Capital Formations

Robert S. DuPlessis
Swarthmore College, rduples1@swarthmore.edu

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Bank capital, human capital, industrial capital, risk capital, capital asset, capital flight, capital gains, capital market, working capital… These days, capital is a very hard-working noun and adjective (not to speak of the labor performed by its many noun, adjective, verb, and adverb derivatives). It toils overtime to describe, analyze, and (frequently) justify a variety of institutions, events, and resources; my opening sentence has mentioned only some of them, in one discursive domain, the economic. In this field alone, the word slogs away in popular parlance and in academic-speak, on the pages of the Post (and now Pravda) as well on those of Econometrica. Evidently, then, capital is a "keyword" in Raymond Williams's memorable expression, one of those terms central to the vocabulary that defines and interprets our culture and society—even if, in Williams's book, it receives no separate treatment.[1] And like the words that Williams does explicate, capital has undergone recurrent mutations in a complicated commerce with the material environments, cultural practices, and rhetorics that it has reflected, construed, and shaped.

Yet despite its current ubiquity, the status of "capital" as an economic keyword is, historically speaking, quite recent—as recent, in fact, as the economic system that we refer to as capitalism.[2] That mode of production emerged during the early modern period as a result of the many transformations analytically bundled together into the portmanteau phrase "primary" or "primitive" or "original accumulation." Uneven, international, and often violent, the process of material original accumulation entailed the destruction of old economic routines, institutions, and classes, and the creation of new ones; the displacement of the previous owners and occupants of all manner of movable and fixed assets by innovative landlords, farmers, merchants, manufacturers, and financiers, who thereby constituted and concentrated control of capital; the transformation of land, labor, and capital into commodities exchanged in markets; and the development of distinctive ways of appropriating the economic surplus generated by the new relations of production.

From our vantage point the pivotal significance of what we now identify as capital is not in doubt. But its power and importance were harder to grasp during the birthpangs of the budding economic order. After all, no one set out programatically to build capitalism or even to make capital—in any or all of its manifestations—central to the economy; rather, sixteenth-, seventeenth-, and eighteenth-century Europeans wanted to solve specific difficulties they faced or to take advantage of possibilities they discerned. By the same token most of the merchants, manufacturers, workers, officials, writers, and others who sought to describe the disparate, confusing, alternately exhilarating and terrifying changes that they confronted hoped simply to understand particular issues and practices; only in the later eighteenth century did a few thinkers venture general reflections on or inquiries into what they were coming to imagine as "systems of political economy."[3] Finding terms and concepts adequate to the task of explanation was no easy matter, however. Of course, whether particularistic problem solver or bold system builder, a European could draw upon a variety of words—including capital. But all bore primary or additional meanings that complicated the elaboration of an economic discourse adequate to the new relations and procedures.

To establish "capital" as a comprehensive term that signifies at once the core and the motor of the rising mode of production took, in fact, a process that can appropriately be called conceptual original accumulation. It will not do to exaggerate the similarities between that process and the material one described above. Still, if not strictly homologous, a reshaping of words and ideas accompanied, enabled, and authorized the changes occurring in economic organization. Conceptual like material accumulation was irregular, transnational, and combative (although rarely physically violent), and its products were exchanged in competitive intellectual markets that arose thanks most of all to the spread of printing. Again, conceptual accumulation involved the replacement of prior mental structures and the transformation of existing habits and factors of thought by embedding them in new arrangements. Where material accumulation spawned intermediate or alternate systems like small commodity production, mercantilism, and commercial capitalism, the conceptual version (as we shall see) experimented with other terms and combinations during its long period of gestation. In sum, just as previously separate material resources and human labor power were fused into that novel configuration, the capitalist mode of production, so an equally dispersed set of ideas and interpretations were refashioned into “capital.”

My examination of the formation of “capital"—the history of its original accumulation across the early modern period—proceeds through four sections. First, I sketch the relevant material conditions: the ways in which material accumulation fundamentally altered the role of capital in economies of the time. Second, I trace some crucial but diverse and often discrepant terms and meanings that contributed to “capital.” Third, I describe the status that “capital” had attained by the late eighteenth century as exemplified by two works foundational to classical economic theory. And fourth, I look at what was missing from those works and the resulting underdevelopment of early modern "capital."

Throughout, I attend to a cosmopolitan conversation carried on in numerous social and geographical locations, for "capital" grew out of the thought and experience of diverse groups. Artisans and entrepreneurs, merchants and industrialists, politicians and physiocrats, mercantilists and free traders, Italian and English, French and Dutch—all contributed semantically and conceptually in discursive sites ranging from petitions to essays, contracts to parliamentary acts, labor disputes to weighty dictionary tomes, probate inventories to cargo invoices. Knowledge about capital arose from and in numerous domains, assuring that the resulting term would be sufficiently rich to epitomize the complex capitalist system and became central to Western self-definition. For that reason, and because all will figure in our discussion, it may be helpful to recall the three related principal modern economic meanings of capital:

> (1) Of our pertaining to the original funds of a trader, company, or corporation; principal…. (2) The stock of a company, corporation, or individual with which they enter into business and on which profits and dividends are calculated…. (3) The accumulated wealth of an individual, company, or community, used as a fund for carrying on fresh production; wealth in any form used to help in producing more wealth.[4]

I. Before the advent of mechanized factory industrialization, economies were land- and labor-intensive rather than capital-intensive. Land, buildings, livestock, equipment, shops, tools, ships, and the like represented significant investments, to be sure, yet their value was difficult to realize in markets. Instead, such assets were often transferred by nonmarket means, especially inheritance. A variety of corporate, government, and customary regulations and practices curtailed the deployment of economic resources in new ways as well as the introduction of technological innovations requiring larger concentrations of resources. Capital was predominantly liquid or circulating, and most was employed in money-lending and commerce in the form of credit, specie, financial instruments and obligations, and inventory. Even liquid capital, moreover, turned over slowly, thanks to what economists call “market imperfections,” a capacious category that includes incomplete and nontransparent knowledge, dilatory communications, inadequate remedies for insecurity, reliance on coin to settle accounts, and a host of other complications. Under these conditions, capital could not play a central role in the economy.

The economy was not static, however. For a variety of economic, demographic, political, and other reasons, the early modern centuries experienced pronounced quantitative and qualitative transformation.[5] These protracted but far-reaching developments had several important ramifications for capital. On the land, the adoption of new crops, techniques, and tenures encouraged more substantial and continuous investment than in the past; in concert with demographic growth, these changes also began to lever peasants off the land, making their farms and their labor available to those with access to liquid wealth. In manufacturing, technological advances in mining (e.g., massive drainage pumps), metallurgy (blast furnaces), power generation (industrial windmills and eventually steam engines), and other sectors from printing to silk weaving increased the weight of fixed capital relative to circulating capital. Simultaneously, the dramatic expansion of market-oriented “domestic” or “putting-out” production (the phenomenon that has come to be called “proto-industrialization”) helped entrepreneurs amass capital while proletarianizing a rapidly growing labor force. In the centralized worksites—dubbed “proto-factories” by historians—that began to appear across Europe, capital played a more prominent role than in the small shops they supplanted. The operation of labor, commodity, and financial markets improved thanks to the opening of stock markets, the evolution of joint-stock companies, the advent of specialized commercial publications, as well as a myriad of modest initiatives. As a result, funds could circulate more rapidly and at lower cost, making them available to and from wider groups. In short, all the elements required for turning out goods and services were commodified: that is, offered regularly and, over time, primarily for exchange in markets (or, abstractly, in "the market"). There they were purchased by those with money or other negotiable assets—which thus began to function as what we recognize as capital—and set to work in a cycle of capitalist production and reproduction.

II. The prominence of capital (albeit mainly liquid) in medieval and Renaissance Italy occasioned early terminological experiments to apprehend and construe its meaning, particularly in commercial ventures and partnerships. Some contracts opted for chorpo, with its overtones of substance and matter in general, suggesting an expansive understanding of capital resources.[6] The oldest extant commenda contract, drawn up in Venice in 1073, in contrast, used habere, thereby introducing contemporary connotations of possessing property, being wealthy, and having power over a person or thing.[7] Caput was yet another term commonly employed from an early date: indeed, the very document that spoke in one place of habere substituted caput a few lines later, perhaps because of its several evocative definitions: an essential or vital thing; a starting point of development; a prime mover or leader of an action; and a sum of resources or principal. All lent an aura of primacy, importance, and generative authority to wealth employed in trade.

The derivative capitale was also available, at least to those who read grammars or dictionaries. Papias defined it as "caput pecuniae" in his Grammaticus clarus (1053), thereby lending capital the marked monetary connotations that, as we shall see, long characterized it. Joannes de Janua's lexicon Summa, seu Catholicon (1286) was more direct: capitale is "pecunia."[8] Fifteenth-century accounting textbooks also employed the term—a few to designate wealth used to engender additional wealth—when urging merchants to adopt double-entry bookkeeping so they could easily know their capital balances. But merchants, even in Italy, proved notoriously averse to the double-entry method and even the handful who did follow it failed to draw up capital accounts.[9] Together, all these words represented capital not simply as an agglomeration of assets but as entailing their deployment in economic activity, particularly trade. But no single term captured all these essential aspects or achieved terminological hegemony.

As economic change began to accelerate in the sixteenth century, picking up speed in the seventeenth and eighteenth centuries, Europeans north of the Alps tried out sundry terms to express and explain what the observed and participated in. No general survey is possible here, but the experience of England as it transmuted from peripheral backwater into economic leader of Europe and the Atlantic is instructive. "Money," "wealth," and "treasure" were favored by Thomas Mun, Thomas Culpeper, and other pundits and publicists of what Adam Smith famously described (and denounced) as the "mercantile system."[10] These terms have something to be said for them; in particular, they indicate an understanding that capital was (among other things) a store of value. Yet they also misleadingly focus on the form and the size of capital stocks rather than on their productive employment. For their part, some "improvers" (entrepreneurs, we would say) who promoted far-reaching and at times capital-intensive—but not always profitable—projects had a different take on the resources they invested. They favored various forms of the word "charge." Both speakers in a 1607 dialogue in favor of building fishponds, for example, lumped all capital expenses together as "the charge" and agreed that such undertakings were "very chargeable."[11] Such usage intimated that what we would consider an amortizable capital investment was more like a one-time expenditure—a drain on revenue—than a way of assuring further income.[12]

Much more often, however, early modern English people of every sort preferred "stock," which term underwent its own version of conceptual original accumulation much as capital did.[13] Use of the word in an economic sense began no later than the early sixteenth century, under several related definitions, each of which represented stock as active, fruitful resources. One, found in wills as well as books on farm management,[14] embraced the tools and livestock needed to operate a farm. A broader meaning, land or other property that generated revenue for its owner, had appeared by the mid-sixteenth century, when Hugh Latimer used it in a sermon he preached on St. John the Evangelist; it was repeated by, among others, Spenser, in The Shepheardes Calendar of 1579 ("thriftye stockes") and the seventeenth-century Puritan memorialist Lucy Hutchinson. A third was found first in Reformation texts, where it functioned as a metaphor signifying a store of benefits granted by God that could spiritually profit humans, as in the 1526 Pilgrimage of Perfection: "This rychesse he hath gyven to us as a stocke to occupy in our dayly exercyse for the profyte of our own soules." This sense continued to be employed, at least in figurative ways.[15] But by 1561 the notion had been secularized to signify a sum of money invested profitably in trade or, occasionally, in land. In that year, John Awdelay's Fraternity of vacabondes mentioned "Some young Marchant man or other kynde of Occupier [trader] whose friendes hath geuen them a stock of mony to occupy withall."

In the sixteenth century, "stock" arose in relation to the everyday economic—typically agrarian or commercial—pursuits of ordinary people. It comprised monetary or other resources that they had obtained and appropriately employed in an income-producing manner. As such, it reflected and reinforced individualistic ideals of the sturdy yeoman, industrious artisan, and resourceful trader, and their small independent enterprises. Ideal and reality were, however, increasingly hard-pressed by structural changes in consequence of which collective capital came to loom every larger. In addition, as double-entry bookkeeping finally started to take hold in England, its proponents favored "stock" to denote the funds and other assets—the business capital—of entrepreneurs and their firms.

This usage seems to have first appeared as early as 1547, in Jean Ympyn Christoffel's A notable and very excellente woorke, closely patterned on the famous treatise on accounting Summa de arithmetica by the Italian friar Luca Pacioli, first printed in 1494.[16] Christoffel defined stock as "the principall that the Marchant began withall…as well of wares as money," and the word long retained an association with trade. Edward Misselden's trumpet call, Free trade; or, The meanes to make trade florish, for example, adduced the "stocke" of the East India Company.[17] But it quickly proved applicable to manufacturing enterprises as well. Thus at the 1622 meeting of the Mineral and Battery Works, a mining and metallurgy partnership, the minutes record discussion of "joint stock" and "monies remaining in stock" in ways that make it evident that the company's capital is under discussion.[18] Similarly, when a few years later Essex clothiers petitioned the king, they decried the fact that their "stock and credit…are so spent that it is utterly impossible for them to subsist," and a critical account of Charles I's floundering alum works referred to "his Majesty's stock."[19] In both instances (and others that could easily be cited) the word denoted a firm's capital assets.

Although "stock" in these senses continued to be found across the early modern period, increasingly it bifurcated. One meaning, the sum total of a business's merchandise on hand, was synonymous with inventory.[20] The other—the meaning most widely current today—identified the capital of a company raised by selling shares and, by extension, came to stand for the shares themselves. Perhaps because of this disjunction between stock as goods and stock as money, a new word came into use to signify all the assets needed for doing business. That word—sometimes appearing as an adjective modifying "stock" and sometimes as a noun subsuming "stock"—was "capital."

In his accounting textbook, Christoffel cited "capitale" as a synonym for stock as money and goods, assuring his readers that it was so used by the sophisticated Italians whose business practices, he urged, were to be emulated—even though he (or his anonymous translator) preferred "stocke."[21] Whether Christoffel's advice or his usage was most widely copied by his audience, by the beginning of the seventeenth century, "capital" was in play on both sides of the Channel.[22] Its diffusion into the economic vocabulary of diverse social levels in several nations likely resulted from the development of an increasingly active direct trade between northwestern Europe and the Mediterranean, which enhanced receptivity to Italian commercial practices.[23] The French may have found the new word attractive because it was a cognate of their own widely used and richly evocative medieval term chatel (or its two dozen variant spellings in virtually every French dialect), which meant, among other things, possessions, commercial goods, money income from land or annuities, and profit.[24]

Nicot's Thresor de la langve francoise, tant ancienne qve moderne (1606), like the English accounting texts, coupled capital with commerce.[25] But less restrictive definitions quickly surfaced. Thus in 1611, Cotgrave's dictionary explained capital as "wealth, worth; a stocke, a man's principall, or chiefe, substance."[26] Still, like Nicot (and Christoffel before him), Cotgrave envisaged capital as the assets of an individual. In contrast, the Dutch, whose economy in their "Golden Age" was undergoing swift and far-reaching industrial as well as commercial and financial change, not only rapidly embraced the term but explicitly broadened its scope to include other types of enterprise and pooled funds.

In some of Holland's textile trades, small artisanal shops were beginning to give way to sizable enterprises controlling large numbers of looms and other means of production. Bitterly controversial, this development provoked long-drawn-out labor disputes and reams of petitions and protests, especially in Leiden, the principal textile center. Among the documents were many written by merchant entrepreneurs responsible for the new undertakings. In the course of explaining and justifying their actions during the most turbulent years, the 1640s, they boasted of the groote capitalen that they had "at work"—boasted, in short, of their working capital.[27] During the years that followed, much of Dutch industry and trade came to rely on resources drawn from numerous geographically and socially dispersed individuals from farmers to widows, patricians to publicans. Initially, the sum that a person invested in a bleachworks, brewery, papermill, or other enterprise was known as "a capital," and recognized as a claim on a portion of the profits of the business. Over time, the plural form became commonplace as capitals were divided—holdings of 1/256 of a capital in companies ranging from oilmills to merchant vessels to the East India Company were far from unusual—inherited, bought, and sold, functioning essentially as what we would call shares of stock, in a linguistic evolution that paralleled stock's in English.[28]

Whatever the country and type of entrepreneur, seventeenth-century definitions and uses envisaged capital from the perspective of merchants and investors. It was the wealth or funds or shares of individuals or groups of individuals that was encompassed by the term. But in the years around 1700, when favorable economic conditions, political stability, and the evolution of legal theory and judicial practice began to smooth the way for the emergence of modern business corporations and secondary financial markets in England,[29] the meaning widened again to include the sum of resources of institutions and firms. By 1709, "An Act for Enlarging the Capital Stock of the Bank of England" signaled the new usage, albeit still linked to "stock."[30] In the edition of Chambers' <u>Cyclopaedia</u> published in 1741, both the adjectival and the autonomous noun forms are given: "Capital, or Capital <u>stock</u>."[31] In his midcentury <u>Universal Dictionary of Trade and Commerce</u>, Postlethwayt attempted to resolve the ambiguity. To his mind, the noun by itself referred to the resources that a person invested in an enterprise, whereas the adjectival form represented the resulting accumulation:

> Capital, amongst merchants, bankers, and traders, signifies the sum of money which individuals bring to make up the common stock of a partnership, when it is first formed. It is also said of the stock which a merchant at first puts into trade, for his account. It signifies likewise the

> fund of a trading company or corporation, in which sense the word stock is generally added to it.[32]

Probably because of the slower and more difficult development of banking and of noncommercial firms in France,[33] capital remained more closely paired with merchants and money there. Diderot and d'Alembert's Encyclopédie explained it as "fonds dans le commerce," the rival Dictionnaire de Trévoux as the "fonds d'un Marchand," and both also defined it as the principal of loans and annuities.[34]

III. By the mid-eighteenth century, then, capital had passed into the vocabulary of many Europeans, turning up in position papers scribbled in the midst of heated controversies, the titles of Parliamentary bills, and the measured explanations of professional dictionary writers. Despite some hints at more general connotations, however, the term retained a principally monetary and commercial orientation.[35] Not surprisingly, therefore, words like "wealth," "treasure," and "money" remained in circulation. To achieve hegemony, "capital" would have to finish the process of conceptual original accumulation, not only by displacing other claimants to the same definitional space but also by incorporating existing elements of meaning into a new conceptual structure. As might be expected, this work interacted with material original accumulation and thus played out in similarly disparate fashion. Two books from the second half of the eighteenth century, the high point of the merchant capitalist, proto-industrial era, exemplify the distinctive paths taken on the two sides of the Channel: Anne-Robert-Jacques Turgot's Réflexions sur la Formation et Distribution des Richesses (1766) and Adam Smith's An Inquiry into the nature and causes of the Wealth of Nations (1776). Both built on the insights of their predecessors but both were equally determined to go beyond specific issues to draw up general analyses of the economy as a whole.[36] In so doing, both assigned a central place in their interpretations to a refashioned, agglomerative concept of capital.

By the 1760s, Turgot was uniquely well prepared to write the Réflexions. Not only had he been strongly influenced by physiocratic teachings, especially Quesnay's insistence that agriculture required large and continual "advances" of resources, but reading Hume's economic essays (and corresponding with Hume himself) had acquainted him with ideas about the importance of commercial stock to the French as well as the English economy. As assistant to the intendant du commerce Vincent Gournay, he had investigated trade and manufacturing throughout France, and subsequently as intendant of the Limousin-Angoumois region in central France, he had tried to implement his own ideas for reforming and reviving the local mining and quarrying industries.[37] This varied background endowed him with an abundance of experiences and hypotheses, out of which he sought to fashion a terminology and a theory that could both interpret and invigorate economic growth. Defining and deploying capital turned out to be central to his task.

In the early chapters of his essay, Turgot used various terms—pécule ("stock of money"), richesses mobiliaires ("movable wealth"), fonds de richesses mobiliaires ("fund of movable wealth"), and avances ("advances")—to express what he intends.[38] None, however, proved sufficient to the demands of spelling out how to initiate continuous economic growth (the formation of wealth). For that purpose, another term had to be invoked: "capital," defined as "accumulated values" (valeurs accumulées) or as "a sum of values" (somme de valeur), embodied in some sort of money.[39] Assembled by landowners, entrepreneurs, merchants, farmers, or even wage earners out of income or revenue surplus to consumption needs, capital is most gainfully used to provide the raw materials, tools, infrastructure, and cash required by cultivators, artisans, and traders.[40]

Turgot's analyses leave a good deal to be desired. Despite mentioning land, implements, canals, market structures, and buildings—what we would consider fixed capital—he focused on circulating and money capital: capital as "movable accumulated wealth…the continual advance and return of capitals which constitutes what ought to be called the circulation of money….”[41] In addition, he sought to fasten his theses to the procrustean bed of physiocratic doctrine. Thus he claimed that “the land has provided the whole amount of movable wealth or capitals in existence,” ignoring his own acknowledgement in the same chapter that “capitals are formed in part by means of savings from the profits of the industrious classes….”[42] Nevertheless, he took crucial steps toward the conceptual consolidation of capital. To begin with, he reimagined all sorts of assets, from money to hides, formerly considered and explained in isolation, as the consequence of capital investment and thus elements of an overarching economic system. Equally important, he postulated capital as an entity distinct from—even if manifested in—money, which is merely the physical form it takes. In his expansive view, capital was a factor of production whose accumulation and deployment by “Entrepreneurs, Manufacturers, and Masters who are all possessors of large capitals” were fundamental to all economic activity, not simply, as in most earlier definitions, for the conduct of trade.[43] As he expressed it, capital is “a commodity which is absolutely necessary for the production of wealth”; he went on to compare it to “the dung which serves to manure the land” and, less pungently, to “the circulation of blood in the animal body.”[44] In sum, he assigned capital an identity and a mission at once more forceful and more far-reaching than those attributed to “stock.” In his interpretation, capital was the mainspring of what he depicted as an essentially capitalist economy.

Turgot outlined themes found in later works, Wealth of Nations among them. But Adam Smith went considerably further, providing a much more developed and systematic examination of the issues involved when capital is central to economic expansion via productivity growth, a touchstone of the capitalist order. His analysis, which permeates all of Wealth of Nations but is most completely set out in Book II, “Of the Nature, Accumulation, and Employment of Stock,” cannot be fully explored here.[45] For the purposes of this essay, his decisive move was to link the insight of Turgot and other physiocrats (many of whom he had met in France in the mid-1760s) that capital had to be accumulated before production could be initiated with the division of labor as the means of continuing production.[46] Only by amassing capital, in other words, could the organizational and technological changes that constituted the division of labor occur and promote rising productivity of labor. Higher productivity would then induce further capital accumulation, further division of labor, and so on. Capital accumulation would instigate, that is, a veritable virtuous circle of economic development and growth.

Smith thus advanced decisively beyond the physiocrats' recognition of the significance of assembling capital for economic advance to postulate a process by which accumulation actually translated into economic growth. He could do so because he understood capital not as an undifferentiated stock of money wealth but as a differentiated mixture of resources available for use throughout the economy. And he could so interpret capital because to his own insights he amalgamated meanings attached to other terms as well as to earlier definitions of capital.

First, he distinguished "stock" used for consumption from "capital" employed to earn a revenue or income.[47] The latter is, from the perspective of growth, what matters, since it alone makes growth possible. Next, within capital he drew a further essential distinction, between circulating capital and fixed capital. What is more, Smith argued, circulating capital comprises four elements: money, "provisions" (foodstuffs intended for the market but not yet sold), "materials" (raw materials and semifinished goods), and "finished work" (merchants' and manufacturers' inventory).[48] Thus specie, the mercantilist obsession, is just one component of one type of capital. Fixed capital is also composite. It includes not only the (to us) obvious items—tools, machines, useful structures, improved farmland. It also incorporates "the acquired and useful abilities of all the inhabitants or members of the society" that were obtained through "education, study or apprenticeship" (265)—human capital, an economist would say. [49] Weighty as these analytic and conceptual distinctions are, however, what is particularly significant is that circulating and fixed capital enjoy a functional, interactive unity that makes the economy work:

> Every fixed capital is both originally derived from, and required to be continually supported by a circulating capital....No fixed capital can yield any revenue but by means of a circulating capital (266, 267).

Capital is, in short, dynamic, multifaceted, generative—or can be. For to be so, it has to be ceaselessly accumulated and correctly used. Indeed, accumulation and proper deployment are the two necessary sides of the coin of economic growth. One must behave appropriately if one is to have and benefit from capital. Smith acknowledged, of course, that the point of production and exchange was consumption. "To maintain and augment the stock which may be reserved for immediate consumption," he wrote, "is the sole end and purpose both of the fixed and circulating capitals" (267).[50] But because ongoing capital accumulation propels the economy, it has to be maintained at a sufficient level lest growth grind to a halt. Saving has to outweigh consumption, productive labor had to command more of a society's resources than unproductive.[51] To assure this outcome, Smith proposed an ethic of frugality that had to inform individual and societal treatment of capital. In his terms, the practice of "parsimony," or savings out of revenue, is essential to promote capital accumulation and material progress, whereas "prodigality"—which he linked tightly with "misconduct" as spending of revenue beyond what was called for by normal consumption needs—inevitably scuttled both.[52]

Smith condemned what he deemed public and private profligacy and the threat they posed to economic advance.[53] Nevertheless, he was firmly convinced that neither could frustrate "the natural progress of things towards improvement," rooting his meliorism in ontological and teleological presuppositions (326).[54] Self-interested, goal-oriented human nature, manifested in "the uniform, constant, and uninterrupted effort of every man to better his condition" (326), led ineluctably not merely to capital accumulation but to its "most advantageous employment" (421).[55] In so acting, moreover, the provident if egotistical individual benefited both himself, which was his plan, and the wider community, which was not, for “the study of his own advantage naturally, or rather necessarily leads him to prefer that employment [of capital] which is most advantageous to the society” (421). Thanks to the famous “invisible hand” (423),[56] the pursuit of private desires is socially valuable.

At one level, Smith’s analysis of and ideology about capital are cast in general terms, abstracted from yet applicable to all human beings and societies. At bottom, however, they are deeply historical and partisan. Smith proposes that capital accumulation, productive labor, the generation of wealth, and proper behavior flourish in “mercantile and manufacturing towns”: there the populace is mainly “industrious, sober, and thriving.” In stark contrast, spending, unproductive labor, pauperization, and unsuitable conduct prevailed in court centers, where most people are “idle, dissolute, and poor.” The former category included “many English, and most Dutch towns” whereas the latter incorporated nearly all the provincial seats of parlements in France, along with Versailles, Compiègne, Fontainbleau, Paris, Rome, Madrid, and Vienna (319).

At first blush, Smith’s typology relies on a Protestant and patriotic classification scheme. But his discussions of Rouen and Bordeaux, both parlementary cities as well as home to “great trade” and “great capital,” together with London, Lisbon, and Copenhagen—at once sites of courts and leading commercial cities—disturb that reading. These instances demonstrate that while, in Smith’s eyes, political and ceremonial capitals are usually the enemies of economic capital, the rule is not absolute. Nevertheless, they also show that when state functions intrude into urban space it takes substantial trade based on “extremely advantageous” geographical location to right “the proportion between capital and revenue,” which in turn determined “the proportion between industry and idleness” (320-21).[57] Absent such exceptional conditions—and Smith takes great pains to emphasize the utterly anomalous nature of the five cities he names[58]—only the predominance of production over consumption ("capital" over "revenue" in his terms) can prevent the retardation, indeed the cessation, of economic and ethical advance.[59]

Just as improperly deployed capital disrupts the virtuous circle of development, then, it nurtures immoral individuals and an immoral society. Capital that is working correctly, in contrast, inevitably engenders not simply the most fruitful economic system; it also creates the best private and public behavior. The structure of material life, embodied in the relation between production and consumption, is the foundation of morality. Specifically capitalist forms provided the surest underpinning for prosperity and probity, which in turn perpetuate the process of accumulation that makes all the rest possible—including future accumulation. A rapid retrospective of England's "annual produce of land and labour" since the time of Julius Caesar allows Smith to conclude on a nationalistic note. In his telling, the survey demonstrates that "private frugality and good conduct," supported by "law" and "liberty," have long—if "silently and gradually"—been amassing capital that assures "progress…towards opulence and improvement" (327-29).

In Smith's formulations, we can observe the outcome of what I have been calling conceptual original accumulation, at the end of which the emergent capitalist order had acquired its defining if complex term. Capital comprised money and other kinds of resources, it denoted savings mutated into investments, it belonged to individuals and to firms, it signified eminence and vigor, wealth and power, it directed trading companies, farms, industrial enterprises, and financial institutions. It implied a theory of human nature and motivation that quickly found favor far beyond economic analysis. In Smith's magnum opus, capital not only explained a new economic system but conjoined it with an innovative set of ideas and values. Amply descriptive, memorably analytical, it was profoundly and provocatively prescriptive as well.

IV. This representation of capital was also incomplete. It portrayed capital as it looked to merchants, bankers, investors, indeed entrepreneurs of all stripes—to those, in short, who had capital and were eager to employ it. Yet the processes of accumulation not only amassed resources by and for capitalists; simultaneously, they entailed the dispossession of peasants, artisans, and many others, and their conversion into commodified labor. To the proponents of the line of conceptual development terminating in Turgot and Smith, capital was a thing (and a good thing at that). But to others it was a relation—and an asymmetrical one, in and to which they were subordinate. This realization became, of course, central to accounts written in the nineteenth century. Once mechanized factory industrialization was well underway, once accumulated capital revealed its full constructive and destructive power, Ricardo, Marx, and many others integrated labor and its power into their analyses of capital.

Although not explicitly incorporated into early modern formulations, this side of capital was recognized by those who were or feared becoming its victims. It was identified by the journeymen and petty masters who fought against the changes wrought by groote capitalen in mid-seventeenth-century Leiden. It was also seen by people who lacked the word “capital,” or any other single term and concise concept, to express what they dreaded. Weaving guild officials in 1575 Lille, to take just one instance, discerned that “considerable amounts of money” made a few men extremely powerful.[60] The vocabulary invoked did not include capital, but it linked words connoting power, ability, wealth, and goods. Thanks to their wealth, a small number of townspeople were able to buy up raw materials, employ poor masters for wages, and purchase looms. They were able, in other words, to accumulate and invest capital and thereby dominate production and subordinate their fellows. And in so doing, they developed a defective morality of coercion and greed.

Knowledge like this hovered at the edge of what became the hegemonic early modern understanding of and ideology about capital, just as the individuals and groups whose views they articulated were pushed to the edges of the new economic order.

Reintegrating them enables us to encompass all the formations of capital and all the varieties of work it accomplished during the era of original accumulation.

NOTES

I would like to thank Henry Turner for his perceptive reading of a draft of this essay and his most useful suggestions for revising it.

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[1] Raymond Williams, Keywords (New York, Oxford University Press, 1976); capital merits a paragraph within the larger discussion of capitalism (42-44). Similarly, Fernand Braudel, Civilization and Capitalism, 15th-18th Century, 3 vols. (New York, Harper & Row, 1981-84), embeds his sketch, "The word 'Capital'" (2:232-34), which contains some examples and references in addition to those discussed below, within a larger section, "Capital, capitalist, capitalism" (2:232-49).

[2] For reasons of clarity, in the next few paragraphs I enclose "capital" in quotation marks when I want to indicate the nascent concept and omit them when the physical factor of production is discussed. In the body of the essay I use quotation marks only when the context does not sufficiently indicate which type of capital is under consideration.

[3] The quoted words come from the title of book IV of Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, Cannan ed. (New York, The Modern Library, 1937).

[4] Oxford English Dictionary [henceforth OED], 2d ed. (1991), s.v.

[5] For an overview, see Robert DuPlessis, Transitions to Capitalism in Early Modern Europe (Cambridge, Cambridge University Press, 1997).

[6] See, for example, Medieval Trade in the Mediterranean World, trans., intro., and notes by Robert S. Lopez and Irving Raymond (New York, Columbia University Press, 1955), 206 (Florence, 1455).

[7] Ibid., 177. The commenda contract, a kind of loan arrangement that pooled capital, is often regarded as the direct ancestor of the limited liability corporation.

[8] Charles Du Fresne, Sieur Du Cange, Glossarium mediae et infimae latinitatis, 10 vols. (Paris, Librairie des sciences et des arts, 1937-38), 2:130. Note that business documents almost contemporaneous with Papias used caput rather than the derivative.

[9] Michael Chatfield, “Capital Accounts,” in The History of Accounting: an international encyclopedia, ed. Michael Chatfield and Richard Vangermeersch (New York and London, Garland, 1996), 93-95; Medieval Trade in the Mediterranean World, 376-77 (excerpt from a text published in Naples in 1458).

[10] Thomas Mun, England’s Treasure by Forraign Trade (London, T. Clark, 1664); [Thomas Culpeper], A Tract against usurie (London, Walter Burre, 1621). For discussions, see Eli Heckscher, Mercantilism, 2 vols. (London, G. Allen & Unwin, 1935), 2:199-216, and Jacob Viner, Studies in the Theory of International Trade (New York and London, Harper & Brothers, 1937), 31-32.

[11] Printed in Seventeenth-Century Economic Documents, ed. Joan Thirsk and J. P. Cooper (Oxford, Clarendon Press, 1972), 115. For a 1667 discussion of the value of furnaces, forges, and mines that similarly uses “charge” to denote both fixed and circulating capital, see ibid., 289, 292.

[12] The usage cited above may in fact be derived from the more usual and narrower meaning of “expense,” in which guise “charge” appeared in documents ranging from the late-seventeenth-century “A True and Perfect Account of the Total charges in making a Ton of Bar Iron” to works by authors as varied as Hakluyt, Walton, and agrarian commentators; see Seventeenth-Century Economic Documents, 300-1, and OED, s.v.

[13] The variety and richness of the work that stock performed, as well as its popularity, is indicated by the length of its entry in OED: 14 1/2 columns and 58 meanings in the primary entry, with 4 columns and 10 meanings dedicated just to economic uses. In contrast, the primary entry for capital occupies just 2 1/3 columns with 14 meanings, while the economic uses get barely half a column and four definitions. Unless otherwise specified, all quotations about stock come from OED, s.v.

[14] OED, s.v., cites a will from 1519.

[15] Thus John Smith, Select Discourses (1652), ed. C. A. Patrides (Delmar, N.Y., Scholars' Facsimiles & Reprints, 1979), wrote of God's “liberality...the stock which he is pleased to impart to us....”

[16] Christoffel’s work had already been published in Dutch in 1543 as Nieuwe Instructie; J. N. Ball, Merchants and Merchandise. The Expansion of Trade in Europe 1550-1630 (New York, Croom Helm, 1977), 25-27.

[17] Edward Misselden, Free trade; or, The meanes to make trade florish (London, Simon Waterson, 1622), 13, 14. Cf. OED, s.v., which quotes an instance from Tapp’s 1613 Pathway to Knowledge, a book of instruction, to this effect.

[18] Seventeenth-Century Economic Documents, 217.

[19] Ibid., 33, 241. Cf. Dud Dudley’s 1666 narrative of a half-century of iron manufacturing, with its mention of “want of stock” and “we three partners had in stock near 700*l* [pounds sterling]”; ibid., 281, 282.

[20] For instances when merchant inventory was termed “stock,” see the excerpts from a 1671 House of Commons debate on a proposed tax, in Seventeenth-Century Economic Documents, 675-76.

[21] Christoffel affirmed, "it is your pleasure whether ye will vse this worde Stocke in Englishe, or Capitale. Notwithstanding we will here vse the worde Stocke and not Capitale. Howbeit it is at your pleasure to vse which you will." Quoted in H. R. Hatfield, "The Early Use of 'Capital'," Quarterly Journal of Economics, 49 (1934-35): 162. Since, as Hatfield shows, James Peele also used "capital" in his The Pathe Waye to Perfectness (1569), another bookkeeping text, Mary Poovey, A History of the Modern Fact (Chicago, University of Chicago Press, 1998), 342 n. 58, is incorrect when she writes, "the word capital first appears in English discussions of commerce" in John Mellis, A Briefe Instruction and Maner How to Keepe Bookes of Accompts after the Order of Debitor and Creditor (1588).

[22] The other Continental languages, both Romance and Germanic, adopted the word from French.

[23] See Histoire économique et sociale de la France, ed. Ernest Labrousse et al., 7 vols. (Paris, Presses universitaires de France, 1977-80), 1:236-44; Gigliola Pagano de Divitiis, English Merchants in Seventeenth-Century Italy (Cambridge, Cambridge University Press, 1997).

[24] Frédéric Godefroy, Dictionnaire de l'ancienne langue française et de tous ses dialectes du IXe au XVe siècle, 10 vols. (Paris, F. Vieweg, 1881-1902), 2:89-90. According to Godefroy, during the Middle Ages, "capital" signified only a feudal quitrent; ibid., 1:780. No meanings at all are listed in Edmond Huguet, Dictionnaire de la langue française du seizième siècle, 7 vols. (Paris, E. Champion, 1925-67). The modern French cheptel (livestock) is the most direct descendant of chatel.

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[25] According to Albert Dauzet, Jean Dubois, and Henri Mitterand, Nouveau Dictionnaire étymologique et historique (Paris, Librairie Larousse, 1964), 132, Nicot cited "le capital d'un marchand."

[26] Randle Cotgrave, A Dictionarie of the French and English Tongues (London, A. Islip, 1611), s.v.

[27] N. W. Posthumus, Bronnen tot de Geschiedenis der Leidsche textielnijverheid, 6 vols. (The Hague, M. Nijhoff, 1910-22), 4:385. Strictly speaking, the entrepreneurs cited their capitals. They went on to claim that these groote capitalen "must necessarily lead to the common good."

[28] See Robert DuPlessis, "Probate inventories, investment patterns and entrepreneurial behavior in the Zaanstreek (Holland), 1690-1709, 1740-1749," in Inventaires après décès et ventes de meubles. Apports à une histoire de la vie économique et quotidienne (XIVe-XIXe siècle), ed. M. Baulant, A. Schuurman, and P. Servais (Louvain-la-Neuve, Academia, 1988), 97-108, and idem, "Capital and Finance in the Early Modern Veluwe Paper Industry," in Dertig Jaar Afdeling Agrarische Geschiedenis (=A.A.G. Bijdragen, vol. 28, 1986), 185-97.

[29] The best recent summary is Larry Neal, "The finance of business during the industrial revolution," in The Economic History of Britain since 1700, ed. Roderick Floud and Donald McCloskey, 2d ed. (Cambridge, Cambridge University Press, 1994), 1:151-57. See also P. G. M. Dickson, The Financial Revolution in England: A Study in the Development of Public Credit, 1688-1756 (London, Macmillan, 1967), and Larry Neal, The Rise of Financial Capitalism: International Capital Markets in the Age of Reason (Cambridge, Cambridge University Press, 1990).

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[30] OED, s.v., quoting the London Gazette. This appears to be the first such use of the term in English. In 1695, the subscription for a land bank cited the "fund" rather than capital or stock; Seventeenth-Century Economic Documents, 704; while a 1696 description of the Bank of England (chartered in 1694) mentioned "stock," "fund," and "subscription;" ibid., 708-12.

[31] Ephraim Chambers, Cyclopaedia: or, An universal dictionary of arts and sciences, 2 vols. (4th ed., London, D. Midwinter, 1741), s.v. Chambers seems to have preferred the noun alone, for under "Stock" he entered simply "Capital stock, see Capital."

[32] Malachy Postlethwayt, Universal Dictionary of Trade and Commerce, 2 vols. (London, J. & P. Knapton, 1751-55), 1:448. This was a translation and enlargement of Savary des Bruslons's earlier work of the same title.

[33] For which see Histoire économique et sociale de la France, 1:253-56, 301-7.

[34] [Denis] Diderot and [Jacques] d'Alembert, Encyclopédie ou dictionnaire Raisonné des Sciences, des Arts, et des Métiers, 17 vols. (Paris, Briasson [etc.], 1751-65), 2:631; Dictionnaire universel françois et latin, vulgairement appelé Dictionnaire de Trévoux, new ed., 8 vols. (Paris, Compagnie des libraires associes, 1771), 2:235. Samuel Johnson, A Dictionary of the English Language (London, W. Strahan, 1755), s.v., which virtually ignored economic meanings of words, restricted itself to the even narrower "Capital stock. The principal or original stock of a trading company."

[35] Cf. Joseph Schumpeter, A History of Economic Analysis (New York, Oxford University Press, 1954), 323.

[36] Cf. Phyllis Deane, The Evolution of Economic Ideas (Cambridge, Cambridge University Press, 1978), 5.

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[37] The best overview is Ronald L. Meek's introduction to his edition and translation of Turgot on Progress, Sociology and Economics (Cambridge, Cambridge University Press, 1973), esp. 1-3, 14-19. See also David McNally, Political Economy and the Rise of Capitalism. A Reinterpretation (Berkeley, University of California Press, 1988), 132-41.

[38] Anne-Robert-Jacques Turgot, baron de l'Aulne, Oeuvres, ed. Eugène Daire, 2 vols. (Paris, Guillaumin, 1844), 1:32-34. In English, the Reflections are most easily consulted in Meek, Turgot on Progress, Sociology and Economics, 119-82; for the terms cited, see 135, 146, 147. On 35-36, Meek discusses issues involved in translating some of Turgot's terms, including capital, concluding (36) that Turgot "normally used these words in something very closely approaching the specifically economic sense in which they are used today…."

[39] Turgot, Oeuvres, 1:37; Reflections, 150.

[40] Turgot makes this argument in several places but most directly in chap. LX. In a brief allusion to the value of what is today called human capital, he mentions the need for investment in education and apprentice training.

[41] Turgot, Oeuvres, 1:45; Reflections, 158. Italics in the original.

[42] Turgot, Oeuvres, 1:65-66; Reflections, 180-81. So concerned was Turgot to emphasize land as the sole generator of capital that he argued the point from slightly different perspectives in chaps. LIII, LVIII, XCI, XCIX, and C.

[43] Turgot, Oeuvres, 1:40; Reflections, 153. Here he also sketched a polarized social structure consisting of "capitalist Entrepreneurs" (a group that incorporated manufacturers and masters) and "ordinary Artisans who possess no property but their own hands, who advance nothing but their daily labour, and who receive no profit but

their wages." Cf. chap. LXV for a briefer statement to the same effect about "Cultivators."

[44] Turgot, Oeuvres, 1:64, 45; Reflections, 178, 158.

[45] The best study is Marian Bowley, "Some Aspects of the Treatment of Capital in The Wealth of Nations," in Essays on Adam Smith, ed. Andrew Skinner and Thomas Wilson (Oxford, Clarendon Press, 1975), 361-76.

[46] See Samuel Hollander, The economics of Adam Smith (Toronto, University of Toronto Press, 1973), 79-80.

[47] Although his usage was inconsistent, it is worth noting that in this context Smith was willing to assign stock to the realm of wealth consumption rather than its generation.

[48] Smith, Wealth of Nations, 266.

[49] I have not been able to discover whether Smith picked up this emphasis from Turgot, but the similarity of their thought is striking. Although it is tempting to compare Smith's idea to the more recent notion of "cultural capital," the former is considerably narrower, for Turgot's and Smith's usage focused entirely on training that would enhance the productivity of the individual and, by extension, society. Smith's own concrete example marks the limits of what he intends: "the improved dexterity of a workman…which, though it costs a certain expence, repays that expence with a profit" (266). For cultural capital, see Education: culture, economy, and society, ed. A. H. Halsey et al. (New York, Oxford University Press, 1997), esp. the essays by Pierre Bourdieu (which criticizes economists' constricted notion of human capital), James S. Coleman, and Maureen Woodhall.

[50] Or as he put it in a later passage, "the whole annual produce of the land and labour of every country, is, no doubt, ultimately destined for supplying the consumption of its inhabitants" (315-16).

[51] In sharp contrast to many of his predecessors and contemporaries, but like modern economists, Smith understood saving as tantamount to investing or "replacing a capital" (316). In book II, chap. III he differentiates between productive and unproductive labor, the former of which "adds to the value of the subject upon which it is bestowed," whereas the latter "has no such effect" (314). Although he goes on to sketch a labor theory of value that is considerably in advance of Turgot's, widening it to include industrial as well as agricultural work, his productive-unproductive distinction is unconvincing.

[52] In Smith's pithy formulation, "Capitals are increased by parsimony, and diminished by prodigality and misconduct" (321). Smith was, of course, intervening into the passionate European debate about the relation between luxury and consumption, which I cannot discuss here. For introductions, see John Sekora, Luxury: The Concept in Western Thought, Eden to Smollet (Baltimore, Johns Hopkins University Press, 1977); Joyce Appleby, "Consumption in early modern social thought," in Consumption and the World of Goods, ed. John Brewer and Roy Porter (London and New York, Routledge, 1993), 162-73; and Jules Lubbock, The tyranny of taste: the politics of architecture and design in Britain, 1550-1960 (New Haven, Yale University Press, 1995), esp. part III, "The Luxury Debate."

[53] Although he devotes several pages (Wealth of Nations, 322-25) to private prodigality and misconduct, Smith is adamant that "kings and ministers" were "always, and without

any exception, the greatest spendthrifts" (329), a subject that he castigates in ibid., 325-29.

[54] Smith expresses his view of human nature in ibid., 324-25: "With regard to profusion [imprudent consumption], the principle which prompts to expence, is the passion for present enjoyment; which, though sometimes violent and very difficult to be restrained, is in general only momentary and occasional. But the principle which prompts to save, is the desire of bettering our condition, a desire which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave.… An augmentation of fortune is the means by which the greater part of men propose and wish to better their condition…and the most likely way of augmenting their fortune, is to save and accumulate…. [I]n the greater part of men, taking the whole course of their life at an average, the principle of frugality seems not only to predominate, but to predominate very greatly."

[55] Cf. ibid., 329, on individuals' "universal, continual, and uninterrupted effort to better their own condition."

[56] The passage is worth quoting at length for what it reveals of Smith's beliefs. "[The individual] intends only his own gain, and he is in this [investing most of his capital in domestic industry], as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it." It is no surprise, then, that Smith goes on to denounce the presumption of "[t]he statesman, who should attempt to direct private people in what manner they ought to employ their capitals," since individual self-

interest is by definition both unknowable to anyone else and socially beneficial only because those benefits are unintended.

[57] Indeed, Smith goes on to invoke the continuing presence of judicial tribunals, customs and excise boards, and other legal and political institutions to explain Edinburgh's continuing economic inferiority to Glasgow (which had none of these bodies) even after Union in 1707 had led to the dissolution of the Scottish Parliament and the appearance of industry and trade in Edinburgh.

[58] Rouen and Bordeaux are explicitly contrasted to all other "parliament towns," while London, Lisbon, and Copenhagen are described as "perhaps the only three cities in Europe" that are both court and trade centers; ibid., 320, 321.

[59] "The idleness of the greater part of the people who are maintained by the expence of revenue, corrupts, it is probable, the industry of those who ought to be maintained by the employment of capital..."; ibid., 320. As he drives the point home: "Wherever capital predominates, industry prevails; wherever revenue, idleness"; ibid., 321.

[60] Archives municipales de Lille, Cartons des affaires générales 1171, dossier 9. In the original, "sommes notables d'argent" permitted several Lillois to become "puissans de faculté."