

[From Alan Macfarlane, *The Culture of Capitalism* (Basil Blackwell, Oxford, 1987)]

Appendix

A Note on the Nature of Capitalism

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The word 'capitalism' is used frequently throughout this book [*The Culture of Capitalism*] and I should specify what I take it to mean. It is simplest to do so in relation to the classic formulation of the set of interrelated features by Marx and Weber. Capitalism is one among many types of social formation. In Marxian analysis a social formation consists of an infrastructure or 'mode of production', and a superstructure. Marx, as is well known, was particularly concerned with the 'mode of production' of capitalism; that is, with the historically specific infrastructure which he believed had arisen in western Europe sometime between the fifteenth and eighteenth centuries. What were its central characteristics?

Of crucial importance were the relations of production, how people are related in the productive process. In capitalism, there is a full development of individual, private property. No longer is property communal, owned by the state, community or family, or even by the lords, as in earlier social formations, but it is fully owned by the individual. This applies not only to real estate but to the ultimate 'property' of an individual, his labour power. In capitalism all becomes alienable, everything is a commodity to be traded on the market, people can buy and sell objects, and their own and each other's labour. All is apparently set 'free' and given a monetary value.

Thus the emergence of individual private property and of widespread wage-labour are central characteristics of capitalism. These features allow the emergence of classes; the owners and the owned; the landlords, farmers and labourers; the capitalists and the workers.

Alongside this change in the relations of production, there is a change in the means of production. The tools and the physical

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environment change. Mankind begins to live more and more in an artificial and man-made world. Machinery replaces human labour. Although the connection between relations and means of production is not automatic and unidirectional, there is likely to be some link, as is shown in the famous remark that the water mill is the basis of feudalism and the steam engine the basis of capitalism. As the tools of man change, so do his relations to other men. This includes changes in the organization of production. There is a massive shift from a world where there is little specialization and division of labour, to one with increasing differentiation. The only specialization before capitalism is between the major orders in society: the priests, educators, warriors and rulers on the one hand, and the mass of agricultural workers on the other. There are pockets of craft skills, but the towns and markets are small and peripheral and artisans are few. In capitalism all this changes and the rise of factory production entails ever-increasing division into minute tasks.

There are associated changes noted by Marx which tie in with these central features. There is a change from a largely non-monetized to an almost completely money-dominated system of exchange, from barter to a money standard. Agricultural and other goods which had hitherto been primarily produced to be immediately consumed or, sometimes, bartered, are now mainly produced for sale. There is a growth in geographical and social mobility. People are no longer tied to a lord or to the land. The mobility of labour needed for the capitalistic mode of production emerges in the shape of a largely propertyless proletariat.

Marx concentrated on these infrastructural features and paid less attention to the juridico - political and ideological dimensions of capitalism, except in some throwaway comments. For instance he states that when aristocracy is dominant the concepts of honour and loyalty will be stressed, but 'during the dominance of the bourgeoisie, the concepts of freedom, equality etc' will be dominant.⁽¹⁾ In order to broaden the definition to include superstructure we can turn to Max Weber.

Several of Weber's characterizations of capitalism naturally overlap with those of Marx. The presence of a 'free' labour force, freed from the constraints of those fetters such as serfdom, slavery or kinship, is

¹ Marx and Engels, *German Ideology*, 65.

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of great importance for Weber. Likewise, there is increasing division of labour, though here Weber elaborates a new distinction: 'the separation of business from the household, which completely dominates modern economic life' is of central importance. This is not necessarily a physical separation as between place of work and household, it is 'our legal separation of corporate from personal property'.⁽²⁾ It is the realization that a person may act in one way as a businessman, and another as a family member, it includes the devices of limited liability, of companies, of corporations. This separation of the economic unit of production from the social unit of reproduction lies behind the destruction of the hitherto widespread 'domestic mode of production' which blended the two. The distinction is behind the growing separation of public and private domains in politics, economics and elsewhere. It is also related to the new development of 'rational accounting'.

When contrasting feudal and capitalist systems, Weber argued that the large demesne farming of medieval Europe was not 'capitalist'. It would only have been so 'if it were oriented to capital accounting, particularly to an estimate, beforehand, in money of the chances of profit from a transaction'.⁽³⁾ Weber expands this view very clearly elsewhere.

We will define a capitalistic economic action as one which rests on the expectation of profit by the utilization of opportunities for exchange, that is on (formally) peaceful chances of profit ... The important fact is always that a calculation of capital in terms of money is made whether by modern book-keeping methods or in any other way, however primitive and crude. Everything is done in terms of balances: at the beginning of the enterprise and initial balance, before every individual decision a calculation to ascertain its probable profitability, and at the end a final balance to ascertain how much profit has been made.⁽⁴⁾

Thus the central feature is not in the actual method of accounting, double-entry book-keeping or whatever, but in the mental attitudes, the desire to work out the likelihood of profit on a transaction.

Thus Weber is already talking about attitudes and ideology and it is in his insights into the ethos of capitalism that he made his most

2 Weber, *Protestant Ethic*, 21-2.

3. Weber, *Theory*, 267

4 Weber, *Protestants Ethic*, 17-18.

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important contributions. Ultimately the uniqueness of capitalism lies in its attitudes towards such things as money, time, effort, accumulation and so on. Weber believed that what happened under capitalism was that accumulation, saving, and profit-seeking had become ethically and emotionally attractive, whereas before they had been unacceptable. The ethic of endless accumulation, as an end and not as a means, is the central peculiarity of capitalism.

Man is dominated by the making of money, by acquisition as the ultimate purpose of his life. Economic acquisition is no longer subordinated to man as the means for the satisfaction of his material needs. This reversal of what we should call the natural relationship ... is evidently as definitely a leading principle of capitalism as it is foreign to all peoples not under capitalistic influence. (5)

This ethic or spirit could flourish in the backwoods or be absent in great markets in ancient civilizations. For what Weber saw was that it is not money in itself, it is not markets by themselves, it is not even particular accounting systems that are significant, it is the use and purposes to which these are put. It is not money which is the root of capitalism, but the love of money.

Weber is an elusive and often contradictory thinker, yet occasionally he drew up checklists of what he thought were the necessary, if not sufficient, preconditions of capitalism. One such list is in his *General Economic History*. He enumerates six such features. The first, 'rational capital accounting', the second, 'freedom of the market' (in other words, the absence of class or other constraints on trading), and the fifth, 'free labour', we have already encountered. The other three need to be added to the definition of capitalism. His third precondition is a 'rational technology', 'that is, one reduced to calculation to the largest possible degree, which implies mechanization'. Here he overlaps with the point we have already encountered with Marx, that capitalism is likely to be linked to a certain set of tools, and particularly with machines which give man control over his environment. Weber's last two additions take one again into the borderland between superstructure and infrastructure, that artificial distinction out of which Weber breaks. His fourth point is the

' Ibid., 53.

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necessity for 'calculable law'. As he puts it, the 'capitalistic form of industrial organization, if it is to operate rationally, must be able to depend upon calculable adjudication and administration'. This was not present in the Greek city-state, the patrimonial state of Asia, nor, Weber believes 'in western countries down to the Stuarts'. But without political and legal certainty, rational decisions cannot be taken. The final feature is also related to law, but in another way. It is the 'commercialization of economic life', by which he means 'the general use of commercial instruments to represent share rights in enterprise, and also in property ownership'.(6)

Of course one could add further features of capitalism, the psychological alienation which Marx drew attention to, the individualistic family system documented by Engels, the new attitude towards nature in Weber's famous 'disenchantment of the world'. But we have enough already to gain a good picture of many of the deeper characteristics of that historically specific phenomenon whose origins and development is one of the themes of this book.

6. Weber, *General*, 208-9