

**'Robinson Crusoe', the *Isolated Economic Man*: Max Weber,
Marginal Utility Theory, and the 'Spirit' of Capitalism***

Peter Ghosh

In the final section of the *Protestant Ethic* Max Weber addresses the relationship between 'asceticism and capitalism' [XXI.1, 74],¹ and there makes a series of knowing allusions to the economics of marginal utility – still a youthful growth in 1905. Yet, like so much else in the text, these have never been explored. It is one more reflection of the fact that in university lecture halls throughout the G8 countries, the *Protestant Ethic* is routinely assumed to be a well-known text, whose charisma has long since been routinised. On this assumption it commonly serves as a training ground for first degree students, a preparation for the reading of Weber's later and allegedly more difficult texts which are reserved for graduates. Surely this is an ideal strategy with which to veil *terra incognita*. To one kind of blindness may be added another: a near complete lack of interest in the nature and genesis of

* Abbreviations and conventions: *PE* for *Protestant Ethic*; *AfSS* for *Archiv für Sozialwissenschaft und Sozialpolitik*; *GASS* for *Gesammelte Aufsätze zur Soziologie und Sozialpolitik* (ed. Marianne Weber; Tübingen, 1924); *GARS* for *Gesammelte Aufsätze zur Religionssoziologie* (Tübingen, 1920), vol. i; *WL* for *Gesammelte Aufsätze zur Wissenschaftslehre* (ed. J. Winckelmann; Tübingen, 1968); *WuG* for *Wirtschaft und Gesellschaft* (ed. J. Winckelmann; Tübingen, 1972); *GdSÖ* for *Grundriss der Sozialökonomik* (Tübingen, 1914–30); *MWG* for *Max Weber Gesamtausgabe* (ed. Horst Baier *et al.*; Tübingen, 1984–). Letters printed in the latter edition are cited as *Briefe*. Unpublished letters from the Geheimes Staatsarchiv Preußischer Kulturbesitz, Berlin-Dahlem VI.HA are cited as 'Nachlaß Max Weber'. – All translations from German are my own. No disrespect for current English language translations of the *PE* is intended thereby; but in my opinion none of these is framed according to sufficiently historical principles – on which see my comment 'Translation as a conceptual act', *Max Weber Studies* 2 (2001), pp. 59-63.

1. The *PE* is cited in either text or notes in [] according to volume and page number in the *Archiv für Sozialwissenschaft* in 1904–1905: e.g. [XX.1]. It is here treated as a 1904–1905 text for the purely empirical reason that there are no significant modifications to the '1920' text bearing on this particular subject.

Weber's thinking about 'capitalism' – another casualty of the 'cultural turn' in our horizons since c. 1980.² Yet this was a central problematic, and also the one where he came closest to suffering an intellectual Waterloo.³ Here again, given an obvious (though by no means straightforward) association with free market capitalism, marginalism is likely to suffer as a subject of inquiry. Of course, nature abhors a vacuum, and in the absence of authentic historical inquiry, the ingenious conjectures of sociologists and rational choice theory have come to take its place⁴ – and this supplies a third reason why, however belatedly, historians might want to investigate Max Weber's 'economics' for themselves. If we take this path, then the *Protestant Ethic (PE)* offers an excellent starting point for an analysis: partly because it is Weber's single most important utterance about capitalism; partly because the original text of 1904–1905 (unaltered on this subject in 1920) occupies a central point in Weber's career, both chronologically and intellectually, though the possibility that his views might have changed over time is one to which we must return.

I

The most ostentatious reference to the new economics in the *PE* runs as follows:

Those mighty religious movements whose significance for economic development lay primarily in their ascetic and *educative* impact, com-

2. For an authoritative index of this current relegation consider the 100th anniversary celebration of the *PE*: W. Schluchter and F.W. Graf (eds.), *Asketischer Protestantismus und 'Geist' des modernen Kapitalismus. Max Weber und Ernst Troeltsch* (Tübingen: Mohr, 2005), where, as the sub-title suggests in defiance of the main title, capitalism does not feature in any significant sense. The substantial contributions to *Max Weber and his Contemporaries* (ed. W.J. Mommsen and J. Osterhammel; London: Allen & Unwin, 1987) – conference proceedings from 1984 – form a noticeable contrast: see cc. 2-5, 7.

3. I have however offered an outline of this subject in 'Not the *Protestant Ethic?* Max Weber at St. Louis', *History of European Ideas* [hereafter *HEI*] Vol. 31 (2005), pp. 367-407, see esp. 392-407.

4. See especially Richard Swedberg, *Max Weber and the Idea of Economic Sociology* (Princeton, NJ: Princeton University Press, 1998) and Zenonas Norkus, *Max Weber und Rational Choice* (Marburg: Metropolis, 2001). With much learning and ability these authors deploy historical method as an adjunct to their primary theoretical concerns – a common strategy in Weberian studies. Naturally I wish them well in their theoretical endeavours, but still it is necessary to insist on an elementary proposition: theory plus a dash of history (the reading of a canonical author from the past according to a present-day theoretical agenda) does not produce history.

monly only exhibited their full *economic* effect after the high point of *purely* religious enthusiasm had already been passed; when the convulsive search for the kingdom of God was gradually beginning to dissolve into sober, vocational virtue, the religious root was slowly dying out and giving way to utilitarian worldliness. It was the point when, as Dowden says, Bunyan's 'Pilgrim', hurrying past 'Vanity Fair', filled with his lonely inward striving after the kingdom of heaven, was replaced in the popular imagination by 'Robinson Crusoe', the *isolated economic man* who pursues missionary work on the side. [XXI.104]

On the face of it the only writer alluded to here is the contemporary Irish literary critic Edward Dowden, author of an important study of seventeenth century England entitled *Puritan and Anglican* (1900), and in particular his discussion of Daniel Defoe.⁵ But in fact this passage is a *menage à trois*, for Carl Menger and the Viennese pioneers of marginal utility theory are also present here. What we have is a typically virtuoso Weberian linking of areas of thought, 'English' literature and 'Austrian' economics, which at first sight have no connection. (However, the deployment of literary metaphor within an economic discourse is one respect where Weber will always come a distant second to Marx, the eternal literary romantic). The reference to "Robinson Crusoe", the *isolated economic man* is not only to be set within the context of Dowden's historical and literary criticism; it is also a virtual quotation from the conceptual heart of Menger's most important book, the *Principles of Economics* (1871). That heart lies in the assertion that economic 'value' does not derive from a holistic (or macroeconomic) consideration of the combined yield of land, capital and labour as outlined in the classical economics of Smith and Ricardo, but in the subjective assessment of need relative to a perceptibly scarce resource made by the single or isolated individual. Such is the essence of the so-called revolution separating classical from marginal utility economics, where coinage of the term 'marginal utility' in 1884 by Friedrich von Wieser gives a good idea of the date at which the new school of thought began to exercise a perceptible influence.⁶ (Note, however, that Menger himself eschewed Wieser's terminology, since

5. Op. cit., pp. 274-78. Dowden was an important man for Weber: see my 'Max Weber's Idea of "Puritanism"', *HEI* Vol. 29 (2003), pp. 203-10.

6. *Über den Ursprung und die Hauptgesetze des wirtschaftlichen Werthes* (Vienna, 1884), p. 128. Weber himself notes how the second edition of Knies' *Politische Oekonomie*, which appeared in 1883, just as the *Methodenstreit* was about to break out, is entirely innocent of any reference to marginalism: 'Knies und das Irrationalitätsproblem' [1905], *WL* 42-3.

mention of 'utility' tended to compromise his psychology, with its radical distinction between material goods and the calculation of economic value entirely independent of that 'real' content. The Austrian marginalists were emphatically not Benthamites.)⁷ In order to emphasise his individualism, Menger commences his chain of thought thus: 'let us consider an isolated economic subject, who inhabits a rocky island in the ocean...'⁸ This subject is of course called 'Robinson'; and as an accompaniment the term *Robinsonade*, originally coined (by a German) to describe the literary genre of novels written in imitation of *Crusoe*, has been taken over by political economy.⁹ 'The isolated economy' was the less literary, less colourful description of this postulate, and one to which Weber had already devoted extended discussion in his lectures on 'theoretical' economics in the 1890s.¹⁰

Now Weber did not accept the marginalists' central premiss – that they had found a theoretical model that was valid at all times and in all places, *ceteris paribus*.¹¹ As he put it in 1918, at the end of a most congenial semester in Vienna: 'I do not belong to the same school...'¹² He did however have considerable sympathy for it *within* a historicist

7. Note the caution of the statement in *Grundsätze der Volkswirtschaftslehre* (Vienna, 1871), p. 84: 'utility is the fitness [*Tauglichkeit*] of a thing to serve for the satisfaction of human needs, and accordingly it (or to be precise the *perceived* utility) is a universal presupposition of the quality of goods'. – Psychological and ethical utilitarianism can be of course found in English marginalism, especially in Jevons, in accordance with national tradition. However, this is irrelevant to our present concerns.

8. *Ibid.*, p. 100. The original insertion of *Robinsonaden* into political economy came from the fecund literary imagination of Marx: *Das Kapital* vol. 1 (Hamburg, 1867), pp. 36-37 [Penguin edn, 1976, pp. 169-71]. In this respect, as in so much else, it is reasonable to suppose that Menger had Marx in mind. However, when Marx uses *Crusoe* it is as an example of a primitive and simple economy but not of a specifically individualistic one: the image of the individual does not undercut or contradict a social frame of reference. So although Weber had undoubtedly read *Capital*, the text of the *PE* equally certainly refers to Menger and the Austrians.

9. Eg. G. Schmoller, review of Menger, *Grundsätze* in *Literarisches Zentralblatt für Deutschland*, 1 Feb. 1873, cc. 142-3; Max Weber, 'Die "Objektivität" sozialwissenschaftlicher und sozialpolitischer Erkenntnis' [1904], *WL* 196 [hereafter 'Objectivity']. For the original coinage: J.G. Schnabel, *Die Insel Felsenburg* (1731), Preface.

10. See e.g. the early marginalist work by Johann von Komorzynski, *Der Werth in der isolirten Wirtschaft* (Vienna, 1889) – a work on Weber's bibliography – and 'The attribution of economic value in the isolated economy' in *Grundriss zu den Vorlesungen über Allgemeine („theoretische“) Nationalökonomie* [1898] (Tübingen, 1990) [hereafter *Grundriss*], pp. 33-8.

11. See e.g. 'Roschers 'historische Methode'' [1903], *WL* 13 n. 1.

12. 'Gutachten' [?June 1918], *Nachlaß Max Weber*, 30/10 Bl.27.

perspective. The most general sign of this was his antipathy towards Gustav Schmoller, the avowed leader of empiricist historicism in economics, whom Menger had famously assailed in polemical battle in the early 1880s, the so-called *Methodenstreit*.¹³ Though Weber was undoubtedly a staunch upholder of the rational *Rechtsstaat* on Continental liberal lines, he opposed what he saw as Schmoller's state paternalism: the sentimental belief in the state as ethically good, and the adulation of a specifically Prussian bureaucracy which harnessed *Wissenschaft* (academic 'science') to its own imperatives. As can be seen from the contrary pronouncements in the *PE*, rationality was to be seen as formal and technical but not ethically normative [XX.35]. The rational asceticism singled out by Weber was a hard doctrine of 'self-control',¹⁴ the very opposite of the sentimental German Lutheran idea of 'love of one's neighbour' [*Nächstenliebe*],¹⁵ and hence of the state welfare policy which was a central concern of Schmoller and of the *Verein für Sozialpolitik* he had helped found in 1872. Again, an admixture of 'anti-authoritarian'¹⁶ Anglo-American voluntarism from outside was seen by Weber as a crucial supplement to German state bureaucracy if it was to stave off 'Chinese petrification' [XXI.109]. These differences led to a series of violent clashes at the annual meetings of the *Verein* between 1905 and 1914, which centred above all on the question of so-called 'value freedom'.¹⁷ Weber expected any person of integrity to have and to uphold fundamental values, whether they be liberal, Marxist, Catholic, or 'romantic' [XX.19]; but he could not bear Schmoller's complacent and dated assumption that his were the only right ones in the radically plural *Kultur* of the German *Reich* or (still more) of German-speaking Central Europe before 1914. (The boundaries of 1871 were by no means the sole determinant here.) For Weber the assumption of an agreed norm where none existed was a grave and even fatal constraint on the operation of *Wissenschaft* – of that disciplined inquiry without which no proper social policy could

13. For a good recent account, E. Grimmer-Solem, *The Rise of Historical Economics and Social Reform in Germany 1864–1894* (Oxford: Oxford University Press, 2003), pp. 252–64. On the personal relation between Weber and Schmoller, see the useful general account by Manfred Schön in *Max Weber and his Contemporaries*, c. 3.

14. E.g. [XI.25, 28–9, 34, 38, 45, 47, 48, 71, 73] etc.

15. E.g. [XX.43 n. 1, 46 n. 2, XXI.15–16] etc.

16. E.g. [XXI.14 n. 21, 37 n. 74, 42 n. 78, 50 nn. 95, 93, 95].

17. Amidst a large literature see e.g. Weber's pronouncements on the relations between state and economy at the 1905, 1907 and 1907 meetings of the *Verein*: *MWG* I/8, pp. 249–59, 266–79, 304–15, 360–66; and then on the specific discussion of this point in 1913: H.H. Nau (ed.), *Der Werturteilsstreit* (Marburg:Metropolis, 1996), pp. 147–86.

be framed. So far as he was concerned *Wissenschaft* or 'scientific' inquiry rather than the promotion of a paternalist social legislation was the first concern of the *Verein*. Yet Schmoller was one of the founders of this body and its most obvious representative figure. Understandably, then, those sympathetic to marginalism detected 'a reaction' against the high tide of unadulterated historicism here, and could discern an obvious affinity between their own commitments to a pure 'theory' and Weber's espousal of value-free 'science'.¹⁸

More specifically, Weber made a set of pronouncements favourable to economic theory, where theory might equate with marginal utility theory. As he told Schmoller, in a public letter written for the latter's 70th birthday celebrations (!), historical perspective itself could allow for oscillation between periods of historical and theoretical analysis: 'today, perhaps, the time has come to attend more to the theoretical side'; 'before us there stands a mighty edifice' – raised by Schmoller – 'of knowledge rooted in historical insight, psychological analysis and philosophical alignment, which we younger men may now seek to develop anew with the instruments of *theoretical* concept formation'.¹⁹ What underlay this emphasis on the *theoretical*? For Weber the meaningless infinity, the 'chaos' or 'monstrous tangle' [XX.54] of historical data in its original form necessitated the use of abstract theoretical constructions in order to reduce it to meaningful order at any particular point: in this sense marginal utility theory could be re-classified as a useful exemplar of the Weberian ideal-type.²⁰ Now the ideal-type was not simply a particular methodological device; it was a general

18. Schumpeter, 'Epochen der Dogmen- und Methodengeschichte', *Grundriss der Sozialökonomik* (Tübingen, 1914), Abt.I.19-124 [hereafter 'Epochen'], p. 99. This statement is unaffected by the fact that Schumpeter's understanding of 'value-freedom', which amounted to something close to a cynical ethical relativism, was entirely different from Weber's. Hence a most unWeberian distaste for getting het up over matters of principle, academic or otherwise: 'Meinungsäußerung zur Frage des Werturteils' [1913] in Nau (ed.), *Der Werturteilsstreit*, p. 111; cf. Karl Jaspers, 'Bemerkungen zu Max Webers politischem Denken' [1962] in (e.g.) *Max Weber* (Munich: Piper, 1988), pp. 120-21. The distance between Weber and Schumpeter only became fully apparent after Weber's death: see in particular Schumpeter's essay 'Gustav v. Schmoller und die Probleme von heute', *Schmollers Jahrbuch* Jg. 50 (1926), pp. 337-88.

19. *Briefe* 23.6.08. Original emphasis. The letter also contains a sharp, if ultimately polite, thrust regarding the dispute over 'value freedom'. Cf. Weber to Edwin Seligman, 18.12.05 on the 'excess weight of historicism which burdens us thanks to the powerful influence of Schmoller': cit. Guenther Roth, 'Europäisierung, Amerikanisierung und Yankeetum' in W. Schluchter and F.W. Graf (eds.), *Asketischer Protestantismus und der "Geist" des modernen Kapitalismus* (Tübingen: Mohr, 2005), p. 30.

20. 'Objectivity' [1904], *WL* 202 cf. pp. 187-90. For 'chaos', *ibid.*, pp. 177, 197, 207.

statement about the nature and basis of all social scientific theory within an infinite historical universe. The most appropriate ideal type was one which could reproduce the *Kultur* and agenda of the particular era from which it derived, whilst at the same time maximising the 'value-free', 'scientific' yield to be derived from inquiry into data having no necessary contact with that *Kultur*. Seen thus marginal utility theory was a very good theory, since it represented an increasingly close approximation to the behaviour embodied in modern Occidental capitalism:²¹

The historical peculiarity of the capitalist epoch, and hence the significance of marginal utility theory (like any theory of economic value) in understanding that epoch, rests on the fact that, while the economic history of many past epochs has not unjustly been labelled 'the history of non-economic behaviour', under present day conditions the convergence of reality with the prescriptions of theory has been *constantly increasing*, embracing the historical destiny of ever wider strata of mankind and, so far as can be seen, it will go on increasing. The heuristic significance of marginal utility theory rests on this fact in the *history of Kultur*...

When we consider (further) that the essence of the new theory lay in its emphasis on the 'subjective'²² state of the individual making calculations about the 'value' of economic goods, it can be seen that in Weber's eyes marginal utility theory was nothing less than an

21. 'Die Grenznutzlehre und das "psychophysische Grundgesetz"' [1908], pr. WL 395 (echoed in a speech made at the first conference of the German Sociological Society, 1910: GASS 472). The statement here and those made in Weber's well-known letters to Robert Liefmann in 1919-20 are but two sides of the same coin: cf. Hennis, *Max Webers Wissenschaft vom Menschen* (Tübingen: Mohr, 1996), pp. 117-18; Zenonas Norkus, *Max Weber und Rational Choice* (Marburg: Metropolis, 2001), pp. 120-21. Pace Norkus, the relative importance of history and theory is quite unchanged, as is clear from the letter to Liefmann of 9.3.20 where Weber denies ever having held a different tune on the subject of theory. To substantiate the point, he equates 'theory' with 'ideal-types', a 'theory' he had outlined in 1904: Nachlaß Max Weber, 30/8 Bl.78.

22. E.g. Menger, *Grundsätze*, p. 86, though the point appears in all the canonical expositions. Compare what Weber says about the absence of a psychological dimension for the previous, classical epoch: 'The problem [of economic motivation] did not exist for classical theory, because it proceeded from the assumption that in the sphere of economic life only *one* simple and constant motive *was to come under scientific observation*: the "self-interest", which expressed itself on the terrain of the commercial economy in the striving for the maximum of private economic profit'. 'Roschers "historische Methode"' [1903], WL 31 n. 2. Weber follows the marginalists in equating the 'subjective estimation of value' with a study of motives which are 'in the first instance abstract-theoretical': 1898 *Grundriss*, §2.7, 34.

approximation to his own 'spirit' of capitalism (which incidentally suffered from the disadvantage that it was not in 1904, nor in fact ever would be, a fully worked out theory) [XX.12]. Marginal utility was only a subordinate part of the intellectual milieu which contributed to the genesis of the Weberian spirit of capitalism; but its theoretical strength was surely the central reason behind Weber's frankly unusual protestations of respect for Menger, who was by common Austro-German consent something of a recluse and an eccentric after c. 1890.²³

Intellectual affinity was paralleled by personal sympathy and contacts. Weber's willingness to go to Vienna in 1918 to teach – this was a 'sabbatical' retreat from an exhausted German wartime politics which he found most congenial – derived from longstanding contacts with Austrian economists: notably Eugen von Philippovich, Ludo Moritz Hartmann, Joseph Schumpeter, and Friedrich von Wieser. Hartmann was in fact the driving force behind the attempt to lure Weber to the University of Vienna on a permanent basis in the autumn 1917, as a replacement for the deceased von Philippovich.²⁴ Conversely, he was the only one in this group who was truly a historian and the only one who, as result, was not recruited by Weber for the *Grundriss der Sozialökonomik* – the compendium of 'social economics' in which *Economy and Society* originally appeared.²⁵ Von Wieser's book length treatment of 'the theory of the social economy' would become a crucial opening statement placed at the very beginning of the *Grundriss*. Originally designed as a balanced counterpart to Karl Bücher's evolutionary-historical treatment of 'developmental stages in the economy', it emerged as by far the predominant component in the opening volume due to Bücher's relative failure.²⁶ On the other hand,

23. Eg. 'Die Grenznutzlehre' *WL* pp. 395-96, 396 n. 1; *Briefe* 30.10.08. For the ordinary German view of Menger, see E. Grimmer-Solem, *The Rise of Historical Economics*, ch. 7.

24. See e.g. Edith Hanke, 'Editorischer Bericht', *MWG I/22-4*.746-8.

25. On the other hand, Hartmann would become personally much the closest to Weber in this group; hence his instrumentality behind Weber's Vienna 'sabbatical'. Their friendship was set in motion at the October 1909 meeting of the *Verein für Sozialpolitik* in Vienna, when Weber was on top form and hugely enjoyed himself: see Marianne Weber's recollection pr. *Lebensbild*, pp. 419ff and in J. Radkau, *Max Weber* (Munich: Manser, 2005), p. 549; cf. *Briefe* 19.11.09, *MWG II/6*.317.

26. 'Theorie der gesellschaftlichen Wirtschaft', *GdSÖ* (Tübingen, 1914) Abt.I, pp. 125-444. Bücher's collapse became apparent at the end of 1911, and Weber at once shifted his hopes for a grand opening onto v. Wieser: to Siebeck, *Briefe* 14.1.12. Bücher's contribution was paltry both in length and substance, *ibid.*, pp. 1-18.

as the reference to 'the social economy' in the title suggests, it took in a good deal alongside marginalism. A generation had elapsed since the founding generation of Austrian marginalists writing in the 1880s and whilst their legacy was a powerful one, it was by no means undiluted, even in Vienna. In particular the work of von Wieser and von Philippovich ran parallel to Weber's own mixing of history and theory; and though Weber's position was wholly original at quite central points (such as the ideal type and the 'spirit' of capitalism), when viewed generically, it was by no means an uncommon position.²⁷

Schumpeter was the one really pure theorist amongst Weber's Austrian acquaintance, but even he had a considerable interest in the history of economics (an interest which was in turn heavily indebted to another great 'Austrian theorist', von Böhm-Bawerk).²⁸ His history of economics, which came right up to the present, would form the second major component in the opening volume of the *Grundriss*. It was an essay which Weber classed as 'excellent'.²⁹ A central reason for this perceived excellence was Schumpeter's avowed attempt to bury the *Methodenstreit* of 1883–84, the 'quarrel over method' between Schmoller and Menger. This was misconceived in itself and should now be consigned to history. As of 1914 'economists who declare themselves to be wholly remote from theoretical economics are rare; those who have only a loose connection to it, made up of the knowledge and judgement of certain leading principles, are the majority; and those who devote their entire energy to it are a small minority'.³⁰ One might then want to place Weber amongst the majoritarian ranks of the 'eclectics', a category which Schumpeter borrowed from Böhm-Bawerk,³¹ but by this date Weber's departure from any sort of eco-

27. Mediation between history and theory was again a central preoccupation of von Philippovich, who was a pupil of Menger but politically very much in sympathy with the German *Kathedersozialisten*: see e.g. *Über Methode und Aufgabe der politischen Ökonomie* (Freiburg, 1886).

28. For Schumpeter, Böhm's first volume of *Kapital und Kapitalzins* (1884), a critical history of the theories of interest on capital, was 'the greatest critical work of national economics': 'Das wissenschaftliche Lebenswerk Eugen von Böhm-Bawerks' [1914], repr. *Dogmenhistorische und biographische Aufsätze* (Tübingen, 1954), p. 20 cf. p. 10.

29. *Briefe* 15.4.[14]. However, in this case – unlike that of von Wieser – the advancement to such a prominent place in the overall work was a relatively late and fortuitous decision: *ibid.*, 16.1., 25.2.[14].

30. 'Epochen', p. 113 cf. the mirror formulation at p. 101.

31. 'Epochen', pp. 116–7; cf. v. Böhm-Bawerk, *Geschichte und Kritik der Kapitalzins-Theorien* (1884), c.XIII. The principal 'German' academic patron bridging marginalism

conomic frame of reference, however broadly defined, was so marked, that he could only feature as an outsider. According to Schumpeter, Weber's work represented a legitimate but extraneous theoretical succession to the *Methodenstreit* as the latter 'lost its polemical edge and a change in [methodological] theme took place: investigation into the epistemological theory of history was undertaken; the ideas with which the historian works began to be perceived as sociological problems. However, we cannot go into this movement here, rich as it is for the future'.³² There is, to be sure, just a hint here of the much more radical marginalization of Weber that Schumpeter would advance in the 1920s, by which date he would see the sociological future as lying with Schmoller(!).³³ Nonetheless, this is an acute and temperate judgement, which well captures the mix of Weber's underlying historicism and his theoretical concerns, and also his marginal position relative to economics. No doubt it exaggerates in supposing that Weber's theoretical engagement was in a direct line of descent from Schmoller and Menger; but of the seriousness of that engagement with (post-) economic theory there could be no doubt.

Given these various affinities, conceptual and personal, between the eclectic Weber and a more or less eclectic 'Austrian' economics, it was understandable that the text of the *PE* should be permeated with ideas and terms which directly or indirectly recall marginal utility theory. For example, the trope of the '*isolated economic man*' discussed

and historicism was Johannes Conrad, Professor at Halle and editor of both a central journal (*Jahrbuch für Nationalökonomie und Statistik*, from 1878) and also of a central work of reference (*Handwörterbuch der Staatswissenschaften*, 1890–1971) which were deliberately inclusive in their remit. Weber published in both and his links to Conrad were noticeably close in the years c. 1896–1905. But it is a sign of the times, and of the amnesia passing over the *Methodenstreit*, that from 1907 on we find an author such as Schumpeter publishing major, albeit occasional, essays in *Schmollers Jahrbuch*.

32. 'Epochen', pp. 108–109. The footnote makes it plain that Weber is the primary point of reference here, albeit the theoretical field indicated here was greater than the contributions of a single man.

33. 'Gustav v. Schmoller und die Probleme von heute', *Schmollers Jahrbuch* Jg. 50 (1926), pp. 337–88. Here Schmoller and not Weber becomes the way forward to 'sociological universal history or universal historical sociology'; Weber is an excessively sharply focussed *Erkenntniskritiker* who because of his clarity of vision tended to throw the baby out with the bathwater (385). At the same time the pre-war 'Epochen' written under Weber's editorship are disavowed to a considerable degree (355 n. 1). — For a very troubled account of this breach in the community of 'economic sociologists': Richard Swedberg, *Joseph A. Schumpeter* (Princeton, NJ: Princeton University Press, 1991), pp. 84–89.

above appears more than once, under the guise of 'modern' economic man" [XXI.103]. More distinctively, Weber supposed that the Quaker who satisfies his or her most pressing needs in regard to material comfort, but not to any 'disproportionate' degree could, with only a little licence, be described as 'the 'law of marginal utility' personified' [XXI.100 n.68]. What Weber would call ascetic Protestant restraint is here consonant with the marginalist model because both represent a sophisticated, individual calculation of value. Economic agents are confronted by a plurality of needs, and must dispose of their resources accordingly; in particular, they need to take account of future needs, and to retain resources adequate to meet these. The 'future' need in the Quaker case is that of salvation before God: so, after the immediate, 'proportionate' satisfaction of worldly needs, resources must be husbanded so as to provide for the heavenly need as well. The point recurs in the *Sociology of Religion* (c. 1913), where Weber is careful to make use of the correct, marginalist vocabulary: 'A certain provision [*Fürsorge*] for one's own fate after death most often surfaces, in accordance with the 'law of marginal utility', when the most pressing worldly needs have been satisfied'.³⁴ This may be compared with von Wieser's discussion of provision for future wants:³⁵

Whether civilised races have reached the high-water mark of development that is desirable, may be easily ascertained by consideration of their economic action... Do most people sacrifice their means for the pleasure of the moment, or do they lay by for future needs? – There can be no doubt that, on the whole, the wise householders outnumber the spendthrifts. Certainly there is no one without economical sin; no one who has never consumed too soon something which he afterwards bitterly desired and had not. But, on the whole, it is an economic principle which is as well obeyed as any of the fundamental economic principles...

Of course, this is not the same as the Weberian idea, since it is confined to provision for this-worldly wants within a fixed time period, whereas the tremendous and all-embracing religious imperative of saving one's life for all eternity is absent. *A fortiori* Weber has nothing to do with Böhm's idea that a principal justification for the return on capital lay in the capitalist's 'abstinence' or (put most simply) his ability to take a longer-term view when most economic

34. MWG I/22-2.294. For the secular equivalent of this reasoning see *Grundriss* [1898], 32 (5b).

35. *Natural Value* [1889] (trans. Christian Malloch; London, 1893), pp. 17-18.

agents, who lack spare capital, are bound to look to the present:³⁶ the Weberian spirit of capitalism was not, of course, confined to capitalists but, crucially, included skilled labour [XX.20-25]. Even so, Weber himself could see the similarity between his own and the marginalist positions. In this case both marginalist and Weberian man are to be seen as the 'modern' end-products of a long phase of historical evolution, and the secular thinking of the marginalists could easily (if so desired) be re-read in the religious terms ('sin') deployed by Weber.

A more general affinity is embodied in Weber's presentation of the Calvinist as subject to an 'unprecedented inner loneliness' which 'formed one of the roots of that *unillusioned* and *pessimistically* tinged *individualism* which is still at work today' [XXI.11-2]. This, too, is a kind of *Robinsonade*, with precisely the same modern, economically individualistic result as that posited by what Weber (like most historicists) called 'abstract theory'. Now Weber was not simply a methodological individualist just as the net consequence of ascetic Protestantism was not economic individualism alone, and for this reason he did not often employ the typical marginalist (or otherwise diffuse) vocabulary of 'individualism'.³⁷ The reference to 'individualism' here is in fact unique within the *PE* and is countered elsewhere in the text by a warning against that 'conduct of life which consciously relates the world to the earthly interests of the *individual ego* [alone] and makes judgements on that basis': 'such a lifestyle was and still is today a really 'typical' characteristic of the peoples of the 'liberum arbitrium', as is lodged in the flesh and blood of the Italians and French' unlike the ascetic Protestants of England and America [XX.35]. This was Weber's way of saying that 'individualism' conceived in its most coarse, materialist and a-social sense was hopelessly incomplete as a rendition of modern capitalism: individual

36. For the specific vocabulary of 'abstinence', *Geschichte und Kritik der Kapitalzins-Theorien* (1914³), c. IX, Appendix s. 4; for Böhm's own theory in this respect, *Positive Theorie des Kapitals* (1889), Book IV cc. 1-2. By contrast Weber was prepared to engage with 'Austrian' works which trenched on his own concern with the 'heteronomy' of the economy, as for example Böhm's 1881 *Habilitation* thesis which in a revealing mis-citation became *Ueber Rechte und Verhältnisse als Teile der wirtschaftliche Güterordnung*: GASS 474. Böhm was in fact writing *vom Standpunkte der volkswirtschaftlichen Güterlehre*, but Weber was thinking of his own *Sociology of Law*.

37. It was perhaps symptomatic that the one synoptic-historical treatment of *Die Entstehung der individualistischen Sozialphilosophie* (Leipzig, 1912) should have come from Karl Pribram: an 'Austrian' (Bohemian and Jewish) economist who nonetheless — like Schumpeter, Böhm and even Menger (*Untersuchungen*, Book IV) — was also interested in the history of ideas.

action was necessarily 'social action' as well, and this in turn generated social 'structures' (*Ordnungen*).³⁸ Nonetheless – by now the reader will be familiar with Weber's constant tacking between past history and current theory – he was an instinctive (if not always a cerebral) believer in the primeval magic of freedom,³⁹ a free-ranging category which certainly took in individual economic freedom. In the same way, he was happy to invoke the language of instrumental 'pragmatism' [XXI.25 nn. 48, 83].⁴⁰ This with its clear-cut associations of means-ends rationality could certainly be construed as having an 'Austrian' ring to it, even if authentic Weberian 'pragmatism' could not be confined to the economic sphere, and was extended to politics. There is a similar libertarian flavour to Weber's frequent invocations of the 'private economy'.⁴¹ The contrasting 'social economy' does not appear in the *PE* (though it was meant to appear in its unwritten successor text); so while it is not whole-heartedly 'individualistic', the *PE* remains strikingly individual in its focus:

Here we have quite deliberately, though provisionally, *not* started with the objective, social institutions of the early Protestant churches and their ethical influence, and especially not with *church discipline*, important as it is; we have started, rather, with the effects which the *subjective appropriation* of ascetic religiosity on the part of the *individual* was apt to produce in the overall conduct of life [XXI.72].

The individual was a natural starting point for Weberian inquiry, even if he took it for granted that social and institutional histories would follow in the wake of the initial, individual one.

II

Weber would continue to enjoy deploying the language of marginal utility throughout his life. As he put it in the final draft of *Economy and Society* (1919–20): 'Even a socialist economy ought to be *understood* sociologically in exactly the same 'individualist' fashion – i.e. working outwards from the *actions* of *individuals*, from the types of 'functionary' who are found there – as are, say, exchange transactions by marginal utility theory (or else by a 'better' method' still to be devised,

38. See e.g. *Wirtschaft und Gesellschaft* [1919–20] 'soziologische Kategorienlehre', ch. I; Weber to Rickert 26.4.20, Nachlaß Max Weber, 30/9 Bl.1, which is practically an epistolary synopsis of the text.

39. Freiburg Inaugural [1895], *MWG* I/4.552.

40. Cf. 'Vorbemerkung' [1920], *GARS* i.2 re: *Pragma*.

41. e.g. [XXI.40 n. 76, 71, 83, 85, 100].

but similar in *this* respect).⁴² Nonetheless there remains obvious detachment and irony in such usage. Here again the individual is only a starting point, and for this reason there may be a 'better method' of analysis than the theory of marginal utility. We should not fall into the trap of exaggerating the closeness of Weber's relationship to it out of an exaggerated regard for today's hegemonic Anglo-Saxon economics with its strong marginalist tradition, or for 'theoretical' and ahistorical economics in general.⁴³

When lecturing on economics in the 1890s, Weber was of course thoroughly abreast of marginalist economic writing, just as he was of Marxist and historicist literature; but his ambivalence regarding marginalism is as clear then as later. The 1898 *Outline* for his *Lectures on General ("Theoretical") Economics* offers by far his fullest exposition of marginalist theory, and indeed one section (§.2) out of the twenty that made up the course, on 'The economy and its elementary phenomena', takes marginalism ('the *abstract* theory' or just plain 'theory') as its central point of reference. Now this emphasis on the 'elementary' and 'abstract' quality of marginalism is the pure milk of historicism – hence of Schmoller.⁴⁴ Weber does not hesitate to point out that theory 'argues on the basis of an *unreal* person, analogous to an ideal, mathematical figure', and that at important points the incursions of history and mutability render its assumptions void.⁴⁵ The moment anyone tried to equate the 'abstract theory' with a real psychological root such as 'the so-called economic principle', or the 'fundamental [Weber-Fechner] law of psychophysics',⁴⁶ Weber lost patience. Though he

42. 'Kategorienlehre' [1919–20], c.I §.1, *WuG*, 9.

43. Such is the general tenor of Wolfgang Mommsen's first (and alas last) fruits of his editing of Weber's lecture manuscripts on 'Allgemeine (theoretische) Nationalökonomie' for *MWG*: 'From Agrarian Capitalism to the "Spirit" of Modern Capitalism: Max Weber's Approaches to the Protestant Ethic', *MWS* 5.2 (2005), pp. 185–203. See especially pp. 190–91 where he takes issue (variously) with Schumpeter and Keith Tribe, but where the commonsense of the matter undoubtedly lies with the latter. Mommsen's claim to offer a quite new view of Weber's attitudes to 'theoretical economics' on the basis of the MSS. is not borne out by the materials presented in his text, which do not contradict Weber's outline of this lecture course, an outline that has long been available in print: see *Grundriss*, pp. 29–30, 33–38.

44. See Schmoller's review of Menger's *Grundsätze* in *Literarisches Zentralblatt für Deutschland*, 1 Feb. 1873, pp. 142–43, where these terms recur repeatedly.

45. *Grundriss*, 30 reiterated 34. It should also be borne in mind that the course on 'theoretical economics' alternated with one on 'practical economics': see e.g. Wolfgang Mommsen, 'Introduction', *MWG* I/4.42.

46. Respectively, 'Objectivity' [1904], *WL* 188 'Die Grenznutzlehre und das "psy-

could see marginalism as a product of the same *Kultur* which spawned the modern Occidental 'spirit' of capitalism, his repudiation in the *PE* of an innate and timeless 'acquisitive drive' (*Erwerbstrieb*), though most obviously directed against Sombart, was also aimed at the false claims made on behalf of marginalism to have a status in psychological reality [XX.19-20].⁴⁷ He glossed this line of thought in his final essay on 'Roscher and Knies' (1906):

It is therefore pretty much the acme of misunderstanding when one views the constructs of abstract theory – for example the 'law of marginal utility' – as the products of 'psychological' and above all 'individual psychological' interpretations [of human conduct], or as the attempt to give a 'psychological foundation' to 'economic value'. The nature of these [theoretical] constructs, their heuristic value, likewise the limits of their empirical validity, are based precisely on the fact that they contain *not a grain* of 'psychology' in any sense of the term. Of course many representatives of the school who operate with these schemata are partly to blame for that error, in that, from time to time, they employ various kinds of analogy to the 'stimulus thresholds' [of the psychologists], but these purely rational constructs, which are only conceivable in the context of the money economy, have absolutely nothing in common with them, aside from certain external forms.⁴⁸

Marginal utility might have been a good and appropriate theory for Western Europe c. 1900, but still it was an abstract theory: it lacked the entire psychological and ethical framework that was mapped out in the *PE* as the distinctive foundation of modern Occidental capitalism. Precisely because Weber claimed a monopoly on psychological and *kulturell* explanation of this kind, an explanation which was

chophysische Grundgesetz'' [1908], *ibid.*, pp. 384-99. The Weber-Fechner law derives from the work of E.H. Weber (1795-1878) – no relation – and Gustav Fechner (1801-87).

47. Cf. GARS i.38 n. 1. The link to marginalism is explicit in 'Objectivity' loc. cit.

48. 'Knies und das Irrationalitätsproblem' [1906], *WV* 131 n. 2. The reference here to 'stimulus thresholds', shows that Weber has the so-called Weber-Fechner law in mind, a 'law' which was widely, if somewhat vaguely, held to supply a foundation in experimental psychology for theories of individual economic behaviour, and marginal utility theory in particular. Weber's general attitude was thus one of 'a plague on both houses': on those marginalists who covertly allowed the sanction of psychology and on the historicists who explicitly promoted the value of psychology. Seen in this light it was something of a random accident that Lujo Brentano – a man who, not unlike Weber, saw much good both in abstract *laissez faire* and in historical method – should have been the buttress of Weber's critical bile when he offered himself up as a target on this point: 'Die Grenznutzschule und das "psychophysischer Grundgesetz"' [1908], *ibid.*, pp. 384-99; see esp. 384-85 for a gloss on the text quotation.

ultimately rooted in history, he would always be a strenuous supporter of a quite radical distinction between marginal utility 'theory', centred on the purely rational and formally ahistorical calculation of value by the individual, and psychology.⁴⁹

This lack of a psychological foundation – signifying formal and theoretical purity but also historical weakness – explains the core assumption of the 1898 lecture *Outline*: that 'abstract theory' could only fruitfully handle 'elementary phenomena' and, in particular, 'the isolated economy' of Crusoe. Hence marginalism's appearance at the beginning of the course. The lectures continue by counterposing a historicist section (§.3) on the national economy (*Volkswirtschaft*) to that on Crusoe, and together these sections make up a balanced historico-theoretical coverage of 'the conceptual foundations' (Book I) of economics – much the same kind of balance Weber hoped to achieve at the opening of the *Grundriss der Sozialökonomik* in 1914. But if marginalism lacked a psychological basis, *a fortiori* it could not generate any social construction or analysis. Here again Weber shared the standard historicist objection to marginalism – that it did not imply any treatment of the wider, macro- or social economy – something first voiced by Schmoller when reviewing Menger's *Principles* in 1873: 'Clarity in abstract theory is his goal; very detailed, indeed tiresomely copious discussions of [individual] examples, mostly linked to the [model of the] Robinsonade rather than to current economic conditions, is the means by which he operates'.⁵⁰ For all Weber's undoubted

49. Eg. Weber to Robert Liefmann 9.3.20, Nachlaß Max Weber, 30/8 Bl.79: 'It is inconceivable to me that you, as a strictly rational theorist (and any other kind is quite impossible!), expect anything from psychology. Theory is an ideal-typical, rational construct, which accommodates realities within itself in varying degrees. A psychology could perhaps be of use for the irrational departures from the rational, but what then should a course of action which is strictly determined in terms of means and ends – action which we *understand* as rational – have to expect from any 'psychology'? In my opinion there are still very powerful remnants [of this view] *there* [in your work] (such are the errors, too, of many marginalists)'. Besides the overt repudiation of psychology at the opening of ch. II of the *Kategorienlehre* [1920] §.1 (2), *WuG* 31, this same idea dictates the conceptual framework with its emphasis on 'useful outcomes' or 'services' [*Nutzleistungen*] rather than that of an implicitly psychological 'utility'. The received English translation, 'utility' (where the more commonly occurring plural 'utilities' carries the additional confusing connotation of 'public utilities'), is in this sense a mistake, though the translation problems associated with this term are extensive: see e.g. *Economy and Society* (ed. G. Roth and C. Wittich; New York: Bedminster Press, 1968), p. 68 etc.

50. Review of Carl Menger's *Grundsätze der Volkswirtschaftslehre*, *Literarisches Zentralblatt*, 1 Feb. 1873, p. 143.

sympathies with the marginalist 'school', the historicist fundament of his thinking should never be ignored. He could have had no patience with the famous *Methodenstreit*, since he saw no necessary conflict between history and theory; but we should never forget that ultimately – however reductionist such final analyses may seem – his thinking lay on the 'German' rather than the 'Austrian' side of the conceptual divide between these two.

Thus the bulk of the 1898 course (§§.8-15) consists of historical analyses of the economy and economic theory, before returning in §§16-19 to the 'Theoretical Analysis of the Modern Commercial Economy'. At this point, given the emphasis on both theory and modernity, one might perhaps suppose that Weber would return to the marginalist framework, but not in fact. Marginalist writers are not excluded; nonetheless, they are but a tiny component within a vast, catholic bibliography which takes something from all approaches. Conceptually this submergence is mirrored by the fact that there is no heading for 'value' here,⁵¹ the very kernel of marginalist concerns – a conscious omission that would be repeated twenty years later in the last draft of *Economy and Society*⁵² – and this for the obvious reason that marginalism and 'value' have already found their proper place under the heading of 'elementary phenomena'. The theory of the modern economy as a whole was simply more complex; even its 'theory' had to be social and institutional; Weberian rather than marginalist. Nor was this practical downgrading of marginalism unreasonable given that, though they were by no means silent on the subjects of social science and social economics, the major marginalist writers had in fact no united standpoint here. At this point they were practically as bereft of an authoritative 'theory' as any Schmollerian empiricist.⁵³ (The only remotely commanding socio-economic theory

51. §.17, section II is devoted to 'the theory of price formation', where Weber refers back to the bibliography cited in his early 'marginalist' section. But he also adds new bibliography which contains a large helping of empirical and historical studies of price formation: for example Tooke and Newmarch's *History of Prices and of the State of the Circulation during the Nine Years 1848-56* (1857) or volumes 36 and 37 of the publications of the *Verein für Sozialpolitik* on (respectively) the influence of the middleman on small trading prices in Aachen, and of the distributive trades on prices in general.

52. 'Kategorienlehre' [1919-20] c. II §.1, *WuG* 31.

53. Compare C. Menger, *Untersuchungen über die Methode der Socialwissenschaften* (Leipzig, 1883), Book III; F. von Wieser, 'Theorie der gesellschaftlichen Wirtschaft', *Grundriss der Sozialökonomik* Abt. I (Tübingen, 1914), pp. 125-444; E. von Böhm-Bawerk, 'Macht oder ökonomisches Gesetz?', *Zeitschrift für Volkswirtschaft, Socialpolitik und*

at this date was of course that of the Marxists, a pre-eminence quite untouched by the contemporary marginalist annihilation of the labour theory of value.)⁵⁴ The centrepiece of marginalist economics lay in the individual valuation of goods leading to a static resolution (equilibrium),⁵⁵ the centrepiece of Weber's modernity – at least in 1905 – was the social structure supplied by 'capitalism', and if capitalism could be reduced to an economic category at all, it was the dynamic and systemic one of limitless acquisition (*Erwerb*). But acquisition, though eminently comprehensible from a Marxist standpoint as a loose analogue for 'surplus value' [cf. XXI.106 n.82], had no role in marginalism. It is this divergence in ideas which underlies Weber's graphic late pronouncement that 'the capital accounting and calculation of the market entrepreneur – in contrast to household accounting [based around need satisfaction] – is not aligned towards 'marginal utility' but towards *profitability*'. Alongside acquisition is another premiss alien to marginalism, but innate to the Weberian 'spirit' of capitalism: that it rests on rationally disciplined struggle (*Kampf*) under the ever present risk of market failure and extinction. 'Capital accounting in what is *formally* its most rational shape... presupposes the *struggle of man with man*'. [cf. XX.18-19, 22]⁵⁶ This then produces a further departure from purely economic 'theory' since, if it is regarded in this way, the economic sphere is to be understood as akin to politics: for Weber 'Politics' too 'is: *struggle*'.⁵⁷ In the same way, both these spheres might be described as forms of competition. But competition is not to be understood in an aetiolated, purely economic sense, just as 'struggle' did not connote the narrowly political extreme of violence; rather competition, like struggle, was a context for the personal 'proof' [*Bewährung*, XXI.31] of the individual as first outlined in the PE: originally one proved oneself before an inscrutable and pitiless

Verwaltung 23 (1914), pp. 205-71. The views expressed here are all extremely disparate and the last is in essence an attack on von Wieser, a believer in the power of political *Macht* to determine economic conditions. For Schumpeter's highly elastic politics, Swedberg, *Joseph A. Schumpeter*, ch. 3.

54. Most famously: E. v. Böhm-Bawerk, 'Zum Abschluss des Marxschen Systems', in O. von Boenigk (ed.), *Staatswissenschaftliche Arbeiten: Festgaben für Karl Knies* (Berlin, 1896).

55. 'Kategorienlehre' [1919-20], c. II, §.4, *WuG* 36 comments on this 'static' quality.

56. 'Kategorienlehre', c. II, §.11, *WuG* 49. For earlier statements of the same idea: *Grundriss* [1898], pp. 45, 53.

57. 'Parlament und Regierung im neugeordneten Deutschland' [1918], *MWG* I/15.460 n. 2.

God, but in the modern day God's place was taken by the equally inscrutable and pitiless secular framework of the market.

Here then is a series of social, institutional and historical propositions standing outside and beyond marginalism; and our understanding of the absolute autonomy of Weber's thinking and intellectual formation may be expanded a good deal further. One of the most striking of Menger's innovations relative to classical economics was the introduction of a time factor in the calculation of need and its satisfaction. Now the *dictum* 'Time is money' also lies at the heart of the *PE* and the Weberian 'spirit' of capitalism, and both ideas may well be taken as responses to the all-embracing historicism afflicting almost all intellectual inquiry at this date. Even so the two conceptions could hardly be more different. For Menger time was an additional factor in the calculation of value, since both perceived need and the supply of goods could be identified as lying within specific periods of time, which might or might not coincide.⁵⁸ Compared to this sophisticated economic psychology, Franklin's shopkeeping exhortation – 'Remember, that *time is money*' [XX.13] – seems primitive in the extreme; an example of that vulgar utilitarianism which the marginalists disavowed. And of course Weber accepts that the proverb is susceptible of this primitive reading, just as the degeneracy of ascetic Protestantism into utilitarianism is a central component of the history of *Kultur* that he presents [XX.16].⁵⁹ Here then is one difference; but what is far more important is the fact that for Weber, Franklin's dictum is not simply economic, just as Weber himself could never attach any primary value to the terrain of the economy. In this sense he was never more than 'one third economist'.⁶⁰ Something similar might be said about German historical economics in general with its widespread belief in the '*heteronomy*' or essentially dependent nature 'of the economy',⁶¹ though the extremity to which Weber drove

58. *Grundsätze*, p. 77.

59. Weber was of course aware of the element of temporality introduced by the marginalists, and was well able to deploy it in practice, as is most obvious in his analysis of 'futures trading' on the Berlin stock exchange. Yet here too his real concern is (so to speak) Franklinesque: *Die Börse* [1894–6], *MWG* I/5.158, 629f.

60. To H. Baumgarten, 3.1.91, *Jugendbriefe*, p. 327. Cf. Freiburg Inaugural [1895], *MWG* I/4.561–5; 'Vorwort' [1914], *GdSÖ* Abt. I, vii, etc.

61. The phrase comes from Karl Knies: see 'Roschers "historische Methode"', *WL* 30, 37. Weber's repeated emphases indicate clear approval of the idea. Cf. W. Sombart, 'Ideale der Sozialpolitik', *Archiv für soziale Gesetzgebung und Statistik* 10 (1897), p. 15.

the initial premiss – the idea that the neutral terrain of the economy should lead one to construct upon it vast sociologies of law, politics and religion under the rubric of *Economy and Society* – was distinctly unusual.

So it is that Franklin's economic and 'capitalistic' advice 'takes on... the character of an *ethically* coloured maxim for the conduct of life' [XX.15], where the apparently bland terminology of *Lebensführung* or 'conduct of life' is in fact of religious derivation, signifying life in its entirety.⁶² Thus the meaning of 'time' here is not simply that of a specific period which yields an economic result in measurable form, but the entirety of a lifetime in all its aspects, economic and otherwise, right down to 'the sober procreation of children' [XXI.79 n.17]. What Franklin is really saying (according to Weber) is that '*every moment of time is valuable*'. Every moment is precious, first of all, because 'man is aligned towards acquisition as the goal of his life'. [XX.16] Weber reiterated and glossed this thinking at the German Sociological Society in 1910 when he asserted that 'time is quite simply *the* scarce resource [*Gut*], *insofar* as it is treated as a "resource": that is, when dealing in terms of the relation 'between something which is scarce, time, and needs which, at least potentially, are infinite'.⁶³ Furthermore, needs were infinite because they were not simply economic:⁶⁴

The question whether (for example) the more adequate, the more purposeful, the more proper means for the satisfaction of a religious need ... whether this state [of satisfaction] can be brought about 'economically' through [mystical] contemplation, or through proving oneself in a vocation or through any ascetic method etc. – and all these are *also* things to which a man *cannot* give himself up limitlessly in terms of [available] time and capacity, so they too can be brought under the concept of scarcity in an indirect sense – this is a question whose detailed answer is certainly *not* undertaken by economic science in the manner in which we pursue it.

It is the sheer infinity of religious need which makes Franklin's ethic 'wholly transcendental and quite irrational' [XX.16]. Viewed historically it derives from the equally 'transcendental' and ethically inscrutable Calvinist doctrine of predestination [XXI.22, 28, 36] or from the more general ascetic Protestant need to secure the *certitudo salutis* (the

62. This was a widespread Lutheran usage. For an outstanding and pertinent example: Albrecht Ritschl, *Geschichte des Pietismus* (Bonn, 1880-6), Prolegomena, i.15, 23, 38 etc.

63. Discussion speech at the German Sociological Society (1910), GASS 471.

64. *Ibid.*, pp. 472-3.

psychological 'assurance of salvation'),⁶⁵ and it points to just the same result as these overtly religious imperatives: the rationalization of vocational life in its entirety. Read thus Franklin's (or rather Weber's) dictum is not at all primitive in relation to marginalism: *it* now appears as the sophisticated conception of time, and the marginalist conception accordingly seems, if not primitive, very narrowly focussed.

Here then is a world of difference between Weber and marginalist economics, and the point will be reinforced by considering that most central of all Weberian categories: rationality. It is easy enough to see how, in commonsense terms, the calculation of value according to marginal utility could be described as 'rational'. Hence the elision today between marginalism and 'rational choice' theory.⁶⁶ However, the commonsense of the G8 today is not the history of a Western Europe hundred years ago. Since rationality as systematic, rigorous, methodical conduct is a central trait of the psychological argument of the *PE*,⁶⁷ we should look first at the 'marginalists' psychological utterances. Are these comparable? In fact they are inchoate at best, since although marginalist authors were interested in classifying 'value' as a subjective fact, they (or at least their outstanding representatives) had no interest in exploring it as a distinctive, psychological phenomenon. The psyche was precisely the kind of historicist (Schmollerian, Diltheyan), atheoretical morass they wished to avoid. As Schumpeter put it: 'merely starting from a fact of psychological experience' – the perception of economic need – 'was still not the same as 'doing psychology''.⁶⁸ But, whether construed in psychological terms or not, their views have nothing to do with rationality. Thus they speak of (a wholly unreflective) 'need satisfaction' – a category Weber dismisses as pre-capitalist [XX.25]; of the satisfaction of needs as a contribution to men's 'welfare'⁶⁹ – but this was, as we have seen, a soft and non-ascetic category so far as Weber was concerned; or even (in the language of the marginalist precursor H.H. Gossen) of

65. [XXI.19 etc.].

66. Z. Norkus, *op. cit.*

67. An almost incessant refrain: e.g. [XXI.9, 11, 14, 25, 27, 28, 30, 31, 34, 35, 36, 38, 39], etc.

68. 'Epochen', p. 119 cf. p. 111. More elaborately, see v. Böhm-Bawerk, 'Psychologisches Nachwort zur Werttheorie', *Positive Theorie des Kapitals* (1909³) Book III, Part A, c. X.

69. e.g. Menger, *Grundsätze*, pp. 81-86 *passim*.

maximizing 'pleasure'⁷⁰ – again a non-ascetic category which was repudiated by Weber under the cognate heading of 'eudaemonism' [XX.16, 35; XXI.52], and one having nothing to do with rationality. The most that can be said is that marginalist authors can be found to use the language of 'calculation' and 'computation',⁷¹ but though this is a potential moment of affinity, it does not (as we shall see) constitute Weberian 'rationality'.

The absence of 'reason' and 'rationality' from marginalist discourse is not simply a linguistic or philological accident, just as discourse is not simply a linguistic web but denotes a conceptual frame of reference. In this case it reflects the immense history then attaching to the categories of 'reason' and the 'rational' – a discourse that went back uninterruptedly to the 17th century. Weber's holistic lumping of the entirety of Occidental history around the central theme of 'the universal rationalization of life' was no doubt an exaggerated homage to this historicity,⁷² but even so the power and sense of history was as great in Vienna as it was in Berlin or Heidelberg. However, German and Habsburg history were very different. The Viennese marginalists did not use 'rational' categories because they stood outside what was a specifically Western European Liberal tradition.⁷³ The primary loci of

70. The '*Größte an Genuß*': cited approvingly by v. Wieser, *Natural Law* trans. Christian Malloch, 14, from Gossen's *Gesetze des menschlichen Verkehrs* (1854).

71. *Rechnung, Komputation*: see e.g. von Wieser, 'Theorie der gesellschaftlichen Wirtschaft', *GdSÖ* Abt. I (Tübingen, 1914), §§.16, 19, 22, 24. (ET *Social Economics* [New York, 1927], is not to be relied on in this respect.)

72. 'Vorwort', 2 June 1914, *GdSÖ* Abt.I, p. VII.

73. Schumpeter did give a paper on 'The meaning of rationality in social science' in later life (1940) at Harvard; see *The Economics and Sociology of Capitalism* (ed. Richard Swedberg; Princeton, NJ: Princeton University Press, 1991), pp. 316-38. Note however: (i) it did not occur to him to publish the piece; (ii) 'rationality' is confined to the sphere of academic inquiry alone; (iii) within this narrow forum his concept of 'rationality' is however very diffuse – it signifies the detection of 'meaning' in any form – which leads him to censure the Weberian model as too restrictive (325). (iv) Without denying the category of subjectively rational conduct entirely, he sees its function as very limited. It serves principally as an aid to the detection or clarification of pre-existing objective rationality (meaningful patterns within structures such as business cycles or the behaviour of monopoly companies). Thus the Weberian procedure of starting from a typology of individual action with subjectively rational conduct as the ideal type and deriving social structures from this, is radically inverted (326-31). The suggestion by Jürgen Osterhammel that 'the concept of rationalization...lies behind so many of Schumpeter's more general statements' is an illegitimate assimilation of Schumpeter to Weberian ideas: 'Varieties of Social Economics: Joseph A. Schumpeter and Max Weber' in *Max Weber and his Contemporaries*, pp. 106-20, here 117. The one time Schumpeter

the 'rational' within the deep historical structure we call European Liberalism (and previously natural law),⁷⁴ lay in three principal areas: politics (the rational state), religion (rational religion) and university *Wissenschaft* (rational academic inquiry in support of the rational state and rational religion) – a list which did not include or identify economics. The omission of economics helps explain Weber's own difficulty in deploying the vocabulary of 'reason' in the 1890s, the period when he first attempted to understand or interpret the novel, modern terrain of the economy and of 'capitalism' in particular; when, as he put it in 1895, 'in all areas we find the economic way of looking at things on the advance'. Nonetheless his ultimate intention was always to lead this back to the 'old questions', the categories of politics and religion where the vocabulary of 'reason' was native. The idea that there might be 'autonomous economic... ideals' was an 'optical illusion'.⁷⁵ Such was the leap he took in the *PE*: the incorporation of the socio-economic structure of 'capitalism' into the avowedly liberal and 'rational' discourse which had its foundations outside the sphere of the economy. It was an attempt which cost him years of work and thought, and even so his first attempt, the *Protestant Ethic*, was far from successful, since he never could find a secure conceptual footing for capitalism – a problem that is already glaringly apparent in 1904 [XX.12].⁷⁶ However, he was prepared to put up with these hardships because he had an extremely powerful, not to say central, motive for doing so: the desire to modernise the post-revolutionary Liberalism of the first half of the 19th century, so as to render it politically democratic and socially relevant in a German and Western European context. Yet this was a motivation which the major marginalist authors did not, and could hardly, share, since their political ideas were so

actually refers to rationalization 'in Max Weber's sense', it presages a comprehensive repudiation of Weberian historical evolutionism: *Theorie der wirtschaftlichen Entwicklung* (Munich and Leipzig, 1926), p. 88 n. 1, cf. pp. 88-99; *The Theory of Economic Development* (Harvard, Mass., 1934), p. 56 n. 1.

74. Natural law and the *lex naturae* is a major (though typically neglected) theme of the *PE*: [XX.41 n. 1, 42 n. 1, 48 n. 3; XXI.17, 23, 67 n. 134, 90 and nn. 47a, 47b.

75. Freiburg Inaugural [1895], *MWG* I/4.563. – The one term he occasionally allows himself before 1903 is '*rationell*' – signifying strictly material and instrumental rationality, and standing very close to marginal utility calculation – as distinct from '*rational*', the term which carried all the value-laden burden and wider public significance from the Liberal past: e.g. *MWG* I/4.129, 505, 636; I/5.654. There is I believe no use of *rational* by Weber prior to 'Roschers "historische Methode"' [1903], *WL* 15.

76. For a fuller account see my 'Not the *Protestant Ethic*?', *HEI* 31 (2005), pp. 367-407, here §§.IV-V.

different. Being conditioned by the military, aristocratic, dynastic and nationalistic imperatives peculiar to the (unique and theory-resistant) Habsburg state structure, they did not think about the development of a 'rational' state – or of a 'rational' economic theory – along 'universal' Western European lines, because their political and institutional context was *sui generis*.⁷⁷ Hence the solution best-known to posterity: the pursuit of an 'abstract' and modern economic 'theory' devoid of all political reference, which was in fact a form of escape from a quagmire of political complexity and irreducible individuality, a realm where 'theory' could be of little assistance. (This context-free quality then helps explain why the economic theory was so readily exportable to the apparently alien soil of the New World, where the one common factor was a hostility towards 'the state', and even this was generated by a wholly different context and for wholly different reasons.) Here then was another radical difference between Weber and the marginalists.

A final refinement of this divergence lies in the fact that when Weber wished to use the language of 'calculation' in the *PE* – for him

77. Von Wieser, von Philippovich and von Böhm-Bawerk inherited titles of nobility acquired by their fathers for services to the Habsburg state primarily of a military nature. This is indicative in itself, but the major point is that after the *Ausgleich* 1866 the Habsburg state could only be 'conceptualized' in terms of the dynasty (including the dynastic army) and of the wholly peculiar institutional arrangements of the 'multi-national empire'. The attempts to create a unitary, Liberal and rational *Rechtsstaat* which had been essayed by an 'enlightened' monarchy and its executive since the late 18th century, had now definitively foundered. Note that in Schumpeter's 'Epochen', England, France, Germany, America, the Netherlands etc. are all national units, but Austria is not, and does not feature (except when Schumpeter denies the applicability of the term 'Austrian school': p. 115 n. 2). Nor even does 'Austria-Hungary' or 'the Habsburg Empire'. So, despite considerable inter-connection between university economists and the Vienna bureaucracy, the attempt to locate the marginalists as liberals because they were *Beamte*, which would indeed make sense in a German context, does not persuade: cf. Klaus Hennings, *The Austrian Theory of Value and Capital* [1973] (Cheltenham: Elgar, 1997), pp. 19–22. Von Böhm's and Schumpeter's flight into a pure 'apolitical' theory; Menger's advocacy of a historicist organicism indebted to Savigny; von Wieser's acceptance of naked (military-political) power – all represent attempts to come to terms with the Habsburg situation in theoretical terms; none have anything to do with the late liberal (or democratic) rationality which was the centrepiece of Max Weber's intellectual and political heritage. Hence Schumpeter's extraordinary admission in 1920 that he could 'not judge where [Weber] stood in politics': 'Max Webers Werk', repr. *Dogmenhistorische Aufsätze*, p. 110. – It goes without saying that to describe these Central European writers as 'liberal' when measured by the standards of Anglo-American economic theorists, is a statement about the latter and not the former.

a lesser item of vocabulary but one which he and the marginalists might appear to share – he deliberately borrowed the term *Rechenhaftigkeit* (meaning the psychological quality of, or aptitude for, 'rational calculation' [XX.34; XXI.77 n.7])⁷⁸ from Werner Sombart and not from 'the Austrian school'. The term would then become a key point of reference throughout later life. Yet of all Weber's 'economist' contemporaries Sombart, who was both a Schmoller pupil and an intellectual Marxist, was culturally about as far removed from marginalism as could be imagined.⁷⁹ One obvious reflection of his position – whether it be seen as a covert repudiation or sheer lack of interest – was that he should consider 'economical man' (*Anglice*) to be the creation of classical rather than marginalist economics.⁸⁰ Here was a Leftist insinuation of a 'bourgeois' continuity of ideas which is paralleled by Thorstein Veblen's well-known description of marginalism as 'neo-classical' or as 'modernised classical economics' – and the intellectual root (Marxism/socialism) may well have been similar in both cases.⁸¹ Weber's 'economical man' is a very different creature to Sombart's, in that it is the fruit of a mind thoroughly informed about marginalism and deeply engaged with it. Nonetheless, Weber's man is not 'marginalist man' – a study of man in that sub-section of his life which may be described, *ceteris paribus*, in terms of abstract economic theory. It is rather Occidental man in his entirety; a distinctive historical product who, in the modern epoch, has been taken over by thinking which is at first sight economic – the spirit of capitalism – but which is more accurately described in accordance with universal categories: as rational and rationalizing.

78. Quotation from speech on 'Die wirtschaftlichen Unternehmungen der Gemeinden', *Verein für Sozialpolitik*, 1909, *MWG* I/8.362. See also *GARS* i.37 for the further insertion of this term into the 1920 text of the *PE*.

79. For a pithy demonstration of these loyalties: *Der moderne Kapitalismus* (Leipzig, 1902) i.xxix. The case of Sombart highlights the almost complete absence of Marxism from the post-1870 period (§.IV) of Schumpeter's 'Epochen': a serious blot, though cf. p. 114. This is to be explained, though not excused, on two grounds: (i) Marx has been treated extensively in the previous, 'classical' period – not least as a Ricardian (81-4, 86-92); (ii) Schumpeter makes what is for him the routine distinction between Marx as 'sociologist' (i.e. social thinker) and as theoretical economist (81 n. 1), and omits the former. In this respect Weber – also practically omitted because of his sociological concerns (108-109) – stands in good company.

80. *Ibid.*, i.208, 396.

81. 'The Preconceptions of Economic Science. III' [1900], repr. *The Place of Science in Modern Civilization* (New York, 1919), here p. 171.

III

The entrenchment of what we recognise as a characteristically Weberian position in his 1898 lectures, in the *PE* of 1904–1905, and again in the various pre- and post-war drafts of *Economy and Society*,⁸² points to one further conclusion: that the overriding features of Weber's thinking in this area are, as so often, its fierce clarity and extraordinary constancy. (However, clarity by no means excludes the complexity that goes with an eclectic mix of history and theory). Hence we may dismiss a whole web of speculations and constructions by modern analysts. There is, for example, little evidence to suggest that marginalism supplied the original basis for the ideas worked out in the *PE*;⁸³ or that Weber's thinking on capitalism simply 'generalized the "individualistic" and "rationalistic" analysis of the "abstract economic theory"'.⁸⁴ There is still less for the splendidly exotic view that there was (first) an 'earlier' Weber, running all the way up to c. 1918, for whom marginalism was always the central point of reference, albeit operating within the wider framework of an ambivalent and uncertain 'social economics'; but that he was then superseded by a very, very 'late' Weber who launched out unannounced in a new direction so as *either* to develop and perfect the original scheme by founding a specifically 'economic sociology' *or* else to subvert it by enforcing the disciplinary divide between economics and sociology which would become routine in the later 20th century.⁸⁵ Such views are teleologies,

82. Since Weber's position does not change, it seems otiose to offer a formally separate analysis of the relation between the various instalments of 'Economy and Society' and marginal utility theory. However, the reader will be aware of a continuous stream of references to these texts, and especially from c. II of the 'Kategorienlehre' [1920]: see above esp. [9–13] *passim*.

83. The title of Wolfgang Mommsen's Toynbee Hall paper in 2004, 'From Theoretical Economics to "the Protestant Ethic and Modern Capitalism"' encapsulates this idea: 'From Agrarian Capitalism to the "Spirit" of Modern Capitalism: Max Weber's Approaches to the Protestant Ethic', *MWS* 5.2 (2005), pp. 185–203.

84. Zenonas Norkus, *Max Weber und Rational Choice* (Marburg: Metropolis, 2001), p. 22.

85. Richard Swedberg, *Max Weber and the Idea of Economic Sociology* (Princeton, NJ: Princeton University Press, 1998), and Zenonas Norkus, *op. cit.*, both suppose that there was a late revolution or 'breakthrough' in Weber's thinking c. 1918, a hitherto unnoticed 'fact' that derives in essence from the mere existence of c. 2 of the 1920 'Kategorienlehre' ('Core sociological categories of economic action'). This is however a theoretical postulate – not a historical reality – and so it comes as no surprise to find the two authors proceeding in diametrically opposite directions from a shared starting

useful no doubt in the present they are designed to serve, but they are not historical explanations.

The general point is that Weber always placed economics within a broader social context, and his relationship with marginalism is just one example of this. To suppose that he was indisposed to think sociologically before he took up and sought to make over the post-Comtean label of *Sociologie* ca.1908, is to ignore (first) the series of categories to be found dispersed throughout the *PE* in 1904–1905 which adumbrate the outlines of *all* his major 'mature' sociologies – in law ('formalism'),⁸⁶ *Herrschaft* (capitalism) and religion (asceticism and mysticism). But we can go back a good deal further than this, to §.7 of the 1898 lecture *Outline* which carries the very striking title: 'Relationship of the economy to other phenomena of *Kultur*, in particular to law and the state'. Apart from the omission of religion, this is precisely the same idea as that underlying the drafts of the future 'Economy and Society' (of whatever date): that for Weber the blank and unformed terrain of the 'economy' inevitably led outwards into the infinitely broader sphere of 'society', which for purposes of specific analysis could then be broken down into the major sub-categories of

point. Norkus identifies the division of Weberian 'social-economics' into the separate realms of sociology and economics; Swedberg is the champion of a unified 'economic sociology'. Norkus' 'historical' explanation as to why this might be so is self-confessed speculation – 'es ist nicht abwegig zu vermuten...' (p.122). Swedberg's 'economic sociology' is either his own creation or that of the 'New Economic Sociology' of the mid-1980s – see the *Journal of Institutional and Theoretical Economics* 145 (1989), pp. 508–24; *Archives européennes de sociologie* 45 (2004), pp. 317–30 – and his subsequent attempt to incorporate Weber's few references to *Wirtschaftssoziologie* within this framework is evidently ingenuous: *Max Weber and the Idea of Economic Sociology*, 189, 197, 202, 299 nn. 128, 131. Note finally: both authors assume that before c. 1918 there was a developed Weberian conceptual structure under the heading of *Sozialökonomik*, which was then abandoned. Neither part of this proposition can be sustained – 'social economics' was rubric not a theory. It only carried the more general meaning I note in the text: that the economy could only be properly be interpreted in 'social' rather than narrowly economic terms: e.g. [XXI.109]. Again, it goes (almost) without saying that the title of the great publishing project of which Weber was *de facto* editor, *Grundriss der Sozialökonomik*, was *not* abandoned after 1918, just as Weber continued to adhere thereafter to the title 'Economy and Society' as his contribution to it – a title expressing the same, general idea as that underlying 'social economics': see Siebeck's April 1920 advertisement, cited *MWG* 1/22, 'Zur Edition', p. xvii. Weber's only developed theoretical structure was the ideal-type, but this too survived any supposed rupture in 1918 quite unscathed.

86. [XXI.71 and n. 140; 90 and n. 47a; 92, 104, 105].

law, politics and religion (but not economics).⁸⁷ Regardless of more specific changes of view – of which those relating to capitalism were by far the most important – his thought was at all times essentially universal in its focus. This is what his much advertised proclamation of a ‘science of man’ in 1895 signified.⁸⁸ Here was a label which announced a ruthless demotion of any kind of pure economic analysis at the very moment he was taking up a chair in economics – and in this purely intellectual sense his nervous collapse in 1897–98, his rapid retirement from the chair, perhaps even his specific complaint about the insupportable psychological burden of lecturing in economics – ‘loud talking’⁸⁹ – were by no means unexpected outcomes. There is however a more cheerful or constructive side to this picture: that the natural *telos* of the Weberian universalism of the 1890s, also vividly

87. Thus in the *Stoffverteilungsplan* of 1910 ‘Economy and Society’ – the outline label – has three sub-headings: economy and law; economy and social groups (including the state); economy and *Kultur*: see (eg) MWG II/6.768. In 1914 Weber glosses ‘economy and society’ as: ‘The economy and social powers and structures’: *GdSÖ*, Abt. I (Tübingen, 1914), p. x. We have no strategic description of the 1919–20 draft, but this can in fact be reconstructed, and precisely the same idea of the heteronomy of the economy emerges. The *Kategorienlehre* starts (c. I) with the most abstract and most general terrain: that of sociology (or human conduct) in general. It is followed by the sociology of economic activity (c. II), *because this too is a general terrain* without intrinsic categories of its own (except such as are pedagogically convenient). Hence it centres around either ‘economic activity’, defined as activity which can only acquire meaning through the universal types of social action specified in the opening chapter; or else ‘economically oriented action’ which is ‘primarily oriented towards other [non-economic] ends’: §.1, *WuG* 31. Thus none of the central concerns broached in this chapter were new; all can be recognised in texts pre-dating 1910. What Weber was practising here was not ‘the sociology of the economy’ but – as he told Robert Liefmann – ‘the sociology of the economy’ (*Wirtschafts-Soziologie*): 9.3.20, Nachlaß Max Weber, 30/8 Bl.80. After these general introductory sections the specific sociologies would then follow (*Herrschaft*, law, religion etc.). Had Weber altered his views on so fundamental a point as the relation between society and economy, we could expect him to have given some notification of the fact.

88. Freiburg Inaugural, MWG I/4.559; reiterated *Grundriss* [1898], p. 32; ‘Antikritisches Schlusswort’ *AfSS* 31 (1910), p. 580 etc. The great exponent of *Max Weber’s Wissenschaft vom Menschen* is Wilhelm Hennis in (for example) the book of that name (Tübingen: Mohr, 1996). However I wish simply to emphasise Weber’s holism and depreciation of economics as an autonomous sphere; not the Jasperian and existentialist elements which Prof. Hennis brings to the idea: see e.g. *Max Webers Fragestellung* (Tübingen, 1987), iii.

89. To Helene Weber [14.4.02], *Lebensbild*, 270 [trans. Zohn, p. 256] cf. to Helen Weber [summer 1899], p. 252 [Zohn, p. 239].

expressed in his penchant for 'analogies',⁹⁰ lay in his 'sociology'. This is not just a convenient invention of hindsight. Not the least of the paradoxes attaching to Max Weber is that it is only within a universal, world historical, or trans-historical and sociological perspective that we can understand his engagement with Robinson Crusoe, the *isolated economic man*.

90. See 'Not the *Protestant Ethic*?', *HEI* 31 (2005), p. 383 n. 61.

