

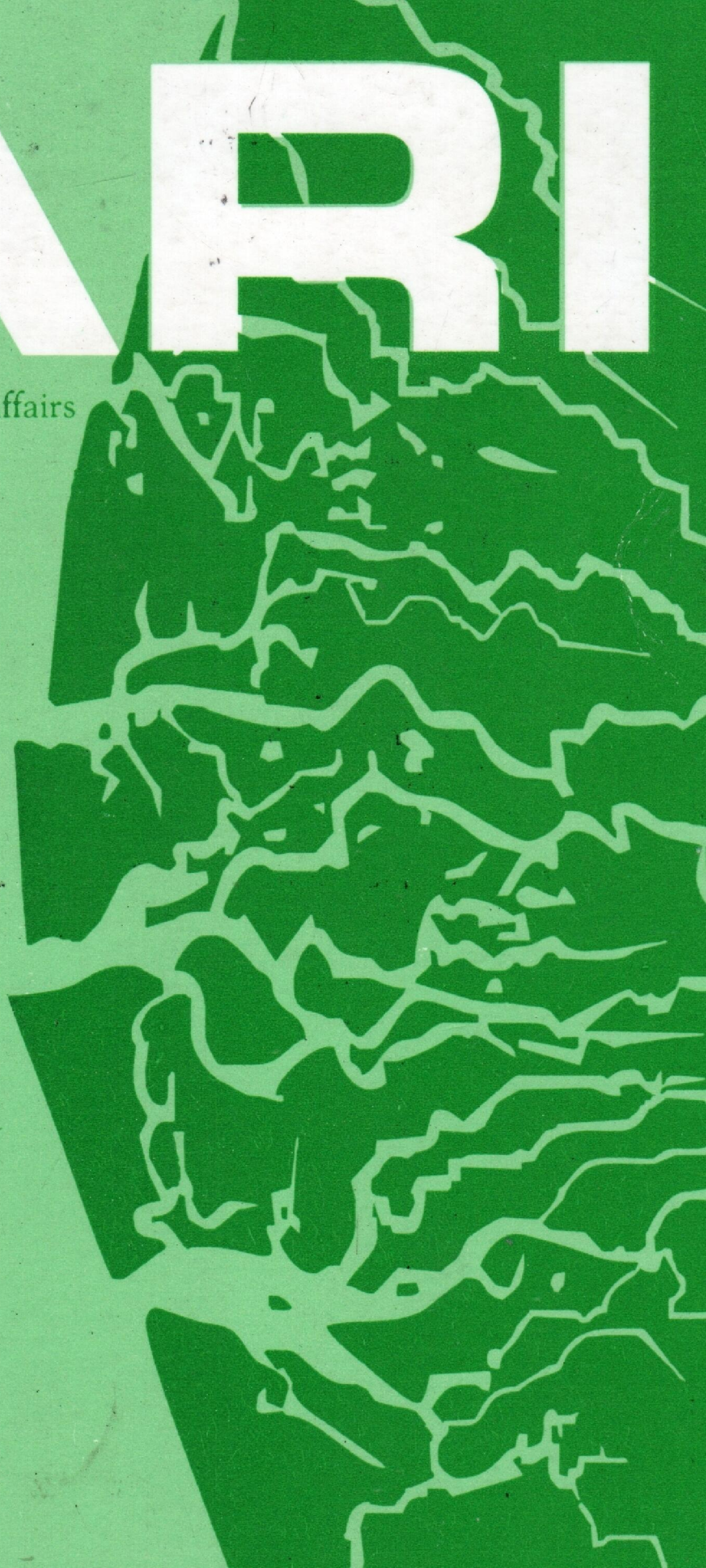
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# Capitalist Mode of Production and the Nigerian Experience

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## ABSTRACT

Capitalism has become a dominant global economic system into which most countries of the world have been drawn. Its superiority over communism was instituted following the disintegration or collapse of the former Russia led Soviet Union and the fall of Berlin wall. In this paper, we have argued that globalization and the activities of the Multinational Corporations (MNCs) are the driving forces that have made capitalism to gain currency and dominance in the global economy, and that as far as these forces persist we should not expect the demise of capitalism soonest. We have also argued that the introduction of Structural Adjustment Programme (SAP) in 1986 in the face of serious economic crisis arising from government's establishment of public enterprises deconstructed the Nigerian State into capitalism. Privatisation, as a cardinal aspect of SAP, ensured the divestment of some public enterprises to private hands, ensuring that private enterprise becomes a dominant economic system in Nigeria. Privatization has ensured that capitalism is

instituted as Nigeria's dominant economic system. To make labour serve capital effectively, the Nigerian government has stifled labour unionism through some legal and policy processes, criminalizing strikes and eliminating NLC's monopoly of unions. Our argument is that the stifling of labour unionism is an attempt by the government to ensure smooth operation of capitalism.

## KEYWORDS:

Capitalism, Alienation, Surplus Value, Globalization, Multinational Corporations, Privatization, SAP.

## INTRODUCTION

All societies have economic institutions or systems social institutions concerned with the production, distribution and consumption of goods and services without which they will cease to exist. Economic institutions, according to Karl Marx, are the foundation of society; all other social institutions (family, education, law, religion, political organization etc.) arise out of economic relations. This

influential idea of Marx is referred to as economic determinism. This overriding importance attached to the economic system by Marx and his believers arises from the fact that societies must first deal with their economic problems in order to determine the dimensions of other social institutions.

Production is very vital in the economic system of any society. According to Marx, a mode of production is a specific combination of the productive forces and the social and technical relations of production. The productive forces include human labour power and the means of production such as tools, equipments, land, buildings, technologies and capital. The social and technical relations of production include property, power and control relations governing society's productive assets, cooperative work relations and forms of association, relations between people and the objects of their work, and the relations between social classes. The combination of forces and relations of production means that the ways people relate to the physical world and to each other socially are bound up in specific and necessary ways. People must therefore produce in order to consume to be alive, and in producing they necessarily enter into relations which exist independently of their will. The mode of production necessarily determines the modes of distribution and consumption. Most importantly, it determines how the society is maintained and the

dimensions of social change.

In the modern industrial world, there are basically two types of economic systems; capitalism and socialism. These economic systems must adapt to different political and natural environments, hence we cannot find instances of pure capitalism or pure socialism. Most modern economic systems represent some variation of the two and often, combine elements of both (Brinkerhoff & White, 1988) giving rise to mixed economy. Schaefer (2001) argues that capitalism and socialism serve as ideal types of economic systems. No nation perfectly fits either model. Instead, the economy of each individual state represents a mixture of capitalism and socialism, although one type or the other is generally useful in describing a society's economic structure. A society is known with the mode of production that is dominant therein. For example, the United States of America is a capitalist society, while China is primarily a socialist one. The dominant economic structure in Nigeria is capitalism. Thus, the overriding objective of this chapter is to examine the capitalist mode of production in Nigeria.

## THE CONCEPT OF CAPITALISM Meaning, Features and Criticism

The term Capitalism, also referred to as capitalist mode of production, was brought to the academic limelight by Karl Marx (1918-1883), a German Philosopher and Sociologist. The word capitalist appears in the three volumes

of Marx' *Das Kapital* (1867, 1885, 1894) more than 2,600 times. Marx notion of the capitalist mode of production is characterized as a system of primarily private ownership of the means of production in a mainly market economy, with a legal framework on commerce and a physical infrastructure provided by the state.

Capitalism is the economic system in which most wealth (land, capital, and labour) is private property, to be used by its owners to maximize their own gain. It is mostly based on competition. Each person seeks to maximize his/her own profits by working harder or devising more efficient ways to produce goods and services. Such a system encourages hard work, technical innovation, and a sharp eye for trends in consumer demand. Because self-interest is a powerful spur, capitalist economies tend to be very productive (Brinkerhoff & White, 1988).

Capitalism is an economic system in which the means of production are largely in private hands and the main incentive for economic activities is the accumulation of profits. In practice, capitalist systems vary in the degree to which the government regulates private ownership and economic activity (Rosenberg, 1991). The capitalist mode of production which replaced feudalism is characterized by industrial manufacturing, and is based on the exploitation of wage labour. Capital is the major means of production while labour is commodified. Capitalism is a system of exploitation of workers by

capitalist and is characterized by free enterprise, a market dominated exchange relations, and sustained motive for profit maximization, all giving rise to competition (Eteng, 2008).

Immediately after the industrial revolution, the prevailing form of capitalism was what is termed *Laissez-faire*, as expounded and endorsed by British economist Adam Smith (1723-1790), people could compete freely with minimal government intervention in the economy. Business retained the right to regulate itself and essentially operated without fear of government regulation (Smelser, 1963). However, in contrast to the era of *Laissez-faire*, capitalism today features extensive government regulation of economic relations. Without restrictions, business firms can mislead consumers, endanger the safety of their workers, and even defraud investors—all in the pursuit of greater profits. That is why the government of a capitalist nation often monitors prices, sets safety standards for industries, protects the rights of consumers, and regulates collective bargaining between labour unions and management. Contemporary capitalism also differs from *Laissez-faire* in that it tolerates monopolistic practices, thereby violating the ideal of free competition cherished by Adam Smith and other supporters of *laissez-faire* capitalism (Schaefer, 2001).

### Feature of Capitalist Mode of Production

The essential features of capitalism

are summarized thus:

- (a) Private ownership and control of the means of production. This is guaranteed by the right to private property. Individuals have the right to establish and own enterprises and to set their own output prices within the framework of the forces of supply and demand in the market. Thus, individuals become creative.
- (b) Profit maximization. The overall aim of all capitalists is to maximize profit and accumulate more capital. This tendency often leads to the exploitation of workers.
- (c) Free enterprise and competition. Individuals have the right to enter into (or leave) any business allowed by the law provided they have the capital. This free enterprise allows for competition among business outfits of capitalist.
- (d) Free market operation. Goods and services are mainly produced for market sale and are independently determined by the free operation of the forces of demand and supply. Inputs of production (capital goods) are supplied as commodities through the market; outputs (consumer goods) are also supplied through the market. The process of both inputs and outputs are governed by the market laws of demand and supply. There is always agreement between the buyer and the seller through bargaining. In this case, there is perfect market.
- (e) Consumer sovereignty. Because of the free operation of the market laws of demand and supply the consumers or buyers determine what should be produced through their choice and ability to pay.
- (f) Division of labour and class structure. The nature of division of labour is determined by the ownership and control of the means of production and labour power. This necessarily results in the existence of two classes, according to Marx, namely the bourgeoisie (capitalists) and the proletariat (workers). The former own the means of production; the latter sell their labour for wages/salary. One's class, in the view of Marx, is determined entirely by one's relationship to the means of production.
- (g) The dominance of wage labour as a commodity. Labour is bought and sold in the labour market. Workers depend on the sale of their labour power for survival.

### Criticism

We have earlier noted that the advantages of capitalism include promotion of hard work, increased productivity, promotion of initiative (that is, keeping a sharp eye for trends in consumer demands) and technological innovation. In spite of these benefits, capitalism has been criticized, especially from scholars from the Marxist tradition. Their criticisms include:

- (a) That capitalism promotes exploitation of the workers by the capitalists.
- (b) That capitalism promotes and perpetuates inequality or unequal distribution of wealth among people in society.
- (c) That capitalism neglects the aspect of distribution. The capitalist system represents a competitive bargain between labour and capital, and those who do not have either of these (labour and capital) are left outside the market and thus remain perpetually poor.
- (d) That pure capitalism does not provide for public goods that do not yield profit, such as defence.
- (e) A few companies largely dominate mode of production and keep new enterprises from entering the marketplace in capitalist societies. Today's capitalism tolerates monopolistic practices, violating the ideals of free competition.
- (f) Tensions and crises are inevitable under capitalism. Conflicts usually arise out of the differential interests of the classes - profit maximization for the capitalist on one hand and better wages for the workers on the other hand.

### Historical Evolution of Capitalist Mode of Production

Modern capitalism has its origin in the European crisis of the 14<sup>th</sup> century - a conflict between the land-owning aristocrats (lords) and the agricultural

producers (the serfs). This was in the feudal era. Feudalism hindered the development of capitalism in a number of ways for both the serfs and the lords. Serfs were forced to produce for lords, and this enervated or slowed down interest in technological innovation and cooperation by the serfs. On their part, the lords used force to ensure they received sufficient food from the serfs, and with no market or competition, felt little pressure to innovate. Instead of investing in developing new productive technologies, the lords sought to expand their power and wealth through military means (Brenner, 1977). This arrangement was shaken by the demographic crisis of the fourteenth century, whose several causes included limited technological innovations leading to low agricultural productivity, Great Famine of 1315-1317 led by bad weather, and the Black Death of 1348-1350 which resulted in declined population. These three factors led to a decline in agricultural production. In response, feudal lords sought to increase agricultural production by expanding their domains through warfare. They therefore demanded more tribute from their serfs to pay for military expenses. In England, many serfs rebelled. Some moved to towns, some purchased land, and some entered into favourable contracts to rent lands from lords desperate to repopulate their estates (Dobb, 1947). This crisis led to the collapse of feudalism and created a class of tenant farmers with more freedom to market their goods and use the profits

to invest in new technologies. This collapse of feudalism brought in the emergence of a new socio-economic system known as mercantilism, and the dichotomy between wage earners and capitalist merchants.

Mercantilism, often referred to as the precursor to capitalism, covered the period between the 16<sup>th</sup> and 18<sup>th</sup> centuries (Burnham, 2003). Among the major tenets of mercantilism was bullionism, a doctrine stressing the importance of accumulating precious metals. Mercantilists argued that a state should export more goods than it imported so that foreigners would have to pay the difference in precious metals. In the words of Francis Bacon, the purpose of mercantilism was the opening and well-balancing of trade; the cherishing of manufacturers; the banishing of idleness; the repressing of waste and excess by sumptuary laws; the improvement and husbanding of the soil, the regulation of prices (Clark, 1961). In mercantilism, the government regulated economic affairs to ensure that exports exceeded imports. The government placed high tariffs on imported goods to make them more costly locally and gave financial aids and subsidies to local firms and industries to lower the prices of their exports. This culminated in nations enriching their resources by selling more goods than they bought (Udlokang & Awofeso, 2002). Mercantilism was a system of trade for profit. It was associated with geographic discoveries by merchant overseas traders, the

European colonization of the Americas, and the rapid growth in overseas trade.

From the 18<sup>th</sup> century, capitalism entered its commercial stage. Commercialism or commercial capitalism originated from the start of the British East India Company and the Dutch East India Company. These companies were characterized by their monopoly on trade, granted by letters of patent. Recognized as chartered joint-stock companies by the state, these companies enjoyed a large sum of power, ranging from lawmaking, military, and treaty-making privileges. Characterized by its colonial and expansionary powers by states, powerful nation-states sought to accumulate precious metals, and military conflicts arose. During this era, merchants who had traded under the previous stage of mercantilism invested capital in the East India Companies and other colonies, seeking a return on investment (Banaji, 2007).

By the late 18<sup>th</sup> century, mercantilism was in crisis because it could not produce enough wealth to pay for the military expenditures of the state that protected and defended commerce. This crisis intensified with the advent of industrial revolution. In the mid-18<sup>th</sup> century, a new group of economic theorists led by David Hume and Adam Smith challenged fundamental mercantilist doctrines. Thomas Robert Malthus and David Ricardo were also involved in this group. This resulted in an alternative set of economic relations and practices

called industrial capitalism (Udokang & Awofeso, 2002; Encyclopedia Britannica, 2006; Banaji, 2007).

Most scholars agree that the emergence of capitalism was brought about by earlier economic developments in England. The Marxists attribute it to the exploitation of wage-labour on a large scale by the English landowners after the crisis of the 14<sup>th</sup> century. Immanuel Wallerstein and other World systems theorists agree that the accumulation of vast amounts of capital under the merchant phase of capitalism gave rise to industrial capital.

During the resulting industrial revolution, the industrialists replaced merchants as the dominant actor in the capitalist system. This transformed the relations between the British landowning gentry and peasants, thereby giving rise to the production of cash crops for the market rather than for subsistence on a feudal manor. The surplus generated by the rise of commercial agriculture encouraged increased mechanization of agriculture (industrialization).

In the late 19<sup>th</sup> century, the control and direction of large areas of industry came into the hands of financiers. This period has been defined as State Capitalism, State Monopoly Capitalism, or Corporate Capitalism, characterized by the subordination of processes of production to the accumulation of profits in a financial system (Rothbard, 1973; Scott, 2005). Major characteristics of capitalism in this period included the establishment of

large industrial cartels or monopolies; the ownership and management of industry by financiers divorced from the production process; and the development of a complex system of banking, an equity market, and corporate holdings of capital through stock ownership. From about the American Civil War to the early 20<sup>th</sup> century, capitalism has also been increasingly influenced by large, monopolistic corporations. The oil, telecommunication, railroad, shipping, banking and financial industries are characterized by their monopolistic domination. Inside these corporations, a division of labour separates shareholders, owners, managers, and actual labourers (Stromberg, 2001)

In the period following the global depression of the 1930s, the state played an increasingly prominent role in the capitalist system throughout much of the world. State capitalism still dominated the post war period through the 1970s and was greatly influenced by Keynesian economic stabilization policies. John Maynard Keynes recommended pump-priming the economy to avoid recession, to be accompanied by the control of wages nationally partly by the use of inflation to cut real wages and to deter people from holding money. He argued that laissez-faire capitalism cannot operate well on its own, without state intervention used to promote aggregate demand, thereby fighting high unemployment and deflation of the sort experienced during the 1930s.



The long post war boom ended in the early 1970s, and the situation was worsened by the rise of stagflation (Barnes, 2004). Exceptionally high inflation combined with slow output growth, rising unemployment, and eventually recession caused loss of credibility to Keynesian welfare-statist mode of regulation. Under the influence of Friedrich Hayek and Milton Friedman, Western States embraced policy prescriptions inspired by the laissez-faire capitalism and classical liberalism. In particular, monetarism, a theoretical alternative to Keynesianism, gained increasing prominence in the capitalist world, especially under the leadership of Ronald Reagan in the U.S. and Margaret Thatcher in the UK in the 1980s. Finally, the general public's interest shifted from the collective concerns of Keynes's managed capitalism to a focus on individual freedom and choice, called remarketed capitalism (Fulcher, 2004). Reagan and Thatcher embarked on serious privatization. The collapse of the Russia-led Soviet Union supposedly brought further evidence of superiority of market capitalism over communism. Most of the former communist economies have been restructured and integrated into capitalist economies by such institutions of global capitalist hegemony as International Monetary Fund (IMF), World Bank, and World Trade Organization (WTO) (Peet, 2003). Thus, capitalism has become a global reality, and now can talk in terms of globalized capitalism. The forces of

globalization have acted to increase the mobility of people, ideas or information, and capital across the world, shrinking the world into a global village.

### CAPITALISM, GLOBALIZATION AND MULTINATIONAL CORPORATIONS (MNCs)

The current trend of capitalist development has been aided by increasing globalization. In fact, globalization has become the vehicle of capitalism and thus ensures that capitalism becomes a dominant economic system the world over. Globalization, according to Aminat (2002), is a process through which an increasingly free flow of ideas, people, goods, services, and capital leads to the integration of economics and societies. For Daouas (2001), globalization is characterized in particular by an intensification of cross border trade and mobilization of individuals and increased financial and foreign investment flows, promoted by rapid liberalization and advances in information technologies.

Globalization has helped increase the growth of trade in the countries that participate in it. With expansion in trade, the domestic producers have enlarged thus allowing them to reap scale economies, forcing them to be competitive and thus offering them incentives and opportunities to assimilate, as well as develop new technologies. With respect to capital flows and their diverse compositions (foreign direct investment, portfolio

flows and short term capital) there have been increased investment, technology, transfer, financial deepening, improved access to international markets and integration of countries into international production networks which are increasingly the locus of trade flows. With respect to migration, globalization has allowed the movement of people, especially skilled workers, from less developed countries to developed ones. The benefit here is when migrants remit part of their income home. This remittance eases foreign exchange constraints and reduces the skewness in household consumption of the poorer families. Other advantages of globalization are the opportunity to work in the industrialized countries and the valuable skills and experience that comes with it and the international connection and networks that are key to industrialization and commercial success in less developed countries (Solimano, 1999; Yusuf, 2001; Yusuf and Wu, 2001; Milanovic 2002). Other impacts of globalization include increase in income and a rise in the standard of living in many parts of the world, partly by making sophisticated technologies available to less advanced countries; and increased easy access to information through the use of computer and telecommunications (Aninat, 2002).

MNCs have been a viable instrument in the globalization process. MNCs refer to commercial organizations that are headquartered in one country but do business through

out the world. Such private trade and lending relationships are not new; merchants have conducted business abroad for hundreds of years, trading gems, spices, garments, and other goods. However, today's multinational giants are not merely buying and selling overseas; they are also producing goods all over the world (Wallerstein, 1974). Examples of MNCs include, among others, General Motors, Nestle, John Holt, Sony, IBM, ExxonMobil, Texaco, and Unilever.

MNCs can actually help the developing nations of the world. They bring jobs and industries to areas where subsistence agriculture previously served as the only means of survival, and promote rapid development through diffusion of inventions and innovations from industrial nations. The international ties of MNCs also facilitate the exchange of ideas and technology around the world. They make the nations of the world more interdependent. And these ties may prevent certain disputes from reaching the point of serious conflict. In country cannot afford to sever diplomatic relations, or engage in warfare, with a nation that is the headquarters for its main business suppliers or is a key outlet for exports (Schaefer, 2001).

Globalization and MNCs as its agent have acted to increase the mobility of people, capital, information, ideas, goods and services, thereby promoting free trade and economic liberalism. These two factors have ensured that capitalism be viewed as a

truly world economic system. According to Fulcher (2004), the biggest reason for the increasingly global capitalist economy is the telecommunications revolution that has taken place over the last twenty years. Fax machines, cell phones, and the Internet have made it possible for work to be done and transactions to take place from almost anywhere in the world.

Conflict theorists challenge this favourable evaluation of globalization and MNCs and the role in accentuating capitalism. They show growing concern about the negative aspects of globalization and MNCs whether they are truly beneficial to the developing countries. According to Aninat (2002), there is the belief that free trade through globalization will favour only rich, countries and that volatile capital markets will hurt developing countries the most. There is also the concern of less developed countries losing local control over economic policies and developments, the disappearance of old industries and the erosion of local communities. For Diaz-Benilla and Robinson (2001), another effect of globalization is with respect to the underdevelopment of capital markets, high risk premiums, inappropriate domestic policies and damaging episodes of macroeconomic instability in less developed countries. Solimano (1999) also gives the social consequences of globalization as including increased instability in output and employment when output produced by a nation and its labour force find it difficult to

compete with other countries because it is unskilled and uneducated; and when it transmit the cultural patterns of large countries to the rest of the world through imitation of consumption pattern, global mass media and other means of influence, thus leading to homogenization of values and reduction of cultural diversity and national identities.

The MNCs exploit local workers to maximize profits. They invest in limited areas of an economy and in restricted regions of a nation. Although certain sectors of the host nation's economy expand, such as hotels and expensive restaurants, this very expansion appears to retard growth in agriculture and other economic sectors. Moreover, MNCs often buy out or force out local entrepreneurs and companies, thereby increasing economic and cultural dependence (Bronschier et al, 1978; Evans, 1979; Wallerstein, 1979; Chase-Dunn and Grimes, 1995).

## THEORETICAL PERSPECTIVES ON CAPITALISM

Notable Theories on capitalism include the classical political economic theory, Marxian theory and Weberian theory. Let us examine them in some details.

**Classical Political Economic Theory**  
The classical political economic thought emerged in the 18<sup>th</sup> century when a group of French economists known as the Physiocrats (including Francois Quesnay, Anne Robert, Jacques, and Richard Cantillon) urged government

to stop interfering in foreign trade. Their theory or policy was known as *laissez-faire*. The Physiocrats advocated for free trade, end of mercantilism and an end to tariffs and other trade restrictions like customs duties (Udokang and Awofeso, 2002). They promoted free trade based on their conception that wealth originated from land.

However, notable classical political economists include Adam Smith, David Ricardo, Jean-Baptiste Say, and John Stuart Mill, among others. Smith's attack on mercantilism and his reasoning for the system of natural liberty in *The Wealth of Nations* (1776) are usually taken as the beginning of classical political economy. He criticized monopolies, tariffs, duties and other state enforced restrictions of his time, and developed a set of concepts that is still associated with capitalism today: invisible hand of the market. He believed that the market is the most fair and efficient arbitrator of resources (Degen, 2008). Smith further argued that a nation could increase its wealth most rapidly by allowing free trade, i.e., free trade promotes accumulation of more wealth or capital, and that the state or government is essentially the guarantor of the system of natural liberty, the role of maintaining the framework within which free effective competition can take place (Udokang & Awofeso, 2002).

In his *The Principles of Political Economy and Taxation* (1817), David Ricardo developed the law of

comparative advantage, explaining why it is profitable for two parties to trade, even if one of the trading partners is more efficient in every type of economic production. This principle supports the economic case for free trade. He also held the view that full employment is the normal equilibrium for a competitive economy (Blackwell Encyclopaedia, 1991). The classical political economic theory advocated for economic liberalism with minimal government intervention in the economy. It does not oppose the state's provision of a few basic public goods that cannot be efficiently handled by private entities.

#### Marxian School of Thought

Karl Marx viewed capitalism as a historically specific mode of production in which capital is the principal or dominant means of production. Capitalism is founded on a social relationship vis-à-vis the means of production of continual struggle or antagonism between two classes: the bourgeoisie and the proletariat. The bourgeoisie or capitalist class owns the means of production, such as factory, machinery and money, whereas the proletariat is the working class. The capitalists exploit the labour of the working class and maximize profit, without paying the workers rewards or salaries commensurate with their labour. In this way, the workers are kept in a subordinate position and are alienated from the object they produce, from the process of production, from

himself and from their fellow workers. Because of these exploitation and alienation, Marx declared that capitalism sows 'the seeds of its own destruction.

According to Marx, exploitation of the proletariat will inevitably lead to the destruction of capitalist system because the workers will revolt. But, first, the working class must develop Class consciousness a subjective awareness of common vested interests and the need for collective political action to bring about social change. Workers must often overcome what Marx termed false consciousness, or an attitude held by members of a class that does not accurately reflect its objective position. A worker with false consciousness may adopt an individualistic viewpoint toward capitalist exploitation ( I am being exploited by my boss ). By contrast, the class-conscious worker realizes that all workers are being exploited by the bourgeoisie and have a common stable in revolution (Vaneman and Cannon, 1987).

Marx regards class consciousness as part of a collective process whereby the proletariat comes to identify the bourgeoisie as the source of its oppression. Thus, he challenged all workers to unite and overthrow the bourgeoisie. Revolutionary leaders will guide the working class in its class struggle. Ultimately, the proletariat will overthrow the rule of the bourgeoisie (and the government, which Marx saw as representing the interests of capitalists) and will eliminate private

ownership of the means of production. In his rather utopian view, classes and oppression will cease to exist in the post revolutionary worker's state (Schaefer, 2001). The overthrow of capitalism, according to Marx, will usher in the dictatorship of the proletariat and socialism. Exploited labour and the extraction of surplus value become the driving forces behind the revolution to a socialist-style mode of production.

#### Weberian School of Thought

Marx Weber viewed market exchange, rather than production as the defining feature of capitalism. He saw capitalism arising out of rationalization of production directed toward's maximizing efficiency and productivity. In his pioneering work *The Protestant Ethic and the Spirit of Capitalism* (1904-1905), Weber tried to trace how a particular form of religious spirit, which was infused into the traditional modes of economic activity, was a condition that resulted in the emergence of modern western capitalism.

Weber noted that in European nations with protestant and Catholic citizens, an overwhelming number of business leaders, owners of capital, and skilled workers were Protestants. In his view, this was no mere coincidence. He pointed out that the followers of John Calvin (1509-1564), a leader of the Protestant Reformation, emphasized what have become known as the Protestant Ethic (Schaefer, 2001).

Three aspects of Protestantism



championed by Calvinism were predestination, the concept of a calling and rationalism. The combination of these three elements produced what Weber called the Protestant ethic – a belief that work, rationalism and plain living are moral virtues, whereas idleness and indulgence are sinful. In the Protestant ethic wealth was an intended consequence of behaviour directed by religious motives. The moral values underlying early protestantism had become the moral values underlying early capitalism: (1) Work is moral and everybody should work hard; (2) Rational cost/benefit calculations should be the basis of economic decisions; (3) Profits should be reinvested rather than spent on luxuries; and (4) Wealth rather than aristocratic lineage is the best indicator of people's importance in society (Brinkerhoff and White, 1988).

One by-product of the Protestant ethic was a drive to accumulate savings that could be used for future investment. This Spirit of capitalism contrasted with the moderate work hours, leisurely work habits, and lack of ambition that he saw as typical of the times (Yinger 1974; Winter 1977). Unlike Karl Marx, Weber believed that capitalism has come to stay as a dominant economic system. This is supported by Greeley (1989), who asserted that the spirit of capitalism has become a generalized cultural trait rather than a specific religious tenet.

## THE CONCEPTS OF SURPLUS VALUE AND ALIENATION

These concepts were created and introduced by Karl Marx in his critique of the political economy of capitalism. They are indeed central to Marx's conception of capitalism. Surplus value refers to the difference between the value of the product when it is sold and the value of the elements consumed in the formation of that product. Although means of production (raw materials as tools) are consumed in the production process, it is labour that is the real source of surplus value (Ritzer, 2000).

The rate of surplus value is therefore an exact expression for the degree of exploitation of labour-power by capital, or of the labourer by the capitalist (Marx, 1867/1967:218). The concept of surplus value points to the exploitative tendency of the capitalists or employers. The surplus value is the profit or left over after the labourers or workers have been paid. Employers exploit the workers by paying them salaries or wages that are not commensurate with their labour, and thereafter use the profits made out of this exploitation to cater for themselves and reinvest for further surplus value. Ritzer (2000) captures it this way: The surplus value derived from this process (exploitation of workers by employers) is used by the capitalists to pay for such things as rent to landowners and interest to banks. But the most important derivation from it is profit. The capitalists can use this profit for private consumption, but that

would not lead to expansion of capitalism. Rather they expand their enterprise by converting it into a base for the creation of still more surplus value. In Marx's value theory, surplus value means the amount of the increase in the value of capital upon investment, i.e. the yield or increment in value, regardless of whether it takes the form of profit, interest or rent. Therefore, Marx himself regarded the reduction of profit, interest and rent income to surplus value. The capitalist' utmost desire is to accumulate more profit and more surplus value for expansion. This pushes capitalism toward what Marx called the general law of capitalist accumulation. The capitalist seek to exploit workers as much as possible:

The constant tendency of capital is to force the cost of labour back towards zero (Marx, 1867/1967:600). The capitalists intensify their exploitation of workers in order to accumulate more and more profit and capital.

Marx identified two forms of surplus value: absolute and relative. Absolute surplus value is obtained by increasing the amount of time worked per worker in an accounting period. Marx talked about the length of the working day or week, but in modern times the concern has been shifted to the number of hours worked per year. This implies that the driving force of capitalism is to maximize the appropriation of surplus value and augment the stock of capital. Relative surplus value, on the other hand, is obtained mainly by reducing wages, reducing the cost of wage-goods

by various means to curb wage increases, and increasing the productivity and intensity of labour generally through mechanization and rationalization. The tendency on the part of the capitalist to accumulate more and more surplus value by exploiting the workers is always opposed by the workers themselves who also want more profit and enhanced living conditions. This becomes the primary and main mitigator of conflict between the two social classes. Differential economic interests between social classes or groups is the base of industrial conflict.

Marx used a more colourful metaphor to point out the negative tendencies of capitalism vis-à-vis surplus value accumulation: capital is dead labour, that, vampire-like, only lives by sucking living labour, and lives the more, the more labour it sucks. (Marx, 1867/1967:233). The surplus value has been one of the contending issues of capitalism among the Marxists; they always ask what happens to the surplus value?

### Alienation

Marx popularized alienation as a systematic result of capitalism. His theory of alienation is based on his observation that in emerging industrial production under capitalism, workers definitely lose control of their lives and selves by not having any control of their work. Workers do not have autonomy and self-realization, except the way the bourgeoisie want them to be realized. Marx saw the history of mankind as

characterized by a dual nature: a history of mankind's progressive control over nature and a history of increasing alienation of man. Alienation, in the Marxian context, may be described as a condition in which men are dominated by the forces of their own creation, which confront them as alien powers (Coser, 1971).

All major social institutions in a capitalist society, according to Marx, have alienating conditions. Examples of these institutions include religion, the state and political economy. But Marx considers alienation in the workplace as critical because man is above all else a worker, one that must produce the material for his subsistence. Alienation in the sphere of production in the capitalist system, according to Marx, stares man in the face daily, and transcends the conditions of the mind, unlike other forms of alienation. In this sphere, alienation to Marx has fourfold aspects, namely, that man, the worker, is alienated from: the object he produces (the product), the process of production (Productive activity), himself, and the community of his fellow men (fellow workers) (Girigiri, 1998).

Workers in a capitalist system are alienated because they work for capitalists who use them to maximize profit and accumulate surplus value, but only pay them a subsistence wage. The product of their labour does not belong to the worker but to the capitalists who decide what to do with them. As Girigiri puts it, The fate of his product becomes determined by seemingly

impersonal market forces, which project the interests of capitalists against the interests of workers. Technological innovations (the use of machines) help to alienate man from himself, whereas the social relationship under capitalism becomes merely market relations and thus alienate the worker from fellow workers.

Robert Blauner has championed the degree of alienation experienced by workers in the course of alienation in modern time. He studied four types of industry which employed different forms of technology. These industries were craft printing, machine textiles, assembly-line automobile, and automated chemical industries. His findings were: there was a lack of alienation in the craft printing industry, an increase in alienation in the machine textiles, a further increase in the assembly-line automobile industry, and a close semblance between the state of alienation in the craft printing and the automated chemical industries (Parker et al., 1977; Haralambos and Heald, 1980).

According to Girigiri (1998), alienation in the context of Blauner's application has the following four dimensions:

- (1) Powerlessness, which means that the worker lacks control over the ownership of the means of production, managerial policies and decision-making, the conditions of employment, and over the immediate work process;



- (2) Meaninglessness, which is the inability by the worker to develop a sense of purpose relating the task he performs to the overall production process;
- (3) Isolation, which indicates the inability of the worker to feel belonging to an integrated industrial community; and
- (4) Self-estrangement, which refers to failure by the worker to become involved in work activity as a mode of self-expression.

The connection between surplus value and alienation is evident in the tendency of the capitalists to employ all measures to alienate the workers and make them more committed to produce the surplus value, with which they enrich themselves (capitalists) the more. Marx proposed that giving workers greater control over the workplace of workers' alienation. This solution is not dependent on adequate reforms of factory life, but on a revolutionary overthrow of capitalist oppression to bring about socialism (collective ownership of the means of production). When Karl Marx wrote about work and alienation in 1844, the physical conditions of labour were much harsher than they are today. Yet his writings inspired research into alienated labour that persists today, even as workers enjoy safer and more comfortable surroundings. The growth of the size of businesses, the emergence of huge franchise claims, and the dominance of MNCs have only increased the isolation

of workers (Hodson and Sullivan 1995).

### CAPITALIST MODE OF PRODUCTION: THE NIGERIAN EXPERIENCE

Upon attainment of independence in 1960, Nigeria was confronted with the critical question of economic development and with an apparent weak private sector (Zayyad, 1994). The state therefore championed investment in industrial and infrastructural development with the available national revenue at its disposal (Williams 1980; Yahaya 1993; Forest 1995). It was obvious therefore that the state was avidly inclined towards capitalism as its involvement in the development process only leveraged on the theoretical thresholds of welfarism quite common throughout Western Europe. Limited by national resources in the face of competing critical demands, the state welfare policy was restricted to expanding the public sector through the establishment of government agencies and parastatals (Ake 1996; Zayyad 1994).

The political economy of capitalism was fully entrenched in Nigeria at independence in 1960. One of the preconditions for the successful working of capitalism has been the control and adjustment of economic relations between Nigeria and the rest of the world by the Nigerian State. Many European and North American markets and sources of investment and technology other than British ones responded readily to the Nigerian post-

colonial political economy. For instance, France which had no historical ties with Nigeria increased its commercial interest in post-independence Nigeria, reaching its peak in the late 1970s and early 1980s when over 250 French enterprises including CFAO and SCOA (incorporated in Nigeria in 1902 and 1926 respectively) as well as Peugeot Automobile, Fourgerolle, Dumez, Spie Batignolle, Michelin, Bouygues, Elf, Total and UBA, among others, were established in Nigeria. With protection, guarantee and subsidy from the Nigerian State, Multinational Corporations (MNCs) previously involved in import-export (distributive) trade were increasingly attracted to some productive activities of import-substitution industrialization. Nigerian entrepreneurs collaborated with foreign investors to improve import substitution industrial ventures, which depended on foreign capital, machinery, as well as technical and managerial skills (Eminue, 2005).

Implicit in the above is the fact that globalization and the activities of the MNCs have been the driving forces behind capitalism. Capitalism has become a reality into which almost all the countries in the world have been drawn. According to Stiglitz (2002), the institutions of global capitalist hegemony took up the responsibility of ensuring that capitalism was entrenched everywhere in the world, after the collapse of communism in the wake of the disintegration of the former Soviet Union and the fall of Berlin wall,

signalling the unstoppable triumph of capitalism. The International Monetary Fund (IMF), World Bank and the World Trade Organization (WTO) assumed the primary duty of restructuring former communist economies in Eastern Europe into capitalist economies (Peet, 2003). The same applied to Africa and Asia. In Africa, beginning from the early 1980s many African economies took the economic pill of structural adjustment as a solution to what became a phenomenon of economic crisis. Thus the Nigerian State introduced structural adjustment reforms in 1986. These reforms interchangeably referred to as public sector reforms or management reforms cover a wide range of policy initiatives and strategies that seek to achieve four basic objectives: fiscal stability, managerial efficiency, state capacity and public accountability (Bangura, 1998).

With the onset of economic crisis and the introduction of structural adjustment programme (SAP), the Nigerian state accepted its deconstruction in order to be transformed for capitalist interest. In other words, the IMF and the World Bank began to eliminate those elements of the state that constrained the entrenchment of capitalism in Nigeria. Public sector reforms thus became the inevitable alternative. Thus since 1986, the Nigerian state begun the process of contracting itself in order to become capitalist friendly. In this process, privatization and down right retrenchment have remained major

policy instruments in shaping or reducing the Nigerian State with far reaching implications for public sector welfare and social development. These policies derived their relevance in the triumph of global capitalism through the liberal economic theory under the driving influence of technological revolution (Genyi, 2007).

Privatization is the process of government disengagement from economic functions which can be effectively and profitably tool of economic policy and a concept of economic development worldwide. It is indeed one of the wave links of globalization in the area of economic policy of capitalism (Udoh, 2007). Privatization refers to the complete or partial sales of public corporations or public-owned assets to private investors, including foreign investors and local subsidiaries of MNCs. Scholars, according to Edame (2001), have argued that for privatization to really succeed, the following characteristics are to be considered: it must not be rushed, the objectives of privatization must be clearly established, the exercise must be transparent and open, and a reasonable true value of what is being privatized must be ascertained to ensure that public assets are not given away for pittance.

The immediate justification for privatization as identified by scholars may be found in the internally generated pressures brought about by globalization and the need for Nigeria to liberalize her economic activities to

follow the queue of world economic order. These external influences have been reinforced by economic mismanagement that characterized our political economy over the years (Udoh, 2007).

The Babangida administration marked the beginning of privatization in Nigeria. In his 1986 budget, General Ibrahim Babangida outlined his privatization policy. But by Decree No.25 of 1988, he set up a Technical Committee on Privatization and Commercialization (TCPC) to handle the privatization and commercialization exercise. While commercialization in Nigeria meant the re-organization and re-structuring of the selected state owned enterprises in such a way as to make them more efficient, commercially viable, and profit-oriented (Onu, 2005). The Decree identified 111 state-owned enterprises (SOEs) for full or partial privatization. Full privatization meant full divestment of the government's retention of 40% of each SOE (Eminue, 2005). Of the 111 enterprises, 68 were to be fully privatized and 43 partially privatized. But the 111 SOEs were later reduced to 95 at the implementation stage as 5 SOEs, 3 banks and 2 fertilizer companies were moved from the partial privatization list to the commercialization category. The first two enterprises to be privatized by the federal government in 1988 were the Nigerian Flour Mills Ltd and the African petroleum Company Ltd (Obadan, 1995).

From 1988 to 1993, when the



privatization process was suspended, 55 firms had been privatized by the TCPC. Out of these 35 were privatized through public offer, 1 through management buy-out, 8 through sales assets by public tender, 7 by private replacement and 4 through deferred public offer. The predominance of public offer was to ensure wider spread of ownership. The TCPC was replaced by a new body known as Bureau of Public Enterprises (BPE) in 1994 (Eminue, 2005). With the Public Enterprises Decree No. 28 of 1999, the Bureau for Public Enterprises and the National Council on Privatization (NCP) were established to implement the second round of the privatization programme. The NCP was headed by the vice president, Atiku Abubakar (Udoh, 2007). 25 enterprises were earmarked for full privatisation and 37 for partial privatization in the second round.

Series of public protests and strikes have trailed the privatization exercise since inception (Babangida's regime). These were always championed by the Nigerian Labour Congress (NLC), an umbrella organization for trade unions in Nigeria. Seeing NLC's monopoly over unionism as threatening capitalist profits through disruption of production and demand for higher wages, the federal government passed the Trade Union (Amendment) Act on March 30, 2005 to tame NLC's monopoly of unions. Strong trade unionism has been identified by the Marxists as opposing the capitalist interest of profit maximization and exploitation of the

working class, and therefore should be eliminated. The new law has, among other things, criminalized national strikes and protests against economic policies and many other issues. Barrett (2004) notes that the criminalization of strikes is to ensure that government can take decisions affecting the welfare of workers without being challenged.

The stage for the final process of capitalist entrenchment in Nigeria was set by the adoption of retrenchment in the public service by the Government. Examples abound: 1,000 workers of the Nigerian Ports Authority (NPA) were laid off following the implementation of the concessioning policy in the Ports (Ugwoke, 2005); the Nigerian Export Promotion Council (NIPC) laid off 400 of its 615 work force in December 2005 (Nwachukwu, 2005); the Steel sector lost close to 7,000 workers between 2004 and 2005; the Statistics Bureau, formerly the Federal Office of Statistics (FOS) dismissed 1,153 staff for reasons of lack of basic minimum qualification of Ordinary National Diploma (OND) (Oji, 2006); 33,000 workers in the Federal Civil service out of 160,000 were retrenched (Akunna, 2006); the Federal Airport Authority of Nigeria (FAAN) reduced its workforce strength of 5,000 to 2,000 (Awyinfa, 2006); the Central Bank of Nigeria (CBN) has since 1999 retrenched 5,000 of its 10,000 staff; and a total of 7,200 workers of the Nigerian Telecommunication Limited (NITEL) were retrenched following the acquisition of MTEL by Transnational Corporation Plc, reducing its workforce

to 3,500. The new management of Transcorp announced the retrenchment of another 1,000 workers by the end of February (Nkanga, 2007). With this sustained level of mass retrenchment in the name of rationalization supported by law, the courts and legislative institutions, organized labour has been effectively tamed to serve capital (Genyi, 2007).

### Conclusion

Capitalism has become a reality into which almost all the countries of the world have been drawn. This dominant global economic system has been accentuated by the increasing trends of globalization and activities of the MNCs. Thus, globalization and MNCs remain two powerful forces of capitalism, ensuring that capitalism does not wither away as Marx and his admirers speculated. Upon attainment of independence in 1960, Nigeria inclined towards capitalism. But limited national resources in the face of competing critical demands made the Nigerian state to pursue welfarist policies that expand the public sector through public enterprise establishment. This really gave the government a dominant role in the economy and posed serious problem for full establishment of a capitalist economy. With time the government realized it was spending much money on the maintenance of these several public enterprises than it realized from them. Then the country was plunged into serious economic crisis. Thus, public

sector reforms became the inevitable alternative.

With the introduction of SAP in 1986, elements of state bureaucracy or public enterprises that constrained the entrenchment of capitalism in Nigeria were eliminated. The instrument of privatization was a major option for SAP in reforming the public sector and installing capitalism in the country. We are all witnesses that a lot of public enterprises have been privatized in Nigeria, though with lots of challenges. As it stands now, Nigeria operates capitalism as its dominant economic system, though with limited state intervention in enterprises that provides basic services.

In addition to privatization, the Nigerian government has stifled labour unionism through some legal and policy processes. At the moment, strikes and protests have been criminalized and NLC's monopoly of unionism eliminated. All these, though with implications for workers welfare, have been done to ensure successful operation of capitalism in the country. After all, strong labour unionism is a threat to capitalism anywhere.

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