



**Lesson: Transition from Feudalism to Capitalism**

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## Introduction

As you know, Marx had discussed five modes of production- primitive community, slavery, feudalism, capitalism and communism. He further argued that the changes in the forces inherent in the existing mode of production would lead to a transition to another mode of production. In this chapter, we will analytically discuss the forces responsible for the transition from feudalism to capitalism. After discussing the characteristics of the feudal and the capitalist society, we will elaborate on the role played by the internal and external factors that cause this transition. It is generally agreed that the changes in the feudal system in the fourteenth century led to the emergence of capitalism. The chapter ends with a short note on the importance of colonies in this entire process of transition.

## Characteristics of the Feudal System

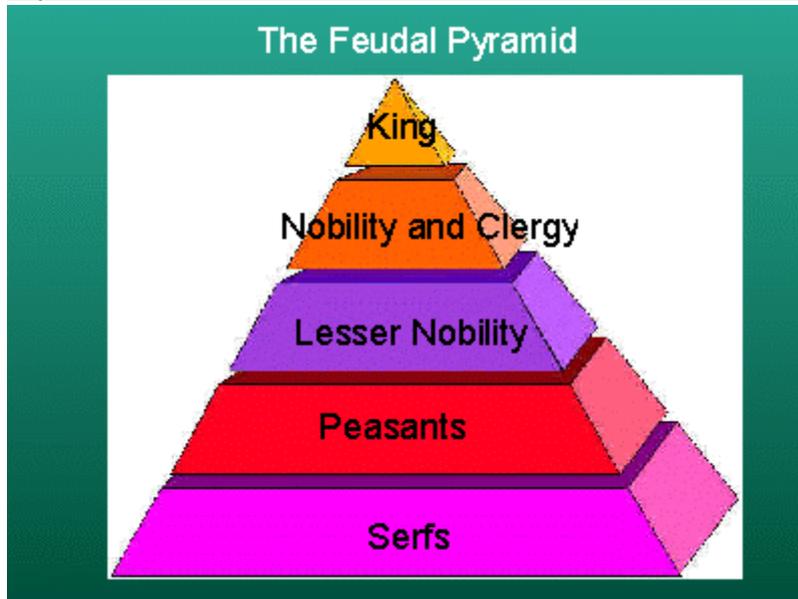


Source: [americaneedsfatima.blogspot.com](http://americaneedsfatima.blogspot.com)

The above illustration depicts a feudal society. It was an agrarian society. Production is undertaken for consumption. It was a subsistence economy. The nucleus of the society was the agricultural sector. All the other sectors tried to meet the needs of the agricultural sector. The urban centres existed in this system but they catered to the needs of the manor. The manor is the centre of the feudal system and the head of the manor was the feudal lord. Manor means the land allotted to the feudal lord by the overlord. The system had two classes: the serfs and the feudal lords. The feudal lords had land rights whereas serfs had partial control over their labour power and partial control over land. The serf was the real tiller of the land. He was supposed to work on the lord's land (demesne) and also on the plot of land allotted to him. The entire system worked on mutual obligation. The king allotted land to the nobles and the nobles were supposed to provide money and knights to the king. Similarly the feudal lords got the land grant and were supposed to provide protection and services to the overlords. Serfs

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were expected to till the feudal lord's land and his land (a small land grant from the lord) and in return the lord provided them protection. The king was the top and the serf was at the bottom of the feudal hierarchy. The largest land holding in the feudal time period was with the catholic church. But there is no evidence to suggest that the religious organisations were less oppressive than the secular ones. The following diagram captures the feudal hierarchy.



Source: [www.Culturaleducation.wordpress.com](http://www.Culturaleducation.wordpress.com)

The feudal lord also had some judicial power. He could act as an arbiter in matters relating to the serfs and even the serf and himself. In most cases in matters relating to the serf and the lord the decision was generally in favour of the lord.

The rights of serfs were hereditary. After the death of the serf the elder son would be the serf. Besides the economic control over the serfs, the feudal lord also controlled the sociocultural life in his manor, for example, a serf could not solemnize the marriage of his daughter without the permission of the lord.

Serfs, unlike slaves, were not separated from their families. But at the same time they could not change their land or the lords. This could be done if the land grant was transferred from their lord to some other lord. In this sense they were tied to the land.

Many towns coexisted with manors in medieval Europe. These towns were involved in manufacturing activities. The association of artisans, craftsman and professionals was called guild. The guild was responsible for the sale of commodities. If a person wanted to sell any good or services then he had to join the guild. The guild was more bothered about the salvation of its members than their economic betterment. This way it was responsible for the socio-religious aspects of its members, lives. The produce of the guild was sold to manors and to long-distance markets.



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### Characteristics of the Capitalist System



**Source:** anticap.wordpress.com

The above picture depicts the production process under a capitalist system. The system is characterised by a high degree of division of labour and specialization. In this system every worker does only a small part of the whole job. This way the worker cannot identify with the product of his labour.

The economic system after feudalism is capitalism. Hunt (04) notes four characteristics of the capitalist mode of production.

1. Market-oriented economy characterized by commodity production
2. Institution of private property
3. The majority of the population does not own means of production and sell their labour power for their survival
4. Ideological characteristics: individualistic, acquisitiveness, maximizing behaviour of most of the economic agents.

1. **Market-oriented economy characterized by commodity production**

Commodities are produced by human labour and have value because they have the ability to satisfy human needs or use value. At the same time they can be sold in the market for money. A worker may produce something which he may not use. The act of production and consumption can be separated in space and time. These workers may be geographically distanced from each other. For the smooth flow of the process of exchange one needs market and money. In the market place the producers of various products bring their goods sell them and buy their requirements. In this system money plays a very important role. All the transactions take place in terms of money because it is generally accepted in

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payments. Besides this one can also store value in terms of money. Unlike feudalism, where production was for consumption, in the capitalist system, production is for exchange.

- 2. Institution of private property** The private ownership of means of production (land, machine, tools, minerals etc.) means that a group of people in the society have the legal and customary rights to own, transfer and dispose of the property. Heilbroner<sup>1</sup> argued that this private ownership of means of production also implies that others cannot use that resource. Any transgression would be punished under the law. The other group, which is the majority of the population, has to work on these privately owned resources for their survival.
- 3. The majority of the population does not own means of production and for their survival they sell their labour power** In capitalism, labour is different from labour power. In the capitalist system it is the labour power, the productive power of labour, which is bought and sold, and not labours. Labour negotiations are contractual. The labour sells his labour power only for a specified time period and against that he gets wages. He is free for the rest of the day. Labour then buys goods and services from this wages to satisfy his wants. He can buy only a portion of his total produce. The capitalist takes over the rest of the produce. Labour is supposed to be free in this system but for his survival he has to work on the capitalists' resources. Labour is only free to choose the capitalist he would like



to work for.

Source: [www.anticap.worldpress.com](http://www.anticap.worldpress.com)

- 4. Ideological characteristics - individualistic, acquisitiveness, maximizing behaviour of most of the economic agents** The wages of the working class has been consistently increasing since late nineteenth and early twentieth century. The new ideology of the capitalist system is consumerism. It promoted the idea that the more material goods a person has, the better off he is. The income of the worker is not enough to buy the total product. The capitalist system encourages the capitalist to buy consumer goods in addition to the investment goods. Capitalists derive their

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<sup>1</sup> R. L. Heilbroner, 1987, "Capitalism" in the New Palgrave Dictionary of Modern Economics, Macmillan

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social power, prestige and position on the basis of the stock of the capital they own. In order to be more powerful in society, they constantly try to increase their stock.



Source : [www.flickr.com](http://www.flickr.com)

### **Transition from feudalism to capitalism**

The feudal society was an agrarian society. Hunt argued that the inner forces of the system caused the transition to capitalism. Agriculture formed the inner force of the feudal system. According to Hunt (04) the increase in agricultural productivity and in the size of the family of aristocrats led to the fall of the feudalism. Like Marx, Hunt also emphasizes the role of the internal forces in transition. Hunt mentions a few landmark changes in the agricultural sector and their impacts.

- a. Earlier, farmers followed a two-field system in which, half of the land was left fallow to regain fertility. Later they shifted to the three-field system, in which the arable land was divided into three equal parts. He notes, "Rye or winter wheat would be planted in the fall in the first field. Oats, beans or peas would be planted in the spring in the second field, and the third field would lie fallow. Every year there was a rotation of these positions."(p.10)
- b. In place of oxen the farmers started using horses, who were far more efficient, and the increased production of oats or fodder made it possible to support the larger number of horses.
- c. There was a drastic fall in the transportation cost of the agricultural products during the thirteenth century because of better and improved transport facility.

The abovementioned changes led to increase in population and a rapid rise of the urban centres.

### **Factors responsible for the transition to capitalism**

- **The increase in long-distance trade** Long-distance trade is considered to be one of the prime factors in the transition from feudalism to capitalism by economists like Paul Sweezy. Hunt counter argues that increased agricultural

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output and productivity provided surplus food and raw materials for handicrafts. It also led to the rapid growth of towns and freed workforce for the manufacturing sector. In due course, while reducing the wage goods constraint, the changes in the agricultural sector, freed the workforce from agriculture. The additional workforce and increased output of raw material provided a growth impetus to the industrial sector. All these were prerequisites for long distance trade.

Hunt further argues in both the young as well as the matured feudal states, trade did not lead to the dissolution of the manorial system. In the young feudal states trade was subordinate to the manors and in the mature systems the signs of weakening of the feudal ties started appearing much before trade became an integral part of Western Europe. In the latter states increased agricultural output could not keep pace with the increased size of the aristocratic families which strained the relationship between feudal lords and serfs. In this situation, trade had only expedited the fall of the feudal mode of production.

Hunt (04) argued that even in the earlier part of the feudalism trade flourished in northern and southern Europe, while the rest of Europe had a feudal system. He states that the holy crusades from France were also the outcome of its internal forces. They worked as a safety valve against its domestic unrest.

The spread of trade caused some important changes in society. First, in the medieval time period, exchange took place at the annual trade fair, where people could exchange one commodity for another. The commodities could be grain, salt, spices, brocades, gold diamonds etc. by the fifteenth century these fairs were replaced by a round-the-year market. Secondly, these new emerging cities were free from all feudal ties. Similarly, unlike the feudal artisans the new artisans severed all their ties with the agricultural activities. Thirdly, in these upcoming trade centres the new and "complex systems of currency exchange, debt clearing, and credit facilities, and modern business instruments like bills of exchange came into widespread use."(Hunt, p.13). Fourthly, unlike the manorial customs and practices, now commercial laws started taking shape to deal with commercial crimes. At the same time capitalist negotiation, contracts, etc. started being formalized.

- **Putting-out system and the birth of the capitalist industry** In the feudal system, the artisans and craftsmen worked with their own tools and raw materials and within their own precincts. They were the masters of their product throughout the production process. They finally sold their product to

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the merchant. With the rapid growth of trade merchants initially started providing raw material and tools to the artisans and they were supposed to give the final product to the merchant. The artisans were still working under their own roof. Throughout the production process, the merchant was the owner of the final product. In the later stage of the putting-out system the artisans were asked work at the place provided by the merchant. This marked the beginning of the present factory system. The textile industry was the first to experiment with it. Later it spread to all the other sectors. The putting out system brought about two important changes

1. It created a labour force which had little or no capital.
2. The labour had only his labour power to sell.

Both the characteristics became the salient features of the capitalist system.

- **Decline of the manorial system** Increased agricultural production initially encouraged the growth of trade and commerce. Later it led to the decline of the manorial system. The feudal lords started depending more on cities for their demand of luxury items. They needed money for the purpose. To meet their need for money they started renting their land to peasants in exchange for money rent. In this process they simply became the landlords and in most of the cases absentee landlords.

Peasants, on the other hand, found it profitable to sell their grain in the market for money and use this money to commute their labour services. This way they were free from all ties to the manor. They were free to sell their surplus in the market and pay the rent to the feudal lord. All these changes led to weakening of feudal ties.

The dissolution of manorial system was further aggravated by disasters of the fourteen and the fifteen centuries. The hundred-year war between France and England (1337-1453) caused unrest in these two countries. Next, the bubonic plague of the 1350s reduced the English population by half. As we know, any disaster affects the poor more. The nobility tried to overcome labour scarcity by revoking the commutation of labour services. But all their attempts to revive the feudal ties were in vain. In some cases, peasants even resorted to violent revolts.

- **Creation of the Working Class**

The dissolution of the manorial system and changes in the economy in the sixteenth century created a class which owned no means of production and were forced to sell their labour power to the owners of the means of production for wages. Only with these wages could they buy necessities.

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The peasants used to collect food, fuel and fodder from the village common land. By the thirteenth century the feudal lord started enclosing this land to meet the increased need for money. They used this land for grazing sheep. As a result the village people were denied access to this land. They moved to cities in search of jobs. Cities became a haven for these rootless people. Guilds in cities have started concentrating on the material well-being of their members. The unemployed started concentrating in the urban centres. There was strict punishment against unlawful farming and begging. These inimical situations created a working class.

- **Other forces in the transition to Capitalism**

The discovery of some navigation devices (compass and telescope) helped in the transport of heavy precious metals and later in colonization.

In the medieval times (1300-1500) money mainly consisted of gold and silver coins but the production of precious metals stagnated in Europe, causing a problem in transactions. The shortage eased when gold from the Americas travelled to Europe in the sixteenth century.

Europe experienced very high inflation during sixteenth century to the tune of 150-300%, depending on the region. The price rise was more for the manufacturing sector than for agriculture and wages. As a result farmers and wage earners suffered more capitalists. With higher profit, the capital stock of the merchants rose which, in due course, was reinvested and led to more capital. This way the process of capital accumulation progressed. The capitalist class earns profit from its capital stock and more capital means higher profit in the future.

This period is also marked by the appearance of nation states. The monarchs needed support from the emerging capitalist class to fight the war with the feudal lords. Capitalists provided resources to monarch to fight wars and in return the monarch promised them military support and freedom from various rules and regulations of the manorial control. In addition a system of uniform weights and measures was introduced.

The initial phase of capitalism is known as mercantilism. Mercantilism originated simultaneously with scarcity of gold and silver in Europe. Mercantilist policies attempted to keep the gold and silver within the country and discouraged its outflow. Spain which experienced maximum gold and silver flow from Americas imposed various restrictions on its outflow. It even announced death penalty for illegal

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exporters. But, to meet the requirement of trade, the merchant class managed to smuggle it out by bribing the government officials.

The government adopted various other measures to encourage the inflow of gold and silver. First, the domestic shipping and insurance agencies were promoted both for exports and imports over the foreign counterparts. Second, the government encouraged domestic monopoly because a single seller could have more control over price in the international market than if there were more than one domestic seller. In order to control foreign competition it even went ahead with the colonization of economic important regions. The export of raw material was also prohibited.

Imports to the European countries, especially England, were restricted. If an industry was unable to withstand the foreign competition then the government provided various types of support and subsidies to overcome the setback.

In the opinion of Hunt (04), the resources necessary for capitalism could have been generated from trade and commerce, the putting-out system and the enclosure movement.

Professor Irfan Habib (95) contends that inner forces of feudalism could not have given birth to capitalism. He argues that the exploitation and subjugation of other countries was essential for the emergence of capitalism in England and Western Europe. He discusses the nature of the economy in the period between the dissolution of feudalism and the emergence of capitalism (period between 1400 and later half of the eighteenth century) and critically analyses whether that system could change into capitalism.

During the transition period, the rent earning landlord class was still the dominant class. A small sector of commodity production also existed in this period. Dobb and other economists have called this as "petty mode of production period". In this mode of production with artisans and peasants, who had turned into small capitalists, even with hired labour could not have changed this mode of production to capitalism. Prof. Habib suggests that the petty mode of production could have intensified landlord coercion and extension of merchant capital at the cost of small producer's capital. This would only have delayed the onset of capitalism.

Capitalism requires labourers who could be hired and fired by the employers, and factories using machines. Machine-based division of labour is different from that in the previous modes of production. Factories dependent on machines became a dominant form of production in England by the early eighteenth century.

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As Prof. Habib argues, even technological development could not have generated enough resources for the capitalist system. He suggests that the resources required for the growth of the capitalist system could only be made available from the primitive accumulation involving internal exploitation or control over other economies, for example, colonization.

### Internal exploitation

Habib (95) opines that conversion of village common land into private property resulted in denying the peasants their customary rights over the village commons. Secondly, conversion of labour rent into money rent liquidated all feudal ties and created an army of landless labourers. This army of landless labour was free to join the industrial workforce. Availability of labour free of all ties is a prerequisite for industrialization. Habib continues to write that the rent revenue of the English landlords increased manifold in the period prior to the industrial revolution. The landlords deposited their extra earnings with banks and the banks invested some of these deposits to finance the construction of canals. The resources thus generated were definitely not enough to support capitalism.

Habib, along with Marx, argued that the pillage and exploitation associated with colonization provided resources needed for the emergence of capitalism.

### External exploitation

Habib mentions three constituents of the external exploitation between the sixteenth and eighteenth centuries.

- Spanish mining of silver and forced labour in the Americas
- Forceful transfer of Africans as slaves
- Levy of tribute on Asian shipping and land

England benefitted from all the above three types of appropriation.

- **Spanish mining of silver and forced labour in the Americas** Between 1518 (time of Spanish subjugation) and 1620, the Mexican population was reduced to 3%. One of the major reasons for the decline in population was the abject condition of labour in silver mining. Over a period of 150 years (1500-1650) approximately 112.5 metric tons of silver was transported. This led to inflation in Europe. As we already know, this inflation benefitted the merchant class more than the rent-earning class and peasants. The consequence of inflow of silver in Europe was the fall in silver price vis-à-vis the gold price. The Dutch and English merchant class benefitted the most from this silver inflow.

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- **Forceful transfer of Africans as slaves**

The drastic fall in population in the Americas led to a scarcity of labourers for plantation in Brazil, the Caribbean islands and America. The shortage of labour was compensated for by forcible transfer of labour from Africa to these areas. Prof. Habib provides empirical evidence in support of his argument. He states that between 1440s and 1860s 10 million slaves were transported of which approximately one million died on board. Sixteenth century witnessed the maximum slave trade. England was the main beneficiary of such trade. Prof. Habib further notes, "The slaves were put to work on the sugar, tobacco, cotton, coffee and indigo plantations on the tropical Atlantic seaboard and Islands of the New World, in which England by eighteenth century had carved out a considerable colonial empire." (p.22) There is evidence to suggest that the English textile industry developed faster because of slave trade.

- **Levy of tribute on Asian shipping and land**

The Indian tribute to England, approximately £4.93 million on the average annually during the 1780s, was used to buy slaves from Africa.

The colonial tribute consisted of mainly of wage goods, like tea, tobacco, rum and calico. It also included raw material like, silk and indigo. The immediate effect of this was to reduce the cost of production and thus help capitalist production in England.

As concluded by Habib (95), the emergence of the capitalist system was made possible by systematically annihilating peasantry and appropriating resources through colonial plunder. In his words, "Colonialism, in its harshest forms, was not a mere attendant process to the rise of capitalism, lit was one of its basic, inescapable premises." (p.23)

### **A short note on the role of colonization/imperialism in the emergence and propagation of capitalism**

Professor Habib argues that just as colonialism was necessary for the emergence of capitalism, imperialism, too, was necessary for the propagation of capitalism. In fact imperialism is considered to be the highest stage of monopoly capitalism by Lenin. A capitalist system is bound to experience a decline in its rate of profit. The tendency of a falling rate of profit could be countered by the policy of free trade, provided the free trade policy was followed with the less developed areas. Trade with some control yielded higher profits than otherwise. The use of the cheap labour of the colonies, like slaves and coolies, further increased the profit margin on the investment. The developed nations, other than Britain, followed a protectionist policy. However, the same rate of profit was not possible between two equally developed nations. Gallagher and Robinson

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(1953)<sup>2</sup> argued that, during the 1840s, while British politicians were discussing the policies of free trade, Britain had subjugated vast areas of Asia and Africa.

Rosa Luxemburg had argued that the trade between a capitalist country and a non-capitalist nation would generate surplus value irrespective of monopoly or finance capital<sup>3</sup>. Till the 1870s, Britain was the sole industrial nation and accordingly its policy of free trade was to its benefit and discomfort to other nations like Germany, France and USA, which were in the process of being industrialized then. After the 1870s, with more industrialized nations in the world, Britain also started following protectionist policies. In the late nineteenth century, one finds capitalist powers attempting to continue their control over the colonies and increase their dominance in the international market. The increased competition among industrial capitalist nations resulted in monopoly. In due course, this monopoly restricted output. The protectionist policies, resulting from the rivalries between industrial nations, caused an economic crisis in the late nineteenth century (the Great Depression from mid 1870s to early 1890s).

Capital exports to colonies could temporarily prevent the rate of profit from declining, and thus postpone the crisis. The emergence of finance capital augmented capital exports. Banks with the tool of credit creation redistributed capital in society in favour of the capitalist class. Banks received deposits from the people and on the basis of that it created credit on the basis of the received deposits and increased the supply of money in the system and this reduced the value of the deposits. The created credit was used by the industrialists. The increased resources with the capitalists along with finance capital further encouraged capital exports. This export of capital in future increased repatriation income and hence raised the capital stock with the industrialized nations--USA, England and Germany. The higher capital exports needed safe and secure destinations which were provided by the governments of the respective countries. This led to competition among the nations for greater economic control on the world market. Prof. Habib perceives the two world wars as a manifestation of this competition. The Second World War was also a war against communism. Accordingly the Second World War in the view of the author could not be only viewed as only as result of Hitler's whims and fancies.

In this topic we have discussed the characteristics of feudalism, capitalism, factors responsible for the transition to capitalism and its sustenance.

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<sup>2</sup> Quoted from Habib, I. (1995), "Capitalism in History", Social Scientist Vol.23. p.25

<sup>3</sup> R. Hilferding defines finance capital as "Finance capital is controlled by banks and employed by industrialists." Quoted from Lenin (1978), Imperialism, the highest stage of capitalism, p.45 (Moscow, Progress Publishers)

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### Exercise

1. Critically analyse the factors responsible for the transition from feudalism to capitalism.
2. Do you agree with the view that internal forces were the prime movers in the transition from feudalism to capitalism?
3. Critically analyse the following statement from Prof. Habib (1995), "There were two pillars of primary accumulation: internal exploitation, constituting, above all, the expropriation of peasantry; and external plunder, linked to global colonial dominance." (p.19)
4. Throw light on the proposition that while trade and commerce played an important role in the dissolution of feudalism, capitalism could not have become a dominant force without colonisation. (DU 2008)
5. Explain the proposition that emergence of capitalism from feudalism was not a natural internal process, subjugation of other economies was crucial to the formation of industrial capital. (DU 2013)

### Reference

1. E. K. Hunt (2004), History Of Economic Thought, M. E. Sharpe, Indian edition, Shilpi Publications.
2. Irfan Habib (1995), "Capitalism in History", Social Scientist, Vol.23. pp. 15-31.



