



Capitalist Chameleon

The history of capitalism is a story of constant change.

BY STEPHEN MIHM

WHAT is the nature of capitalism? For Joseph Schumpeter, the Austrian-born economist whose writings have acquired a special relevance in the past year or two, this most modern of economic systems “incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one.” Capitalism, Schumpeter proclaimed, cannot stand still; it is a system driven by waves of entrepreneurial innovation, or what he memorably described as a “perennial gale of creative destruction.”

Schumpeter died in 1950, but his ghost looms large over Joyce Appleby’s splendid new account of the “relentless revo-

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lution” unleashed by capitalism from the 16th century onward. Appleby, a distinguished historian who has dedicated her career to studying the origins of capitalism in the Anglo-American world, here broadens her scope to take in the global

THE RELENTLESS REVOLUTION

A History of Capitalism.

By Joyce Appleby

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history of capitalism in all its creative — and destructive — glory.

She begins “The Relentless Revolution” by noting that the rise of the economic system we call capitalism was in many ways improbable. It was, she rightly observes, “a startling departure from the norms that had prevailed for 4,000 years,” signaling the arrival of a new mentality, one that permit-

ted private investors to pursue profits at the expense of older values and customs.

In viewing capitalism as an extension of a culture unique to a particular time and place, Appleby is understandably contemptuous of those who posit, in the spirit of Adam Smith, that capitalism was a natural outgrowth of human nature. She is equally scornful of those who believe that its emergence was in any way inevitable or inexorable.

Appleby believes that intimations of capitalism’s rise first surfaced in the Netherlands, where an otherwise unremarkable country with few resources of its own managed to catapult itself to wealth and prominence in the space of a century. While Appleby lingers on the Dutch — and even manages to make things like the herring trade sound interesting — her principal subject is Britain, which she considers the true cradle of capitalism.

Her focus on Britain has little to do with William Blake’s “dark satanic mills” and other symbols of the Industrial Revolution. Instead, Appleby sees in mundane changes in agriculture the beginnings of later, more dramatic, developments. In 16th-century Europe, she observes, about 80 percent of the population was engaged in agriculture — roughly the same proportion as at the time of the Roman Empire. By 1800, the British farming population had dropped by more than half, thanks to innovations that produced a new, commercial agriculture, like crop rotation and the private enclosure of public lands. These efficiencies created a huge pool of surplus labor, setting the stage for the more visible British capitalism in the coming centuries.

It is to Appleby’s credit that she spends time on a subject like this, which is too often slighted in popular histories. In a similar spirit, she captures how a new generation of now forgotten economic writers active long before Adam Smith built a case “that the elements in any economy were negotiable and fluid, the exact opposite of the stasis so long desired.” This was a revolution of the mind, not machines, and it ushered in profound changes in how people viewed everything from usury to joint stock companies. As she bluntly concludes, “there can be no capitalism . . . without a culture of capitalism.”

Unfortunately, not all the new things replacing the old were good. Appleby dutifully describes the rather ugly forces that the quest for profit unleashed, from an enormous expansion of the African slave trade to the increasingly grim working conditions in factories. She doesn’t merely tell the history of capitalism, but what she calls the “shadow history of anticapitalism” — the resistance to the revolutions that capitalism wrought. Labor leaders come and go in her story, as do more radical figures: Karl Marx, Emma Goldman, many others.

BUT make no mistake: this is a book that emphasizes capitalist enterprise, not resistance to it. The individual entrepreneur is at the center of her analysis, and her book offers thumbnail sketches of British innovators from James Watt to Josiah Wedgwood. She continues on to the United States and Germany, giving readers a whirlwind tour of the lives

and achievements of a host of men whom she calls “industrial leviathans” — Vanderbilt, Rockefeller and Carnegie in the United States; Thyssen, Siemens and Zeiss in Germany. All created new industries while destroying old ones.

The ceaseless churning of capitalism is mirrored in her narrative, which rarely lingers long on anyone or anything. Thus, the slave economy of the antebellum South is dropped after a short discussion; Cyrus McCormick’s famous reaper gets a sentence; Henry Ford, the rise of the automobile and the modern assembly line come and go in a few pages. Capitalists-cum-imperialists like King Leopold of Belgium and Cecil Rhodes put in brief appearances. Appleby wants to cram

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everything into this book, and while that’s a commendable impulse, it occasionally produces a breathless, hurried feel.

That may be unavoidable. As she underscores at various points, capitalism is such a “chameleon” that tracking its endless permutations is a tricky business.

In the book’s final chapters, Appleby traces the many species of capitalism that have evolved in the postwar era, in places like the United States, Japan, France, Germany, Singapore, Taiwan and South Korea. Many of these success stories reveal that government intervention, far from being inimical to capitalist enterprise, can help sustain it. That’s even true of the United States: between 1941 and 1960, she observes, the government’s share of R.&D. funding went up 13-fold until it supplied a whopping 64 percent of the country’s research funds; government contracts to companies like I.B.M. spurred many innovations. The Internet, vehicle for so much entrepreneurial energy, was the product of government sponsorship.

Alternative paths to capitalist success have only multiplied in recent years. In the closing pages, Appleby chronicles the startling rise of China, which has challenged all the usual assumptions about the inevitable linkage of democracy and capitalism. China’s ascent, Appleby reminds us, should humble anyone who thinks capitalism — or rather, capitalists — cannot adapt to novel circumstances.

Appleby ends with the event that defines our particular moment in the history of capitalism: the financial crisis. She doesn’t pull any punches in assigning blame, from bloated executive compensation packages to rampant deregulation of the financial system. Despite her libertarian leanings, she believes government can and should exercise some restraints on these excesses.

That prospect makes her optimistic about the future. “There is no reason to think that societies won’t continue to modify and monitor their economies in pursuit of shared goals,” she writes, “A relentless revolution, yes, but not a mindless one.” □