

Chapter 3

1. c.
2. (a) False; (b) False; (c) True; (d) True; (e) False.
- 3.

(a) Inter-firm competition for market share compels the capitalist to constantly improve the firm's efficiency and develop new and better commodities to sell. Second, those employed by capitalist firms have lost the means of being self-sufficient as peasants or self-employed handicraft artisans. This means they have to spend their wages on buying on the market all those products they no longer produce for themselves. The worker is not only a source of profit but also a consumer of the same products capitalism sells. Third, growing conflict between ever more organized workers and the bourgeoisie compels the latter to find ways to raise the productivity of their workers so they can pay the higher wages being demanded. Fourth, improving productivity often requires the owners of capital to install more advanced technology while drawing on constant scientific advance. But this in turn stimulates innovation and investment in the wider economy so pulling yet more people into the capitalist work force. Another source of economic dynamism is likely to come from scale economies as firms grow larger.

(b) With their cheaper commodities and greater efficiency, capitalist businesses out-compete simpler handicraft producers and propel the economy in question to move in a more productive direction. Second, the imported products create new desires among the local population. They wish to obtain the means of purchasing these seductive goods and so may seek employment in the growing capitalist sector in order to obtain the money to purchase the new goods. Third, eventually a local capitalist bourgeoisie is likely to emerge and they will wish to push their country more decisively and rapidly towards national capitalist industrialization – if they can dislodge the entrenched foreign capitalists from their hitherto dominant position.

4. The USA emerged from WW2 as the strongest industrial economy by far and as the world's creditor nation. This gave it bargaining power over its Western allies who also needed US loans and markets. Second, the US government was highly influential in shaping the post-war Bretton Woods financial rules and institutions designed to introduce a stable system of future international finance and trade which would avoid the protectionism of the 1930s. Third, it was in the interest of the US to encourage its Western allies to de-colonize their empires because this would help to avoid the risk of Communist movements erupting across Africa and Asia and would open up these relatively closed economies to American exports and investment. Fourth, the widespread adoption of Keynesian economic management policies helped world economic revival and underpinned the post-war era of Fordist expansion. The US did not discourage its allies from adopting these policies and in fact operated its own version of Keynesianism for several decades.

5. 1970s = E; 1981-89 = A; 1981-2007 = J; 1989-92 = G; 2003 = F; 1992 = B; 1991 = C; 2000 till now = H; 2001= D; 2011 = I.