1
A General Theory of Economic Systems

1.1 The nature of historical materialism

Our explanation of neoliberalism in advanced capitalism is cast in terms of historical materialism, and the explanation takes place at three different levels of generality. In this chapter, we make a case for historical materialism being applicable to all of human history, followed in the next chapter with the case for historical materialism limited to the capitalist era. Then, in the remainder of the book, and especially in Chapters 5–8, there follows the application of historical materialism to advanced capitalism at the end of the twentieth century and the beginning of the twenty-first century. The aim is to strengthen our argument sequentially, by lowering the level of abstraction in two stages. We claim that there are good arguments in favour of historical materialism as a general theory of economic systems, but they are strengthened if their explanatory range is confined to capitalist economic systems, and further strengthened if limited to contemporary advanced capitalism.

Historical materialism, of course, is associated with Marxism, and especially with the view that all political and cultural phenomena can be reduced to 'the economic' or to 'the technological' and, moreover, that the inevitable culmination of the historical process will be socialism. As a consequence it has been subject to ridicule and abuse as well as to serious criticism, and this has brought successive reformulations of the theory. We will deal with the criticism at many points and begin here, in the opening section of this chapter, with a commentary on some of the misunderstandings that have brought dismissals of the theory. This will clarify what we believe historical materialism can best be presented as.

The theory originated not with Karl Marx but with thinkers of the French and Scottish Enlightenment in the eighteenth century, and was
especially prominent in the work of Adam Smith. Thus many of its themes were originated by liberal theorists who have had a huge influence quite independently of Marxism. What Marx contributed was a rigorous reconstruction of the theory and a deepening of its explanatory power. But some of the claims made by Marx proved to be exaggerated, or valid only for special cases, and the refinement of historical materialism continued after his death. Significant modifications were made in the early twentieth century in order to incorporate complexities connected with interstate warfare between the great powers. And the experience of these conflicts has motivated various Darwinian renovations of historical materialism, which have reduced some of the explanatory ambitions of the theory while strengthening it against criticisms that would otherwise be very damaging. This, in turn, has facilitated more recognition of themes associated with the sociology of Max Weber, who stressed the importance that humans always attach to cultural identity and the pervasiveness of conflict between organised political entities, both of which phenomena he believed to be irreducible to economics and technology. Finally, during the last few decades, the heavy artillery of analytical philosophy has been deployed to provide further conceptual refinement of historical materialism.

To characterise historical materialism as a form of technological determinism or as economic determinism suggests a simplicity that the theory lacks. It does claim that the character of the ‘productive forces’ explains the character of the economic, political and cultural systems. But, as we will explain, some exceptions can be recognised, and the productive forces are not synonymous with either technology or ‘the economic’. Moreover, the type of explanation envisaged is not only consistent with causal reciprocity, but also requires it. Historical materialism proposes a causal primacy for the productive forces because it envisages that they determine the prevailing type of economic system in a functional manner. The economic system is as it is in virtue of its capacity to best develop the productive forces in their current form. A similar functional causation is claimed by historical materialism to characterise the relation of the economic system and the political sphere. The polity has the character it has because it best consolidates the economic system when it has this character. Thus causation is envisaged as a qualitative hierarchy in which the interaction of technology, economy, politics and culture is actually mandated rather than prohibited. And no claim as to the quantitative significance of the different causal flows has to be defended because none need be made. Moreover, claiming primacy for the productive forces does not negate human activism and choice, or