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Max Weber as an Economist and as a Sociologist:

Towards a Fuller Understanding of Weber's View of Economics

By RICHARD SWEDBERG*

ABSTRACT. In this article I first give a picture of Weber as an economist, mainly by focussing on a text which he distributed to his students when he taught economics in the 1890s. From this text it is, for example, clear that Weber was positive to the use of marginal utility theory in theoretical economics, but also felt that this approach was insufficient, by itself, to analyze empirical phenomena. I then outline Weber's work in economic sociology, relying primarily on *Economy and Society* and its central Chapter 2 ("Sociological Categories of Economic Action"). The differences between the approaches of economic theory and economic sociology, as seen by Weber, are summarized, and an account is given of some of Weber's most suggestive concepts in economic sociology. In the concluding section the question is raised as to when the analyst, according to Weber, should use economic sociology rather than economic theory, and vice versa. Weber's ideas about a broad economic science—what he termed *Sozialökonomik* or social economics—are also presented.

I

Introduction

IF ONE ASKS SOCIOLOGISTS and economists who Max Weber was, the answer comes quickly: "*a sociologist*" (e.g. Parsons [1937] 1968, Blaug 1986). If one consults histories of economic thought and histories of sociological thought one basically gets the same answer, but with some details added. Sociologists are, for example, well aware that Weber during one stage of his life worked as a professor of economics and that he produced some work in this capacity. All of this, however, is typically treated as an episode in Weber's evolution to becoming a sociologist; and his writings as an

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economist are usually cast as some kind of pre-sociological works, mainly of interest for their emphasis on the social dimension of economic phenomena (e.g. Bendix 1960; Käsler 1988). When historians of economic thought mention Weber at all (which is not very often), it is clear that they are aware that he played a role in German economics around the turn of the century. It is, however, equally clear that they find his work in economics of little or no interest, especially when compared to the accomplishments of scholars such as Wilhelm Roscher and Gustav Schmoller. And when historians of economic thought do find Weber's work of interest, it is *The Protestant Ethic and the Spirit of Capitalism* they have in mind as well as Weber's ideas on social science methodology, such as the notion of *Verstehen* and the role of objectivity in the social sciences (see e.g. the works listed in Swedberg 1998, pp. 204, 300).

One of the purposes of this article therefore is to show that Weber was not only a sociologist but also an economist, and that his efforts to work as a sociologist towards the end of his life does not mean that he stopped being an economist. Indeed, Weber *always* presented himself as an economist—from the mid-1890s, when his academic career began, until 1920, the year when he died. But once the historical record has been set straight on this point, a number of other and more important issues need to be addressed. How did Weber, who had an expert's knowledge of economics as well as of sociology, view the relationship between these two sciences? Did he argue that economic phenomena should be analyzed only from the perspective of one social science (economics? sociology?) or from several? If the latter is true, did Weber see economics as superior to sociology, the opposite, or that the two were somehow of equal standing? All of these questions are relevant for our understanding of Weber, but they also have a generality which goes beyond Weber and makes them interesting for today's economists and sociologists. I will attempt to address these issues in Section IV of this paper. Before that, however, I shall first present Weber's work in economics (Section II) and in sociology (Section III).

II

Weber as an Economist

WHEN MAX WEBER (born 1864) entered the University of Heidelberg in 1882, he seems to have had no more than a vague notion of what he wanted to

do in the future. His interests went in several directions and perhaps to postpone a decision he chose law, just as his father had. Taking a law degree in those days entailed taking an introductory course in economics, something which Weber did in 1883. His teacher was Karl Knies (1821–1898), one of the leading economists in Germany and also one of the founders of the German Historical School. The fashionable type of economics at the turn of the century in Germany—and also the one that Knies was interested in—can be described as a kind of institutional economics. The students were taught to apply a holistic and historical approach to the economy, not to focus on some particular mechanism in an analytical fashion.

While a doctoral student Weber also became a member of the main professional association for German economists, *Verein für Sozialpolitik*, which saw as its task to produce empirical research as well as policy recommendations. After some time in the *Verein* Weber was asked to assist with one part of a huge research project on agricultural workers, and he quickly produced a huge volume on this topic (Weber, 1892). Weber's study was immediately recognized as a major achievement, and based on this work, he was offered a professorship in economics at the University of Freiburg in 1893.

Weber's dissertation as well as his post-doctoral work (*Habilitation*) were in legal history, so accepting the job in Freiburg meant a switch from law to economics—a discipline he had hardly been trained in. He nonetheless accepted the offer in 1894, and his wife was later to explain his decision in the following way:

As a science, economics was still elastic and “young” in comparison with law. Besides, it was on the borderline of a number of scholarly fields; it led directly to the history of culture and the history of ideas as well as to philosophical problems. Finally, it was more fruitful for a political and a sociopolitical orientation than the more formal problems of legal thought (Marianne Weber, 1975, p. 200).

During 1894–1896 Weber worked at the University of Freiburg as a professor of economics (*Nationalökonomie und Finanzwissenschaft*). He taught the introductory course in economics as well as more specialized courses, such as Finance and History of Economic Thought. His installation lecture in 1895 dealt with the relationship of economics to nationalism, and in most of his economic writings from these years he focused on historical topics rather than on theoretical ones (Weber [1895] 1989). The same is

more or less true for his next position as a professor of economics (*Nationalökonomie und Finanzwissenschaft*), which was at the University of Heidelberg. Again Weber taught the introductory course in economics as well as more specialized courses. While at Heidelberg Weber also thought of writing a textbook in economics, something that most economics professors in Germany wanted to do.

Towards the end of the 1890s Weber had his famous nervous breakdown and from then on, till a few years before his death in 1920, he lived and worked as a private scholar. During all of these years Weber would continue to do work in economics, broadly conceived. In 1908 he published one of his few contributions to theoretical economics, "Marginal Utility Theory and 'The Fundamental Law of Psychophysics'" (Weber 1975). Around the same time, he also started to work as the editor of a giant handbook of economics, *Grundriss der Sozialökonomik*, to which a number of talented economists were to contribute, such as Joseph Schumpeter, Werner Sombart and Friedrich von Wieser. When Weber in 1919 was appointed professor of social science and economics (*Gesellschaftswissenschaft, Wirtschaftsgeschichte und Nationalökonomie*) at the University of Munich, he however made clear that he did not want to teach standard economics but only sociology and economic history. Weber gave a few courses in these two sciences before his death on June 14, 1920.

All in all, we can sum up Weber's experience as an economist in the following way. Although trained in law, Weber did nearly all of his teaching in economics. Since he had received no formal education in economics, it took him a few years before he had mastered the new discipline. Most of Weber's economic writings, from his days as a professor of economics as well as after his nervous breakdown, are broad in nature and cannot be classified as contributions to what we today conceive of as economics. A few exceptions, however, exist. One is Weber's already mentioned article on marginal utility theory from 1908, which has received praise in histories of economic thought for the clarity with which Weber shows that marginal utility theory is *not* based on psychology.¹ There is also Weber's giant handbook of economics, *Grundriss der Sozialökonomik*, about which more will be said later. And finally there is a piece of writing which historians of economic thought have not been aware of, since it was first made public in 1990. This work—*Outline of Lectures in General ("Theoretical") Economics* (1898)²—gives a very clear picture of

how Weber looked upon economics and how he thought as an economist; and it is therefore to this writing that we now shall turn.

The *Outline* consists of two texts that Weber printed up and privately distributed to his students in the introductory economics course.³ The first is a list of 23 pages which cites literature for each of the twenty sections into which the course was divided ("The Tasks and Methods of Theoretical Economics," "The Economy and Its Elementary Phenomena," and so on). It seems likely that the list is for the course in introductory economics that Weber gave during the summer term of 1898 in Heidelberg. The second writing is 34 pages long and summarizes Weber's lectures on two of the course's twenty sections. What we can learn from the first text are primarily two things: what economic literature Weber saw as relevant for his students of economics, and the overall structure of his course. From the second text we get to know Weber's exact reasoning in a small part of the course. Put together, the two texts provide a unique picture of how Weber viewed economics and how he wanted to communicate its essence to his students.

A few words about the literature that Weber cites in the first of these two texts—some 600 works in all—are in order. Weber, as we would expect, cites various writings from the German Historical School, which at the time totally dominated economic discourse in his native country. The overwhelming number of works are furthermore—again as one would expect—in German. But Weber also refers the student to the works of the opponents of the German Historical School, such as Carl Menger and Friedrich von Wieser. Since the Austrians wrote in German, it is perhaps not so surprising that Weber would include them among his references. That Weber had a good overview of contemporary economics, going well beyond the German contributions, is however also clear; and he cites, for example, the works of Walras, Marshall and Jevons. What a quick look at Weber's literature lists makes the reader suspect—and this is a point I shall soon return to—is that Weber was *not* a wholehearted proponent of the German Historical School, but in reality quite positive to analytical economics of the British and Austrian type.

The literature list not only states what works Weber wanted his students to be aware of; it also gives us a bird's-eye view of how Weber looked at the field of economics: what topics economics should include and, to some extent, how economists should go about their business. It could

perhaps be argued that what Weber taught in his introductory course was just the standard version of economics in those days, and that his reading list tells us little about Weber's own view of the field. To settle this question for good one would probably have to compare Weber's course outline with those of other economists in Germany at the time. Such a comparison would no doubt increase our capacity to evaluate Weber's course. It is however doubtful that the result of such a comparison would show that Weber simply followed some kind of general model of how introductory economics was taught at the time. For one thing, German professors of economics liked very much to present their own view of things; and for another, Weber was far too independent a scholar to simply do what others did.

Weber's course in introductory economics can be summarized in the following way. The course began with a discussion of "the tasks and methods of theoretical economics." The reading list indicates that Weber, when tackling this task, discussed the theoretical approach of the German Historical School and the challenge to this type of analysis from the Austrians, especially Menger. He then introduced the basic concepts of economics (*Book I*). This was followed by three sections, which we would not expect an economist today to discuss so thoroughly in an introductory course: the natural foundations of the economy (*Book II*), the evolution of economic history (*Book III*), and the history of economic thought (*Book IV*). Weber's account of the last of these three topics seems to have been fairly standard, and what he has to say about the historical evolution of the economy similarly contains few novelties, at least for anyone who is familiar with his work in economic history.⁴ In the section that Weber refers to as the natural foundations of the economy, he talks about the role of nature, population, and the biological aspects of human beings in economic life. Included in this section—and this is of special interest—is also a discussion of "the relationship of the economy to other cultural phenomena, especially to law and to the state." To properly understand this relationship, judging from Weber's reading list, another science was needed: sociology. It also deserves to be noted that by including the relationship of the economy to the legal system and to the state in his course, Weber was not content with squarely focusing on economic

phenomena per se; the economy was also linked to other spheres of society in ways which were crucial to understand.

That this was indeed the case comes out as well in the next to last part of the course, which is entitled "A Theoretical Analysis of the Modern Exchange Economy" (*Book V*). The major topics which are discussed here are production, distribution, exchange and consumption. The main emphasis, however, is on the institutional dimension of these phenomena. Weber also covered income distribution, unemployment, and economic crises in this part. The whole course ended with a discussion of the normative dimension of economics (*Book VI*). One of the works that Weber referred to here was his own installation lecture from 1895 (Weber [1895] 1989). Presumably Weber said roughly the same in his lecture course as in his installation lecture; there, however, also exist some indications that he told the students about other approaches to the *normative problematic* than that of his own.

While the first of the two texts that make up the *Outline* tells us quite a bit about the general structure of Weber's course and the way that he viewed economics as a whole, the second text focuses on a very small part of his course. On the other hand, it gives us very detailed information about what Weber actually said in his lectures. As already mentioned, Weber's course was divided into twenty sections, and the second text discusses two of these sections, on 34 pages altogether. If Weber had devoted a similar amount of space to the remaining eighteen sections, the result would have been a book of more than 300 pages; and perhaps this is also what Weber had in mind. All that we know on this score is that Weber, according to his wife, "gave his students [in the introductory economics course] a printed outline that he intended to expand into a textbook" (Marianne Weber 1975, p. 228). To this can be added that Weber also made a number of notes for this book project (Scaff 1989, p. 134).

The two sections of his course that Weber discusses in detail are entitled "The Economy (*Wirtschaft*) and Its Elementary Phenomena" and "The National Economy (*Volkswirtschaft*) and Its Elementary Phenomena." The former deals exclusively with abstract-theoretical economics, and the latter with the kind of economic theory that is needed to analyze empirical phenomena. For anyone who thinks that Weber the Economist was a faithful member of the German Historical School, what he has to say in

"The Economy and Its Elementary Phenomena" will come as a shock. The basic thrust of this section is that abstract economic theory is a necessary point of departure for the analysis; that one starts out with the idea of *homo economicus*; and that price is to be determined through calculations based on the marginal utility principle. In brief, when it came to theoretical economics, Weber took exactly the opposite position of Gustav Schmoller and his followers.

Weber defines the notion of an economy as a constellation of *economic actions* (*Wirtschaften*); an economic action is described as a goal-oriented type of action, which has as its purpose to satisfy the needs of the actor through outer means. The subjective nature of economics is emphasized ("the point of view of human beings is decisive"), and Weber states that "economics is not a science of nature and its qualities, but of people and their needs" (Weber [1898] 1990, p. 32).

In any theoretical analysis, the economist has to make use of the idea of *homo economicus*, Weber says. But he also points out that "abstract theory takes its point of departure from the modern Western type of people and their economic actions" (Weber [1898] 1990, p. 29). To Weber, the notion of economic man is consequently the product of Western history. *Homo economicus*, he specifies, should not be confused with a real life person. Abstract economic theory, he states:

1. *ignores*, treats as if *not present* all those motives which have an influence on real men which are specifically *non-economic*, i.e., all those motives not arising from the satisfaction of material means;
2. *imputes* as actually present in men particular qualities which are either not present or only incompletely, namely
 - a) complete insight into given *situation*—perfect economic knowledge;
 - b) exclusive selection of the *most appropriate means* for a given end—absolute "economic rationality;"
 - c) exclusive devotion of one's own powers to the attainment of economic goods—tireless economic endeavour. It therefore argues on the basis of *unrealistic* men, analogous to a mathematical ideal.

In this way it postulates an *unrealistic* person, analogous to a mathematical model. (Weber [1898] 1990, p. 29–30)

Was Weber then a neoclassical economist (as we would say today)? Yes—but only when it came to one part of economics, namely theoretical economics. That his overall position differed from, say, that of Menger immediately becomes clear when we look at his second handout to the students, which is entitled “The National Economy (*Volkswirtschaft*) and Its Elementary Phenomena.” The reader may also recall that abstract economic theory only took up a relatively small part of Weber’s course in introductory economics.

By “national economy” (*Volkswirtschaft*) Weber meant an actually existing economy, historically formed and part of a nation or of a state, and consequently restricted to a certain geographic area. When analyzing a national economy, as opposed to an abstract economy (*Wirtschaft*), a series of new factors had to be taken into account. In analyzing an actually existing economy, as we soon shall see, Weber came close to a sociological approach to the economy or, if one so prefers, to the kind of approach that the German Historical School favored.

When a price is determined according to theoretical economics, Weber says, one assumes that the demand as well as the supply are organized in an orderly manner according to the principle of marginal utility. In actual reality, however, things are more complicated; one has to take a number of imperfections in the market as well as other factors into account. The market actors, for example, usually have incomplete knowledge; they do not try to buy and sell simultaneously; and the kind of quantities of goods that are needed for the theoretical market to function properly may typically not be offered or demanded. “Demand for goods,” Weber also notes, “is social, and determined by the existing income and property distribution” (Weber [1898] 1990, p. 49).

Weber adds that economic life, as it exists in reality, is always the result of a “struggle” (*Kampf*). The market price, for example, is the result of both an “interest struggle” (between the two actors who end up doing the exchange) and a “competitive struggle” (between those who compete with one another to do the selling and the buying). Weber’s reasoning in the two theoretical sections in the *Outline* can consequently be summed up in the following way: in *abstract questions*, the economist could rely on marginal utility theory, but when the task was *to investigate empirical cases*, this approach was not enough and had to be complemented in various ways.

III

Weber as A Sociologist

WEBER'S NERVOUS BREAKDOWN may well have had something to do with the way that he pushed himself as a young professor of economics, eager to make a career. He not only had to learn economics from scratch, but also to teach and do research—plus a number of other tasks that he heaped upon himself, such as public speaking, participation in the *Verein*, and much, much more. But whatever caused his breakdown, it made Weber develop an antipathy against reading anything in economics for the next couple of years; during the few hours each day that he could concentrate on reading, he invariably chose books from other fields, such as culture, philosophy, and sociology.

Weber's attitude in the 1890s to sociology was characterized by a considerable amount of suspicion; he felt that a lot of intellectual quackery went under the name of "sociology" and that it was not a serious science. There were some exceptions, however, such as the works by Georg Simmel and Ferdinand Tönnies. Gradually, however, Weber's attitude to sociology seems to have softened. When efforts were made around 1908 to create a German Sociological Association, he, for example, helped out as much as he could. "It was during this period [roughly 1908–1910⁵]," one reliable commentator notes, "that Weber designated himself as a sociologist for the first time" (Käsler 1988, p. 15; cf. Bendix and Roth 1971, p. 37).

At around the same time Weber also accepted an offer to edit a huge handbook of economics, which was to replace Schönberg's successful but outmoded *Handbuch der Politischen Oekonomie*. This decision was to become extremely important in Weber's effort to develop a sociology, because he felt very strongly that sociology had a special role to play in the study of economic phenomena and that it therefore should be part of the handbook. According to the plan that he developed, the handbook was to cover not only the economy itself, but also the relationship of the economy to technology, to nature and to "society." One section, more precisely, was to be entitled "Economy and Society;" and according to the plan from 1909–1910, Weber was to be its sole author. The topics to be covered were the following three: "Economy and Law," "Economy and Social Groups" and "Economy and Culture."

When Weber started to work on his contribution to the handbook he

soon encountered difficulties. One problem was that in order to develop a sociological analysis of the relationship between the economy and social institutions, he first needed to define what sociology was. He did so in a section on general sociology—but was it really appropriate, he then began to wonder, to include this type of material in a handbook of economics? After some deliberation, Weber answered in the negative; and in 1913 he published his general sociology as an article in a journal (Weber [1913] 1981).

Another problem that Weber encountered was that some of the contributors to the handbook did not do what they were supposed to do, and this had consequences for Weber's own contribution. Weber was especially upset by Karl Bücher's failure to produce what he had signed up to do, and in 1913 Weber wrote to his publisher:

Since Bücher's treatment of the "developmental stages" is totally inadequate, I have worked out a complete theory and exposition that relates the major social groups to the economy: from the family and household to the enterprise, the kin group, ethnic community, religion (comprising all religions of the world: a sociology of salvation doctrines and of religious ethics - what Troeltsch did, but now for all religions, if much briefer). I can claim that nothing of the kind has ever been written, not even as a precursor (Weber cited in Schluchter 1981, p. xxv–xxvi; for Bücher's contribution, see Bücher 1914).

By 1914 Weber had more or less finished his own contribution to the handbook. It had swelled considerably—from three to eight sections—and also the title had changed. Weber's text was still part of an overall section called "Economy and Society," but its exact title was now "The Economy and the Social Orders and Powers."⁶

If World War I had not broken out around this time, Weber would probably have polished his contribution to the handbook for a few months and then sent it off to the printer. However, this is not what happened. During World War I he put the handbook to the side and concentrated on other projects and activities. By 1918 he returned to the handbook, but now decided that he needed to rewrite his whole contribution, primarily to make it "*shorter*" and "more *textbook-like*" (Weber cited in Winkelmann 1986, p. 46). A little later he also decided to add a whole chapter in "economic sociology" (*Wirtschaftssoziologie*), that is, a sociological analysis of the economy itself, rather than of the relationship between the economy and other areas of society, such as politics, religion, and so on.⁷

This was a real innovation, and Weber's section on economic sociology in *Economy and Society* (Ch. 2 in Part 1) represents one of the most interesting parts of the whole handbook.

By the time of his death in June 1920, the first part of Weber's contribution to the handbook was ready and had been sent off to the printer. It ended up being a volume of some 300 pages, consisting of four chapters. One of these was on general sociology; another on economic sociology; a third on domination; and a fourth on status groups and classes (Weber 1921–22, pp. 1–180; [1921–22] 1978 pp. 3–307). Some time after Weber's death, his widow and an economist with whom she collaborated also published the material that Weber had prepared for the handbook before World War I. All of these writings—including the text that Weber himself had approved for publication—were now put together into one huge volume, and given the title *Economy and Society* (*Wirtschaft und Gesellschaft*). The impression was thereby given that the whole thing was a single monograph, which Weber had tried to finish before his death. Scholarship in the 1980s and 1990s has however shown that this is not the case. Weber, to repeat, only approved one of its parts for publication, and the rest of *Economy and Society* constitutes background material in various stages of preparation (e.g. Winkelmann 1986, Schluchter 1989, 1995).

While it is correct to label *Economy and Society* a work in sociology, it should also be noted that Weber produced other studies in sociology after his decision in 1908–1910 to try to produce a rigorous sociology. There are first and foremost the works that he planned to include in a never completed multivolume work entitled *Collected Essays in the Sociology of Religion*. What he did have time to finish, however, were three major studies of “the economic ethics of world religion.” To the English reader these are known under the following titles: *The Religion of China*, *The Religion of India*, and *Ancient Judaism* (Weber 1951, 1952, 1958). A few other of Weber's essays in the sociology of religion have also been translated, as has the revised edition of *The Protestant Ethic and the Spirit of Capitalism* (Weber 1946, 1988b). According to Weber, the work entitled *Collected Essays in the Sociology of Religion* was mainly to complement *Economy and Society* through its analysis of religion. It however also contained a contribution to “economic sociology,” according to its author (Weber 1988a, p. 237).

When one discusses Weber as an economist, on the one hand, and as a

sociologist, on the other, it clearly makes sense to focus on his *economic sociology*, as opposed to, say, his sociology of religion or his political sociology. Nonetheless, a few words need to be said about his general sociology, in order to bring out the difference between the way that Weber viewed economic theory and economic sociology. All of Weber's contributions to the different branches of sociology—his sociology of law, his economic sociology, and so on—take as their theoretical point of departure his well-known concept of “*social action*.” Sociology is defined by Weber as “a science concerning itself with the interpretive understanding of social action” (Weber [1921–22] 1978, p. 4). Action itself is defined as behavior to which the individual attaches meaning, and “[it] is ‘social’ insofar as its subjective meaning takes account of the behavior of others and is thereby oriented in its course” (ibid.).

What primarily distinguishes economics from sociology are two items: sociology deals with a very broad range of actions, which always have to be oriented to others. Economic theory, on the other hand, exclusively deals with rational economic action of a type that very rarely can be found in empirical reality, and when so, only approximately.⁸ In his general sociology Weber defines interaction as the situation in which two actors orient their actions to one another. When one of the two actors tries to impose his or her action on the other, there is “struggle”; and if one of the two actors is indeed capable of doing so, he or she has “power.” When two or more actors over some period of time orient their behavior to one another, expectations as to a certain behavior arises (an “order” comes into being, in Weber's terminology). An order which is surrounded by social safeguards of a specific type constitutes an “organization” (Weber [1921–22] 1978, pp. 3–62).

Economic sociology, according to Weber, has as its task to explain those aspects of economic behavior which are not only driven by need and utility, but which in addition are oriented to other people, in ways to be specified and taken into account by the analyst. It is immediately clear that economic sociology has its own perspective on what is going on in the economy, but also that it is in a very good position to incorporate the interaction between the economy and non-economic phenomena. A merchant, for example, will typically not only orient his or her behavior to a potential customer, but also to the legal order, to the political order, and perhaps to the religious order. The result is that there exist two major parts

to Weber's economic sociology: the analysis of the economy itself, and the analysis of the relationship of the economy to non-economic phenomena, such as politics, law, and religion.

The place where Weber analyzes the economy itself in the most sustained manner is, as we know, in Chapter 2 in *Economy and Society* or, more precisely, in Chapter 2 in Part I of what posterity knows as *Economy and Society*. This chapter is like a small book, with circa 150 pages of dense text. Weber starts out by defining and discussing the basic unit of economic sociology—*economic social action*—and then proceeds to discuss increasingly complex economic phenomena: exchange, economic organizations, credit, money, the market, market economies versus planned economies, and so on. To comment on all of these phenomena is not possible in a brief article such as this, and for such an attempt the reader is referred elsewhere (e.g. Parsons 1947, Swedberg 1998). Instead I shall say something short about three, to my mind, particularly interesting parts of Weber's economic sociology: his notion of open and closed economic relations, his analysis of the market as a form of social interaction, and his idea that there exists several kinds of capitalisms. The reader should be aware that this represents a selection from my side, and that one could equally well have chosen other examples, such as Weber's analyses of economic opportunity, economic power, and money.

To Weber, any type of social relationship, including economic ones, can be either open or closed; that is, they can be accessible or not from the outside as well as from the inside (Weber [1921–22] 1978, pp. 43–6, 341–44). Property, for example, is constructed by Weber as a form of monopoly of opportunities, from which all actors (but one) are excluded. Economic organizations are orders to which only certain actors have access, and market actors may restrict access to the market (e.g. trusts, cartels). Weber's notion of open versus closed economic relationships has finally been used quite a bit in stratification research and in analyzing professions (see e.g. Murphy 1988).

Weber also presents a sociological analysis of the market, which he defines as a distinct constellation of social interaction. More precisely, Weber views the market as the result of *two* forms of interaction—not only of exchange (between a buyer and a seller), but also of competition (between sellers as well as between buyers). His formal definition is as follows:

A market may be said to exist wherever there is competition, even if only unilateral, for opportunities of exchange among a plurality of potential parties. Their physical assemblage in one place, as in the local market square, the fair (the "long distance market"), or the exchange (the merchants' market), only constitutes the most consistent kind of market formation (Weber [1921–22] 1978, p. 635).

In the form given above, Weber's model of the market may seem somewhat limited and not very interesting to work with; there is exchange and competition, but not much more. If one, however, adds the idea of open and closed economic relationships (as Weber himself does), one gets a much more dynamic model. Under certain circumstances market actors may, for example, open up the market, and under other circumstances close it down. For some other ways in which Weber brings complexity to his analysis of the market, the reader is referred to *General Economic History*.

Chapter 2 also contains some interesting propositions about capitalism, especially the idea that capitalism with a capital "c" does not exist—only different forms of capitalisms (Weber [1921–22] 1978, pp. 164–66). The three main forms or ideal types of capitalisms that Weber discusses are *rational capitalism*, *political capitalism* and *traditional commercial capitalism*. Rational capitalism is characterized by its methodical spirit and by it presupposing a number of rational institutions (accounting, science, a predictable political system, a calculable legal order, and so on). In political capitalism profit is ensured and made possible by contacts in the political sphere. Colonialism and imperialism are among Weber's examples of political capitalism, but this type of capitalism can also be found in contemporary societies, something which the existence of weapons industries, subsidies to the agricultural sector, and so on testify to. Traditional commercial capitalism is centered around small businesses and has, according to Weber, existed for thousands of years.

It should also be mentioned that according to Weber, it is preferable to speak of "modes of capitalistic orientation of profit-making" than of "capitalism." This way, it is easier to keep in mind that capitalism, as Weber saw it, does not so much constitute a fixed structure as a constellation of social economic action which is constantly being done and undone.

In *Economy and Society* Weber also made a systematic attempt to relate the economy to a large number of non-economic phenomena, and it is clear that he saw economic sociology as having a much wider scope than

theoretical economics. Weber thus analyzed the relationship of economics to politics, to the legal system and to religion. The most suggestive contribution to the analysis of the relationship between the economy and politics is to be found in Chapter 3 in Part I of *Economy and Society* ("The Types of Legitimate Domination"). Many social scientists are familiar with some aspects of Weber's analysis of domination or authority, especially his idea that a political system is much more stable if it has some legitimacy among its subjects. Weber's three major types of authority are also well known, as well as the fact that he suggested the administrative form that goes along with each of them: bureaucracy, in the case of *legal authority*; followers or disciples, in the case of *charismatic authority*; and ad hoc or small scale staff, in the case of *traditional authority*.

What is much less known is that Weber also added an economic dimension to his analysis of authority. He did this by looking at the ways in which each of the three major types of authority tend to be financed and how they affect the chances for rational capitalism to emerge. Bureaucracy, for example, is financed through taxation and goes very well with rational capitalism (but not with political capitalism). Charismatic authority is typically paid for through booty or donations, and is hostile to all forms of orderly economy, especially rational types of economic systems. And traditional authority of, say, the patrimonial type, is paid for from the ruler's own pocket and can coexist with traditional and political capitalism, but not with rational capitalism.

Weber's analysis of the relationship of the economy to law is primarily to be found in the section on sociology of law in *Economy and Society* (Weber [1921–22] 1978, pp. 641–900; see also pp. 311–38). Weber here discusses key events in the evolution of commercial legislation in the West, including the emergence of the notion of legal personality and the modern commercial contract. He also made a comparative analysis of the different types of commercial legislation that can be found in Roman law, Chinese law, Islamic law, Indian law, Jewish law, Canon law, medieval law, and natural law. According to Weber, commercial legislation was highly developed in medieval (European) law, but some contributions have also been made by Islamic law, Indian law, and natural law. Interestingly enough, Weber notes that the types of law that have helped modern rational capitalism to emerge have all been characterized by a fairly *low* degree of formal legal rationality. Roman law, on the other hand, which

had a very high level of legal rationality, made few contributions to the development of modern commercial legislation.

Weber's analysis of the relationship between religion and the economy constitutes the most famous part of his whole work and is primarily associated with *The Protestant Ethic and the Spirit of Capitalism*. The basic thesis in this work is that ascetic Protestantism, through its emphasis on methodical and innovative religious behavior of a rational type, inadvertently transmitted these qualities to economic life—and also set off a process of secularization, which in the long run was to undermine all types of religion. What is somewhat less known, at least among economists, is that Weber also went through *all* of the major world religions to see what their attitudes to the economy were (“economic ethics”) and what impact they might have had on the economy as a whole. The question that Weber raised was the following: Why did the modern, rational form of capitalism only emerge in the West?

Weber's full answer to this question can be found in his three studies *The Religion of China*, *The Religion of India*, and *Ancient Judaism*. None of the major religions in the world, Weber concluded, had developed a similarly pro-commercial and inadvertently energizing attitude to economic affairs as ascetic Protestantism. However, in China, India, Israel and so on, there also existed other reasons besides religion why rational capitalism had not emerged. According to Weber, modern capitalism is the result of a long evolutionary process stretching over many centuries (see especially Weber [1923] 1981). Among the factors which had been of crucial importance for the emergence of modern capitalism in the West, Weber said, were the following: rational (permanent) enterprise, rational accounting, rational technology, rational law, the rational spirit, the rationalization of the conduct of life, and a rationalistic economic ethic (Weber [1923] 1981, p. 354; cf. pp. 276–77, 312–14).

IV

Weber on the Relationship between Economic Theory and Economic Sociology

I HAVE HOPEFULLY BEEN ABLE TO SHOW that it is perfectly possible to outline Weber's viewpoint as an economist (in the 1890s) as well as his viewpoint as an economic sociologist (in the 1910s). What has not been discussed,

however, is how these two types of analyses are related to one another in Weber's work. When, for example, should the analyst use economics rather than economic sociology or vice versa? Or is it that Weber wanted economic sociology to totally replace economic theory, a little like the American institutionalists who wanted their views to take the place of marginal utility economics?

Weber did try to answer these questions—but only in a general way. In 1904 he published an article entitled “Objectivity’ in Social Science and Social Policy,” and here one can find a first effort to sketch what a broad economic science may look like and what role economic theory, economic history, and so on were to play in this (Weber 1949). In later writings, especially in connection with the handbook of economics, there also exist brief statements on this topic (e.g. Weber 1914). In all brevity, Weber's position was as follows. Economics should be a broad science, covering not only economic phenomena but also non-economic phenomena which may influence the economy (“*economically relevant phenomena*”) and non-economic phenomena which to some extent have been influenced by economic phenomena (“*economically conditioned phenomena*,” Weber 1949, pp. 64–6). He furthermore argued that *several* social sciences had contributions to make to the understanding of economic phenomena, specifically economic theory, economic history and (during his last years) economic sociology. The name that Weber gave to this broad type of economics was *Sozialökonomik* or *social economics*.

Still, when was the analyst to use, say, economic theory rather than economic history or economic sociology? *Economic history*, Weber argued, was to be used when the focus was on a single economic event or a single individual; *economic sociology*, when it was on economic types of behavior or on economic uniformities; and *economic theory*, when it was a question of an exclusively economic phenomenon and the concern was of an abstract and non-empirical nature (see Weber [1921–22] 1978, pp. 19, 29; 1949, pp. 87 ff.). It is also worth noting that Weber appears to have felt that economic sociology on the whole should be based on theoretical economics (Weber [1921–22] 1978, p. 68). There also exist indications that Weber felt that sociology was needed when the insights of economic theory, based exclusively on the idea of rational economic action, were to be used in an empirical analysis. This suggestion, it seems to me, is a

valuable one and deserves to be further explored and discussed by today's sociologists as well as by today's economists.

It is my general impression that Weber did not probe very deeply into the relationship between economic theory, economic history, and economic sociology; as a result, we are today left with a number of questions that are hard to answer. For example, Joseph Schumpeter, who was deeply influenced by Weber's ideas on social economics, suggests at one point in his work that economists should deal with economic mechanisms, and economic sociologists with the surrounding institutional framework (Schumpeter 1949, pp. 203–04). This may sound like a good idea, but turns out not to be very fruitful since it is hard to make a meaningful distinction between economic mechanisms and economic institutions (Swedberg 1989). Schumpeter's suggestion also fails to address Weber's suggestion that sociology was needed when the insights of economic theory were to be used in an empirical analysis.

How are we then to evaluate Weber's theory of a social economics? It is clearly a project that Weber did not complete, as with so many of his projects. It is also a very positive project, I feel, in the sense that it does not pit economists and sociologists against one another, by, for example, pretending that sociologists can solve all the problems that economists have been working on for more than a century—or vice versa. Weber's theory of social economics allows for a constructive dialogue between economists and sociologists. Perhaps we can also find an implicit message in Weber's own behavior for today's social scientist: that is, that the economist should not only know economic theory, but also economic history and economic sociology. He or she should in addition always concentrate on what he or she does best; this, in any case, would roughly describe the position that Weber himself took, judging from his writings.

Notes

1. George Stigler has referred approvingly to "Max Weber's famous essay" as have Lionel Robbins, Friedrich von Hayek, and Paul Rosenstein-Rodan (Swedberg 1998, p. 205, p. 304, n. 150).

2. *Grundriss zu den Vorlesungen über Allgemeine ("theoretische") Nationalökonomie* (1898). The German word "*Nationalökonomie*" is sometimes translated as "political economy."

3. The secondary literature on the *Outline* is very small. See, however, Tribe 1989, pp. 4–10; Scaff 1989, pp. 32–3, 43, 134–35.

4. Weber covers the coastal nature of the economy in Antiquity as well as agriculture during this period. This is followed by an account of the economy of the medieval city and the rise of national economies, with special emphasis on the situation of agricultural workers in the nineteenth century (the urban workers are discussed later in the *Outline*). Weber's account in this course mainly differs from, say, *General Economic History* in that it contains nothing on economic ethic and ascetic Protestantism.

5. The exact dates are not clear, but this issue will presumably be settled in connection with the publication of Weber's collected works, which is currently in progress.

6. *Die Wirtschaft und die gesellschaftlichen Ordnungen und Mächte*.

7. The term "*Wirtschaftssoziologie*" and similar terms started to appear in Weber's work towards the end of the 1910s. See Swedberg 1998, p. 299, n. 131. Exactly when Weber started to work on the chapter on economic sociology is not known, but probably in 1918–1919.

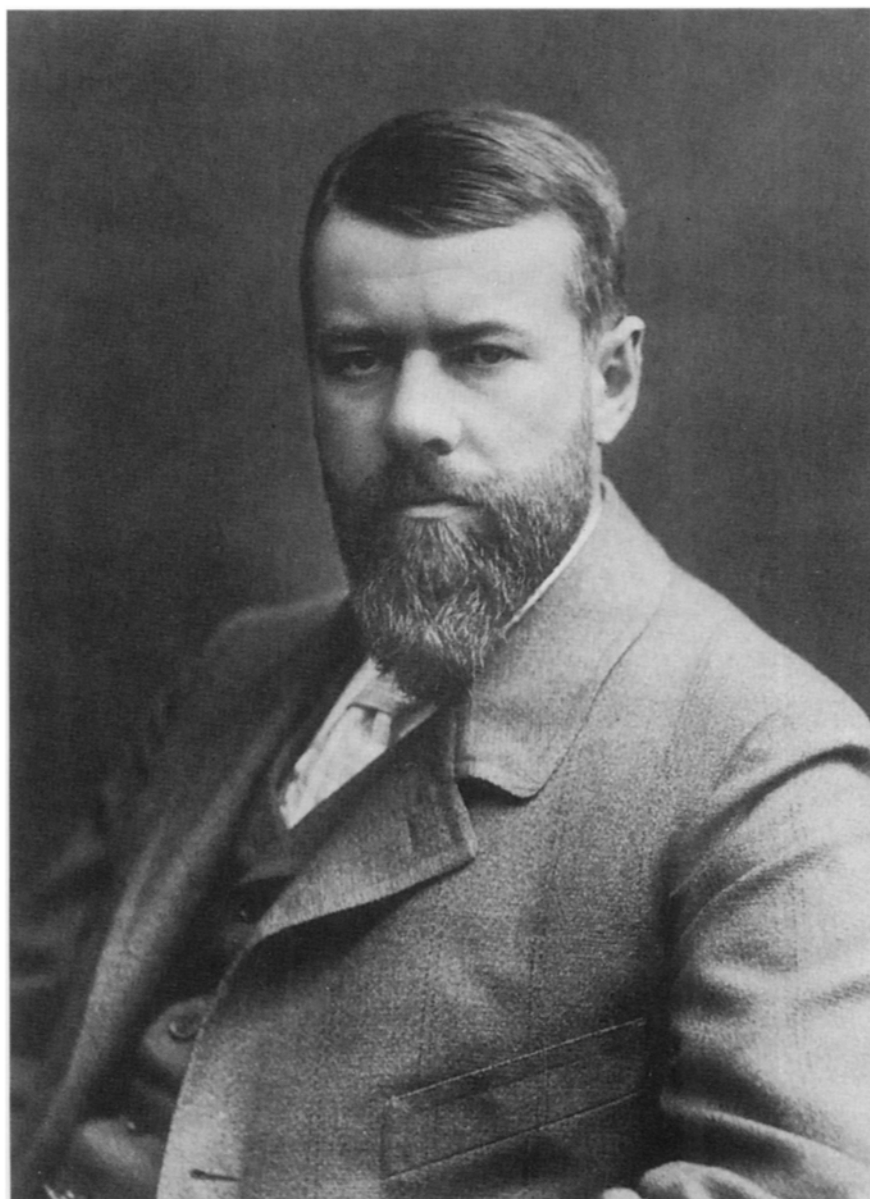
8. This statement is meant as a rectification of one part of my argument in *Max Weber and the Idea of Economic Sociology*, where I state that economic theory does not explicitly take orientation to others into account and is based on economic action, as opposed to economic social action. I base this rectification on the following statement by Weber in Chapter 1 of *Economy and Society*: "[t]he ideal types of social action (*soziales Handeln*) which for instance are always used in economic theory are thus unrealistic or abstract in that they always ask what course of action would take place if it were purely rational and oriented to economic ends alone" (Weber [1921–22] 1978, p. 21).

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