

Marginalizing Weber: A Critical Note

Stephen D. Parsons

Abstract

In a recent Special Edition of *Max Weber Studies*, devoted to investigating the question of Weber's relationship to economics, a number of authors assume that there is a considerable distance between Weber's economic sociology and marginal economic theory. Although this assumption is fairly common in the literature on Weber's economic sociology, the following investigation will reject it. Rather, it argues that Weber's sociological investigation into economic action in *Economy and Society* discusses and is based upon concepts drawn from Austrian marginal utility theory. Weber was clearly aware of developments in Austrian theory and in *Economy and Society* Weber engages with criticisms Böhm-Bawerk voiced against Menger. The position Weber takes on this issue is central to his criticisms of socialism. Moreover, in *Economy and Society* Weber defines an instrumentally rational action through referring to marginal utility theory. It is further argued that this Austrian economic background indicates how Weber's sociological analysis incorporates an interpretative perspective that may not initially appear obvious.

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In a recent volume of *Max Weber Studies* devoted to 'Weber and Economics', Keith Tribe states in the Introduction that:

Extending our understanding of Max Weber's conception of economics ... will therefore help us to deepen our appreciation of the contribution he made to grasping 'the history of our present (Tribe 2006: 10).

The sentiment can be readily agreed with. However, the majority of the papers that follow in this Special Edition of the journal display the unfortunately common tendency to distance Weber from the very economic theory that informs and animates his economic sociology. Weber advances his sociological investigation of economic action in chapter 2 of *Economy and Society*. Although Weber's arguments here are complex, and this complexity is undoubtedly responsible

for difficulties in understanding the arguments, Weber is quite clear that his sociological analysis is based upon concepts drawn from economic theory.

This note will advance the following claims. First, it will be argued that an appreciation of Austrian economic theory is crucial in understanding both Weber's relationship to economics and his economic sociology. Secondly, it will be suggested that appreciating this influence is important in answering the question that forms the subject of Swedberg's chapter in the Special Edition, the nature of the relationship between the first two chapters in *Economy and Society*.

Weber and Austrian economics

Two claims advanced by Bruhns in his paper addressing chapter 2 in *Economy and Society* are relevant in this context. First, the claim that Weber's economic sociology offers 'a critique of (then) modern economic theory' (Bruhns 2006: 52-53), secondly that 'Weber claims at the outset that no "economic theory" is to be involved' (Bruhns 2006: 67). This section will dispute both of these claims.

It is certainly the case that Weber does, on a number of occasions, criticize what he identifies to be the exaggerated methodological claims that some economists, primarily Menger, had advanced in support of economic theory. For example, he criticizes Menger's 'fantastic claim' that economic theory could derive 'quantitatively stated conclusions from given real premises' (Weber 1949: 88).¹ However, Weber's only direct criticism of Menger's theoretical economics, as explored below, occurs when he concurs with Böhm-Bawerk's modifications to Menger's theory.²

An insight into Weber's relationship to economic theory is given by the following observation in the course of his investigations in chapter 2:

The present discussion is not an essay in monetary theory, but only an attempt to work out the simplest possible formulation of a set of concepts which will have to be employed later on... The formulation of monetary theory, which has been most acceptable to the author, is that of von Mises (Weber 1978: 77-78).³

1. For this claim, see Menger (1963: 71).
2. Weber (1975) contains an extensive discussion of marginal utility theory based upon Menger's ideas.
3. As my knowledge of German is embarrassingly limited, I rely on the English translation edited by Roth and Wittich.

This passage offers an indication into the relationship between Weber's sociological investigations into economic action and economic theory. First, Weber is quite clear that his work is not an exercise in monetary theory, hence not economic theory. However, secondly, it is precisely when clarifying this relationship to economic theory that Weber refers to 'a set of concepts', strongly indicating that he is using economic concepts in his sociological investigations. Thirdly, Weber is clear that these concepts require clarification because they inform later investigations. Fourthly, Weber does not seek to challenge the then contemporary Austrian monetary theory advanced by Mises.

Just as Weber's sociological investigations are not an exercise in monetary theory, so they are not 'intended in any sense to be "economic theory"' (Weber 1978: 63). However, immediately before the second section of this chapter, where Weber discusses the 'concept of utility', he claims that 'it is necessary for the purposes of a sociological theory of economic action to introduce the concept of "goods" at an early stage' (Weber 1978: 68). Given this admission that a sociological investigation needs to clarify the nature of an economic good, it is not surprising to discover, immediately after this, a reference to 'economic theory, the theoretical insights of which provide the basis for the sociology of economic action' (Weber 1978: 68). In order to appreciate how and why the theoretical insights of economic theory are crucial for Weber's sociological investigation, it is useful to situate Weber's discussion of the concept of an economic good in the section on 'utility' within the context of the economic theories of Menger and Böhm-Bawerk.

Menger had identified four 'prerequisites' that must be simultaneously present for a thing to acquire 'goods character': a human need, the possibility of bringing the thing into a causal connection with the need, knowledge of this connection, and command of the thing (Menger 1976: 52). Böhm-Bawerk accepted these four conditions, but introduced a fifth 'ability or knowledge of how to use' (Böhm-Bawerk 1962: 42). Two further differences between Menger and Böhm-Bawerk also become significant here. Although the latter accepted Menger's classification of economic goods into material goods and human services, he rejected both the idea that 'good will' was a good and the idea that inactions constituted a service. Menger had included inactions as an economic good because he argued that acts of omission could provide economic benefits: a doctor in a town may benefit if she becomes a monopolist when the second doctor leaves.