

***Verstehende Wirtschaftssoziologie? On the Relationship
between Max Weber's 'Basic Sociological Concepts' and
His Economic Sociology***

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This paper will explore the extent to which we are justified in casting Weber's economic sociology as an interpretive economic sociology, or a *verstehende Wirtschaftssoziologie*.¹ The term is nowhere to be found in Weber's work; but draws a link to Werner Sombart's phrase *verstehende Nationalökonomie* (Sombart 1930). The main thrust of Sombart's argument about an interpretive economics was however that economics belonged to the cultural sciences and should be replaced by sociology.² The main emphasis here, by contrast, is to examine whether there is any systematic connection between Weber's chapter on 'Basic Sociological Concepts' in *Economy and Society* and his economic sociology.

*On the Possible Relevance of Ch. 1 ('Grundbegriffe')
to Weber's Economic Sociology*

Weber's project of an interpretive sociology (*verstehende Soziologie*) is famously discussed and presented in the first chapter of *Economy and Society*, 'Basic Sociological Concepts'. There is of course an early version of this text, published in 1913 under the title 'Some Categories of

1. The author warmly thanks Keith Tribe for shortening a lengthy argument into its current concise form.

2. According to Ludwig Lachmann, 'During the 1920s, when there was no single dominant school of economic theory in the world, and streams of thought flowing from diverse sources (such as Austrian, Marshallian and Paretian) each had their own sphere of influence, "interpretive" voices (mostly of Weberian origin) were still audible on occasions. After 1930, however, economists all over the world followed Pareto in embracing the method of classical mechanics as the only truly "scientific" style'. 'Austrian Economics: A Hermeneutic Approach'. in Dan Lavoie (ed.), *Economics and Hermeneutics* (London: Routledge, 1990), p. 134.

Interpretive Sociology' in the journal *Logos*. This article is divided into a small number of sections, two of which discuss the relationship of interpretive sociology to psychology and law. The relationship to economic theory does not constitute the topic of a separate section, but is touched on in the article. The text also contains references to various economic phenomena, such as money, the stock exchange, and office workers.

The closest that Weber comes in the *Logos* article to a discussion of economic sociology is perhaps where he considers the relation of economic theory to interpretive sociology. We read, for example, that interpretive sociology, just like economic theory, begins analysis by construing that which is to be analyzed as rational. What would it be like if the actors took a rational stance, and how can we explain possible deviations in reality from the rational course of action? The point that Weber is making here is a general point, not restricted to economic sociology but nonetheless applicable to economic sociology.

Only in one passage in the *Logos* article does Weber suggest what an interpretive economic sociology might be. This is in the following interesting passage where Weber discusses the many different types of social action to be found in one and the same economic action:

In one and the same act, the individual can naturally, therefore, participate in a number of kinds of social action. A business deal that someone executes with X, who has power of attorney from Y, who may in turn be an 'agent' of a voluntary association, includes (1) a verbal and (2) a written association, (3) an exchange association with X personally, (4) another with Y personally, (5) another with the action of those participating in that voluntary association; (6) and the business deal is, in its conditions, co-oriented toward expectations of the potential action of other exchange partners (competitors from both sides) and toward the corresponding consensuses on legality, etc.³

While this present guidance on how one disentangles an economic action from Weber's social action-perspective, it does not tell us what an interpretive economic sociology would be like. And a glance at *Economy and Society* Ch. 1 shows the same result: there are many references to economic theory and to economic examples – but Weber does not give the impression that he is contemplating or leading up to an interpretive economic sociology.

This does not mean that Ch. 1 lacks interest for economic sociology. It may be true that Weber nowhere even refers to a *Wirtschaftssoziolo-*

3. . 'Some Categories of Interpretive Sociology', *Sociological Quarterly* 22 (1981), pp. 171-72.

gie, whereas he does refer to 'Sociology of Law' and 'Sociology of Religion'. There is nonetheless much that an economic sociologist can learn from this chapter. While none of the seventeen paragraphs introduces distinctly economic-sociological concepts, some of the concepts do include an economic meaning among their multiple meanings. This economic meaning may even be the major meaning. As examples of this, one can for example referring to concepts of competition and enterprise.⁴ Competition is defined as peaceful conflict over the control of opportunities, and enterprise as continuous rational activity.

Several of the points made in the *Logos* article can also be found in Ch. 1, such as the idea that the element of orientation is what differentiates economic action (as used in economic theory) from economic social action (as used in sociology); and that the analysis should preferably start with a rational model for what has taken place. Both of these are important points in Weber's economic sociology and they are explicated more fully in Ch. 1 than in the *Logos* article. We find, for example, the following unambiguous statement in Ch. 1: 'the economic activity of an individual is social only if it takes account of the behaviour of someone else'.⁵ The notion that you begin the analysis with rational action in mind is also illustrated by the case of panic on the stock exchange – as in the *Logos* article, but with the argument more clearly presented.⁶

Many of these references are meaningful to those who take Weber's economic sociology seriously, even if they may fail to engage the average reader. But there also are some exceptions to this and I would like to highlight two of these. The first of these two examples can be found in the paragraph on usage, tradition and self-interest; and it has as its focus empirical uniformities of social action.⁷ Weber's argument is that self-interest may produce regularities that are very robust, indeed, often stronger than those types of uniformities that are produced by norms. A special type of deliberate consciousness accompanies this type of action, driven by *Interessenlage*. Weber also writes about the manner in which interest-driven actors in a rational market expect other actors to behave in a rational manner, and punish them if they fail to do so.

4. *Economy and Society: An Outline of Interpretive Sociology* (Berkeley: University of California Press, 1978), pp. 38-40, 52-53.

5. *Economy and Society*, p. 22.

6. *Economy and Society*, p. 6; 'Some Categories', p. 154.

7. *Economy and Society*, pp. 29-31.

The second example concerns the discussion of property in Ch. 1, which is exceptional in presenting a purely sociological definition of property. Instead of starting from the notion of legal rights, as property-rights theoreticians do, Weber instead begins from the idea of so-called closed social relationships. When this type of relationship guarantees a monopoly over appropriated advantages to some parties, these have equivalent 'rights'; and when these can be inherited, there is 'property'.⁸ Property that can be freely bought and sold (as in the modern usage of this term) Weber terms "free' property'.

Reading Ch. 1 ('Grundbegriffe') in Relation to Economic Sociology from Another Perspective

This is about as far, I suggest, that a reading of Ch. 1 from the perspective of mainstream economic sociology takes us. I say 'mainstream' because from this perspective Weber's economic sociology is little more than conventional sociology as applied to economic phenomenon, albeit in a sophisticated manner and backed up by Weber's formidable knowledge of history.

But there is also a way to go beyond this, and this is as follows. We can extract Weber's conception of interpretive sociology from Ch. 1, and see how it can be applied to economic phenomena. For Weber's conception of interpretive sociology I refer to what he says on this topic in the first paragraph and its subsequent explication. Just as sociology (though a 'highly ambiguous word!') can be defined as the interpretive study of social action, in order to causally account for its course and consequences, economic sociology (an equally ambiguous word!) can be defined as the interpretive study of social *economic* action, in order to causally account for its course and consequences. Or to paraphrase the formulation of Paragraph 1 in Ch. 1:

Economic sociology is a science concerning itself with the interpretive understanding of social economic action and thereby with a causal explanation of its course and consequences. We shall speak of 'economic action' insofar as the acting individual attaches a subjective meaning that involves the economy to his behaviour – be it overt or covert, omission or acquiescence. Economic action is 'social' insofar as its subjective meaning takes account of the behaviour of others and is thereby oriented in its course.⁹

8. *Economy and Society*, p. 44.

9. *Economy and Society*, p. 4.

Weber then carefully goes through all the key elements of the passage that defines sociology over some twenty pages. His approach can be broken down into a series of steps. One first approaches what is going on from the perspective of interpretive understanding (*Step 1*); then turns to the economic (social) action in question (*Step 2*); proceeds to a causal explanation of this (*Step 3*); in order to account for its impact and unintended consequences (*Step 4*; see Fig. 1 at the end of the paper).

Step 1 has to do with interpretive understanding: the sociologist – the economic sociologist! – must approach his or her subject intending to understand the meaning with which economic actors invest their actions. This may start with what Weber calls ‘direct observational understanding’ or, to use his example, how the researcher sees how the woodcutter brings down an axe on a block of wood in order to split it.¹⁰ There is no reason to believe that this way of approaching the topic would raise problems that are specific to the task of economic sociology, as opposed to that of sociology more generally.

It becomes more complex when the economic sociologist attempts to go further in penetrating empirical reality and proceeds to what Weber calls ‘explanatory understanding’. Weber writes that the woodcutter can be working for a wage; he can be involved in building up a supply for his own use; or he can be chopping wood as a form of recreation. Depending on the motive, we have three different forms of activity that are all relevant to the economy: wage labour, provision for one’s household, and recreation from work. Weber concludes with a further probable motive: that the woodcutter may be working off a fit of rage. Here the motive is irrational, which draws our attention to the fact that the earlier three examples are all rational.

The process of explanatory understanding also raises an important question that Weber seemingly avoids in Ch. 1 in *Economy and Society*, namely what social characteristics the economic actor brings to his or her action. I shall call this ‘the habitus question’: the meaning that actors ascribe to what they do is to some extent always dependent on their background. I say that Weber ‘seemingly avoids’ this question because while Weber does not address this issue anywhere in Ch. 1, neither does he formulate himself in such a manner that one can say that he excludes it. This is unsatisfactory and leaves the reader of Ch. 1 to impute a position that Weber takes elsewhere.

10. *Economy and Society*, p. 8.

As he writes for example in *The Protestant Ethic*, the actor is 'born into' (*hineingeboren*) the 'immense cosmos' of 'present-day capitalism'.¹¹

Interpretive understanding must be carried out in a dependable and reliable manner, according to Ch. 1. This is a process that involves what Weber calls *Evidenz*, and which Talcott Parsons translates in *Economy and Society* as 'clarity and verifiable accuracy of insight and comprehension'.¹² For the activity of the economic sociologist to have this quality there appear to be two, or perhaps three, ways of proceeding: rational thought, empathy and (or?) by being 'artistically appreciative'.¹³

Such rational substantiation should be common in economic matters since these involve money, and therefore quantification (or what Weber calls formal rationality). Empathy would in contrast have to be used in cases of substantive rationality if an economic actor cast his or her action in terms of values. It seems doubtful that there is any room for artistically appreciative evidence when it comes to economic affairs.

Weber also outlines three different ways in which we may decide in a reliable manner on meaning for the actor. We can, first of all, try to determine the empirical meaning with which the actors invest their actions ('the actually intended meaning'). There is also what roughly can be called the average meaning ('the average of, or an approximation to, the actually intended meaning').¹⁴ And, finally, there is the 'ideal type', or an ascribed hypothetical meaning.¹⁵ The use of an ideal type of rational action may also be helpful at an early stage in research, since it will highlight the existence of deviations from rational action.¹⁶

In Step 2 of the economic-sociological analysis the emphasis shifts to the element of social action. 'Action', according to Weber, consists of behaviour invested with meaning; and 'social' means that this action is oriented to the behaviour of other actors. Weber's separation of 'action' from 'non-action' is not, however, as clear as one might have wished. Weber says that behaviour can be 'overt' as well as 'covert',

11. *The Protestant Ethic and the Spirit of Capitalism* (London: Allen and Unwin, 1930), p. 54; *Gesammelte Aufsätze zur Religionssoziologie*, I (Tübingen: J.C.B. Mohr [Paul Siebeck], 1921), p. 37.

12. *Economy and Society*, p. 3.

13. *Economy and Society*, p. 5; Sam Whimster (ed.), *The Essential Weber* (London: Routledge, 2004), p. 313.

14. *Economy and Society*, pp. 9, 20-21.

15. *Economy and Society*, p. 9. At the same time Weber also here makes an explicit reference what he has said on the use of the ideal type in his 1904 essay on objectivity.

16. *Economy and Society*, p. 21.

and that 'omission' and 'acquiescence' are to be included as well.¹⁷ All of these may take on a special meaning in the factory or office board room.

Behaviour only becomes action, Weber argues, when it is invested with meaning by the actor; and this brings us again to the problem of meaning. The focus here is on how the economic actor invests his or her behaviour with a meaning in the first place. The economic actor has to make sense of what is going on, and in this sense create a meaning out of some situation.

For action to be of interest to the sociologist, according to Ch. 1, it also has to be 'social', and it is to this part of Weber's argument that I now shall turn. 'Social' is defined as 'orientation to', and we know from Paragraph 1 that sociology deals with action that 'takes into account the behaviour of others and is thereby oriented in its course'. To orient your behaviour to others, you have to intend to do so; colliding by accident with another bicyclist, for example, consequently does not qualify as 'social'.

The concept of 'orientation to' has received little attention in the secondary literature on Ch. 1 and is more complex than it might at first appear. There is, for example, a mental quality to the act of orienting yourself to others that is not easily captured. Does 'orientation to' mean that the businessman treats men and women differently and perhaps even avoids doing business with people that he or she dislikes (say some minority)? The correct answer is obviously empirical in nature – but also affected by the fact that businessmen not only have prejudices but also want to make money.

When one looks at how Weber uses the term 'orientation to', it soon becomes clear that he expands its use well beyond its range as defined in Paragraph 1, Ch. 1. Weber's definition of sociology Weber restricts its use to individuals, but later in the same chapter he also uses it in connection with what he calls an order (*Ordnung*). Actions, in brief, cannot only be oriented to individuals but also to orders.

An order is defined by Weber as a prescription for how to act with some kind of consistency; and it includes many different phenomena, such as norms ('convention'), laws and organizations. This means that an action may, for example, be oriented to an economic norm, some type of economic regulation, or economic organization. Another example of an order that is of relevance to economic sociology would be an 'economic ethic' of the type that Weber discusses in his sociology of

17. *Economy and Society*, p. 4.

religion. The reader may, finally, want to note that the concept of order is quite flexible, and that Weber does not use the concept of institution.

Step 3 in carrying out a Weberian type of explanation has to do with causality, and the first point here is that there is more to what happens when somebody acts than the actor just doing what he or she intends to do. What happens in reality is not necessarily what the actor wants. One reason for this is that there has to be what Weber calls 'adequacy at the level of meaning' in the action; the explanation also has to be 'causally adequate'.¹⁸

That the action has to be 'causally adequate' I interpret as meaning that the way of acting should *typically* have the intended effect, as opposed to having this effect only rarely. Where the limit between the two should be drawn may, for example, be decided by a court in determining what constitutes culpa. If our X fires his gun into the air in a snowy mountain passage and an avalanche is immediately unleashed, as one would expect in the particular case, and if this avalanche also kills Y, it would be a case of adequate causality. Firing in the air from somewhere else, with the purpose of having the bullet kill Y when it comes back to earth, would in contrast *not* be a case of adequate causality.

There was a time when mainstream economists operated with a concept of meaning that is covered by Weber in Paragraph 1 in Ch. 1, namely with a hypothetical and assigned meaning of action, as outlined in the theory of *homo economicus*; and this is a way of proceeding that Weber argues is very valuable in some situations. Today economists think rather in terms of the notion of revealed preference: the meaning of an action is read from the behaviour rather than 'imputed' through understanding. From the perspective of revealed preference theory it is impossible to know why the woodcutter is cutting the wood; all that can be said is that the person apparently wants to cut wood. In Weberian terms, this means that economists cannot use 'explanatory understanding'.

The course and consequences of social action represent the last part of the process of making a sociological analysis according to Weber (Step 4). Weber firstly draws a distinction between intended effect and secondary effect, for example in his discussion of the four major types of social action. While actors who engage in value-rational action do what they do regardless of the possibility of success, actors who

18. *Economy and Society*, pp. 11-12, 20.

engage in instrumentally-rational actions typically also look to secondary results since these operate as means to what they want to accomplish.¹⁹

It would appear that value-rational action cannot be economic by definition – who, for example, has ever heard of economic martyrs? – and that results in the narrow sense thereby would be ruled out from the type of actions investigated by the economic sociologist. I am however not so sure that this is the case, since economic sociology sometimes deals with religious and political behaviour, which can be value-rational. In any case, since taking secondary consequences into account is characteristic of instrumental action, and since economic action is often instrumentally rational, this type of consequences deserves special attention in economic sociology.

Actions also have truly unintended consequences, something that economists have been aware of for a long time. Weber's work, and especially his sociology of religion, abounds with examples of unintended consequences: you confess a sin, and this increases your likelihood to commit another one (Catholicism); you try to live according to the words of God, and you end up by undermining religion and unleashing modern capitalism (ascetic Protestantism).

The Relationship of Chapter 2 ('Sociological Categories of Economic Action') to Chapter 1

Before proceeding any further in discussing what an interpretive economic sociology may look like, it has of course to be realized that around the time that Weber wrote this chapter on the basic categories of sociology for *Economy and Society*, he also wrote a chapter on economic sociology for the same work. This is 'Sociological Categories of Economic Action', written in 1919–1920, and just like Ch. 1 sent off to the printer and also corrected in galley proofs by Weber before his death in June 1920. Chs. 1 and 2 were supposed to be part of a textbook, and we would therefore expect them to contain what can perhaps be called fundamental knowledge, as opposed to esoteric, scholarly knowledge.

Chapter 2 is some 150 pages long and is in fact a small book. It contains lengthy sections on money and the division of labour; it also covers such topics as different types of capitalism, trade and economic

19. *Economy and Society*, p. 25.

organizations. While Ch. 1 consists of seventeen paragraphs, Ch. 2 has nearly three times this number. Nonetheless, just as in Ch. 1, it begins with social action (economic social action), continuous to organizations (economic organizations), to end up with a discussion of large types of orders (such as economic systems).

What relationship can we establish between the two chapters? Can Ch. 2 be read independently of Ch. 1? Were Chs. 1 and 2 intended by Weber to be read in direct succession? How closely related to each other are Chs. 1 and 2? It is certainly possible to read Ch. 2 independently of Ch. 1, and it has been read in this way. One reason for this is its neglect in the secondary literature on Weber, perhaps prompting a counter-reaction in which Ch. 2 *is* read, but in isolation from those preceding and succeeding it. Nevertheless, a reading of this kind risks detaching Weber's economic sociology from his broader comparative framework.

Were Chs. 1 and 2 then intended to be read in direct sequence? We unfortunately know little about Weber's intentions with respect to the reading of *Economy and Society*. Textbooks, on the other hand, are supposed to be read from the first to the last page, with a pen in hand. Since *Economy and Society* was part of a general handbook in *economics*, we may also assume that Ch. 2 was not inserted after Ch. 1 by accident; furthermore, without a chapter on the economy, it can be argued that Weber's contribution to the *Grundriss der Sozialökonomik* would have been incomplete.

We may then want to start from the assumption that Weber intended Chs. 1 and 2 to be read as *one* text from the perspective of economic sociology, rather than as two separate texts, one on general sociology and one on economic sociology. One conclusion to be drawn from this argument is that if it is true, Ch. 2 is unlikely to contain repetitions of what has already been said in Ch. 1. We would also expect the general vocabulary to be consistent between the two chapters; and we would expect the author of Ch. 2 to now and then to refer back to Ch. 1 in the text.

These assumptions are indeed born out by a close reading of Ch. 2. We do not find summaries in Ch. 2 of what is discussed in Ch. 1, say of the four types of social actions or the three types of uniformities of action. The general vocabulary is furthermore the same, as indicated by the use in both chapters of terms such as social action, order, organization and so on. Weber also refers the reader of Ch. 2 on a series of minor points to Ch. 1. I have located a handful of such ref-

erences, several of which refer back to the discussion of closed social relationships in Ch. 1.²⁰

The implication is therefore that to read of Ch. 2 as another example of Weber's historical-comparative sociology is erroneous, and that it should instead be treated as continuous with the analysis of Ch. 1, hence as an exposition of Weber's interpretive economic sociology. But in rereading Ch. 2 from the perspective that Weber's economic sociology should be understood as an interpretive type of economic sociology, I have also come to feel that the references to such a project are not as full as I would have expected (and would have wished).

Nonetheless, there do exist a few significant references. One of these can be found at the very beginning of Ch. 2, where Weber in a few dense sentences discusses the role of meaning in economic sociology. He writes:

The definition of economic action must be as general as possible and must bring out the fact that all 'economic' processes and objects are characterized as such entirely by the *meaning* they have for human action in such roles as ends, means, obstacles, and by products.²¹

He then goes on to criticize the idea that meaning is the same as what is 'subjective' and that the concept of meaning, as a consequence of this, should fall into the area of psychology:

It is a fact that these [economic] phenomena have a peculiar type of subjective meaning. This alone defines the unity of the corresponding processes, and this alone makes them accessible to [in sociology] subjective interpretation.

Chapter 2 also contains many references to the concept of 'orientation to', something that is a further indication that Weber uses the same terms in Chs. 1 and 2. While Ch. 1 contains an attempt to state what 'orientation to' means, and what action can be oriented to (persons and orders), Ch. 2 however rather adds confusion. What Weber calls 'economically oriented action', for example, is not an economic action that is oriented to a person or an order, but an economic action that either uses violence or has a primary goal that is not economic.²² And what is termed 'politically-oriented capitalism' is a type of capitalism in which the state has a central role.²³ Weber also states that economic

20. *Economy and Society*, pp. 63 (twice), 112, 126, 194.

21. *Economy and Society*, p. 64.

22. *Economy and Society*, pp. 64-65.

23. *Economy and Society*, pp. 164-66.

action can be oriented to 'profit possibilities', 'market advantages', without however adding further explanation.²⁴

Related to the issue of the results of economic actions, however, is Weber's insistence at one point in Ch. 2 that the effect of economic ideas, as propagated by the state, is typically not strong enough to override the interests of individual actors: 'in the future as in the past it will be the 'interests' of individuals rather than the 'ideas' of an economic administration which will rule the world'.²⁵ What is of importance here is perhaps not so much that it cautions the economic sociologist to be skeptical about attempts by the state to direct market activities, but that it broaches a topic that tends to be forgotten in discussions of Ch. 1 as well as Ch. 2: namely the role of *interests* in driving people's actions. Weber himself seems to think precisely this since towards the end of Ch. 2 he says that the role of interests in driving people's actions tends to be forgotten.²⁶ The exact formulation reads as follows:

All economic activity in a market economy is undertaken and carried through by individuals acting to provide for their own ideal or material interests. This is naturally just as true when economic activity is oriented to the patterns of order of organizations, whether they themselves are partly engaged in economic activity, are primarily economic in character, or merely regulate economic activity. Strangely enough, this fact is often not taken account of.²⁷

Although these results are preliminary and to some extent inconclusive, I have argued here that the first two chapters of *Economy and Society* can, and should, be read as one continuous argument. Hence that Ch. 1 should certainly not, as Talcott Parsons suggested in his translation, be read as a reference work into which one would dip for 'the clarification and systematisation of theoretical concepts and their implications'.²⁸ And of course this argument can be carried further: that the third chapter, 'Types of Authority and Imperative Co-ordination' should likewise be read in sequence with the two

24. *Economy and Society*, pp. 164, 192, 203.

25. *Economy and Society*, p. 184.

26. The reader may recall Weber's famous statement that not ideas, but ideal and material interests drive people's actions - which was inserted in 1919-1920 when Weber revised the introduction to *The Economic Ethics of the World Religions* (Gerth and Mills, *From Max Weber* [Oxford University Press, New York 1946]. p. 280).

27. *Economy and Society*, p. 202.

28. Max Weber, *The Theory of Social and Economic Organization* (New York: Oxford University Press, 1947), p. 89 n. 4.

preceding chapters, for these, together with the very brief fourth chapter of Part One, were seen through the press by Weber himself. More generally, finally, it would be an interesting task to try to read *all* of Weber's contributions to the various subfields of sociology through the conceptual apparatus that he presents us with in Ch. 1 of *Economy and Society*.

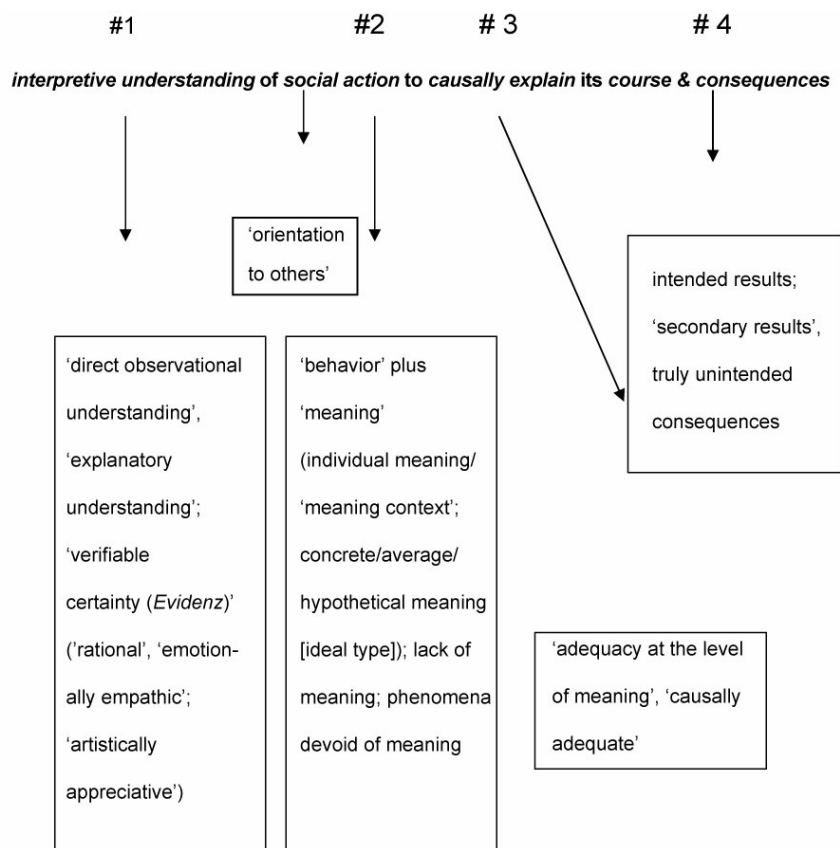


Fig. 1: *Four Steps to Making a Sociological Analysis according to Weber in Paragraph 1 in Ch. 1 in Economy and Society*

Comment: One may portray the four major 'steps' in the sociological analysis that we can find in Ch. 1 in *Economy and Society* as follows: (1) approach the topic to be studied from an interpretive perspective; (2) delineate the social action in question; (3) figure out the causality involved; and (4) establish effect, secondary results and unintended

consequences. — Words within quotation marks are those of Weber in the current translation of *Economy and Society*, while words without quotation marks represent my rendition of terms or ideas in Weber. The quote marks around 'steps' (as in 'the Four "Steps"') indicate distance; what is involved are processes that merge into one another.

Source: Max Weber, 'The Definition of Sociology and of Social Action', pp. 4-24 in *Economy and Society*; cf. Sam Whimster (ed.), *The Essential Weber*, pp. 312-27.