

**Max Weber's 'Conceptual Preface' to *General Economic History*:
Introduction and Translation**

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1. *Introduction*

Max Weber's *Wirtschaftsgeschichte. Abriss der universalen Sozial- und Wirtschaftsgeschichte* was published in 1923, put together from student notes from the lecture course 'Abriß der universalen Sozial- und Wirtschaftsgeschichte' that Max Weber gave during the Winter Semester of 1919-1920 at Munich University. This was the last complete course of lectures that he delivered; during the subsequent course of lectures 'Allgemeine Staatslehre und Politik' begun in the spring of 1920 he fell ill, and died in June that year, before the end of the semester. Weber had been extraordinarily busy in the months leading up to his illness, preparing his various writings for the press: he completed editorial work on the first part of what we now know as *Economy and Society*, and also made important revisions to his essays on the Protestant Ethic which, now placed at the front of the three-volume survey of the sociology of religion, assumed the unitary form in which they have been known ever since. During the early 1920s his widow Marianne Weber oversaw the publication of these works, together with four further volumes of collected essays. The *General Economic History* lectures were reassembled from student notes by Siegfried Hellmann, Professor of History at Munich, and Melchior Palyi, a young Hungarian scholar who had assisted in the editorial work related to *Wirtschaft und Gesellschaft*. But there was apparently at first doubt on the part of the editors and Marianne Weber about their suitability for publication, resolved only by a joint decision that future scholarship had a right to this report of Weber's last completed work. The book was published by Duncker und Humblot in 1923,¹ and was

1. Hence not by J.C.B. Mohr (Paul Siebeck) in Tübingen, which published in the early 1920s Weber's three-volume *Religionsoziologie*, the essays on *Soziologie und Sozialpolitik*, the essays on *Sozial- und Wirtschaftsgeschichte*, the *Wissenschaftslehre*, and

then translated by Frank Knight and published as *General Economic History* in 1927, being the first of Max Weber's works to be published in English after his death.²

Knight omitted the 'Conceptual Preface' from this edition since he believed that it had been prepared by the editors on the basis of Ch. II of *Economy and Society*, and did not properly form part of the lecture course.³ When Johannes Winckelmann prepared the third German edition, which appeared in 1958, the student notes that had been used by the editors in the preparation of the volume were not available to him.⁴ He was however able to examine an incomplete set from another student, and these notes confirmed two points: that the material in the 'Conceptual Preface' was indeed presented by Weber at the beginning of the course, and that the overall structure of the course as presented in the book replicated that of the lectures.⁵ Given the dense narrative of the text that has resulted,⁶ the Preface is of considerable assistance in our efforts to understand Weber's intentions in presenting this

the *Grundriss der Sozialökonomik*, of which *Wirtschaft und Gesellschaft* is one part. But the significance of this separate publication is diminished by the fact that the first edition of the political writings was likewise not published by Siebeck, but by Drei Masken Verlag, Munich in 1921, with a brief foreword by Marianne Weber dated October 1920.

2. The 'American essays' of Weber did appear in his lifetime but went unnoticed — the 1904 St. Louis speech was first brought to general attention when a version of it was published in Gerth and Mills' *From Max Weber*, and the two encyclopedia articles of 1907 have only recently come to light.

3. Max Weber, *General Economic History* (New York: Greenberg, 1927), p. XV.

4. Karl-Ludwig Ay, formerly of the Commission for Social and Economic History, Bavarian Academy of Sciences, reported that some student lecture notes are held in Munich, but that he was not certain what relationship these have to those used by Hellmann and Palyi; email from K.-L. Ay, 10 February 2002.

5. J. Winckelmann, 'Vorwort zur dritten Auflage', *Wirtschaftsgeschichte* (Berlin: Duncker und Humblot, 3rd edn, 1958), pp. XIII-XIV.

6. Knight excised all the notes that appear in the original text, or incorporated them in the main text. For example, the opening paragraph of 'Chapter I' (1927, p. 3) is synthesised from fn. 1 p. 19 of the 1923 edition, which is linked to the title of the section, 'Die Agrarverfassungen und das Problem des Agrarkommunismus'. The main text actually begins with Knight's *second* paragraph. Typically references are provided at the head of each section (lecture), with additional footnotes throughout the text. Although much of the work referred to is naturally in German, a substantial number of contemporary French and English works in economic history are referred to; Knight has therefore not merely excised relatively inaccessible German sources, but also French and English language sources which would have been readily available to an American or English reader in the 1920s and 1930s. The principal and immediate effect of Knight's editorial work in this regard is to reinforce the appearance of the work as a textbook.

course. And this is all the more important given the almost total absence of subsequent scholarly discussion of the book and its place in Weber's work.⁷ *General Economic History* reads like a textbook, and it has always been read in this way, in English or in German. In itself this is not altogether surprising, since lecture courses generally pursue the same pedagogic aims as textbooks. But why should Weber, at this stage in his career, have opted to present what at first glance seems to be a routine account of social and economic development? And, since it is reported that he was reluctantly responding to student interest,⁸ what did the students expect from the course? We can only speculate on these matters at present, but a partial solution must lie in a comparison of the text not only with Weber's earlier essays on economic organisation, but rather more directly with the *Protestant Ethic and Economy and Society*. First of all we need to gain some kind of overview of the *Wirtschaftsgeschichte*.

The principal text comprises 296 pages (pp. 19-315) divided into four chapters of roughly equal length, with a total of thirty-one sections which can be assumed to correspond roughly to the sequence of individual lectures.⁹ The resulting sequence is as follows:

- Ch. 1. Household, clan, village and the manorial system (agrarian constitution)
 - §1. The Agrarian Constitution and the Problem of Agrarian Communism
 - §2. Appropriation and Corporate Group
 - §3. The Advent of Seigneurial Property

7. The principal exception is Randall Collins, 'Weber's Last Theory of Capitalism: A Systematization', *American Sociological Review* 45.6 (1980), pp. 925-42. The first half of this essay provides a summary of the main theses of *Wirtschaftsgeschichte* that bears an uncanny resemblance to the 'Preface' printed below – of whose separate existence Collins was however unaware. The second half discusses Weber's work in the light of 'Marxism', by which Collins understands any 'materialist' account of economic development, including the work of Stammler and Sombart. The 1981 Transaction Publishers reprint of the 1927 edition has a substantial foreword by Ira J. Cohen, 'Introduction to the Transaction Edition. Max Weber on Modern Western Capitalism' (pp. XV-LXXXIII), which includes a summary of the work.

8. 'We publish here the lecture course that Max Weber gave under the title 'Outline of Universal Social and Economic History' during the Winter Semester of 1919–1920 in response to student demands. He did so unwillingly, since his attention was at the time entirely taken up with his major sociological projects; but once he had agreed, he threw himself into the task, quite characteristically devoting his entire energy and personality to it regardless'. 'Vorbemerkung der Herausgeber', *Wirtschaftsgeschichte von Max Weber. Abriss der universalen Sozial- und Wirtschaftsgeschichte* (ed. S. Hellmann and M. Palyi; Munich: Duncker und Humblot, 1923), p. V.

9. The third and fourth chapters are shorter than the first and last, which are about the same length.

- §4. Manorial Rule
 - §5. The Condition of the Peasantry in Various Occidental Lands before the Penetration of Capitalism
 - §6. Capitalistic Development of Manorial Rule
2. Manufacture and mining before capitalist development
 - §1. Principal Organisational Forms of Manufacture
 - §2. Developmental Stages of Manufacture and Mining
 - §3. Guilds and Craft Industry
 - §4. The Advent of the Occidental Guilds
 - §5. The Decay of Guilds and the Development of the Domestic System
 - §6. Workshop Production. The Factory and its Predecessors
 - §7. Mining Prior to the Formation of Modern Capitalism
 3. The circulation of goods and money in the pre-capitalist era
 - §1. Points of Departure for the Development of Trade
 - §2. Technical Preconditions for Goods Transport
 - §3. Organisational Forms of Transport and Trade
 - §4. The Economic Configuration (*Betriebsformen*) of Trade
 - §5. Mercantile Guilds
 - §6. Money and Monetary History
 - §7. Money and Banking in the Precapitalist Era
 - §8. Interest in the Precapitalist Era
 4. The emergence of modern capitalism
 - §1. Concept and Preconditions of Modern Capitalism
 - §2. The External Facts of the Development of Capitalism
 - §3. The First Great Speculative Crises
 - §4. Free Wholesale Trade
 - §5. Colonial Policy from the 16th to the 18th Centuries
 - §6. The Development of Manufacturing Technology
 - §7. The Bourgeoisie
 - §8. The Rational State
 - §9. The Unfolding of the Capitalist Ethos¹⁰

Weber presents an account of the origins of capitalist development but rejects as inappropriate the accepted distinction between hunting, pastoral and agricultural communities.¹¹ Instead, his analysis turns on the degree of independence of the basic economic unit, from the autonomous household at one extreme to capitalist enterprise buying in all factors of production and selling its output in an extended market on the other. Corresponding to this, therefore, he is able to separately consider the structure of economic units and the variety of social, legal, political, and environmental conditions in which they are

10. 'Die Entfaltung der kapitalistischen Gesinnung'.

11. Weber, *Wirtschaftsgeschichte*, p. 49.

placed. The developmental stages in the emergence of capitalism that he presents draw upon Bücher's original tripartite distinction between the closed household economy, production for direct customers in an urban setting, and national economy, where goods are produced for wider circulation and several phases separate production and consumption.¹² This is evident in his point of departure. He does not begin 'at the beginning' in the ninth or tenth century, but rather in the eighteenth, with the Germanic settled agrarian community; hence with a particular socio-economic structure, but where the emphasis is at first on the external organisation of settlement. A physical description of the organisation of the landscape, and the isolation of the German village of the eighteenth century from its neighbours, is illustrated on p. 21 with a diagram of concentric circles borrowed from von Thünen, the village at the centre of its arable lands and pasturage, all surrounded by forest. Weber relates the layout of the fields in strips to the existence of the plough, noting that the square fields of classical Rome were worked with a simple plough that had to cross-hatch a field to effect adequate tillage.¹³ The strips owe their existence to the physical characteristics of the plough, the mouldboard turning the sod over to the right (hence the furrows have a tendency to curve to the left); and they are distributed among the village households in such a way that natural properties or hazards (eg. local infertility or the effect of hailstorms on growing crops) are spread equally throughout the village households. In time, however, some households shrank below a viable number of active members, or conversely grew too large for the land they possessed to subsist them. Landless villagers resulted, subsisting by working for others either in field or workshop. But this did not alter the basic pattern of settlement, and the system, formed in the eighth century, spread west to England and north to Scandinavia.

12. This was first elaborated in Bücher's essay 'Die Entstehung der Volkswirtschaft' published in 1893 – see *Die Entstehung der Volkswirtschaft* (Tübingen: Verlag der H. Laupp'schen Buchhandlung, 2nd edn, 1898), pp. 49-124. The importance that Weber attached to this conceptualisation of economic development is underlined by his editorial decision to place Bücher's account at the beginning of the *Grundriss der Sozialökonomik*, and by his considerable irritation with the sketchy summary that was, eventually, turned in – 'Volkswirtschaftliche Entwicklungsstufen', in *Grundriss der Sozialökonomik*, I (Abteilung, Erstes Buch: Grundlagen der Wirtschaft. A: Wirtschaft und Wirtschaftswissenschaft I., Tübingen: J.C.B. Mohr [Paul Siebeck], 1914), pp. 1-18.

13. This introduces a recurring feature of these lectures – that they draw freely upon much of his earlier work and reading, the overall thematic account being peppered with recognisable asides and excurses and which taken together render the book a summary of his settled thought on the issues at hand.

Dissolution of this system, and the transition to individual ownership of lands, was initiated from above, in central Germany eventually by the agrarian reforms of the early nineteenth century. Contrasted with this system is the Russian *mir*, where land was regularly redistributed according to the number of 'mouths' in a household but where the need for inventory led to the emergence of richer households who hired equipment and draught animals for payment. Here again, the rough egalitarianism of this system was undercut by the Stolypin reforms which gave the individual peasant the right to leave the *mir* and take a share of the land.

Weber therefore presents the 'origins of capitalism' in terms of the structure of the autonomous peasant household in which external trade in goods or labour is minimal. Furthermore, he does this by contrasting an ideal-typical form of the Germanic agrarian economy with that of Russia prevailing up to the late nineteenth century – just over twenty years previous to the time of his lectures and clearly drawing both upon his extensive knowledge of agrarian organisation and on his study of Russian social and political conditions from some fifteen years earlier. This first lecture then ends with remarks on conditions in the East Indies, China and India – in turn drawing upon his wide reading in the prewar years and pointing up the recurring theme of these lectures – why did capitalism take root and transform the European economy, but fail to do elsewhere despite its earlier appearance in the East? The Preface clearly points up the analytical structure employed by Weber here, building from simpler economic forms through to forms of co-operation and external exchange, in which the initial, and entirely autonomous, form of economic organisation is the household. Once variants of this structure have been outlined, the argument moves forward to 'appropriation and corporate group' – linking the increasing complexity of the social organisation of economic activity to the assignment of property forms and the elaboration of kinship structures. These structures provide the framework through which households become linked together into a generational hierarchy, or clan.

The second chapter shifts attention to manufacturing, understood as the transformation of raw material into goods capable of satisfying need, initially the needs of the household. But again it is the physical context which is first emphasised – that the culture of antiquity was coastal, with no significant city being more than a day's journey from the sea. This culture was dependent on slavery, but the supply of slaves diminished as the interior was penetrated and households con-

sequently became increasingly autarchic. *Contra* Rodbertus, therefore, Weber argued that the classical *oikos* was a creation of late antiquity, and should not be identified with ancient society in general. Later antiquity was followed by a period of regression to 'natural economy', succeeded from about the tenth century by a growth in consumption, the emergence of craft industry, and the formation of new towns. The argument therefore does not simply move on to 'industrial' activity following the treatment of 'agricultural activity' in the first chapter, but instead treats such activity as a functional part of householding, continuous with the arguments previously exposed. However, it is only when the limits of household need are transcended that the real potential of manufacturing becomes evident, since goods can be produced for exchange. Here again, Weber never strays far from the social organisation of economic activity – guild regulation of craft production is introduced, although this system in turn rapidly differentiates into a more complex structure integrating different phases of production and exchange. Out of this the workshop and the early factory emerges.

The third chapter then elaborates the forms that link the various parts of an increasingly differentiated, but still pre-capitalist, system of production – money and trade. Exchange requires the development of specialised institutions for transferring and securing rights to goods, as well as physically transporting them from one place to another. Markets and fairs, merchant guilds, money forms, credit and interest, and finally banks emerge. This network in turn makes possible the emergence of enduring enterprises, arising out of the *commenda* as the first form of 'associative relationship', of *Vergesellschaftung*, whose structure made a basic form of capital accounting necessary. Here for example Weber draws upon his doctoral studies of the later 1880s.

In the fourth and final chapter it is now possible to account for the emergence of modern capitalism – defined as a system of exchange in which provision for the needs of a human group is met through the functioning of enterprises, rather than by households. These enterprises are rational, capitalist agencies to the degree that they make use of capital accounting to determine the profitability of alternative economic employments.

While different forms of capitalism can be found in all periods of history, the provision of *everyday needs* by capitalist means is unique to the Occident, and even here has only become typical since the second half of the nineteenth century.¹⁴

14. Weber, *Wirtschaftsgeschichte*, p. 239.

Rational capital accounting is identified as the most general precondition for the existence of modern capitalism, but this in turn rests on other conditions:

1. the appropriation of all material means of production (land, equipment, machines, tools and so forth) as the free property of autonomous, private undertakings;
2. the freedom of the market from irrational barriers to transactions;
3. rational, calculable and hence mechanised technology, both with respect to production and carriage;
4. rational, calculable law;
5. free labour;
6. commercialisation of the economy.

Combined, these sum to a delineation of modern capitalism:

...the possibility of the exclusive *orientation of provision for need to market opportunities and profitability*.¹⁵

Weber then develops an account of finance and speculation, arising from the role that securities play in the mobilisation of capital, the evolution of production forms, and the emergence of social and economic classes linked to these. *Bürgertum*¹⁶ in its economic sense is unique to the Occident – craftsmen and entrepreneurs existed everywhere, notes Weber, but only in the Occident did they form social classes. But in a second sense, linked to urban citizenship, there can also be found a characteristic of the Occident, the initiation of scientific discovery: the Greeks developed mathematics, the Babylonians astronomy. Urban culture is also related to specific religions, such as the Jewish faith and early Christianity.

Hence the explanation of why capitalism took root and developed as a specifically occidental phenomenon rests on a number of distinctive features in its ‘cultural development’. Only the Occident has a state in the modern sense with administration, specialised officials and citizen’s rights; only the occident has the institution of secular and rational law. The concept of *Bürger* is likewise unique to the west, since the city as a cultural rather than spatial phenomenon only exists in the west. Furthermore, only in the west is there science in the modern sense of the word – rational science and rational technology.

15. Weber, *Wirtschaftsgeschichte*, p. 240.

16. Translated by Knight as ‘citizenship’, pp. 315ff.

Ultimately occidental culture is distinguished from all others by the presence of people with a *rational ethos of life conduct* (*Lebensführung*). Magic and religion is everywhere. But a religious foundation for the conduct of life, which consistently pursued must result in a specific rationalism, is again a sole characteristic of the Occident.¹⁷

This religious foundation then becomes the dominant theme of the last section, devoted to religiosity and the capitalist ethos – and we should note that these lectures were delivered at about the same time that Weber was revising his essays on the Protestant Ethic for their inclusion in the three-volume sociology of religion.

Entitled 'Die Entfaltung der kapitalistischen Gesinnung', this final section could be read as Weber's second thoughts on that capitalist 'Geist' whose quotation marks were removed in the new version of the *Protestant Ethic* published in 1920. He begins by reviewing popular monocausal explanations for the developmental of capitalism in the west. Population growth could not be treated as the prime mover, since the growth of the European population coincided with a similar secular increase in the population of China; but there it had resulted in the increase of peasant households, not urban workers, and capitalism went backwards, not forwards.¹⁸ Neither could the influx of precious metals during the sixteenth and early seventeenth centuries be regarded as a significant factor – Sombart had demonstrated this, remarked Weber.¹⁹ Instead, the external conditions for the development of western capitalism were initially geographical – here we might recall the manner in which Weber had begun his course of lectures. Transport costs were very high in India and China; and in antiquity capitalism had begun in the inland industrial cities, not the seaports, this disjunction hampering continued development of early capitalist forms. Instead

What ultimately created capitalism is the rational enduring enterprise, rational book-keeping, rational technology, rational law, but none of these by themselves; to these had to be added the *rational disposition, the rationalisation of life conduct, the rational economic ethos* (*die rationale Gesinnung, die Rationalisierung der Lebensführung, das rationale Wirtschaftsethos*).²⁰

17. Weber, *Wirtschaftsgeschichte*, p. 270.

18. Weber, *Wirtschaftsgeschichte*, p. 300.

19. Weber, *Wirtschaftsgeschichte*, p. 301.

20. Weber, *Wirtschaftsgeschichte*, p. 302. At the end of this passage Weber footnotes the passage in the new edition of the Protestant Ethic essay where he discusses what should be understood by the 'spirit' of capitalism.

An *Erwerbstrieb*, the individual 'economic imperative', was by itself insufficient to form this ethos, for Weber argues that this human drive was no stronger today than it had ever been. More important was the guidance that this drive received; hence the seeds of modern capitalism must be sought where a conception of economic motivation could arise that was distinct from the hostility to capital and profit typical throughout the east and in Antiquity.

Weber notes that the established Christian hostility to capital and profit was more a function of an abhorrence of the impersonal relationships that were thereby fostered, expressed most clearly in the concept of the 'just price'. But Sombart, he went on, was wrong to argue that this barrier to capitalist development was broken down by Jews, for they were in medieval times a pariah people, like low-caste Indians in an otherwise caste-free world. Their position outside the guilds meant that they were not able to directly contribute to the internal reorganisation of household and workshop. What Judaism and Christianity did share however was their popular, plebeian character, and with the Reformation it became possible to reconceive a life of acquisitiveness as the fulfilment of God's task. The religious roots of the modern economic imperative were however now dead, argued Weber; an ascetic religiosity had been displaced by a secular and pessimistic world view exemplified by Mandeville's *Fables of the Bees*, where 'private vices' became 'public benefits'. Enlightenment optimism, with its belief in the harmony of interests, was the heir of Protestant asceticism in the domain of *Wirtschaftsgesinnung*. The 'age of iron', capitalist expansion unhindered by organic sources of power, the limitations of human and animal labour, had dawned throughout Europe in the nineteenth century, and in closing the narrative converges upon the conclusion that Weber had drawn for the *Protestant Ethic*:

The economic ethos arose on the foundation of an ascetic ideal; now it was robbed of its religious meaning. It was possible that the working class would have been content with its lot, so long as it was promised eternal bliss. The loss of this consolation led directly to the emergence of social tensions that are still constantly increasing. And thus we arrive at the point where early capitalism ends and the iron age of the nineteenth century dawns.²¹

Presented in this way, and reinforced by the Preface, *Wirtschaftsgeschichte* becomes much more than a textbook account of the devel-

21. Weber, *Wirtschaftsgeschichte*, p. 315.

opment of modern capitalism, and takes its place as a historical complement to the *Protestant Ethic*, tracing the development of the form of modern capitalist economy, rather than its 'spirit', as in the earlier essays.

Note on the Text and the Translation

Weber does not seem to have used connected notes as a basis for the lectures; Hellmann and Palyi report that in his papers they found only brief headings and notes scribbled in his barely legible handwriting. The book was instead assembled on the basis of students' notes, notebooks lent to the editors for the purpose and which have since been dispersed. Hellmann was principally responsible for the construction of a consistent main text, while Palyi appears to have assumed prime responsibility for the 'Conceptual Preface', where his experience as editor of *Economy and Society* was especially useful.²² As noted above, Winckelmann had another set available to him in the later 1950s, a file of 103 handwritten pages in a mixture of long- and shorthand. The student missed some lectures in the course of the winter, and as a law student had some difficulty with the 'Conceptual Preface', the second part especially.²³ Nonetheless, these notes substantially confirm the version originally published in 1923, the revisions made by Winckelmann being clarificatory additions, rather than deletions or substitutions. Winckelmann also added notes indicating parallel passages in *Economy and Society*, which have not been included here; otherwise the translation has been made from the 1923 edition, footnotes signalling Winckelmann's editorial additions. The footnotes of the original text – perhaps clarificatory asides made by Weber – are now assembled as endnotes, and marked in the text by roman numerals.

As with the first two chapters of *Economy and Society*, which respectively define sociological and economic concepts, consistent translation here presents especial problems. The difficulty is not so much Weber's choice of terms, but that the economic terminology he employs is difficult to render consistently into English. There is an unfortunate coincidence of a number of terms whose meaning is precise in German but where, unfortunately, there is no exact English equivalent. We can start with *Wirtschaft* and *wirtschaften*: the former is seemingly unproblematically translated as 'the economy', although the term can

22. 'Vorbemerkung der Herausgeber', pp. VI, VII.

23. Winckelmann, 'Vorwort', p. XIV.

also mean an 'economic unit' (and still today is used colloquially for a restaurant or bar). To translate the latter with 'to economise' would lead us seriously astray, since this now has the sense in English of being parsimonious, which is too limited. The sense in German is 'to perform an economic action' within a (household, village, town, national) economy – it is a type of activity whose specifics relate to the institution within which it is formed. This is especially important if we consider that *wirtschaften* was a key concept in the new Austrian economics, adopted by Weber in the 1890s and which turned into the 'action frame of reference', as Parsons later called it (without however realising its origin).

Secondly, Weber makes a fundamental distinction between householding (*Haushalt*)²⁴ and exchange (*Erwerbswirtschaft*). An *Erwerbswirtschaft* is literally an 'acquisitive economy', where gainful exchange is dominant. The orientation is explicitly to buying and selling – for example, the sale of labour in return for an income which can then be used to buy goods. Translating this with 'exchange economy' – generating thereby a neat counterpoint of exchange economy to subsistence or householding – seems unproblematic until we realise that he also introduces the concept of *Verkehrswirtschaft* to cover the idea that market exchange has become the dominant factor in an economy. This last term could therefore be rendered below as 'market economy', except that Weber could have used the word *Marktwirtschaft*, but did not. *Verkehr* denotes communication, traffic, intercourse – it seems most suitable therefore to translate *Verkehrswirtschaft* as 'commercial economy', representing a more explicitly-developed form of exchange economy.

Thirdly, *Leistung* is used in German to denote performance, function, activity, payment, or output, but is more than each of these – it denotes the performance or exercise of a task or function, rather than simply the task or function itself – when used with respect to payment then with respect to social or fringe benefits. Consistent translation is therefore not possible for this key term. Other problems exist in

24. Here again, although this is a classical idea dating back to Aristotle and Xenophon, the conception survived significantly better into early modernity in the German and French languages than in English. 'House' as a noun denoting something more than a building came to be applied to the nobility and the everyday sense fell away – the closest we can now come to this is by use of the term 'householding', which carries the sense of the activity involved but not the internal organisation of the household. On the other hand, German does not have the related domestic sense of 'home'; instead they have *Heimat*, which denotes a specific native (rural) region.

relation to the manner in which 'needs' or 'wants' are 'satisfied' – this last term is a very inadequate English economic usage unsuited to the complexity or centrality of the origination and meeting of human need in German economic thought. In the following Weber argues in terms of the activity generated by the existence of needs rather than simply the finite 'meeting' or 'satisfaction' of need – hence the relation to *Leistung* – and here terms such as 'provision' or 'procurement' are employed, as in the first sentence.

'Conceptual Preface': The Text

I. *Basic Concepts*

See Max Weber, *Wirtschaft und Gesellschaft*, Part I, Tübingen 1921; also A. Amonn, *Objekt und Grundbegriffe der theoretischen Nationalökonomie*, Vienna 1912; J. B. Eßlen, „Nutzen und Kosten als Grundlage der reinen Wirtschaftstheorie“, *Schmollers Jahrbuch* Bd. XLII (1918); W. Sombart, *Der moderne Kapitalismus*, 2 vols., 4th edition, Munich and Leipzig 1921.

A. We call an action economic in so far as it is action oriented to the procurement of desired utilities (*Nutzleistungen*), or chances of disposal over the same.¹ Any form of action can be economically oriented, for example that of the artist, or also the conduct of war to the extent that economic means and ends are considered in the preparation for and conduct of warfare. Strictly speaking, however, 'economy' relates solely to the *peaceful* exercise of a power of disposal that is *primarily* economically oriented. One characteristic form of this power is disposal over one's own labour power; this is not something that should be taken for granted.²⁵ The slave driven by whip is an instrument, an economic means belonging to his or her owner; the slave does not therefore engage in economic action on his or her own account any more than does the factory worker, who is *at his workplace* a purely technical means of labour. Nonetheless, the factory worker does, within his own household, engage in 'economising action' (*wirtschaftet*). This peaceful aspect is essential, for while any given form of violence (robbery, war, revolution) might well be economically oriented, these conform to regularities quite different to those governing provision for need by peaceful means. Nonetheless, historical experience demonstrates that behind every economic form there has been, and must be, coercive force – today deriving from the state, in earlier times

25. The second half of this sentence is an addition to the 3rd edition.

often from the estates (*Stände*) – and even a future socialist or communist economic order would require compulsion for the realisation of its prescribed measures; but we do not call such force a form of economic activity, it is simply a means applied to secure economic provision for need. It is also important to note that economic activity is always conditioned by *scarcity of means* and is oriented to such scarcity: if the desire for utilities is to be satisfied the limited quantity of available means have to be ‘economised’.ⁱⁱ Hence the tendency towards the rationalisation of economic action, although such a tendency is by no means always all-encompassing. Therefore we ultimately understand by *economy* a consistently-directed action arising out of an individual’s unconstrained capacity insofar as such action is directed towards acquiring utilities and opportunities for such utilities. Where action is determined by a more or less closed corporate group the ‘economic unit’ (‘corporate economic group’)²⁶ is thus always auto-cephalous, that is, it is a primarily economically-oriented *corporate group* (*Verband*) determining for itself its leading persons; the activities of such a corporate group are no longer occasional in character, but are part of a continuous process. Of significance here is the *primarily economic orientation* that characterises the *economic corporate group* as such. To this can be contrasted all corporate groups that ‘intervene’ in ‘economic life’, but which are not themselves economic corporate groups – whether they principally pursue objectives which are only incidentally economic in character (‘economising corporate groups’); or whether they do not themselves engage in economic activity at all, but limit their activity to the imposition of other norms upon economic action, these norms being either of a general nature, imposing ‘formal standards’ (‘corporate groups for public order’) upon economic activity, or introducing ‘material regulation’ to economic action through specific intervention (‘economically-regulating corporate groups’). One corporate group can under some circumstances belong to several of these types.

B. Economic action can seek to achieve

1. *the planful distribution of available utilities:*
 - a. between present and future;
 - b. between several possible employments in the present;

26. ‘Verband’ – an organised group. See Weber’s ‘Soziologische Grundbegriffe’ [*Economy and Society*, Ch. 1] §12. for his discussion of this. ‘Corporate organised group’ is somewhat clumsy, but necessary because of Weber’s typology of social organisation.

2. *the planful procurement and creation of goods and services that are available but not in consumable form ('production');*²⁷
3. *the acquisition of power of sole or joint disposal over utilities* where these are at the disposal of another economy, whether in consumable form or not. In this last variant the appropriate means, if action is to be peaceable (and hence in conformity with the meaning of economic activity), is either the formation (jointly with those with possessing rights of disposal) of an economically-regulating corporate group, or exchange.

The economically-regulating *corporate group* can be

1. an *administrative corporate group* ('planned economy'). This expression will be used to refer to unified economic management,²⁸ a group of economic entities managed planfully by a staff of men, planful in relation to the acquisition or use or distribution of utilities (examples can be found in the organisation of the 'war economy' during the World War). The activity of those individual economic entities taking part in the corporate group is oriented to the plan drawn up by this staff.
2. *Regulatory corporate group*. The corporate group lacks unified management of its individual actions, devoting itself rather to the regulation of independent economic units,²⁹ but nonetheless achieves the elimination of mutual competition by regulating the economic activity of those economic corporate groups connected to it. The most important means for this are: the *rationing of consumption* and the *rationing of procurement*. Fishing, grazing and forestry co-operatives, guilds are examples – by no means the only ones – of rationing partly with respect to raw materials, partly with respect to market opportunities (*Absatzchancen*) and hence indirectly of consumption. In many respects this is also where modern 'cartels' belong.

27. 'which are made suitable for consumption by technical measures;' is here added in the 3rd edition.

28. Weber uses '*Wirtschaftsleitung*' to refer to the conception of 'management', for which at the time the only German term was '*Betriebsleitung*'. In the later twentieth century the use of *das Management* became general in West Germany, an Anglicism which is now universally used.

29. This section of the sentence is an addition to the 3rd edition.

Exchange is either

1. *casual exchange*. This type of exchange is quite ancient. Surpluses are occasionally exchanged for other goods, but self-sufficiency remains the basis of subsistence; or
2. *market exchange*, oriented to the fact that everywhere goods are offered for exchange and that likewise everywhere there is a demand for these goods, ie. oriented to the presence of market opportunities (*Marktchancen*). We speak of *commercial economy* (*Verkehrswirtschaft*) where market exchange dominates the economy.

All exchange is based upon the (formally)³⁰ peaceful struggle of man with man, upon a *price struggle*, 'haggling' (with one's partner in exchange), and probably upon *competition* (with those driven by the same transactional intention), and seeks a compromise that concludes the struggle in favour of one or more participants.

Exchange can be *regulated in a formal, legal manner* as in a free capitalist economy, or *regulated materially* (regulated exchange in the real sense of the word) by corporations, guilds, monopolistic entrepreneurs, princes,³¹ and according to various, quite different points of view (eg. the maintenance of high or low prices, the provisioning of a population, etc.).

Exchange can be either *natural exchange* or *monetary exchange*. Only in the latter case is complete orientation of action to the 'market opportunities' offered by a commercial economy (*Verkehrswirtschaft*) possible.

C. The *means* of exchange is an object that is typically (ie. repeatedly and *en masse*) accepted in exchange by a group of persons only because they have reason to expect that they can in turn employ it as a means of exchange. Means of exchange and means of *payment* are not necessarily identical. A means of payment is at first only a typical means for the discharge of obligations, hence of 'debts'; but not all debts arise from exchange transactions, for instance taxes, tribute and dowries do not so arise. Not every means of payment known to economic history has also been a means of exchange; for example, in Africa cattle were a means of payment but not a means of exchange. Not every means of exchange can always be used as a means of

30. '(formally)' is an addition to the 3rd edition.

31. 'Authorities' was added to this list in the 3rd edition.

payment within that region where it counts as a valid means of exchange. The Mongolian khans forced paper money on their subjects but refused to accept it in payment for taxes. Not every means of payment can be used in payment for all kinds of service. In Austria, particular gold coins were for a time only useable for the payment of customs' duties. Historically, not every means of exchange has been accepted as such for all types of exchange; for example, in Africa women could only be bought with cattle, not with shell-money.

Money is a means of payment that is accepted among a specific group of persons and which can be used as a basis for calculation since it is divisible in terms of a 'nominal value'. But these technical qualities are not necessarily linked to any one particular external form. The Hamburg *Mark Banco*, modelled on certain Chinese institutions, was based for example on silver deposits made in any shape or form; but the bill drawn made on such deposits was money.

We call an economy where no money is used a natural economy, and an economy where money is used a money economy.

A *natural economy* can be an economy where all needs are met without exchange, such as for example the lord who draws for his needs upon individual peasant households, or that of the 'oikos', the closed house economy;ⁱⁱⁱ but in a pure form this is always a rare exception. It can also be an *economy based upon exchange in kind*, so that exchanges do occur, but without the use of money. This economic form never occurs in a fully developed form, but is rather only ever partially elaborated. For a time in ancient Egypt an *economy based upon monetary calculation* co-existed with *exchange in kind*, quantities of goods being exchanged for each other but only after their respective values had first been estimated in money.

A *money economy* facilitates the personal and temporal *separation of the two phases of exchange, parting with one object in return for another*; it *frees exchange from the need to match the material means of exchange to each other*, and this creates the possibility of extending the market, i.e. the extension of market opportunities;³² it *emancipates economic action from present circumstances*, so that from now on it is possible to speculate upon future market situations, made possible through the *estimation*

32. Weber consistently refers to *Marktchancen*, 'market chances' or 'the chance of the market'. But this covers two shades of meaning in English: chance as opportunity (i.e. positive), and chance as happenstance (i.e. positive or negative). I have therefore translated *Marktchancen* either with 'opportunity' or with 'chance', as appropriate to the context.

of both elements of the exchange process in *money* (through monetary calculation). This function of money – facilitating calculation in terms of a standard nominal value to which all goods can be related – is of the greatest importance; for this establishes for the first time the a basis for *calculatively rational* action, it renders ‘calculability’ conceivable. It makes it possible for the ‘economy based upon buying and selling’ (*Erwerbswirtschaft*) to be oriented exclusively to market opportunities, for the ‘household’ to draw up its ‘economic plan’ in terms of the use to be made of available monetary resources according to the ‘marginal utility’ of these sums of money.

D. The basic types of all economies are *householding* and *exchange* (*Erwerb*), which are certainly linked by transitional forms but in their pure form are conceptual opposites. *Householding* involves economic activity oriented to provision for one’s own need, whether this be the need of a state, of an individual, or of a consumer co-operative. *Exchange* (*Erwerb*) by contrast implies an orientation to opportunities for gain, opportunities which arise in the act of exchange. The categories of the household, once a money economy exists, are *property* and *income*. Of course, one can talk of income in kind and possession in kind. But income and property can first be reduced to a common standard when they are measured in money, and one can first speak of property as a unit only with the existence of a commercial economy oriented to money economy. In this sense then *income* means the chance that specific quantities of goods calculable in money will be at one’s disposal during a particular period; while *property* denotes goods having a monetary value in the possession of the household and which are at the disposal of the household for permanent use or for the creation of income. Lastly, an *enterprise* is an economic unit based upon exchange (*Erwerbswirtschaft*) oriented to market opportunities for transactional gain. An enterprise can in this sense be occasional in character, for instance, a single voyage – the early medieval form of capitalist associative relationship,³³ the *commenda*, arose on this basis – or it can be an enduring undertaking (*Betrieb*). Every enterprise is oriented to *profitability*, the production of a monetary surplus from the means employed by the enterprise; and it also calculates by *capital accounting*, that is, calculates by means of a balance sheet, treating every individual measure as an object of calculation, estimating

33. *Vergesellschaftung* – see Richard Swedberg, *The Max Weber Dictionary* (Stanford: Stanford University Press, 2005), pp. 11-12.

the opportunity for transactional gain. *Capital accounting* implies that goods are introduced into the enterprise according to their estimated monetary value, and that with the dissolution of the enterprise, or at the end of a given accounting period, profit or loss can be measured in money by comparing the final capital value with that existing at the outset. Once this has become universal the exchange of goods and production is oriented to profit and loss, and hence to market opportunities.

Householding and exchange economy (*Erwerbswirtschaft*) are today³⁴ *separate* and continue in existence as two parallel and enduring forms of activity. As late as the 14th and 15th centuries, for example among the Medicis,^{iv} this separation did not exist. Today it is the rule, for today not only are household and business enterprise externally separate — which was also the case for instance with respect to Arab viziers in the Arabian Empire — but their separation with respect to accounting and calculation is decisive. Only after the bottom line reveals a profit does this flow into individual households, whether this be from an enterprise operated by one person, or a listed company. Exchange economy (*Erwerbswirtschaft*) operates (*wirtschaftet*) in a manner quite distinct to the household: it does not orient itself to marginal utility like the latter, but to profitability (although it should be remembered that the profitability of an enterprise depends in turn ultimately upon the array of marginal utilities of the final consumer). This means that in household and in commercial enterprise alike monetary calculation ultimately depends upon the chance of markets, or in other words, the peaceful struggle of man against man. Hence money is by no means a form of measurement as harmless as any other, for the money price which provides the basis for calculation is the outcome of a *compromise resulting from the chance of struggle* on the market; hence that standard of estimation, without which capital accounting could not exist, derives³⁵ from the struggle of man against man in the market. From this there emerges the 'formal' rationality of money economy as compared with any 'natural' economy, whether it is a closed subsistence economy, or one based on exchange. This formal rationality is represented by the greatest possible degree of 'calculability', the most complete calculability of all chance of profit and loss already realised or anticipated in the future. No other method of calculation, however

34. 'economically' inserted in 3rd edition.

35. 'is constantly recreated' — this idea that the measure of value is in a constant process of construction through human conflict is lent emphasis in the 3rd edition.

devised, can replace the formally rational functioning of capital accounting, not even calculation in kind employing a 'universal statistics' instead of calculation, as has been suggested by some socialists. If capital accounting is to be set aside then this can only rationally happen through the discovery of a technical means capable of providing as useable a general standard as that supplied by money, or rather prices expressed in money.

II. *Types of Functional Economic Organisation*³⁶

The basic fact of modern, or any 'developed' form of economic life is the differentiation of persons according to mode of employment, or *occupational structure*.³⁷

Occupation (Beruf) is understood in economics as the continuous performance of effort by a person either as the basis of subsistence or for further economic transactions (*Erwerb*). This can occur within a corporate group (manorial estate, village, town) or for exchange on the market (labour market, goods market). A differentiated occupational structure does not always exist, at any rate not in the degree to which it has developed today.

From the point of view of the economy, human effort can involve either the *management* of others, or the *direct execution* of a task. We call the latter '*labour*', and the former *disposition* with respect to labour.³⁸ The manner in which such disposal over labour occurs is varied; it can technically be broken down according to the distribution of individual tasks (within a given economy) to individual workers and their mutual relation; and it can be broken down economically according to the distribution of tasks (*Leistungen*)³⁹ between different economies and their relation one with another.^v

A. The possibilities of *technical distribution and connection of tasks* ('division of labour' and 'labour combination') can be distinguished according to the nature of the tasks that the *individual* unites in his person; according to the manner in which *several* persons combine together; or according to manner in which worker or workers combine with

36. 'Typen der wirtschaftlichen Leistungsgliederung'.

37. 'Berufsgliederung'.

38. 'Goods' added here in 3rd edition, but this insertion weakens the contrast Weber sets up.

39. In the following *Leistung* is consistently translated with 'task'.

material means for the furnishing of production, transport, or other necessities.^{vi}

1. Under conditions of technical specialisation the *individual* can perform tasks: in *combination*, where the same worker undertakes qualitatively different employments (for example, agricultural with secondary industrial work, agricultural labour and migratory labour); or in a *differentiated* manner, where qualitatively different employments are performed by different persons. In turn, this can occur either as *task specification*, differentiated according to the nature of the *end product* (as in medieval craft work), or as *specialisation in complementary tasks*, i.e. the decomposition of a unitary task into mutually complementary, separate tasks, as in the modern factory ('labour decomposition').
2. The *connection of different tasks* into a whole will be called either 'task accumulation' or 'task connection', depending on the degree to which similar or qualitatively different tasks are associated with bringing about one and the same outcome. In both cases this concerns a technical order, whether it be 'parallel', that is, proceeding independently from each other, or whether the tasks in question are co-ordinated socially (*vergesellschaftet*) into a technically unified employment.^{vii}
3. Distinction according to the manner of connection with *material means of provision* (means of production) can be made with reference to pure services, and services related to the manufacture, disposal or transport of material goods. All working of material goods as a rule presupposes '*plants and installations*' (either natural or mechanised establishments with a source of power, but at least places of work, such as workshops) and also *working instruments*: tools, equipment, machinery. *Tools* are work aids adapted to human skills and capacities. By contrast, we will refer to those means of labour which are 'served' by man, to which he must perforce adapt his work, as *apparatus*. Finally, *machines* are self-acting apparatuses ('automatic' in their most complete form). The significance of such apparatus not only consists in its specific capacities, which are themselves independent of organic working conditions, but also in the *predictability of their performance*, a matter which is extremely important for a rational economy oriented to capital accounting. The use of such mechanised working apparatus presup-

poses the presence of economically effective *mass demand*, that is, demand linked to actual purchasing power; only where this is present can they be profitably employed.^{viii}

B. The *economic possibilities* presented by control (*Disposition*) over the labour process vary according to the manner in which activities are distributed among separate economic entities, and according to the manner in which individual economic opportunities are appropriated, that is, how property is ordered.^{ix}

The relationships arising out of the economic form in which activities are connected and distributed are similar to those arising out of the technical form. On the one hand,

1. *the connection of activities within an economic unit can take place with technical specialisation and technical combination.* This economic unit can be either a *household*, even a large-scale household (such as the domestic communes of the southern Slavs, the *Zadruga*, which sometime engage in external exchange but which are otherwise internally technically specialised); or it can be oriented to external exchanges (*Erwerbswirtschaft*) – for instance, a factory which as an economic unit is characterised internally both by the specialisation and combination of tasks; or at a higher level a ‘mixed enterprise’, which might combine a coal mine with an iron works; or a Trust, a combination of diverse economic entities united only by their interest in commercial gain directed by financial monopolists in a roughly uniform manner. Or it could assume the form of
2. *a specialised distribution of tasks between several⁴⁰ more or less autonomous economic units.* Here we might have *complete economic autonomy* on the part of the individual economic unit, i.e. specialisation in the tasks performed by completely autonomous economic units, typical in the commercial economy of the nineteenth century; or *partial heteronomy*, where the individual entities are autonomous in many respects, but their economic activity is oriented to a superior *corporate group*. In turn there are here different possibilities, depending on the degree to which the economic unit is of *domestic (haushaltsmäßig)* or *commercial (erwerbswirtschaftlich)* character. In the first case economic activity is directed to the satisfaction of the

40. ‘*autocephalous*’ inserted in 3rd edition.

needs of its members. It can be organised *co-operatively*, as in an Indian village where craftsmen lack autonomy, and are landed employees of the village co-operative required to perform their work either *gratis* or for fixed payment (*demiurgic economy*); or through *the domination of a ruler*, as in medieval manorial economy where the lord has at his disposal specific services supplied by otherwise independent households, alongside which the lord's household predominates. If the higher level corporate group is one formed around exchange activities, the connection between tasks can be either co-operative or based on authority – co-operative within a *cartel* (in its broadest sense), or based on authority when the enterprise of a ruler, as for instance a manufacturer,⁴¹ governs the household economies of dependent peasants or craftsmen.

C. Appropriation, ie. property system and form

The economic meaning of property is not identical with its contemporary legal meaning. In economic science property can also be a clientele which is heritable, saleable, or divisible; Indian law for example actually treats it as an object of property in this way.

That which can be appropriated, ie. become *an object for a given property system*, can be: *opportunities for work*, ie. particular positions of employment and the opportunities for gain associated with them; *material means of production and provision*; *managerial posts*, such as those of entrepreneurs.

1. Extreme alternatives possible in the *appropriation of positions of employment* are: *the absence of any such appropriation of the position of employment* – the individual freely sells his labour power, there exists therefore a *free labour market*, on the one hand; or on the other *the appropriation of the person of the worker to the position of employment*, the worker becomes unfree or a serf, an object for an owner. In this second case the various possibilities are: *domestic employment as unfree labour* (domestic serfdom as in Western Europe into the sixteenth century); use of the unfree labour as a source of rent (as in antiquity, where the lord gives the serf freedom to work for gain in return for a share in his income); the use of unfree labour as a source of

41. I.e. the agent in command of a dispersed manufactory supplying materials to the households of independent workers.

labour power (Carthaginian and Roman plantations, Negro plantations in the southern United States). There are a number of intermediate stages between these extremes. Finally c) the *position of employment can be appropriated to the worker*, either to the *individual worker* or as a rule to a corporate group (a regulated group of workers). This group can assume different degrees of 'uniformity' The corporate group can further appropriate individual positions to individual workers, ranked according to the degree of regulation that the tasks and opportunities of such positions require; the extreme case being *heritable appropriation* (for instance, craft positions in Indian castes, the offices of a ducal court, farming positions within a manorial estate) while the minimum is the *exclusion of a right of instant dismissal* (the modern system of works' councils can signify the beginning of the introduction of a 'right' of the factory worker to a position of employment). Besides the position of employment, the corporate group can regulate: the *labour process* (for example, the prohibition of raising children as apprentices in the medieval guilds); the *quality of labour* (for example in the Westphalian linen industry right up to the nineteenth century); *payment* (rates, mostly the minimum rates to exclude competition); the *zone of economic activity* (the area covered by the chimney sweep). There are however innumerable intermediate levels here, right up to the complete abandonment of regulation with respect to duties and opportunities.

2. The *material means of provision or production can be appropriated*⁴²
 - a) To the *worker*, whether to the individual worker or to a corporate group of workers. *Individually*, such *appropriation* has different effects, depending on whether the use of such means is *domestic*, for personal use; or as is typical for small-scale capitalist enterprise, occurs through *exchange* in the market. *Appropriation by a corporate group* can be effected by the holding of *shares* or *communistically*, depending on whether the return on any use is calculated, or whether such use is communal; combinations of both systems often

42. Weber consistently uses *Appropriation* here; in considering the assignment of objects to agents, and not *by* agents, *Zuweisung* or 'assignment' would be more usual, but Weber's usage is retained.

occur. Even in this case use can be either domestic or exchange-oriented (*erwerbsmäßig*) – domestic in the communist form of the Russian *mir*, while assignment by share was typical of the ancient German constitution; exchange-oriented (*erwerbsmäßig*) in the Russian *artel*, which sought to appropriate means of production to the workers.^x

- b) Appropriation can also be to an *owner* who is not the worker; here a *separation of the worker from the means of provision and production* occurs. Here again differences arise relating to the manner in which the owner makes use of the appropriated means of production. He can use them
- α) *patrimonially* in his own household (the large-scale economy of the Egyptian Pharaoh of the New Empire, who owned all land apart from that of the Temple)
- β) or by contrast the assigned means of production are used commercially (*erwerbsmäßig*) as capital goods in *independent undertakings* (capitalist undertakings based upon appropriated means of provision and production);
- γ) and finally they can be used through a *loan* to households (as the landed nobility did to colonists in antiquity) or to persons who use them for commercial purposes, it also being possible that means of labour intended for the *borrowing person* do in fact devolve to that person (eg. inventory to a small tenant, *peculium* to the serfs) or to the *entrepreneur for capitalistic use*; in this case we see a separation between owner and entrepreneur.
3. Besides the appropriation of positions of employment and material means of labour it is also possible to *appropriate positions of management* (*leitender Stellen*).⁴³ This is usually linked to the separation of the worker from the means of provision and production, although where these workers are in possession of such means, if only through loan, an entrepreneurial function is created. The appropriation of the worker (slavery) can also occur.

There are two possibilities with respect to the *relationship of owner and manager of the enterprise* – separation or identity of the persons concerned. In the first case the owner can have either a *property interest*,

43. Winckelmann here inserts a substantial sentence which elaborates, but does not clarify, this idea.

seeking to employ his property as in a household economy – the typical form is the modern *rentier* – or the owner's interest can be *commercial*, as with banks which invest a portion of their available resources in industrial enterprises.

In each case, the assignation of the managing role to the owner results in the *separation of the household and the commercial enterprise*; this is a characteristic feature of modern economic organisation and is even underpinned by law. Here the leading principle of the commercial undertaking is an orientation to profitability. But the existence of the appropriation of means of provision and production together with the functioning of the commercial enterprise leads to personal property interests, that is, *interests which are irrational* by the standards of commercial interest, playing a part in the conduct of the enterprise.⁴⁴ This is a particular issue where there is separation of entrepreneur and owner, since then the appropriated means of provision and production can become the object of private speculation, or the object of speculation on the part of banks or trusts, so that irrational elements enter into transactions of an otherwise commercial nature.

III. *The Character of Economic History*

A number of consequences for the *tasks of economic history* follow from the foregoing. Its initial task is the study of the manner in which *activities are distributed and combined*. The first question is: how in a given epoch are *economic activities distributed, specialised, combined* – technically, economically, and finally with respect to the given property system? Following this question, which opens up the problem of 'classes' and social organisation in general, there is another: are activities and opportunities *appropriated domestically or commercially*? This leads to the third problem, that of the *relationship of rationality and irrationality* in economic life. Thanks to the penetration of accounting procedures, modern economic organisation is highly rationalised, and in a certain sense and to a certain degree the whole of economic history is the history of the victory of an economic *rationalism* based upon accounting techniques.

The degree of economic rationalism is in earlier periods varied. At the beginning there is *traditionalism*, adherence to the familiar, which maintains established routines and transmits them into other epochs,

44. Winckelmann adds some material into this sentence, the result being however even more opaque than the original.

even if their original meaning is long forgotten. This situation can be superseded only very slowly. Economic history has therefore to deal with *non-economic elements*. Among these are: magical and religious elements – the striving for *salvational* goods; political elements – the striving for *power*; and elements of social status – the striving for *honour*.

Today the economy is, to the extent that it is a commercial economy, in large part economically autonomous: oriented only to economic perspectives and with a high level of calculable rationality. But strong material irrationalities persistently intrude into this condition of formal rationality, arising in particular from the distribution of income, which to a certain extent (seen from the standpoint of an 'optimal provision of commodities') leads to a materially irrational distribution of goods; and also from domestic and speculative interests which are, from the perspective of commercial enterprise, irrational in nature. But the economy is not the only cultural domain upon which this struggle of formal and material rationality is played out. The same is true of the legal domain, where the formal application of the law clashes with a material sense of justice.^{xi} (And it is no different in art: the difference between 'classical' and 'non-classical' art is ultimately based upon the conflict between material expressive need and the formal means of expression.)

In conclusion, it should be emphasised that economic history (including the history of 'class struggles'), is most definitely not, as the *materialist conception of history* claims, identical with all culture in its entirety. Culture is not simply the resultant, nor solely a function, of economic history; rather economic history presents only a foundation, without which however productive study of any of the great realms of culture is inconceivable.

Endnotes

i. It is not a 'material good' as such that is of interest here, but rather always its potential use for traction, force, load-carrying etc. Utilities are always unique particular services: it is not 'the horse' as such that – in this context and in this sense – is an economic object, but instead its particular useful attributes. For the sake of brevity material utilities are called 'goods' (*Güter*), while human utilities are simply referred to as 'services' (*Leistungen*).

ii. And so 'economising activity' always means the comparison of differing *purposive ends* and a choice among them, while by contrast a purely *technical* understanding is directed to the choice of *means* for any one given end. (See A. Voigt, 'Technische Ökonomik' in *Wirtschaft und Recht der Gegenwart*, I, Tübingen, 1912.)

iii. See below.

iv. See below.

v. The first applies to the internal organisation of a ruler's household, or to that of a factory, where the different tasks are allocated to specialised workers, but not to separate economies. An example of the latter is 'putting out', as in textile manufacturing whose organisation is typified by the distribution of tasks to different economic units, the work being later collected in and combined.

vi. See also K. Bücher, *Entstehung der Volkswirtschaft*, 14th and 16th edition, Tübingen, 1922; E. Durkheim, *De la division du travail social*, Paris, 1893.

vii. An example of the social co-ordination of tasks [*Vergesellschaftung der Leistungen*] is the joint carrying or haulage of great loads by several people, while an orchestra provides an example of the connection of tasks.

viii. In a commercial economy (*Verkehrswirtschaft*) mass wants combined with *purchasing power* must exist if sufficient market opportunities are to be available (and at the same time result in an optimum of material provision). This is however dependent upon the nature of the distribution of property and income. [Note added in 3rd edition KT]

ix. This concerns, for example, whether a worker's post belongs to him through inheritance, whether he can be dismissed or has by contrast lifetime employment, whether the material means of production are appropriated, and so forth.

x. This did not mean that the principle of external exchange was eliminated; hence a form of socialism which created a new class of owners in place of the old ones.

xi. The conflict between Frederick the Great and his lawyers arose because their formalism placed in question decisions which he made out of regard for administrative convenience and the common good.