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# CULTURAL MATERIALISM AND INSTITUTIONAL ECONOMICS

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## Abstract

Economics and culture have usually been kept apart in academic discussion. The resulting division is damaging to economics, since important cultural questions such as the formation of preferences, the influence of ideology and the relation between the individual and society are systematically neglected. Outside economics, however, anthropologists and literary theorists have formulated a 'cultural materialism' that seeks to reintegrate culture with the material world. This paper argues that the cultural materialist perspective has strong affinities with institutional economics and can provide a framework for a more culturally sensitive approach to economic theorising.

**Keywords:** culture, materialism, anthropology, literary theory, institutional economics, scientific realism

## **Introduction**

Academic discussion of culture has traditionally been separated from discussion of economics. Culture, according to some definitions, is concerned with the higher arts enjoyed by a minority of the population, whereas economics deals with the everyday business of life experienced by all. Other definitions of culture broaden it out to cover the whole way of life of a society. Even on the broader definitions, culture is often treated as if it can be confined to an immaterial, idealist realm that has little to do with economics. The implication is that economics can be discussed without reference to culture and culture without reference to economics.

Neoclassical economic theory has diverted the attention of economists away from culture. Individualistic, rational-choice theorising obscures the role of culture in shaping individual preferences. Efficient, market-clearing equilibria, supposedly relevant to all times and places, are at odds with the emphasis of cultural theorists on history and social context. An ahistorical, timeless theory overlooks the parts played by culture in moulding individual behaviour and by individuals in reproducing social institutions. Neoclassical economics consists of a permanent set of theoretical abstractions that keep economic theorising apart from cultural issues.

Economics is also kept apart from culture in non-neoclassical economics, albeit to a lesser degree. Marxian economics, for example, takes a materialist view which in its more stringent versions tends to make culture subservient to economics. A Marxian approach is, nevertheless, more amenable than neoclassicism to cultural ideas: it avoids individualistic reductionism and insists on the historically specific nature of economics. Some Marxian authors have sought to redress the balance between economics and culture and replace 'economism' with a more complex interplay between culture and the economy. Similar attempts to introduce cultural ideas into economic discussion have been made by institutional economists. Although the distancing of economics from culture has been

widespread in both neoclassical and non-neoclassical economics, many heterodox economists have long argued for the importance of culture.

Outside economics, cultural theorists too have sought to reconcile economics and culture. The traditional approach to culture, mirroring the approach to economics, treats culture as a realm separate from the economy. Cultural theorising has been undertaken on idealist principles that uphold an anti-naturalism dividing the social sciences from the natural sciences. In recent years, anthropologists and cultural theorists have made efforts to break down this division. The notion of 'cultural materialism' seeks to reintegrate culture with the same material, natural world as economics. From a cultural materialist viewpoint all of everyday life, including economic activities, is cultural and reproduced by material means; culture and economics are no longer separable. The aim of this paper is to point out the common ground between cultural materialism and institutional economics. In the next three sections the culture/economics division and the modern growth of the cultural materialist viewpoint are considered in more detail. Discussion then moves on to the treatment of culture in institutional economics and the relevance of cultural materialism to economic theorising.

## **The separation of culture from economics**

The concept of culture predates modern economics. The first cultural theorist is thought to have been Vico, who wrote in the early eighteenth century, well before the arrival of classical economics (Berlin 1976). Vico's *New Science* was a critique of Enlightenment thought as extended to the study of human behaviour and a manifesto for a new science of the humanities. According to Vico, human beings can never obtain a proper understanding of nature. Since they did not create nature, they must always be outsiders, observing and perhaps manipulating some facets of nature, but never attaining a true, internal

comprehension. Human beings have created society, however, and so are in a position to understand the subject matter of the humanities. The appropriate methods are interpretative: investigators should try to empathise with human agents and understand their behaviour. This yields a division between the natural sciences and the humanities: the former adopt empirical or rationalist methods and the latter adopt interpretative methods. The anti-naturalistic division has characterised most subsequent cultural writings.

Culture as a formal concept is associated with the idealism of classical German philosophy. The German cultural tradition, in common with the work of Vico, was a reaction against the Enlightenment (Berlin 1979). At first the intention was only to qualify Enlightenment thought, by putting certain metaphysical and ethical issues beyond the bounds of the natural sciences. Later writers went on to advocate alternative methods, with the intention of either filling gaps left by the Enlightenment or challenging the Enlightenment as a whole. Herder, who has been seen as the first of the German cultural philosophers, argued for a relativistic stance: human societies can be understood only through empathising with the members of the particular culture being investigated (Berlin 1976). Transplanting the methods of the natural sciences to the study of human societies can add little to our understanding. Similar sentiments have been expressed by many authors since Herder. The different versions of German cultural philosophy have given different roles to culture, varying from a relevance to the humanities alone to a universal relevance to human knowledge. All the versions are a reaction against the naturalism of the Enlightenment.

The academic social sciences have never been very receptive to cultural thought: they were established in the late nineteenth and early twentieth centuries on a positivistic basis that led to a neglect of cultural ideas and a concentration on empirical methods. Cultural ideas were not eclipsed altogether, but they became a minority interest. In the prevailing climate of positivism, social scientists could adopt cultural, interpretative methods only at the expense of relinquishing their status as scientists. Most social scientists in the twentieth

century have played safe and chosen to mimic natural scientists, a choice which no doubt arose largely from intellectual conviction, but which may have been encouraged by practical considerations: it has been easier to gain recognition and funding for 'hard' sciences that generate 'factual', 'value-free' knowledge. A few social scientists have persevered with cultural methods: the more Weberian, interpretative strands in sociology are an example. On the whole, however, the writers who have kept faith with cultural ideas in the twentieth century have stood outside the mainstream of social science.

Economics, in its mainstream (classical and neoclassical) guises, has sided with natural science and distanced itself from cultural ideas. This was true right from the beginnings of classical economics, although the Ricardian model does at least acknowledge that the economy is structured through the existence of economic classes. Modelling dwells on growth rather than resource allocation, so theory takes a dynamic (if not entirely historical) approach. The structural and dynamic features of classical economics are in line with cultural theorising, but the same cannot be said of the aims of classical economics. The theory claims to portray a universal pattern of economic development and, despite its dynamic form, is ahistorical in its reluctance to tie itself down to particular historical circumstances. The Ricardian reliance on universal laws such as the Malthusian population principle is inconsistent with a cultural perspective. In the early nineteenth century, the political economists were on the utilitarian, bourgeois, scientific side of social and political debate; against them were ranged the romantic, conservative, cultural arguments of various literary critics and social commentators. The cultural critique of capitalism and classical economics raised issues that remain important today (Jackson 1993). Most economists, both at the time and since, have been oblivious of the cultural critique and chosen to pursue the goal of natural scientific status, regardless of the limitations this has imposed on their work.

The breach with cultural ideas was consolidated by the growth of neoclassical economics in the late nineteenth century. The cultural features of classical economics were dropped:

theory became static and timeless, and the economic classes and factor shares were supplanted by a thoroughgoing individualism. Neoclassical theory took up the universalistic aspect of classical economics and abandoned the more structural and historical aspects. This contrasts with the Marxian inheritance from classical economics; Marxian theory persisted with the structural and historical aspects and abandoned the universality. It is debatable which of the aspects is more central to classical economics, but the self-image of classical economists was of 'hard' scientists enunciating fundamental truths about all economies. The same goes for present-day neoclassical economics; the increased use of mathematics has enhanced the 'hardness' of the discipline. A few of the many theoretical elaborations of the neoclassical model touch upon cultural issues: examples are the recent attention given to information, expectations and uncertainty. But the core concepts of neoclassical economics - rational-choice individualism and market-clearing equilibrium - are still in place and they are, as ever, anti-cultural. While these core concepts hold sway over economic theorising, the prospect of cultural ideas being fully absorbed into economics is slender. The best hopes for a culturally informed economics lie with a combination of heterodox economics and noneconomic perspectives.

A number of writers on culture have made a conscious attempt to draw together cultural and economic considerations and work towards a materialist account of culture. This 'cultural materialism' exists in two main versions, one derived from anthropology, the other from literary studies. Both versions are potentially of interest to economic theorists and worth discussing in more detail.

### **Cultural materialism: the anthropological version**

Culture is a core concept for anthropologists, and their definition of culture is broader than that of literary authors and philosophers. In anthropological writings, culture usually

denotes the whole way of life of a society, not merely artistic activities. It follows that economic behaviour, along with everything else, has a cultural side and that the work of anthropologists should be relevant to economics. Anthropology, like economics, has aspired to scientific status and imitated the positivistic methods of the natural sciences; despite its drawbacks, this has helped to discourage anti-naturalism and reinforce the idea that culture is rooted in the natural, material world. An advantage of the anthropological view of culture is that it is free from the idealist vice of consigning culture to a separate realm away from economic activities. The general drift of anthropology is to pull culture down into the material world and, in so far as it accomplishes this, it can contribute to a weakening of the culture/economics division.

Much anthropological work has been explicitly materialist in character, with the objective of showing how human behaviour depends on material circumstances. Early materialist approaches identified stages in human history, which were marked by increasing technical knowledge and more successful exploitation of the natural environment. The tone of discussion was evolutionary and normative, so that industrialised capitalist societies were seen as the end result of a long historical process of civilisation. A prime exponent of this approach was the American anthropologist Lewis Morgan, whose writings were thought by Engels to confirm the Marxian account of social and economic evolution (Engels 1891). The affinity between evolutionary anthropology and the Marxian, materialist account of culture was clear. Morgan's work was well attuned to late-nineteenth-century versions of Marxism, with their mechanistic interpretations of the base-superstructure model, although it seems to have been more reductive than Marx's own views on culture. In the twentieth century, anthropology has distanced itself from Marxian theory. The emphasis has switched from evolutionary anthropology to a 'cultural anthropology' that compares cultures at a single time, instead of tracing the development of cultures over time. The comparative stance has been static and non-judgemental, and its main protagonists (such as Boas in the United States and Malinowski in the UK) have turned away from Marxian, materialist approaches. Cultural anthropologists have mostly

either avoided large-scale theorising and generalisation or, when they have used theory, taken an individualistic view. The relativising of anthropology has led to a more descriptive approach, in which empirical methods are preferred to theory and the precise nature of the relation between behaviour and material conditions is left unspecified.

Some anthropologists have sought to restore the ties with materialism and with Marxian thinking in general. Marvin Harris introduced the term 'cultural materialism' in the 1960s to describe his explicitly materialist outlook (Harris 1968); he later produced a full account of the aims, character and method of cultural materialism (Harris 1979). The motivation behind cultural materialism, as its name implies, is to demonstrate that all cultures are adapted to, and explicable through, their material environment. Cultures may be differentiated by geographical region, with no universal pattern of development, but in all cases the evolution of a culture is determined by the ability to cope with the challenges of the material world. The approach is evolutionary and materialist, while maintaining the relativism of cultural anthropology. This, according to Harris, preserves what is valuable in Marxism and discards the rest. Cultural materialism is supposed to distil Marxism to yield a scientific analysis of culture that lacks the political message of Marx. There is no prediction that human history must progress through a sequence of stages culminating in the overthrow of capitalism and the onset of communism. Although human societies are accepted as continuously evolving, the belief that this always entails improvement and the working out of a grand scheme is rejected. Harris also questions the value of the Marxian dialectic, which is dismissed as an obscurantist, politically tendentious notion unsuited to a properly scientific approach. In the Marxian dialectic, ideas and values interact with economic forces, and the tensions between them are vital to human progress. Material considerations must dominate in the long run, yet the imperfect adaptation of ideas and values to their environment is a crucial determinant of evolution. In Harris's non-dialectical approach, this imperfect adaptation receives little credence and discussion concentrates on the closeness of the match between human behaviour and its material environment. Harris

regards cultural materialism as a purer form of materialism than the Marxian dialectical version and a plainer attempt to provide a materialist basis for the study of given cultures.

Cultural materialism has been criticised by both anthropologists and Marxian writers. Other schools of thought in anthropology have given a higher status to ideas and allowed them greater autonomy from material concerns. Structuralist anthropology is founded on the universal, immaterial structures of language; it searches for the deep structures underlying all human societies, irrespective of their material environment. Structuralism and its structural Marxist offshoots have a more idealist slant than cultural materialism, along with a more rationalist method. Sahlins (1976), for example, has criticised cultural materialism for failing to notice the potential autonomy of ideas and beliefs and thereby underestimating the significance of ideology. Ideas and beliefs can be self-sustaining, even if they are false and poorly matched to the material environment. Cultural materialism risks being *too* materialist if it can envisage only material explanations of behaviour. Other anthropologists have gone further and argued for an interpretative anthropology that draws upon the more literary and philosophical conceptions of culture (Geertz 1973). The appropriate methods are no longer the systematic recording of behaviour and material conditions, but the interpretative understanding of human behaviour in its social context. Anthropologists require a more active involvement in their ethnographical research, and have to be wary of general theoretical structures. In the anti-naturalistic division between the natural and social sciences, anthropology is now grouped with the interpretative social sciences and has little to gain from imitating natural science. The traditional materialist basis of anthropology is rejected in favour of a more idealist and anthropocentric viewpoint.

Cultural materialism has also been criticised from more conventional Marxian, materialist positions (Bloch 1983). The abandoning of the dialectic can be seen as a downgrading of human consciousness and a reversion to a less flexible, more deterministic binding of behaviour to the environment. Unless the frictions between consciousness and economic forces are recognised, the possibility of a mismatch between the social and

natural environments may be overlooked. The unified, non-dialectical approach will tend to create a bottom-up mode of analysis in which the current, unchanging material environment is always dominant. The relativism acquired from cultural anthropology means that cultural materialist explanations will frequently be ad hoc arguments relating a specific culture to its specific circumstances. Since the Marxian evolutionary scheme is not replaced by any other scheme, the cultural materialist view lacks generality and achieves little beyond fragmentary description of particular cases. It is too static to be able to account for economic changes and seems better suited to primitive, small-scale societies than modern industrial economies. The non-dialectical materialism is, arguably, a return to the pre-dialectical, pre-Marxist materialism that Marx wanted to replace: its relevance, for classical Marxists, is confined to pre-dialectical societies that precede the formation of economic classes. Again, as with the structuralist and interpretative critiques, cultural materialism is accused of undervaluing ideas and human consciousness; its approach may not be deterministic, but it is one-sided and oversimplified.

In response to the various criticisms, Harris (1979) argues that cultural materialism was deliberately designed to be non-reductionist and that it gives due weight to the influence of ideas on economic conditions. Ideas can interact with economic conditions, although the interaction does not take the dialectical form ascribed to it by classical Marxists. Dialectics, for Harris, are allied to a Marxian political position, and he hopes to remove the Marxian politics without losing the possibility of ideas being mismatched with material circumstances. Whether cultural materialism, in Harris's version, can successfully accommodate a true interaction between ideas and material circumstances is open to debate. To the extent that consciousness is permitted to have a separate existence, the rift between cultural materialism and its critics is narrowed. The difference is not in the basic intentions of the theorists, given that all of them are happy to concede the importance of consciousness, but in the details of their research methods and analyses of particular cases. Harris (1979) sets out an empirically based research programme that goes beyond the basic conception of a materialist view of culture; one could still be a cultural materialist without

subscribing to all of Harris's recommended methods (and, for that matter, without being an anthropologist). The most significant items in Harris's cultural materialist package are the ones underlying its view of human societies: the pivotal influence of culture on human behaviour and the fact that culture is embedded within a broader material nature. Most of the materialist critics of cultural materialism would be able to agree with these, notwithstanding their disagreement with other elements of Harris's work. The value of cultural materialism is not so much in its providing a specific approach to anthropology as in its setting out a more general social-scientific framework that upholds the centrality of culture but insists on it not being disengaged from material nature. The cultural materialist framework has a relevance extending far beyond the traditional subject matter of cultural anthropology. A striking instance of this is the way in which a very similar notion of cultural materialism has arisen independently in the very dissimilar field of literary studies.

### **Cultural materialism: the literary version**

Literary and philosophical accounts of culture differ from anthropological accounts in being more idealist and anti-naturalistic. Their definition of culture is apt to concentrate on artistic activities instead of a whole way of life. They have been less anxious to assert the unity of the sciences and have preferred to ally themselves with the humanities, rather than the natural sciences. The idealist stance has the drawback of restricting itself to a realm of ideas and beliefs separate from the material world: cultural matters are discussed without worrying about the economy, and discussion of the economy is left to the economists. Such a dualistic attitude has strengthened the traditional culture/economics division and been a barrier to a full understanding of both culture and economics. The attempt to provide an alternative, materialist approach to culture has, as in anthropology, been closely connected with Marxian thinking. By rejecting idealism and giving attention for the first

time to popular as well as higher culture, it has produced its own, literary version of cultural materialism.

Modern materialist analyses of higher and popular culture were initially inspired by the New Left of the late 1950s and 1960s. New Left writers wanted to find a critical mode of analysis that offered an alternative to the ideologies of the Cold War. Dissatisfaction with both the individualistic, market-centred doctrines of the West and the structural central planning of the East encouraged a search for different perspectives. Culture became a focus of New Left discussion because, as the link between individuals and society, it can overcome the opposition of individual agency and social structure. A better appreciation of cultural issues can help to break down the dualism engendered by the mainstream social science of the Cold War period. The British New Left started in the late 1950s with the work of Raymond Williams, E.P. Thompson and Stuart Hall, who stood outside the mainstream social sciences. Culture, according to these authors, is pervasive; it covers all areas of life, including the ones normally termed economic and non-cultural. The old separation of high culture from everyday life is misleading and obscures cultural issues; the way forward is to transcend the boundaries between academic disciplines and extend cultural discussion into areas not hitherto regarded as cultural. Early New Left writings had their origins in literary studies and history, as opposed to the academic social sciences. This reflects the idealist cultural tradition, but New Left writings took a materialist line, either explicitly through Marxian arguments or implicitly through their acceptance of the 'ordinariness' of culture and its relevance to everyday material concerns.

The limited theoretical content of New Left thinking was rectified in the 1960s and 1970s by the introduction of social theory derived from Marxian and other non-mainstream sources. Some New Left beliefs had been anticipated by earlier Marxian writers, notably the members of the Frankfurt School writing in the 1920s and 1930s. Authors such as Benjamin and Adorno had provided a materialist analysis of modern culture and a culturally based critique of positivism. They did not fully anticipate the New Left,

however: their writings kept largely to high culture and lacked the generality of New Left arguments. A broader view of culture was available from the work of Gramsci which, while written in the 1920s and 1930s, only became widely known in the late 1960s and 1970s. Gramsci, unlike the Frankfurt School, made clear the relevance of culture to the whole way of life of a society; the range of his discussion equals that of the anthropological definition of culture. The Frankfurt School and Gramsci, along with other Marxian writers such as Lukács and Korsch, constitute a humanist Marxism which is informed by Marx's early writings and emphasises the continuities between Marxian thinking and the idealism of classical German philosophy (Bottomore 1984). Humanist Marxism has always been controversial because of its downgrading of Marx's later, more structural writings.

An alternative to humanist Marxism is the structural Marxism that became popular in the 1960s and 1970s. Structuralism is congenial to New Left thinking through its stress on socially structured behaviour and its opposition to individualistic reductionism. In other respects it is less congenial: a structural analogy fosters static theorising, which gives only a narrow scope for historical change and individual or collective agency. Althusser's structuralist Marxism allows the cultural and ideological superstructure to have 'relative autonomy' from the material production base (Althusser 1969). The influence of culture and ideology on individual behaviour is enhanced, but only by means of a theoretical structure that denies most of the possibilities for human agency and historical change. A static, structurally dominated analysis is substituted for a historical view of culture (Thompson 1978). Structuralist approaches have created a culturalist/structuralist division in cultural theorising: the 'culturalists' have stuck to the older definitions of culture and been suspicious of structuralism, whereas the 'structuralists' have been happy to take structuralism as their theoretical framework (Hall 1980). The division shows the difficulties of finding a definitive theory to encapsulate the idea of culture. This need not imply that culture is incompatible with theory, merely that one has to beware of becoming wedded to general theoretical systems omitting key features of reality.

Much of the contemporary discussion of culture by social scientists is located in a separate discipline of 'cultural studies', with its own sub-disciplines ('media studies', 'communications studies' and so forth). The approach most commonly taken in cultural studies is a descendant of the New Left viewpoint and compatible with the anthropological definition of culture: it recognises that the whole of everyday life is cultural and proposes to investigate the popular culture ignored by the traditional academic disciplines. Establishing cultural studies as a formal academic discipline is a mixed blessing. The cordoning off of popular culture as a separate field of study is somewhat artificial and reminiscent of the cordoning off of high culture which the New Left was trying to avoid. On the other hand, a separate discipline of cultural studies has secured academic attention for cultural matters: the discipline is currently fashionable and seems likely to continue to grow. Most of the practical applications of cultural studies are directed towards the arts and raise economic issues only if they impinge on cultural production. But the prospective subject matter of cultural studies is broader than this and includes all types of production and consumption, not just those earmarked as popular culture.

Cultural studies generally takes the 'cultural materialism' of Raymond Williams as its theoretical foundation (Williams 1977, 1981). Williams's own work had begun in *Culture and Society* by recording and evaluating the cultural critique of capitalism (Williams 1958). This early work was criticised by structuralists as being theoretically deficient, and in reply Williams set out 'cultural materialism' as an alternative to structuralism and Althusserian Marxism. Cultural materialism can be summarised as having two main tenets. First, it rejects the separation of culture from the rest of human activity. Human beings are members of a society and in part made by that society; their activities reproduce that society and may in some cases change it. Culture has the constitutive functions of binding together the members of a society and preserving social institutions. All human beings are members of societies and all human behaviour is cultural. At times it may be convenient to pick out certain cultural activities - the arts - as a separate object of study, but this should not override the understanding that culture is 'ordinary' (Williams 1989). Second, the

means of cultural reproduction are material. It is inaccurate to depict culture as the transmission of ideas without any contact with the material world. The arts, education and communications are contingent on the prevailing material circumstances. The most idealist and esoteric of high culture and the most mundane and humdrum of everyday life are both grounded in the material world: no behaviour is aloof from its material and social context. Together, these two tenets of cultural materialism mean that culture and the economy are, of necessity, intertwined. Cultural theorists have to look towards the material concerns of economics, and economists have to be conscious of the pervasiveness of culture.

Cultural materialism goes further than classical Marxian views by spreading its materialism deeper into the territory of culture. Classical Marxism, when treating culture as a superstructural phenomenon, says little about the means by which culture and ideology are propagated. There is no intention to be idealist, but there is a latent idealism in the way that culture is kept on a separate level from material production. The base/superstructure model recalls the idealist division between economics and culture, notwithstanding the Marxian claim to have tethered culture to material production. Marxian writers, in upholding materialism, have tended to lose interest in culture and relegate it to a secondary importance. Cultural materialism, by contrast, increases the importance of culture and expands the domain of material production into areas seldom discussed by Marxian writers.

In a different sense, cultural materialism is weaker than Marxian forms of materialism. The historical materialism of classical Marxian thought goes beyond a statement about the nature of the world; it argues that material production is the driving force of history. Changes in technology will, when they come into conflict with social institutions, bring about changes in the institutions and the ideology that justifies them. Material production takes precedence over ideas as a cause of change. The definition of cultural materialism carries with it no such assumption that social changes are always determined by material production. For classical Marxists this is a relaxing of the full-blooded Marxian position and, hence, a failing (Eagleton 1989). For others a flexible attitude to the causal role of

material production is an advantage, as it deters the more reductive and mechanistic accounts of history. The connections with Marxism are clear, but the cultural materialist framework can accommodate a diversity of social theories.

How does the literary version of cultural materialism compare with the anthropological version? Neither Harris nor Williams cites the other's work, yet the two versions are broadly compatible; they are converging on the same middle ground. The anthropological version begins with a materialist analysis of everyday life and then invokes cultural questions, while the literary version begins with an idealist analysis of high culture and then relates it to the material, everyday world. These different origins underlie the differences of emphasis in the two versions of cultural materialism. The anthropological version defines a scientific research programme in anthropology and thereby endorses particular formal methods and a particular theoretical perspective. Its materialism goes as far as to give causal priority to material considerations, although the extent of this priority has proved contentious. The literary version of cultural materialism is more usually applied to artistic activities, despite the breadth of its definition, and is not in general seen as defining a tightly specified scientific research programme. It is addressed to a narrower range of activities than the anthropological version, but is more pluralistic in the methods it can embrace. Fundamentally, however, the two definitions are the same: they both proclaim the importance of culture and its relationship with the material world. The concept of cultural materialism is wider than its applications in anthropology and cultural studies, which conform to standard disciplinary divisions. Cultural materialism spans all human activity, including economic behaviour, and has relevance for economics. Institutional economists have long been aware of the importance of culture, and their work has frequently been in the spirit of cultural materialism.

## **Culture in institutional economics**

An institutional approach to economics can conceivably do without a concept of culture by, say, explaining institutions individualistically or representing them as an immutable structure. Usually, though, it will have to consider the formation and reproduction of institutions and thus broach cultural questions. The centrality of culture is evident in the writings of Veblen and Commons, and has been maintained in most subsequent institutional economics. An exception is the 'new institutionalism', which has the reductionist objective of explaining institutions as the outcome of rational individual behaviour (Hodgson 1989; Rutherford, 1989, 1994; Dugger 1990). A research programme with this objective neglects the formation of individuals in society and departs from the interests of the 'old institutionalism' (Mayhew 1987a). The cultural element of institutional economics would be lost if it ever became subsumed under the neoclassical desire to explain institutions individualistically. In saying that culture is a core concept for institutional economics, one may have to exclude the recent 'new institutionalist' writings. This still leaves a large body of current work following in the tradition of the 'old institutionalism'.

Much of the work undertaken in the 'old institutionalist' tradition has resembled anthropology in its subject matter and methods (Mayhew 1987b). Veblen's *The Theory of the Leisure Class*, for example, is as much an anthropological as an economic study, and the same can be said of many other institutionalist writings. There are several respects in which institutional economics and anthropology resemble each other. They both ascribe a prime importance to culture and regard it as governing everyday life, not just artistic activities. They both stress the interrelation between ideas and the material world and hence avoid extreme forms of idealism. Both have seen themselves as scientific and emulated the empirical methods of the natural sciences. In the late nineteenth century and early twentieth century, both took an explicitly evolutionary view, although the 'evolutionary science' of Veblen (1919) was less deterministic than the evolutionary

theories of anthropologists such as Tylor and Morgan. During the twentieth century both have moved away from evolutionary views towards more static, relativistic approaches, but there are signs that both are regaining an interest in evolution (Hodgson 1993: Chapter 2). A few anthropologists have chosen to align themselves with neoclassical economics and adopt individualistic modes of thought which are closer to the 'new' than the 'old' institutionalism (Mayhew 1989). The individualistic, market-oriented stance is found primarily in the sub-discipline of economic anthropology, where the influence of neoclassical economics has been strongest. Anthropology is a reverse image of economics: a belief in the pervasiveness of culture is the majority, mainstream opinion, whereas in economics it is a minority opinion defended by the 'old institutionalism' and other heterodox schools of thought.

On some interpretations, the 'old institutionalism' should ally itself with the humanities and repudiate attempts to emulate the natural sciences. Mirowski (1987) has argued that the philosophical basis of institutional economics is Peirce's anti-positivist pragmatism. This saw the social sciences as interpretative rather than purely empirical and made a sharp contrast with the positivism of most early-twentieth-century social science. Later institutionalist writings have been positivistic and empirically based, which has diluted the early anti-positivist flavour of institutionalism. For Mirowski, the true vocation of institutionalism is to preserve Peircian anti-positivism, follow more interpretative methods and disown the desire to build a natural science of society. Otherwise, institutionalism will be repeating the mistakes of neoclassical economics in borrowing theories and methods from the natural sciences (Mirowski 1989). Inapt analogies taken mainly from physics have, in Mirowski's opinion, held back the progress of economics and forced it into restrictive, unsuitable types of equilibrium theorising; the same fate could befall institutional economics if it relies too heavily on natural scientific analogies. Institutionalism can forge a distinctive character by concentrating on the interpretative issues at the heart of the anti-naturalistic, literary view of culture and relaxing the aspirations to natural scientific status.

The placing of the 'old institutionalism' on the interpretative side of the anti-naturalistic division is by no means self-evident. Veblen and the early institutionalists were aware of cultural matters and the ties between economics and culture, but they were also keen to establish economics as a science and, in particular, as an evolutionary science (Veblen 1919). Culture and evolution can create tensions when brought together. Once evolution takes a cultural form, it can easily be construed as having a purposiveness or teleology and following a grand developmental plan. Knowledge and values can be passed from one generation to the next, so that continuous progress seems assured: societies will increase in complexity, productivity will rise and living standards will improve. Many writers have felt confident enough to map out the whole course of human history in a series of stages moving towards a consummation in a final ideal state. Marx's account of the stages of history is the best-known example, but many nineteenth-century social theorists devised similar grand schemes. For Veblen, an evolutionary science should renounce this sort of grand teleological argument. Evolution has no guiding hand. An evolutionary approach to economics appears to contradict the cultural approaches which assume that the planned, purposeful components in evolution will ensure progress.

The conflict between cultural and evolutionary approaches is largely illusory. It is quite possible to have socioeconomic evolution that incorporates purposeful human behaviour and can be studied through interpretative methods (among others). The evolution of an economy is complex enough to embody cultural and non-cultural evolution, along with purposeful and non-purposeful human behaviour. Appealing to evolution need not emasculate human agency. An evolutionary science, as described by Veblen, serves only to rule out a universal design determining the present and future course of the economy. Most cultural approaches, although they highlight purposeful human behaviour, stop short of claiming that social change is determined by perfect, conscious, unified human planning. Intentional human behaviour is too diverse and fragmented to be a perfect guiding hand for economic development. Grand teleologies usually have an exogenous, non-human source:

a supernatural deity, a natural force of history or, for some economists, the invisible hand of the market. Renouncing these grand teleologies does not entail renouncing purposeful human behaviour or the importance of culture.

An economy is partly but not wholly the outcome of human design. Interpretative methods are of value to economics, and neglected by the mainstream, but it is mistaken to suggest that on their own they could provide a full understanding of the economy. Likewise, the removal of purposeful behaviour from economics in the interests of denying teleology is equivalent to subordinating humanity to nature and denying the human or social quality of economics. One view is too humanistic; the other is not humanistic enough. Resolving the tension between anti-naturalistic accounts of culture and naturalistic accounts of evolution requires a view of reality that situates humanity within material nature and yet acknowledges the existence of human agency and its role, through culture, in the creation of society and the economy. Such a view of reality is put forward in cultural materialism.

### **The relevance of cultural materialism to economics**

Separating culture from material nature is damaging for both social and natural sciences. Even the most physical of natural sciences, which might seem remote from cultural issues, cannot be studied without a cultural element entering into the practice of science. Recent philosophy of science has appreciated the inevitability of this (Beed 1991). The new views of scientific method have become well known among natural scientists over the last twenty to thirty years, but they have made little impression on neoclassical economists. Economics, however, has more reason than the natural sciences to look towards culture; as a social science it has a subject matter imbued with cultural questions. Having to address them without mentioning culture is an arbitrary and harmful restriction on economic

discussion. The restriction can be removed by placing economics, along with the rest of human activity (including the practice of the natural sciences), within a general framework of cultural materialism.

The form taken by cultural materialism is ontological: it is a statement about the presupposed nature of reality. On its own it does not provide explanations, and to do so necessitates more detailed explanatory theorising. Marxian theory, for example, can be seen as a type of cultural materialism that singles out the material forces of production as the prime mover of history. Material production, in Marxian theory, has a causal influence over human behaviour which is absent from the definition of cultural materialism. Alternative views, allowing ideas and beliefs to react backward on to material production, are quite consistent with a cultural materialist perspective: causality can be complex enough to preclude uncausal explanations. Cultural materialism stipulates only that ideas are secondary to material nature, in the sense that they cannot exist without it. One can imagine a material nature without human ideas, and indeed without humanity (which has been the case for most of the history of the Earth), but one cannot readily imagine human ideas without material nature. To give ideas priority would be anthropocentric and exaggerate humanity's modest standing within nature. A similar relation exists between individuals and the society of which they are members: the society does not depend on the existence of any particular person, but each person's existence depends on the society. In ontological terms, every individual has to have a social context, and every society a material or natural context. Culture represents the first of these relations, and materialism represents the second. Adherence to cultural materialism denotes an acceptance of the wider context of individual behaviour.

The relations between individuals, society and nature outlined here may seem platitudinous, but much natural and social science, under the influence of positivism, has ignored them. Positivism resists making metaphysical statements, however mild or unrestrictive, so there can be no explicit presuppositions about the nature of reality. The

case for a more careful treatment of the nature of reality is associated with scientific realist philosophy (Harré 1970; Bhaskar, 1978, 1979). For a scientific enterprise to be well founded it has to have a presupposed object of enquiry: there has to be something to be studied that is not defined solely by the act of studying it. Reality has to exist independently of human efforts to observe or interpret it. Metaphysics or ontology is thereby made distinct from epistemology. Otherwise human activities in acquiring knowledge will supply their own implicit metaphysics, creating an anthropocentrism founded on observation (in the positivistic natural sciences) or interpretation (in the culturally based humanities). Scientific realism wards off these anthropocentric inclinations by positing an explicit metaphysics which accords humanity its due place within nature. This need not weaken science or adulterate it with superstitious or supernaturalist ideas; on the contrary, it can strengthen science by clarifying the presuppositions on which it rests. Realism is a defence against relativistic or irrationalist extremes. Through a sophisticated scientific realism, one can take account of cultural issues without falling back into ontological relativism.

Cultural materialism, as defined in the present paper, is a qualified naturalism and materialism. It gives rise to a 'critical naturalism', in which the interpretative qualities of the social sciences are integrated with a naturalistic outlook rooting both natural and social sciences in material nature (Bhaskar 1979). Social and natural sciences share the aim of investigating nature, in spite of the more interpretative methods required by the social sciences. The difference is only one of degree: all sciences are interpretative, but the social sciences involve multiple interpretations because human beings are the objects of investigation, as well as the investigators. Greater interpretative complexity means that social sciences are more difficult than the natural sciences and demand greater diversity and pluralism of method. Clearly there are *some* differences between social and natural sciences, but at the most fundamental level they can make the same presuppositions about reality. By assuming the existence of a sufficiently complex reality, the social and natural sciences can have a single ontological framework. The presupposed materialism wishes

only to give nature an ontological priority over humanity; although theories of nature are human artefacts, nature itself exists independently of human activities. To encompass the special character of the social sciences, the materialism cannot be reductionist. Human beings are assumed to have emergent powers: their actions emerge from material nature, without being wholly reducible to it. The materialism carries no implication that material considerations always dominate behaviour. Human societies and culture are emergent from nature, not dictated by it.

Most neoclassical economists are indifferent to methodology and few, if any, have been alert to the development of realist approaches in the natural and social sciences. Outside the mainstream, however, a number of economists have argued that economics, like the other social sciences, can benefit from scientific realism (Lawson 1989, 1994; Mäki 1989, 1990; Dow 1990). Any scientific study must have a presupposed object of enquiry and, if this is not made explicit, it will be implicit in the methods adopted; the realist view is that it is better to make one's realism explicit. An explicit ontology has several advantages. It clarifies that social science is a realist undertaking and rules out the irrealist and anti-scientific views which have come to the fore in certain brands of postmodernism. It offsets the tendency for ontology to become conflated with epistemology, so that a distinct ontological dimension is lost. It can also, by taking a non-reductionist form, help to sustain a qualified naturalism that delineates the similarities and differences between the natural and social sciences. Economists have generally followed a naturalistic line, but their naturalism has rarely been made explicit and has taken a narrow, positivistic form (Jackson 1995). Cultural materialism, when serving as an ontology, can provide a non-reductionist framework within which further theoretical and empirical work can be undertaken. It is not the only non-reductionist social theory that might fulfil an ontological role, and other, similar approaches have been formulated in recent years: examples are Bhaskar's 'transformational model of social activity' (Bhaskar 1979) and Giddens's 'structuration theory' (Giddens 1984). While these theories differ in detail and terminology, each of them has the aim of overcoming the structure-agency dualism and each could serve as a

non-reductionist ontological framework for the social sciences. An advantage of cultural materialism over the other approaches is that its interdisciplinary character is confirmed by its separate appearance in anthropology and literary studies. The fact that the same outlook has appeared independently in two different disciplines suggests that it has a wider importance for social science.

Cultural materialism extends the cultural and material realms to cover the entire breadth of human behaviour. All behaviour is cultural, and all behaviour is emergent from material nature. By this yardstick, the separation of economics from the rest of the social sciences has little justification: it may be expedient to hive off the 'economy' for reasons of academic specialisation but this has no ontological warrant. A cultural materialist perspective can contribute to economics by putting an end to the culture/economics division and underpinning the traditional interest of institutional economists in cultural matters. It offers a means of bringing culture into economics while keeping an essentially naturalistic stance.

## **Conclusion**

The notion of cultural materialism seeks to ease the tensions between cultural and economic thought and, more generally, to bridge the anti-naturalistic gap between culture and nature. When viewed ontologically, it can place the social sciences on the same footing as the natural sciences and unite them in a qualified naturalism. A cultural materialist perspective is open enough to tolerate individual agency, social structure and human biology as distinct influences on economic or other behaviour. The influences interact with each other, and in different times and places different influences may predominate. The intention is to discourage the reductionism that has marred so much social theorising and economics in particular.

This accords with the 'old' institutional economics. Institutionalism can protect itself from reductionist pressures by adhering more explicitly to a cultural materialist view. Under the same materialist umbrella can come attempts to draw parallels between economics and the natural sciences, as well as attempts to draw parallels with the humanities. Both have value, and to exclude either at the most fundamental ontological level would be unnecessarily restrictive. Institutional economists, in investigating the relationships between economics, the natural sciences and the humanities, have shown that they recognise the unity of the sciences and the complexity of economic issues. One way to formalise this outlook is to embrace cultural materialism.

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