

Marx and Hicks on the Economic Stages of Human History:
Explanations of the Strange Rise of an Economically Dynamic
Society

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Karl Marx is obviously well known while Hicks is not. Sir John Hicks won the Nobel Prize for economics in 1972 and is most famous for creating the IS LM model of Keynesian theory. In 1969 he published a short book called *A Theory of Economic History*,¹ in which he attempts to give a contemporary economist's account of the rise of modern capitalism. This account provides a convenient contrast to the better known Marxist theory.

The theme of this conference is progress and this subject fits right in. Both authors are concerned with economic progress and indeed there has been economic progress especially over the last two centuries. There are more people on the planet, they eat better and live longer, and a significant proportion have the sort of luxuries that only tiny minorities had in former times. There is, however, some difficulty with the term "progress". It seems to imply that everything is getting steadily better or if not steadily better, at least going in that general direction. What this neglects is that progress of the sort considered here is destructive as well as constructive. As Vico pointed out, a new society necessarily destroys some of the virtues of the

society it supplants. There is no place in the modern industrial world for the greatness of an Achilles or his West African counterpart Okonkwo, as portrayed in Achebe's *Things Fall Apart*.² Most would argue that the advances outweigh any losses, but this view is by no means unanimous and would not be shared by Achilles or Okonkwo. Nor is it shared by Marshall Sahlins, a British anthropologist who argues that the shift from hunting and gathering to farming was a mistake and that mankind was better and happier when men lived in small bands and there was neither the means nor the desire to accumulate property.³ Sahlins' position, which is even more extreme than Rousseau's, illustrates the fact that the same change--the shift from hunting and gathering to agriculture--can be evaluated in radically different ways: as a step toward civilization or a fall from primal grace.

The second objection to the term "progress" is closer to the core of this paper. It has to do with the unprecedented nature of our society. In the present day industrialized countries people tend to consider change normal. They expect technological novelties. A year without economic growth is called a recession. In other words, they live in a dynamic society; one in which, as Marx put it, the capitalists are "constantly revolutionizing the instruments of production."⁴ Change is the essential characteristic of this strange modern

world.

It is easy, even for historians, to forget that the economies of all previous societies were fundamentally static, though of course not absolutely unchanging. Technological and economic changes in older societies were of two types. Some changes were simply absorbed without making any fundamental difference to the way the society was organized. The Chinese, for example, invented printing, paper, and gunpowder, but none of these changed the Chinese way of life to a significant degree. Other changes have profoundly altered a society's way of life, but even these changes have in the past led to new but stable sort of society. An extreme example is the invention of agriculture and the consequent shift from hunting and gathering to agricultural society. Another example is the rise of civilizations in the river valleys of Egypt, Mesopotamia, and India. The fall of Rome in the West is yet another example. In each case there was a radical transformation that led to a new type of society that was largely stable. The modern industrial world is the first to make technological and economic growth normal and regular, rather than occasional and random. As *The Cambridge Economic History of Europe* puts it, "The characteristic which distinguishes the modern period in world history from all past periods is the fact of economic growth."⁵

Why then hesitate to use the term "progress"? It is the very shortness of mankind's experience with dynamic technological and economic change that causes worry. Hunting and gathering and farming can produce stable adaptations to the environment, but no one knows whether industrialism will lead to bliss or catastrophe or something in between. Few now believe, as Marx did, that human happiness is just a simple revolution away. People are more inclined to fear that nuclear war or the greenhouse effect or genetic engineering will lead to some sort of disaster.

As historians, our business is not to pontificate about the future but to illuminate the past. The historian's question is how did this economically and technologically dynamic society come into being? Both Marx and Hicks answer this question and in a certain sense they give the same answer. Marx says that the bourgeoisie created modern industrial society, while Hicks gives merchants the credit for creating the modern economy. Hicks, however, is no Marxist and though he and Marx both see economic history in stages, his stages are different than Marx's and so is his economic analysis.

Marx and Hicks use a similar method, and it is not the historian's method. They both attempt to abstract a general trend from concrete historical events. They are interested in particulars only in so far as these particulars exemplify

the underlying tendency they are trying to uncover. This is why Hicks calls his book *A Theory of Economic History*. Historians tend to focus on the particular and for them general theories are useful only in so far as they illuminate concrete history. Nonetheless, many historians have found the Marxist theory useful. But much has been learned about history and economics since Marx's death. This paper examines whether Hicks's economic analysis of macrohistory is a useful advance on Marx.

Marx's theory of history is quite familiar, but it is necessary to take a brief look at it before discussing some objections to this theory, as well as those Marxist insights that might still be useful. In order to examine the theory, Marx's succinct account of historical materialism from the preface to his *A Contribution to the Critique of Political Economy* is included in the appendix.

Marx divides history into stages in the unfolding of human productivity. In the excerpt, Marx mentions four stages: Asiatic, ancient, feudal, and bourgeois. To these can be added primitive communism and of course socialism at the end. For Marx what defines a mode of production is the "relations of production" or classes. Each stage of history has its own characteristic class structure. The only exceptions are primitive communism and the future socialist society. Mankind

passes from classlessness to classlessness through a series of class societies. Each of these class societies is a necessary stage in the "development" of the "material forces of production". History for Marx is the story of economic and technological progress through exploitation; progress that he believes will culminate with the end of exploitation.

Marx's grand outline of history looks fairly straight forward at first, but a closer look reveals a number of difficulties and ambiguities all of which have been discussed at great length in the enormous literature on Marx and Marxism. There is, for example, a lively and continuing debate as to whether Marx considered technology (the "forces of production") or classes the basic feature of a mode of production.⁶ Quotations can be found to support either interpretation. This paper is, however, not concerned with textual analysis. It seems clear that Marx considered that class structure and the level of economic and technological development had to fit together and that they jointly formed the mode of production, which is the foundation of society. Also, as noted above, he believed that economic and technological progress, up to the creation of modern industry and with it the proletariat, could only take place through a series of class societies.

A closer look at the stages of human history throws doubt on their progressive nature. The Asiatic stage was never considered progressive by Marx. It was seen as a stable form that would change only when attacked from the outside by the bourgeoisie. The passage from ancient to feudal can hardly be seen as a progress in the productive capacities of mankind and this was recognized by Marx. This leaves the transition from feudalism to bourgeois society as the unique instance of a progressive change. Even here there is the problem of how to define feudal. If we take a sort of generic definition of feudalism as an economic form characterized by a weak central authority and powerful landlords extracting a surplus from a numerous and dependent peasantry, then many societies can be described as more or less feudal. Unfortunately for Marx's general scheme such societies, for example, in India, in certain periods of Chinese history and in many other times and places, show no spontaneous tendency to develop along capitalist lines. In fact it was out of the towns of medieval Europe that, as Marx was well aware, capitalism grew. This, however, serves to remind one that Marx's picture is not of a general historical development, but of a unique European one.⁷ To be sure bourgeois society can only come into existence once, since once it does, it spreads over the whole world. But does this not throw into doubt the whole picture

of a general and necessary unfolding of human productive forces? Would it not be wiser to look for particular or contingent causes?

It is difficult to escape the suspicion that Marx was trying to fit history into progressive stages because at root he was still a Hegelian.⁸ It was his aim to understand history as a whole and to go Hegel one better by predicting the future. "No social order ever perishes before all the productive forces for which there is room in it have developed" (see appendix). This is a claim that goes well beyond history and is unsupported by the facts.⁹ It is difficult to agree with Marx that he had solved the riddle of history.

What then is left of Marx's historical analysis? The historical question treated here is economic development. What Marx has to maintain is that the capitalist industrial system is not eternal. The laws of bourgeois economics were accepted by him, but only as laws of a particular stage of history.¹⁰ For him this was important as he predicted that there would be a socialist post-bourgeois stage, while for historians it is important to consider that there was a pre-capitalist economy. This, as shall be seen, Hicks does.

Not only does Marx insist on the historical nature of capitalism, but he gives a brilliant analysis of its rise, as

anyone who has read the *Communist Manifesto* must realize. In that work he and Engels summarize their account in the *German Ideology*,¹¹ while in later works such as *Grundrisse*¹² and *Capital*¹³ Marx discusses many aspects of the rise of the bourgeoisie. In these discussions he shows how capitalism developed in the womb of feudal society and shows how the logic of the bourgeois mode of production, the logic of capital leads to economic expansion. Capital, for Marx, is not simply wealth; it is a type of wealth that is used to produce more wealth, or rather more capital. This has the effect of making capital first a dynamic factor in medieval and early modern society; then once capital becomes the dominant mode of production, it creates the dynamic economic society of the modern era.¹⁴

Marx's description of the rise of capitalism out of feudalism shows that he had European feudalism in mind. It was in the towns of the Middle Ages with their guild structure that feudal property was transformed into capital. The feudal countryside was a necessary backdrop, but the landlord peasant system alone would never result in the rise of capital.¹⁵

Shorn of meta-historical claims, Marx's analysis of the rise of the bourgeoisie has much to recommend it, especially if it is considered as a plausible causal sequence not a necessary one. This is, in effect, what Hicks does.

Hicks begins by discussing the economy as it existed before there was a market.¹⁶ By market he, of course, means a mechanism whereby goods (and services) are freely exchanged between parties who freely agree upon the terms of that exchange. As the parties are free to exchange or not to exchange, such an exchange must be to the advantage of both parties or it would not take place. In the United States prices and wages are part of the market, while taxes and roads are not. It turns out that the economy can attain a considerable degree of complexity before markets play a significant role. These societies are, Hicks tells us, ruled by custom or by command.

For Hicks the earliest societies were ruled by custom. What someone owed the priest, the chief, or his brother was fixed by tradition. Hicks postulates that some sort of emergency might transform this society from one ruled by custom to one ruled by command. A leader arises who centralizes the society. Hicks cites Chaka and Genghiz Kahn as examples of such unification. For a time the center will finance itself by plunder. The tricky part comes when expansion stops and some sort of stable system has to be erected. For the center to continue some sort of tax, usually on land and labor, has to be established. Since the servants of the king, those who collect the taxes, have to be paid,

they are often authorized to keep part of the receipts. It is not difficult to see that the center may easily lose control and the kingdom or empire revert to custom. This time, however, with a nominal obligation to the monarch by a new class of lords in the countryside. This is feudalism.

But the center may realize the danger and act to avert disintegration and reversion to custom. This it will do by establishing a bureaucracy. Hicks cites ancient Egypt and China as successful exemplars, although, as he points out, even there the pull of custom is strong and the center does not always hold. Real governments are usually a mix of bureaucracy and custom.

The peasants are the ones who pay under either system. The king or the lords use their income (in labor and in kind) to maintain their position. Yet they will also want to acquire goods and services of high quality. They will want to have servants who make beautiful songs. These they will feed from taxes they collect. Thus the division of labor can undergo considerable development without a market and before a significant market comes into existence. Markets are not necessary for societies to be economically complex. It is against this background of custom and command that markets first develop. How they develop and how they transform the world is the main subject of Hicks's book. Put another way,

Hicks's question is how did traditional man/woman ruled by custom and command become transformed into economic man/woman, who produces and consumes according to the rules of the market.¹⁷

Before going on, it should be noted that Hicks agrees with Marx that capitalism is not eternal, but rather comes into being as a result of historical processes. At the same time, Hicks disposes of Marx's Asiatic and Feudal stages, turning them into tension between custom and command. This topology seems to fit the facts far better than Marx's.

Hicks makes no attempt to account for the rise economically complex societies on the basis of improved productivity due first to irrigation in river valleys and later the spread of the plough. For him, technology is not an economic factor and therefore exogenous. He is not attempting a theory of everything; he is only trying to discuss the logic of economic development, which, as he realizes, is not the whole story.

Custom and command are, as has been shown, in tension with one another, but in themselves have no tendency to evolve economically. Enter the market. Markets involve exchanges, but not all exchanges involve markets. It becomes a market exchange only when what is exchanged is independent of who is doing the exchanging. For it to be a market transaction the terms of exchange have to be set neither by custom nor by

coercion. Casual trade must have existed long ago but it played a minor role in the economy. It was only in economies with a fairly high level of division of labor that a significant number of full time traders emerged. Hicks has some shrewd things to say about how full time traders might have evolved within such a traditional economy, as of course they did.

Once there are enough merchants, they will begin to form a new community that is governed neither by custom nor command. They will, in order to operate well, need some legal protection. In particular their property needs to be recognized and their contracts should be enforceable. Merchants will often have dealings with non-merchants. This can lead to friction as the merchant necessarily has a different and more abstract and impersonal way of looking at trade. Sometimes trading city states will arise. Here geography appears to play a role and the Mediterranean seems to Hicks to have been particularly suitable. Phoenicians, Greeks, Etruscans and others developed trade oriented city states. Here for the first time merchants could have the kind of laws that would further their enterprise.

Merchants will engage in trade between various places. They can make profits because goods have different relative prices in different locations. If a bushel of wheat trades

for a quart of oil on one island and for two quarts of oil on another then there is room for the trader to profit and in doing so he will narrow the gap between the two prices by bidding up the price of the cheaper commodity in each place. Everyone comes out ahead. Since profits are good the merchant will invest and expand his business and other merchants will jump in. This leads to a decline in profits but that may simply drive the merchants to seek out new opportunities. Mercantile expansion may go on for a long time, though eventually the opportunities will be used up and for a time mercantile communities or states may reach a steady state. Thus for Hicks capitalism, which Hicks finds present in ancient times as well as later, does not necessarily go on expanding even if there is no outside interference.

On the other hand city states do not last forever. They enrich the neighboring monarchies, which then conquer them. Then the mercantile community may be destroyed or in more favorable circumstances the monarchies may become semi-mercantile. This has happened at least twice: the Hellenistic and Roman Empires in ancient times and the Renaissance monarchies of early modern times. The difference Hicks notes is that the ancient commercial impulse petered out, while the modern one expanded. A partial explanation for this is that the city states of the middle ages could build

on two achievements of the ancient world: money and commercial law. Both declined considerably in the early middle ages but were not forgotten. With the revival of trade, commercialization started at a higher level than in ancient times. Banking and insurance were developed in Renaissance towns and helped commerce to expand beyond ancient limits. As a result the modern semi-commercial monarchies were more commercial than the ancient ones.

Hicks is fascinating on the problems of the early modern monarchy, which derive from the king's struggle to gain some control over the mercantile economy. The king's domain is fairly mercantilized, but the king is still part of the old custom and command system. The result is that he is chronically short of cash. He wants to borrow, but kings are bad credit risks so he has to supply some form of collateral. This, Hicks points out, is why kings sell tax exemptions and venal offices. Both these devices can be seen as hidden loans. This example is intended to illustrate what kind of insight economic reasoning can throw on puzzling historical phenomena. There are many other examples in Hicks's book.

The industrial revolution is defined by Hicks in economic terms as a shift to more capital intensive production. The result is that commercial expansion did not peter out in the nineteenth century. Capitalists found new profit

opportunities and modern industry was created. But, says Hicks, this was not the result of economic forces alone. Modern industry is the result of the application of science to production and science is an exogenous factor. Here is seen a difference between Hicks and Marx, as for Marx the rise of science is a consequence of the rise of the bourgeoisie.

What Hicks set out to do was to show how, by steps, there could occur a shift from a traditional society with an economy ruled by custom and command to a society in which economic calculation is the basis of economic life. Hicks's book could be called "The Rise of Economic Man." Hicks's schema is not deterministic. He only wants to show a logical path and not an inevitable process.

It is difficult in a short paper to convey the richness of Hick's small book. Anyone wishing to see how economic reasoning can throw light on historical phenomena is urged to read it. Historians will, however, have to suppress their irritation at Hicks's penchant for broad historical generalizations, and specialists will find some of his historical statements erroneous. What historians should remember is that this book presents an abstract model which applies fully to no real situation, but at the same time is meant to shed light on particular histories, not to replace them.

Hicks has attempted to bring Marxian historical reasoning up to date, while stripping it of its revolutionary rhetoric and Hegelian metaphysics. On the whole he is successful.

Appendix

From the preface to Marx's *A Contribution to the Critique of Political Economy*¹⁸

The general result at which I arrived and which, once won, served as a guiding thread for my studies, can be briefly formulated as follows: In the social production of their life, men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces. The sum total of these relations of production constitutes the economic structure of society, the real foundation, on which rises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the social, political and intellectual life process in general. It is not the consciousness of men that determines their being, but, on the contrary, their social being that determines their consciousness. At a certain stage of their development, the material productive forces of society come in conflict with the existing relations of production, or--what is but a legal expression for the same

thing--with the property relations within which they have been at work hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an epoch of social revolution. With the change of the economic foundation the entire immense superstructure is more or less rapidly transformed. In considering such transformations a distinction should always be made between the material transformation of the economic conditions of production, which can be determined with the precision of natural science, and the legal, political, religious, aesthetic or philosophic--in sort, ideological forms in which men become conscious of this conflict and fight it out. Just as our opinion of an individual is not based on what he thinks of himself, so can we not judge of such a period of transformation by its own consciousness; on the contrary, this consciousness must be explained rather from the contradictions of material life, from the existing conflict between the social productive forces and the relations of production. No social order ever perishes before all the productive forces for which there is room in it have developed and new, higher relations of production never appear before the material conditions of their existence have matured in the womb of the old society itself. Therefore mankind always sets itself only such tasks as it can solve; since, looking at the matter more

closely, it will always be found that the task itself arises only when the material conditions for its solution already exist or are at least in the process of formation. In broad outlines Asiatic, ancient, feudal, and modern bourgeois modes of production can be designated as progressive epochs in the economic formation of society. The bourgeois relations of production are the last antagonistic form of the social process of production--antagonistic not in the sense of individual antagonism, but of one arising from the social conditions of life of the individuals; at the same time the productive forces developing in the womb of bourgeois society create the material conditions for the solution of that antagonism. This social formation brings, therefore, the prehistory of human society to a close.