

Editorial

Sam Whimster

This issue has a predominantly economic orientation. Knut Borchardt provides the first comprehensive analysis of Weber's extensive writings on the German bourses. In the period 1894 to 1896 following on from his agrarian writings, Weber committed an enormous amount of time to analysing, describing, commenting and advising on the workings of the bourses. In addition, Keith Tribe provides a review of the recent MWG publication of *Börsenwesen*, edited by Borchardt in conjunction with Cornelia Meyer-Stoll.

Søren Jagd gives a fresh account of Weber's analysis of the modern business enterprise based on Chapter 2 of *Economy and Society*. Graeme Kirkpatrick re-runs the Protestant ethic thesis, but this time applied to the culture of the early computer hackers who pioneered the development of personal computing as a form of empowerment. Lastly, Sung Ho Kim gives us the first translation in English of Weber's talk on 'Vereinswesen' to the German Sociological Society in 1910. In his introduction to the translation Kim indicates how Weber saw the relation between the social (or civil) sphere and the economic.

The themes of civil society, the modern business enterprise, the role of stock exchanges in capitalist society, and the puritan economic drive revisited, prompt a re-assessment of Weber's 'economic sociology'. Weber wrote extensively on economic sociology and these writings have been expounded at length, most recently by Swedberg (and reviewed in *MWS* 1/2). It is not wholly unwarranted to say that most social scientists probably do not have a clear sense of direction flowing from Weber's economic writings. Do the above articles, with their strongly substantive themes, come up with a new appraisal?

Of course, the question cannot be rudely forced. Weber was not a mainstream economist in the sense that we understand it today. But then neither were any of his contemporaries. It does not make too much sense to ask whether he stood in the line of Anglo-American 'free market' economics, or whether he belonged to a different tradition – variously, institutional economics, historical economics, and economic

history. Weber's 'economic' writing was done at a time when economics, having reformed in the later nineteenth century as a 'discipline', was beginning a process of formalisation that would lead to the consolidation of modern neo-classicism in the 1920s and 1930s. We should not expect his writings on economics, therefore, to be engaged with the central theories of economics as conceived by economists today.

Yet it is still an interesting and legitimate concern to ask what his various 'economic' writings added up to. The Protestant ethic essay was a hypothesis that launched a thousand questioning replies in the field of economic history. But, as Graeme Kirkpatrick shows in updated form, it presents a cultural theory of the manner in which economic activity can be eclipsed by its own success. At the end of his essay, Weber picked up the remark of John Wesley that the Puritans were becoming seriously wealthy by virtue of their innerworldly ascetic practices and were religiously endangered by that success. And what happened to the early hackers, working night and day, severely limited by the then computer's processing power? They worked the languages and 'sweated' the hardware, regarding visual display units as an excessive indulgence to weaker minds. Eventually they changed the whole (inter)face of computing, but instead of arriving in the Valhalla of the cybercommunity, a displacing system effect in the form of Microsoft inherited their world.

A once and for all innovation is hypothesized, but where does the thread of economic history lead after that? The original Protestant ethic thesis is an explanation of a decisive breakthrough in early modernity. It is not an account of what Weber termed high capitalism, which had come into its own around 1900.

Do the bourse writings offer us something new? At the level of detail they offer a very great deal, clearly presenting the legal, social, and cultural forms that constitute the 'market mechanism' of the exchanges. There is a clear feel for the history of the bourses, and advice and suasion as to how they should develop. Weber was basically in favour of a full range of financial markets as part of Germany's necessary ascent as a world economic power. This included markets in commodity futures, which were controversially outlawed by an alliance of the anti-Semites, agrarians, and the Centre Party in the Reichstag in 1896. Brokers were seen as profiting by selling paper before the contract to pay expired, so pocketing the difference between buy and sell prices whether in bull (*Hausspekulation*) or bear conditions (*Baisspekulation*). Weber showed through his analysis of the derivative market that this 'casino' conception entirely missed the point. Any contract to buy was immediately offset by the broker with a corresponding trade to sell, so covering the risk. The market was large enough to allow brokers to settle their net

differences before the vast majority of contracts expired. If the bourse was well run (and many, as now, were not), then these derivative markets fulfilled an important function in price stabilization of commodities as well as drawing Germany into world markets. The agrarians disliked being drawn into the world market for grain, because it exerted a downward pressure on their farm income. The agrarians were powerful enough to protect their markets through political intervention, ensuring that others would pay the long term price.

Weber's analysis of the modern business enterprise drew heavily on contemporary discussion of price formation and competitive conditions. The generalisation of the marginalist analysis of consumer demand to the conditions under which firms choose their levels of output was first properly elaborated in the 1920s, and we should not expect to find in Weber a 'theory of the firm' which had not yet been formulated. Instead, he established a wider set of criteria for rational behaviour and – crucially for him – the sociological probability that the environment of the firm will support such rational behaviour. Jagd shows the complexity of Weber's analysis of those preconditions for rational behaviour. To pull out just one factor from Weber's list: 'the complete absence of formal appropriation of rights to managerial functions', i.e. managers manage in the interest of shareholders. This today is called the principal-agent problem. Agents (managers) can run the firm rationally but in terms of their own economic interests, and this sometimes involves short-term profitability, ramping up the share price and cashing in their share options. This suggests that markets and firms might operate in ways that are less than optimal. Weber's economic sociology assumes an understanding of market behaviour, but then moves to the more important question of what sociological factors determine the actual operation of markets.

Nothing, of course, is cosy in Weber's analysis of social reality, and this applies just as much to his analysis of civil society (which is becoming something of a 'comfort blanket' among social theorists who are in danger of muddling their genealogies). Kim places 'civil society' firmly in an Hegelian genealogy. Here, civil society comprised market activities, on one side, and a sphere of associations and corporations on the other. Contemporary thinking on civil society appears to want to resurrect this counterbalance, even though, as Hegel argued, a successful integration could only be effected through the state. Weber sharply disassociated himself from the Hegelian (and Marxian) tradition. Kim points out, significantly, that Weber avoided the use of the term 'civil society'. He used *Vereinswesen* which translates, somewhat awkwardly, as 'sectlike society'. These are the clubs, associations, corporations, fraternities, and

communities that were (and are) so thick on the ground in both Germany and North America. Kim argues that Weber's genealogy is modernist and the Puritan sect provided the model. Associations in 'civil society' for Weber depend on the voluntary will and reason of the individual and an agreed collective purpose. In contemporary terms, associations are not some *gemütlich* community-building zone, but are the interest-oriented social underpinning of the economic and political spheres.

An important corollary to this debate is the role of human rights. Duncan Kelly reviews two new books on Jellinek, the person Weber looked to as expounding a religious based account for the rise of human rights. (See next issue.) This is certainly Weber's reading of the sociology of human rights, but Jellinek's position is a little more complex, rooted as it is in *Staatslehre*. For Jellinek, rights existed by virtue of the negative will of the state. Jellinek, just to make clear, was in favour of human rights. (His own family had experienced the violent suppression of basic rights.) Within the framework of state law, Jellinek went on to argue, rights need to be additionally acknowledged as positive subjective rights.

Threshold Press have re-issued Wilhelm Hennis's *Max Weber's Central Question* and published his new set of essays, *Max Weber's Science of Man*, and these are reviewed by David Chalcraft. Hennis's first volume established a clear Nietzschean genealogy for Weber, in particular in the project of *Lebensführung* and the making of the self. The second volume pursues the same issues but greater emphasis is placed on what may be termed the formation of character and the role of education. It pays to compare what Kim has to say about education as imparting a disciplined resilience to the individual with the more wide-ranging role Hennis ascribes to education for the inculcation of cultural values.

This issue provides stimulation, rather than conclusive closure, to a set of important debates and concepts. It is to be hoped that further articles return to these themes.