seat. There is certainly no lack of solemn observers who speak of the state as the Beast, crushing all and robbing the private sector of its initiative, robbing the innovator of his freedom. And the Beast, they say, must be forced back into its cave.

Just the opposite may be said as well: that capital itself is permeating everything, rolling over everything in its path.

Let us not deceive ourselves. State and capital—or at least that of the massive firms, the big companies, and the monopolies—make good bedfellows, today as yesterday. And capital, right under our noses, makes out rather well. To the state it has left, as in the past, those tasks that are unrewarding or too costly: maintaining a highway system, communications, the army, education, research. It has granted the state responsibil-

Fernand Braudel, 77, is director of the Maison des Sciences de l'Homme and a former Wilson Center Fellow. He was educated at the Lycée Voltaire, Paris, and the Sorbonne. He has been a member of the Ecole Pratique des Hautes Etudes since 1938, and since 1949 has been a professor at the Collège de France. His books include The Mediterranean and the Mediterranean World in the Age of Philip II (2 vols., 1972, 1974) and Capitalism and Material Life, 1400–1800 (1973). This essay was drawn from Civilisation Matérielle, Economie, et Capitalisme, published by Librairie Armand Colin, Paris, in December 1979.

Traders in 16th-century Istanbul. "In the Islamic world, just as in Europe, the cities gradually stripped the villages of their markets, swallowing them up. . . . A whole network of credit and commercial organizations connected Moselm cities with the Far East."



Reprinted by permission of the Museo Civico Correr, Venice.

ity for public health and social welfare. It lives shamelessly off the conveniences, exemptions, subsidies, and liberties of the state, that machine for the collection of the enormous sums of money that flow toward it, sums that it redistributes. Above all, the state spends more than it receives and so becomes a borrowing machine. Capital is never very far from this deep and always flowing spring. This alliance of capital and state stretches across all modern centuries. When the state trips, capitalism falls on its face.

Capitalism's rapport with culture is ambiguous because it is seemingly contradictory. Culture is at once capitalism's accomplice and adversary. In the Germany of Martin Luther, the protests against the monopolies of the great firms of the Fugger, the Welser, and others, were quickly extinguished. Culture almost always comes back to protect the existing order, including capitalism.

Consider the student turmoil of 1968 in Western Europe and America. Herbert Marcuse, who involuntarily became the pope of that revolution, was correct in saying that "it is foolish to speak of 1968 as a defeat." It shook the social edifice and shattered customs. The social and familial fabric was sufficiently torn that new "lifestyles" appeared on all levels of society. In this respect, it was an authentic cultural revolution. And ever

since that time, capitalism, at the core of our shaken society, has been insecure, attacked not only by socialists and Marxists but also by new groups who attack power in whatever form it rears its head: Down with the State!

But time passes. A decade is nothing in the slow history of societies, but quite a long time in the life of individuals. Behold the protagonists of 1968 absorbed by a patient society, whose very slowness gives it a remarkable force of both resistance and absorption. Inertia is what it lacks least. That 1968 produced no "defeat" is certain; but an absolute victory? Indeed, do absolute victories or defeats really exist in cultural matters? The Renaissance and the Reformation appear to have been two magnificent and long-winded cultural revolutions. Yet, everything calms down eventually. The wounds heal.

III Will Capitalism Survive?

While capitalism is going through crises and vicissitudes today in the West, I don't believe it is a "sick man" about to expire. Granted, it no longer inspires the sort of admiration that Marx himself could not suppress. It is no longer viewed, as by Max Weber, as a final evolutionary stage. But any system that might gradually replace it would resemble it like a brother.

And I doubt that capitalism will break down by itself, of "endogenous" causes. A breakdown would require an extremely violent shock from the outside—as well as a credible alternative ready to take its place. Every socialist victory so far has benefited from an exceptionally violent external shock—the Russian Revolution in 1917, the regimes of Eastern Europe in 1945, the Chinese Revolution in 1947. Moreover, these movements were buoyed by complete confidence in the socialist future. That confidence has since eroded. Capitalism, then, will not easily be overturned by speeches and ideological programs, or by momentary reversals at the polls. Economically speaking (I don't say *ideologically*), it may even emerge fortified.

We know what economic crises ordinarily led to in preindustrial Europe: elimination of dead wood, or of the little guy, *les petits*, the fragile companies spawned in times of economic euphoria. The consequences: an easing of competition, a new concentration of essential economic activities in a few hands, the hands of the great capitalists.

Nothing has changed today. In 1968, the president of Fiat, Giovanni Agnelli, predicted that "in 20 years, there will be no more than six or seven makes of automobiles in the world." Today nine automakers account for 80 percent of the world's car

production. At home and abroad, there is a reshuffling of the cards, a "new deal," but to the advantage of the most powerful. Herbert Marcuse was right: "Crises are essential for the development of capitalism; inflation and unemployment favor the centralization and the concentration of capitalism."

Centralization and concentration are, in effect, the silent builders and demolishers of our social and economic architecture. The present crisis is a very traditional one. In the course of readjustment, certain industrial activities atrophy or simply disappear. But new lines of profit are drawn at the same time, to the advantage of the survivors.

Great crises prompt a similar redistribution on the international level. There also the weak become weaker; the strong, stronger. Look at what has happened during the last few decades. There has been a shifting of the American economy from the Northeast toward the South and the West of the United States to the point where it is possible to speak of a "shift" of the center of the world from the Atlantic to the Pacific, around a kind of U.S.-Japanese economic axis. There has been a division of the Third World, between the new wealth of the oil producers and the poverty and accrued difficulties of everyone else. And, too, thanks largely to Western firms, particularly the multinationals, there has been increasing industrialization of these struggling nations that only yesterday were cast in the supporting role of mere raw-materials producers.

In sum, capitalism is not withering away. It is changing its tack, reorganizing its forms of domination. Its built-in advantages are enormous. It can choose the ground on which it will fight. Above all, unlike the theoretical alternatives vying for allegiance, there is a certain presumption in capitalism's favor simply because it is already here.

"Tradition and previous generations," Marx wrote, "weigh like a nightmare on the minds of the living," as well as, we might add, on the *existence* of the living. Jean Paul Sartre may dream of a society where inequality does not exist, where there will no longer be domination of one man by another. But no society in the world has yet renounced tradition and the use of privilege. The example of the socialist countries proves that the disappearance of a single hierarchy—the economic one—does not ring in equality, liberty, or even abundance. Even a clear-sighted revolution—Can there ever be one?—would have trouble demolishing all that has to be demolished while conserving what must be conserved: basic freedoms, an independent culture, a truly free market economy, and more than a little fraternity. That's a lot to ask.

IV Capitalism and the Market Economy

The great capitalist upsurge of the last century was seen by Marx and even by Lenin as eminently and soundly competitive. What is surprising is that this image (though long questioned by economists) is still the common coin of politics, journalism, and the classroom. Already, before 1929, Keynes spoke of imperfect competition; contemporary scholars go further. As they see it, there are market prices and monopoly prices, in other words a "competitive sector" and a monopoly sector—a two-tiered economy. Up top are the monopolies, underneath is the competitive sphere occupied by small and medium-sized businesses.

Though the distinction is not yet made in common usage, the practice of alluding to the upper-tier alone as "capitalism" is gaining ground. Capitalism has come to be regarded, more and more, as a *superlative*. Capitalism does not mean the shop where I buy my newspaper; it means the chain which supplies it. It does not mean the artisans' workshops and the small independent businesses known in France as "the 49" because they prefer, given various legal and tax disincentives, not to surpass the onerous benchmark of 50 employees. These small businesses, these miniscule units, are legion. Sometimes, en masse, some wide-ranging crisis brings them to our attention.

Thus, during the two decades leading up to its climactic crisis of the 1970s, New York City, then the industrial center of the world, witnessed the decline, one after another, of those small businesses, many with fewer than 20 employees, that were its commercial backbone: the garment industry, printers, food processors, contractors—in other words, the whole "competitive" sphere. Once, these thousands of businesses provided New Yorkers with everything they wanted, all manufactured and stored on the spot. But Big Business supplanted and destroyed them, preferring new factories located outside the city.

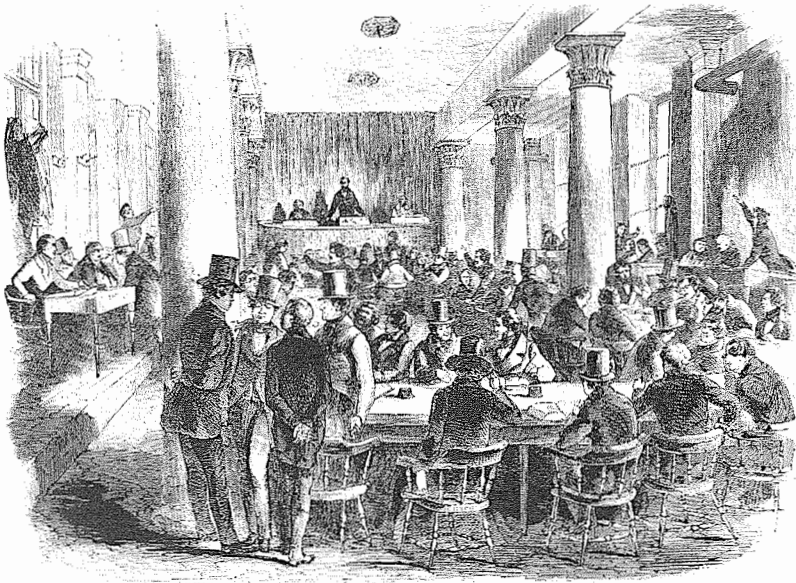
Sometimes we notice the competitive economy not because it is suddenly gone, but because it is thriving against all odds. Prato, a large textile center near Florence, is the best example I know of, a real oasis of very small and lively businesses, with a corps of skilled craftsmen attuned to fashions and trends. The great Italian textile firms are currently in a slump, yet Prato boasts full employment.

My purpose here is not to enumerate examples but only to point out the existence of a lower tier—and a considerable one at that—of the economy. Don't think that capitalism is equivalent to the economic structure as a whole, that it encompasses whole

societies. The workshops of Prato, like the printer going out of business in New York, are not part of "capitalism," either in social terms or in terms of economic management.

The market economy does not encompass *everything* left alone by capitalism. There also exists today, as in the 18th century, a third, or "basement," tier of the economy that accounts for perhaps 30 to 40 percent of all activity within industrialized countries. This volume is the sum total of all the activities outside the market and the control of the state: evasion, smuggling, barter in goods and services, moonlighting "off-the-books," and, above all, work performed at home that, for Thomas Aquinas, was the *economia pura*.

This "tripartite" model of the economy is as valid now as it ever was, and it compels us to revise our views on the existence of an economic "system" that is capitalist from top to bottom. There is, on the contrary, a lively dialectic between capitalism and everything beneath it. The truth of the matter is that capitalism *needs* units smaller than itself, mostly to dispose of a thousand-and-one chores indispensable to the life of every society, chores for which capitalism, as I define it, has neither the taste nor the talent.



Library of Congress.

The New York Stock Exchange, 1850.

The relationship between capitalism and its lower tier is not strictly of an economic nature. Government policy intrudes. Since World War II, for example, several European countries have deliberately downplayed small businesses, which they consider a thing of the past, a sign of economic backwardness. So the state created such monopolies as Electricité de France, now a virtual state within a state. It is the big corporations that have received, and still receive, state credits and subsidies, even as banks tighten, under order, their credit to smaller firms, condemning them to stagnation and, finally, death.

There is no more dangerous policy. It amounts to repeating the fundamental error of the socialist countries. As Lenin said: "Small-scale commercial production gives birth every day, every moment, to capitalism. . . . Where individual enterprise and free trade exist, capitalism appears." To get rid of capitalism, one must pull up individual enterprise and free trade by the roots.

Lenin's remarks pay homage to the enormous creative power of the market, to the second tier, to craftsmanship and "know-how." This creative strength, too, is a safety net during periods of crisis, war, of serious economic breakdowns. The second tier can always catch its breath: It is the realm of resources, of impromptu solutions, of innovations, even though the best of its discoveries eventually fall into the hands of the owners of big capital.

What I personally regret is the refusal of politicians to draw this distinction between capitalism and the market economy, or to present it as an all-or-nothing proposition, as though it were impossible to retain a market economy without giving free rein to monopolies, or to get rid of monopolies without "nationalizing" them outright. The program of the 1968 "Prague Spring" in Czechoslovakia—socialism at the top, freedom ("spontaneity") at the bottom—was designed as a double solution to an unsettling double reality. But what form of socialism can maintain the freedom and mobility of private enterprise? As long as the proposed solution amounts to a replacement of capital monopoly by state monopoly—thereby combining the faults of both—who can wonder that the classic solutions offered by the Left do not arouse much enthusiasm?