

## Gustav von Schmoller and the Problems of Today\*

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#### I.

Occasionally we read and hear about things in America that can only be called symptoms of a latent *Methodenstreit*. I do not mean by this those genuinely fruitful and ever-present differences of opinion over concrete procedures, such as the significance of a correlation coefficient, the usability of an index number, the value of a study that presents the price of a good as the function of one single variable, or the construction of the underlying relationship of the international trade in goods. Instead, I simply mean what we normally understand by *Methodenstreit*: A struggle of “tendencies” or “schools” over principles, struggles that are far less meaningful and fruitful. Nor is this struggle so latent. An older generation brought up on the ideas of J. B. Clark is confronted, more or less politely, by a younger generation armed with a list of complaints that sound familiar to us: Lack of reality, irrelevance, an approach and results bereft of any interest. Does that not sound rather like what the “Younger Historical School” said about the existing economic science with which they were confronted?

We can take as our example the speech that Wesley Clair Mitchell gave as President of the American Economic Association at its 1924 annual conference.<sup>1</sup> This choice can be justified not only by the stature and achievement of Mitchell, but also by the clarity of his intention and by his moderate tone. His

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\*\* Born on February 8, 1883, deceased on January 8, 1950. Professor at the University of Czernowitz (1909–1911), the University of Graz (1912–1914), the University of Bonn (1925–1932), and Harvard University (1932–1950).

title – “Quantitative Analysis in Economic Theory” – seems to involve an isolated, if fundamental, question. At stake, however, are the principles of political economy and their nature.<sup>1</sup> In his familiar moderate tone Mitchell starts with Marshall’s premise that in political economy “qualitative analysis has done the greater part of its work,” and that the “higher and more difficult task” of quantitative analysis “must wait upon the slow growth of thorough realistic statistics.”<sup>2</sup> But a few pages later a position taken by Marshall, a quite conventional theoretical stance at the time, is rejected as unusable. In this way substantial doubt is thrown on both the possibility, and value, of the established approach to the use of statistical material: As providing a means of making economic argumentation more precise and verifying its results, an approach that Marshall shared with all his contemporary economic theorists. Setting aside Mitchell’s polite words, we can sum up his view as being that there was little point in going to such trouble over the principles of established theory, even if the difficulty could be overcome that speculations arrived at without any regard to the possibilities of factual study would remain inaccessible to numerical precision and verification. The theory of today is based upon entirely unfounded psychological premises, mixed up arbitrarily with unsystematic observations of actual behavior. The line taken by theory presumes that things remain the same; there is a presumption of rigorous causal connection, of unchanging and unchangeable “laws” – but none of these really exist. This line of thought has absolutely nothing to say about interesting specific questions. Hence studying the factual material of economic practice cannot augment and develop existing theory; it has to lead to another kind of theory, to different questions, to other conceptions, to other results. The dominating actuality of the modern scientific situation is the presence of a hitherto undreamed of accumulation of statistical material, the development of ever more refined methods for dealing with it; and ultimately – something that has to fill us with envy – a profusion of available means and organizations for computation. In addition to this we have a psychological science oriented to that which can be objectively registered, and a historical science that has shifted its focus to social institutions. If we add to this material from the study of industrial organization and related work in the adjacent area lying between technology and economy which summarizes the technical interdependences through economic notions, then we have assembled the basis of this new political economy. On this basis we can study the actual process of price formation, the substantive connection between the acquisition of money and the production of goods, the actual behavior of economically-active men and women in all times and places, the real path of supply and demand curves, the reaction of individuals and groups to stimuli of particular intensity,

<sup>1</sup> Wesley Clair Mitchell. 1925. “Quantitative Analysis in Economic Theory.” *American Economic Review* 15: 1–12.

<sup>2</sup> [Mitchell’s quotations from Marshall, Alfred Marshall. 1907. “The Social Possibilities of Economic Chivalry.” *Economic Journal* 17: 7–8, the editors.]

the functioning of different forms of organization and methods of administration, and the impact of a fluctuating price level on production – to name only some examples. Economic work will be directed to the study of myriad details, and any comprehensive overview will become an increasingly remote prospect. We should also note that Mitchell still wishes to call that “theory,” and that in so doing he above all seeks to provide national policy-making with a solid foundation. Moreover, that it should define its aims and indicate the means of achieving them. If the relative emphasis upon statistical and historical material is reversed, then we have an almost exact replica of the position that Schmoller took a lifetime ago. And if nothing else that alone shows us how important he and his teaching is to our own time, how much his thinking<sup>II</sup> remains a living force.

Let us therefore ask ourselves what Schmoller wanted to achieve, how much of this he did achieve, and what can be gained in this way; what we today associate with his name, and how this is linked to the tasks for the future that Mitchell presents to us. For these are also tasks facing everyone, only evident in America so very clearly because of a wealth of material demanding formulation and articulation not available elsewhere. We are talking here about the way Schmoller’s teaching *lives on*, about his *enduring* message; not about the venerable person<sup>III</sup> as such, who today has become more memorialized and revered.

Initially Schmoller wanted to teach his people and his era how to come to terms with their social problems – I do not mean to say, nor do I believe, that this was his prime intention, but wish to deal with this aspect first of all. Of course, this always has to be an important aim of social-scientific work. And in just the same way this has to be a kind of work separate from all practical interests if science is to develop; work that contains within itself its aim and its interest, not asking about practical application. A full nine-tenths of Schmoller’s life work is of this kind. But besides this he wanted to influence what his people wanted, setting out political aims. Here we are discussing the principal questions that he raised, and not his great achievements in the domain that he chose for himself. As we know, science is about what exists, not what should exist. The logical nature of its available means suffices only for explanation, not for the establishment of values and aims. Each has one’s own ultimate standards of what one desires; no science can tell anyone what one wants, what one should uphold, what one should grind into the dust. Science can only provide an actor with provisional aims, derived aims, insofar as it can tell an actor whose given intention it cannot judge which measures are suited to further this intention, and which not. If an American supports the cancellation of inter-allied debt on moral grounds, for example, then that is their affair. If they express such support because collecting these debts through the requisition and import of goods will lead to a deterioration in the living conditions of the American worker, then science can say nothing about the degree to which regard for the living conditions of the worker “should” dictate his or her political or other

behavior; but science can determine whether the claimed causal connection actually exists, and so in this respect whether the intermediate aim that this connection supports makes sense, or not.

That is all very well. We know this better in Germany than elsewhere because lengthy and heated discussion has drummed these truths into us. That is of course some kind of progress. But it is unfortunate that the most modern of our colleagues in the whole world, especially those in England (Keynes and Pigou for example) and in America (see above) are quite happy to “evaluate” and “set objectives.” Is that a mistake, or can something be said for it? And how did Schmoller go about “evaluating” and “setting objectives?” Did he, if perhaps for the greater good, abuse science in his work on social policy, or can we learn something from that way in which he did this? I am not talking here about the way in which he, as an historian, presented historical facts and made value judgments; for example, when talking about the struggle between the state and the estates in Prussia, taking sides on behalf of the former and against the latter. He was quite entitled to make this kind of interpretation, and we might perhaps see in such value judgments something other than mere lapses. But that is not at issue here.

Besides answering the question just raised of whether a specific behavior does or does not correspond to a given higher value, the difficulty of evaluation and determination of aims does not so much lie in the autonomy of evaluation and volition with regard to an empirically-verifiable casual relation – recognizing that it can be proved to no one that, for example, they should like something. Instead, the difficulty lies elsewhere. First, in our area of work the effects and reactions of any behavior on the part of a people, a group or an individual differs according to the temporal and substantive perceptive range of those observing this behavior,<sup>IV</sup> and ultimately become so complicated that unambiguous responses to practical questions become impossible. Second, value judgments and aims differ so abruptly, primarily along class lines, that there is *prima vista* no unambiguous standpoint with regard to the social whole, upon general welfare and so forth; nor would such a unitary standpoint exist if all individuals and groups *wished* to act and evaluate on this basis, since the general good and the social ideal appears differently to each and every one. If these two circumstances did not exist then this epistemological reservation would probably trouble us less, despite it being true.

We can see this in medicine, for example. It cannot be proved to anyone that health should be positively valued – and what health is cannot be unambiguously defined. But despite all this, people do sufficiently recognize what good health is and generally seek to achieve such a condition, so that in this area the leap from scientifically-verifiable causal relationship to the principle of good health does not feel like any such leap at all. No matter that people pursue good health with very different levels of commitment, valuing this good in relation

to others very differently; nor that their aims are not all exactly the same – the health regimes followed by the boxer and the singer are very clearly not identical. Even if there were in our field actual unity in what it considered to be the ultimate aim, the first difficulty would still be an obstacle: For between people of the same political, social, economic, and cultural interest and with the same perspective on the social world there can always be differences over what is worth striving for. These differences are of course not absent in the medical world, but they are much easier to deal with. Faced with the option of removing an ulcer, or avoiding the damage associated with surgical intervention, two physicians can argue about whether the one or the other would achieve the desired recovery in the same way. But even the direct economic effects of a customs duty on those it is intended to assist are not always unambiguous – although perhaps a question of this kind can be compared with what our two physicians are arguing over. The more remote economic effects depend very much on developments triggered by the duty in the protected branch, as well as on its impact upon prices, the distribution of income, export potential, and so forth in those areas affected; so that for this we usually can offer only a series of differential prognoses.<sup>V</sup> The balancing of advantages and disadvantages for different people; and of the significance that the disadvantages directly affecting other people also have for those who are protected – these all make things more difficult. Not to mention how the circumstance of a protective tariff affects the social and political position of those protected and the general social atmosphere, and which political and social reaction it can bring about – these all extend the opportunity for differences of opinion among even the closest political allies. It is for this reason that class interest in no respect dictates the kind of unity of aim that one would anticipate among people who desire nothing else (although this is more or less never the case). And so an agrarian can support free trade in grain, a small artisan support the loosening of guild restrictions, an Anglican can believe in the “disestablishment” of the church in some areas, and a nationalist can oppose the oppression of an alien people<sup>VI</sup> in his own region. The apparent successes of those who have strived for this, and achieved it, can in the end be damaging; while on the other hand making use of events that had initially been considered defeats. Hence neither the interests of one group, however united it may be, nor the consistency of a group’s world view or cultural attitude, ever fosters an unambiguous policy for this group.

I say “ever.” For not only would the pursuit of one unambiguous policy for a group presuppose perfect insight into all the effects and reactions already mentioned, but would also require a uniform estimation of their importance across all individuals, or across all individuals making decisions. It is however plain that the one will favor economic advantage, another social leadership, yet another immediate advantage while someone else values future advantage more; some will tend to dither and compromise, others seek clear decision and regard the defense of principles as important. All of this leads to a variety of substan-

tive objectives, resting on natural differences that no scholarly arguments can resolve. Whether state debt should be reduced slowly or quickly or not at all; if capital exports are to be prohibited as a way of restoring a fluctuating currency, and so weaken the future global position of a people – this depends not simply on the evident consequences of such stances, but also how *sensitive* one is to the pressure exerted by a rapid reduction of debt on living conditions, or how one feels about the global position of one's people, quite independently of the material aspect of the matter. But it is plain that, even leaving all of *this* out of consideration, the progress of scientific knowledge will in time moderate the obstacles presented by such issues: Scientific progress pursued in the manner of Schmoller, and now by modern Americans. I will return to this later, however.

For the time being there seems to be no analogous softening of the abruptness of the contradiction between social interests and social ideals, while any adequate uniformity of aims seems practically impossible. We seem to have little prospect of moving beyond the task of understanding the actual interests and ideals of every group at every time and place; logically unravelling their consequences and presenting to actors the corresponding means for the realization of provisional aims. Now Schmoller did not stop at that. Nor did he adopt as his own the interests and ideals of a specific group and draw from them standards of value, for which he might have, wrongly, claimed a more general significance. Neither did he even unconsciously adopt a standpoint from any one party. Such an interpretation seems obvious, and not only from the orthodox perspective of a battle of class-based ideas. Very many people adhere to a belief in a social value judgment clothed in scientific garb because they think it to be a unique truth. But this – and this forms the real significance of his case – leads nowhere in Schmoller's work. He did not simply make evaluations from the standpoint of the contemporary social order. To the extent that he treated value judgments as historically necessary, he behaved no differently from socialist theory. He differed from this not so much in failing to regard the socialist order as a necessary developmental objective, since he could not have entirely rejected that: He was sufficiently persuaded of the constant flux of social institutions, and he did not deny the existence of tendencies towards socialism. But he did not identify himself with the ideal of socialism as a developmental objective. In his contemporary social context his general position was one that, as a whole, fitted no existing party program. Nor did he speak from the standpoint of those who argued for what a party or a class or a group *should* want, if only it properly understood its interests. And finally, he did not speak as an autonomous personality, saying what struck him as an individual. He spoke from the standpoint of the state; or what was for him the same thing, from the standpoint of the whole, the social totality. How is that possible, if the state as such has no standpoint, but acquires a standpoint from the interests and ideals of those who are in command of the state apparatus at a particular time, which certainly con-

stitutes a significant cross section of commonly shared truth?<sup>VII</sup> And while the social totality does have a unity in many ways, it does not form a unity of wills, but is made up of parts of different wills.

The phraseology and technology of daily social and political struggle turns on the principled irreconcilability of existing possible standpoints. Here *the points of a program* have a practical and indispensable function, even though they are considered by serious people to be nonsensical *claims*, and by those in the leadership circle to be unreasonable or impossible. But this conceals some facts which are at the root of all understanding of political, but especially economic, activity – even though these facts may appear as shameful to the fanatic disciples of each ideology<sup>VIII</sup> or to the politicians who must pay lip service to this ideology. Most general is the fact that there are moments of social and political emergency in which the demands of party and class often become astonishingly uniform – as in the familiar analogy with a burning ship.<sup>3</sup>

Much more important, but much less generally recognized, is the fact that when parties with different programs take power they do not in normal times in fact do anything that is very different from their predecessor. Not only do they deal with routine work on current issues in more or less the same way, but even the major and decisive measures that mark contemporary politics turn out to be very similar, whatever the color of the ruling party. This can be most clearly seen in both the domestic and the international policy of the United States: Without the labels of “Democrat” or “Republican” the historian can barely make out any distinctions in policy over the last fifty years. The same goes for a longer period in the case of England: The electoral reforms of the 19<sup>th</sup> century were carried out by aristocratic coteries. Locked in bitter dispute, when one group came to power they did more or less what the opposition would have done. It cannot be said that this happened because of any massive pressure bearing on both parties. The context is more complicated. But even if we were

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<sup>3</sup> A situation of this kind can unmoor normal ways of thinking and acting, temporarily rendering partisan phrases into bloody reality; but so long as this does not happen, then people with different interests and ideals are more or less at one on what has to happen, even if they do not all express this in the same way. The experience of the last ten years provides a wealth of examples: Neither the principle of a planned economy after the outbreak of war, nor the need to return to private initiatives after the end of the war, was seriously challenged once some time had passed, allowing all to appreciate the actual situation. Practically everyone agreed that order had to be restored to budgets, even that indirect taxes were vital to this. Different groups had begun with very different attitudes to inflation, while in England or in America the view of all parties was unanimous. But after a while, once things were sufficiently developed, a similar uniformity also developed here, a view to which even the majority of those who directly gained from inflation adhered. There were of course different opinions about how normal conditions might be restored, but these did not take the form of stark alternatives (“either – or”), rather of forms of accommodation (“more or less”). Arguments over what was “right” or “wrong” largely shared a common foundation, and no class relied simply on arguments from a class position.

to assume this for the sake of a temporary simplification, the important feature is the ineluctable force of the given situation. England's social legislation was developed by both parties – free trade policy by a Conservative government oriented to the landed interest, after the preceding Whig government had likewise declared itself in favor, although they did this only during the death throes of their government. The best example of this is the Irish policy of successive governments formed by different parties: Forster on the one side corresponded to Balfour on the other (of course only for the period when they were each Minister for Ireland); while the Liberals had Morley, the Conservatives had Carnarvon. If a party does not wish to do certain things – due regard to the electorate is more decisive in 90% of the cases than any particular reluctance about what has to be done – then it can refuse to form a government, for if it does form a government it could mostly do little different than its adversaries. Party adherents usually explain this regretfully with their feeling that party leaders will readily betray their party members, for when they attain power they allow themselves to be suborned by the ruling class. There might be something in that, but the real reason lies deeper.<sup>4</sup>

If one is clear about this circumstance, then we can dispose of an important cause of the apparent and obvious impossibility of a people today possessing a uniform and coherent will with respect to economic policy.

The measures to be directly undertaken are determined by the needs of the moment, and these are in turn determined by a situation inherited from the past, a situation that is given and not open to change. Those matters generally felt to be an evil demand an immediate response, those things considered dangerous possibilities have to be avoided, aims generally thought to be desirable have to be realized. What has been started has to be continued or brought to some kind of orderly conclusion. Questions that have been raised have to be examined.

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<sup>4</sup> Like everywhere else, ultimate ideals play a lesser role in political practice than they do in party programs. And this ultimate ideal is not necessarily of decisive importance for someone's party position: For example, someone can regard the socialist social order as an absolute ideal and even something that might be realized in a remote future, but at the same time currently be conservative – without any personal sense of contradiction. This is not only because it is not just our ideals that determine our choice of party, but our personal and social networks, together with the inclinations and obligations thereby arising – leaving interests aside. It is more that ultimate ideals are normally, and with the exception of those rare cases in which they seem about to be directly realized, irrelevant for the position we adopt on current economic issues, since our ideals involve no clear prescription. The logical knowledge of a developmental objective is even less of a guide. For example, one can be of the view that, sooner or later, society will make a transition to a socialist way of life, but one needs to desire that as little as the doctor who predicts the imminent death of his patient actually wants that to happen. It is the ideals and the developed systems of ideas logically and consistently worked out in textbooks or programs that set up irreconcilable and qualitative contradictions, from the perspective of which substantive political measures seem to be provisional aims all cut from the same cloth.



Both the individual politician with responsibility and the group or party with responsibility are immediately harnessed by a system of existing circumstances, necessities, and responsibilities that leave them no choice between any number of options, nor the prospect of taking the path that their doctrine would dictate without any hesitations. The danger of immediate failure or defeat lurks whenever that is forgotten.<sup>5</sup>

To this we can add, on the one hand, that social life cannot be reduced to a chaos of conflicting interests, and on the other that the interest of any one group is not simply a matter of indifference for other groups. The idea that political and social events are a struggle of class interests is only slightly less uncritical than the naive postulation of a common good. Parallel class interests often play a greater role in practical economic decision-making than party conflicts, and conflicts within the same social class a larger role than class solidarity. The industrial interest of the worker, for example, often coincides with that of the employer, and the divergence of interest between employer and capitalist is also often greater than that between employer and worker. Hence not only is the number of cases where there is agreement on aims greater than one might think and especially admit, involving both individual measures and also systems of such measures; the number of actual and existing conflicts of interest lose their principled character, for not every existing conflict is a conscious one, not every conscious conflict is effective and a factor in the formation of political conviction. A conflict is a matter of principle only to the extent that it admits of compromise as a makeshift, denying the interest of the opponent any functional significance in the outcome of the economic process. And as a rule this usually, but not necessarily, means: The denial of any moral justification. The economic class contradictions of Marxist and other conceptions of economy or politics based upon conflict would be of this kind. Conflicts that coexist with a community of interest, and which can be reconciled with the consciousness that opposing interests play a socially necessary function, do not have this character; they are reduced to the type of conflict existing between an industrialist and his banker, or between a salesman and his clients, even when these relationships are based upon class.

We can put it this way: The conflicts that we deal with in practice are not of a qualitative, but of a quantitative kind.<sup>6</sup> And this quantitative character is

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<sup>5</sup> That is put in the way it appears from the point of view of the actor. The outside critic is free from the pressure of the possible consequences of practical conduct that is called “responsibility,” and enjoys the privilege of being wise after the event. But even this critic has to take full account of the data and motivating forces in the given situation of one’s time and one’s people, forces such as individual ambition, group interests, party tactics, and mistaken diagnoses; not only using these to arrive at understanding of the proximate causation of a political event, but also leading to an appropriate and, in this sense, necessary general will.

<sup>6</sup> This is a formulation from Graham Wallas, *Human Nature in Politics*.

clearly apparent to groups, as is the limited scale of any differences; this follows naturally once the obvious truth is discovered that no one interest group can be indifferent to the interests of another. Even regard for one's own economic advantage usually compels recognition of the advantage for other classes and groups. A tax that burdens industrial development, for example, is of vital interest to workers, even if it is formally levied exclusively upon capital. The iron industry is not helped by reliefs that have a real negative impact on the capacity of its clients to place orders. There is no surprise in that, for the connection of individuals and groups is far too close for damage to affect only *those* who are directly affected. If it were not for the fact that so many people live materially, intellectually, and politically from an exaggerated emphasis upon conflict, this self-evident truth would be clearer to more people. Gulfs dividing individuals and groups dissolve if they have sufficient intelligence to include a remote future in their economic and political calculations, and if they also take account of the social and political reactions that their behavior provokes. In America, for example, there could be complete agreement that the war should be financed in such a way as to minimize inflation, even though very powerful interest groups would have made enormous gains from inflationary financing; and likewise, a socialist government in England could pursue a financial policy which was really no different from a conservative policy at all. I am not talking here about any sympathetic feelings of one group for the fate of another, or about the "common good" and so forth. In some isolated cases these things may play a causal role, but in general they can really grow out of an existing uniformity of interests and desires, and that is all that I am addressing here.

It is clear that these things must gain in significance over time, and that we will see them having a greater impact in the future than they have had in the past. Primitive capitalism is raw and bloody, the culture of an epoch lags behind the creation of its form of production. The more primitive a person, and the more restricted one's vision, the more one longs for a struggle of life and death, and sees a contradiction where there exists only a balance of many factors; momentary advantage cannot be resisted; the facts of a situation and the real consequences of conduct are disregarded. Economic development first had to have established that degree of capital accumulation<sup>IX</sup> and general welfare that stripped questions of economic policy from their connection to hunger and cold. Before that there existed no calm reflection, and it cannot exist where this connection still exists, or returns temporarily. In the average developed country<sup>X</sup> this situation was normally achieved in the last quarter of the nineteenth century; the color and tone of Marx's thinking is owed to the fact that he wrote *before* this and regarded the period in which capitalism became *established* to be of great *importance*. The economic and social powers that created the capitalist economic form must be clarified, routinized. The employer had to learn that this economic form precluded domination of a feudal kind, and allowed

both labor and capital to become independent forces beyond his control, that controlled him, robbed him of his position as a European in an African country,<sup>XI</sup> and could compel him to proceed in a cultivated and reasonable manner – the eternal basis of morality. Workers had to learn how to understand their position, power, and economic limits, to feel secure and come to terms with the functions and power of the other factors in capitalist economic life. It took a long time for this process to be completed. Remnants of former prejudices<sup>XII</sup> about such matters retain their force and die out slowly. But the direction that development is taking is unmistakable: Knowledge of the facts of a capitalist economy makes steady progress, liberated from wild ideas about the level of the normal rate of profit and the relationship between good and bad risks. The advance of a basic understanding of capitalism's form of production does not only teach every social class and group to understand the socially-necessary role played by others, but also makes the substance of their own ideal, and whether it could ever be realized, subject to criticism. A worker capable of reading the balance sheet of the firm for which he works loses nothing in the way of radicalism; but this radicalism becomes something *ideal*, and is replaced *in practice* by a concern for the fate of the firm. A workers' leader who objectively analyzes the function of the entrepreneur is able to pose relevant questions – is the remuneration of this function higher, equal or lower than necessary to provide an appropriate incentive for the proper performance of the function, or could this performance not be stimulated in some other way? He cannot, however, simply deny that this function is indispensable, and so not denounce entrepreneurial interest altogether.<sup>XIII</sup> Nor is this done any more. Now that it has long been possible to come to a personal agreement<sup>XIV</sup> on this matter with the purest of socialists, every socialist party now has, in some ways, its own New Economic Policy. Just like the Russian Bolsheviks found themselves compelled to implicitly accept a system of measures that partially recognizes the internal necessities of today's economic process, programs of the other socialist parties have followed suit, if not always officially. The modern representative of capitalist interests is gradually losing a taste for "successes" with respect to workers or customers, and if he understands his own business he now takes their interests increasingly into account. Fifty years ago he did not do that. Back then one could expect lasting victories, and one could fight for principles based upon an inadequate understanding and a lack of foresight. Today the contours are clearer and illusions much less appealing. In those countries long schooled in politics, leaders now differ among themselves much less than did their predecessors, and much less than their followers – specifically in a different sense than that of a cartel where one's position is mutually guaranteed.

That is all a consequence of, or a factor in, the development of capitalism's specific culture. It has to develop a specific unity of will that was formerly provided by social organization in other forms of life.<sup>XV</sup> Rationalization, stand-

ardization, mechanization, and democratization form one side of this culture, and they make developing a unity of will even easier. Within the rationalized world of capitalism party banners lose their appeal; there are ever fewer economic issues that must be struggled for or defended once they become matters demanding a balance of advantage and disadvantage. The social prestige of a class loses its power to enthuse and mobilize. In negotiations the psychological deficiencies of one or the other party is becoming less of an issue. It is, however, these matters that blocked, and continue to block, a unity of will, more than the sober opposition of economic interests. And that has an outcome that still today is not fully apparent, if for example the French peasant, or the German estate owner, or the small and medium firms of all countries are taken into account. These all have an iron grip on farmstead and land and the family house and a familiar way of life. Where, however, fully-developed capitalism has done its work for long enough, forming and shaping people to its demands, where tradition atrophies, then this grip is loosened. Maybe an entrepreneur retains a non-rational love<sup>XVI</sup> for work, success, and problems, but no longer for the actual walls of a real factory or for a real piece of land. The one thing to which he has a real personal relationship as a producer is to his desk. It is similar with the way that private life is shaped. The castle and the palace become purposeless forms that impose disproportionate substantive and physical costs, the private home no longer means what it used to. Even personal networks, and especially family networks, lose significance. It is with these factors that the emotional commitment to possession is linked. The striving for as much property and income as possible has never been solely explicable in terms of the meeting of needs. For the modern entrepreneur the greatest possible property and income is above all an index of success, although both can be replaced by other factors. The real meaning of such grasping for wealth lies, however, in the idea of creating a private realm<sup>XVII</sup> that can be organized as one likes, and founding a dynasty. The prospects for the realization of this idea are ever smaller, resulting in the waning of energy devoted to it, or in the diversion of this energy to other objectives. Remaining from what was often enough an overweening irrational impulse is a rationalized striving for the satisfaction of needs. That is why taxation and other measures can strip the richest of their acquired wealth so easily, and for this reason they do not defend themselves as aggressively as they might. The sublimation of naked interest vanishes, and the perspective becomes increasingly accepted that evaluation of the effect of any measure depends upon the associated class interest, while at the same time influencing its function in the economic process.

This then outlines the meaning in which “scientific politics” is no contradiction in terms, even outside the domain of an elementary scientific foundation of a politics through the specification of the relevant means and provisional aims for a *given* aim. The social ideal remains distanced from scientific judgment, if not the rationalist mode of its justification. But the time is ever closer in which

the social will is sufficiently uniform to establish objectives for every situation using scientific means. Even today there are many areas to which the categories “true” and “false” apply. This is true of currency and credit policy, and also of unemployment as well as of business cycle fluctuations. Ultimately it can never be a mistake to regard as “false” a wage policy that raises the level of wages in such a way that its effects *harm* the living conditions of the worker, or a tax policy that encourages the consumption of capital. In all of these questions, reservations based on principle are much less important than the degree of certainty with which the precise effects of individual measures can be predicted. If only science would advance sufficiently in *this* regard, then such reservations need not be too painful for us.

That is also the sense in which Schmoller expressed value judgments and established aims. For those cases where he did this it was then possible to do so; except that it was then an *art*, whereas at some point it will become a *technique*. This art can be summarized as follows: To specify and defend those measures that, if carried out, would seem to all those involved in the next generation to be natural and indispensable elements of social order. He succeeded in this task in a manner for which there is hardly any parallel. What he really wanted to do was to create a political economy capable of doing that, to work on a technique that demonstrably produced what he had in particular cases intuited.<sup>7</sup>

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<sup>7</sup> But this is no *ex post* justification of his aim and his practice; we need to be able to learn from him, understand that his name represents a living program. Above all, he taught us by his own example the elementary presuppositions of scientific value judgment: First, doing without grand phrasemaking; second, a scorn for general recipes and panaceas; third, the need to base each such value judgment on detailed knowledge of the facts in every individual case; fourth, the need for each actor to share an entirely analogous sense of responsibility and complete understanding of the concrete conditions of political action. At the same time his insatiable hunger for concrete facts taught us how to distil from all the material gathered together the sense of an epoch and a social situation. For this reason he had always promoted a realistic psychology. He taught us how to be able to understand on equal terms all interests and functions at work in any one point in time, as well as that calm balancing of forces that is required for a quantitative understanding of social contrasts. Whatever one thinks of his theory of social classes, he sought to identify the nature of class contradictions in a realistic and undogmatic manner. The nature of his great historical surveys of social institutions is saturated with the necessary character of every single social situation, as it is with historical relativity. Both determinacy and indeterminacy as a matter of principle were equally foreign to him, and he devoted no new arguments to either position. But in his own masterful manner he gave us a feeling for how they related one with the other when it came to establishing a concrete objective. While he was otherwise unsympathetic to philosophical pragmatism, he could have found there the basis for this; for, like it or not, one necessarily travels in the tracks of a deterministic approach whenever one begins to imagine the historical origins and development of any given situation, and disregarding especially whether or not one philosophically intends to do so. The irrationality of actual phenomena alters this as little as any generous recognition of creative forces. To the extent that one clearly recognizes what has to be done, even the strongest conviction of the determinateness of an event,

## II.

And so Schmoller is the godfather of the groups for which Mitchell spoke, groups that are gaining ever more prominence in the life of the social sciences. More than a godfather – he is one of their leaders, partly their prime teacher, as is repeatedly acknowledged by Mitchell. The above provides the perspective from which Schmoller promised us a “more interesting” political economy, and this perspective is the same as that of these groups: They as well as Schmoller look in the same direction. If the concrete situations of economies are to be understood, and relevant things said about their actual problems, then one has to take as the object of understanding exactly that which theoretical socio-economics<sup>XVIII</sup> treats as “given” and takes for granted: The concrete economic circumstances of a people, such as its natural possibilities, its qualities, its global economic connections, its social structure, its production data, the size and distribution of the social product, and its economic and political organization. The collection of facts becomes a fundamental task whose pursuit is the pre-condition for everything else. The second task is to organize and synthesize these facts, a process that can never, like the first task, be definitively completed, for

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whether that conviction be positivist or emanational, cannot alter the fact that as an actor one has to be an indeterminist – or in thinking of acting men and women, or of a social organism. It depends on the definition of science that one adopts whether or not there is any reason to consider this last tendency, in setting its objectives, to have crossed the line set by science. This would not affect the way we think about the issue.

Schmoller focused in this realm of his thought upon the state, in particular, the state of a German monarchical officialdom which lay immediately in front of him and to which he adhered with heart and soul. This is hardly a tangential political position taken by a prominent man that we might note and then set aside. He was emotionally wedded to this idea, determining that which was most dear to him. But there is also the claim of a fact that belongs to the theory of social orientation. He claimed, more in deed than by argument, for he was so wedded to the idea that he barely registered any problem, that the administrative and legislative machine that we call the state was the *subject* of the unitary will whose possibilities we have investigated. This machine is certainly the real *instrument* of this will. In itself the state lacks all will and is only figuratively capable of an act of will; but it can serve the sense of aim we are discussing here – as indeed *any* class interest or indeed *any* aim given to it by those with the power to do so. The development I have indicated forces the important elements of political life to the fore; therefore *directly* compels the leadership of great political parties to take account of them. If this process has gone far enough then we can, to use a forgivable shorthand, talk of the will of the state, and identify this with a general will constructed in much the same way; we can also employ the concept of the common good so long as the conditions for so doing are not forgotten. Of course, Schmoller’s did not simply think this. He considered the will of the state to be a reality of a different kind, even though any kind of state mystique was alien to him. I would not say the same about the concept of justice that played such a major role for him, and which he wrote about *ex professo* in “Die Gerechtigkeit in der Volkswirtschaft” (1881 [published as “The Idea of Justice in Political Economy” (2016) in *Journal of Contextual Economics – Schmollers Jahrbuch*, the editors]). Certainly we cannot find in that essay any substantively demarcated ideal of justice; but even less any mere sociological or socio-psychological theory.

the work of collecting and ordering material has no definite end, as with the evaluation of available material, and the creation of methods for collection and treatment. Once this task has been completed (even if only partially), then several important questions can immediately be resolved. But then there is also the need to analyze the technical context, the actual behavior of groups and individuals, the nature and functioning of social institutions like the state, property, and commercial law. Sociological and economic knowledge of a period is formed by all these analyses, a knowledge that one can seek to weld together into a provisional synthesis.

The real strength of Schmoller is that he enacted all the stages of this program. He made his life its paradigm, emphasizing with his exemplary self-denial the relative nature of what he had achieved. He collected facts (the *Acta Borussica*), collated data (for example, financial statistics), investigated specific areas (for example, the book on cloth), and encouraged the completion of numerous detailed studies in this periodical [the precursor to the *Journal of Contextual Economics*, the editors] and in his own social-scientific research. He conducted, sometimes through bold generalizations, acute and general surveys of the development of institutions, and ways of life (the urban problem, enterprise forms and so forth), and then finally in his *Grundriß* provided a summary mosaic that *could only be* a mosaic, for that was the nature of his approach. Since he is the only person in the history of our science who not only sought to develop such a program, but also consciously saw it through, he is also the only person who not only wrote about how we should conduct detailed studies – after all, beyond its particular content this remains merely semantics – but through his deeds gave us a sense of what this kind of political economy is; and so the sole person in whose work its problems can be studied.

He has become in America the father of so-called “Institutionalism” because his inclinations and circumstances led him to work on historical material, and because this material was of importance in the study of ways of life, ways of thinking and feeling, organizations, etc. – what can be called “social institutions” – and which have become the principal interest of one of the modern tendencies in America. But “Institutionalism” conveys as little about what he sought to do as the label “Historical School,” to say nothing of the unfortunate expression “ethical school,” a designation that conveys nothing of what it seeks to do; for Schmoller had no especial prejudice as regards the sources of social facts. He did not *in principle* favor historical sources over other sources. *In fact*, he primarily worked with historical material because it is hardly possible for anyone to master more than *one* field, its specialized methods and pitfalls. But he did *not* do so *exclusively*, and his students under the leadership of Spiethoff did not even in the main share this feature of his work. If he did himself in principle favor historical material, the historical nature of this material was not its essential feature. If this had been the case, he would have simply been a historian with a particular interest in institutions, and his work would have been

wrongly regarded as merely historical by political economists, and just as erroneously claimed for themselves by historians.<sup>8</sup>

This program has been criticized both for what it seeks and for what would be achieved. Schmoller has been criticized from the standpoint of theory for the kind of things that he in turn criticized theory: That he reduces the work of social science to detailed historical study; that he rejects theoretical work and

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<sup>8</sup> I must state here what will become apparent below: That I now find the presentation of the nature and aims of the so-called “Younger Historical School” in my *Epochen der Dogmen- und Methodengeschichte* to some extent unsatisfactory. And of course more so Salin’s presentation in his *Geschichte der Volkswirtschaftslehre*. The claims that Schmoller made it appear that the “presupposition and initiation of historical work” (working on details) was “its essential nature,” while “disputing in general the meaning of abstract theory,” is contradicted not only by what Schmoller did, but also what he directly wrote. Schmoller’s fondness for “the equivalence of his approach with induction” is epistemologically void – in my opinion barely more so in the formulation made in the *Grundriß* – but this does also permit an interpretation that does justice to what he clearly meant. (Professor Salin does concede that I rephrase his expression that Schmoller had “an original instinct for the contemporaneity of particular arguments” in such a way that an allusion is lost). Like every great mind, Schmoller had a sense of the urgent problems of his time. But I do think that Salin’s view that Schmoller believed that history in each of its victories “has demonstrated the superior right of the defeated party” is more or less the opposite of the truth. Some examples. He did not win out, either formally or superficially, against either Menger or Below, but one cannot deny him the superior “authority” of the position he defended. He won out both “tactically” and “strategically” against Treitschke in a “higher sense.” These three duels symbolize, however, what he wished to do. From Salin’s “personal” standpoint all political economists without exception can be accused of a lack of philosophical talent, since without a lack of philosophical talent in this sense detailed scientific work is impossible, and so this is no particular criticism of Schmoller. In any case, it was to Schmoller’s credit, among other things, that he that he furthered the dissolution of any link between philosophy and political economy (contrary to what he claimed), so that he would have heartily agreed when Salin denied him in his lifetime any “last word.” I think it sufficiently clear that there is no lack of clarity in his objectives, while any “lack of synthetic vision” is only apparent from a special position that has no connection with Schmoller’s kind of synthesis, an approach that sustained the unity of “the piling together of disparate material and values” in the *Grundriß*. Neither the elements of existing knowledge in each case nor their mastery through an individual can be comparable. And although nothing incorrect is stated herein, this line in the painting nevertheless appears false. I am unaware of what Schmoller has “undermined” in the “given substance of state and economy;” but he was certainly a selfless servant of our work, giving both friend and foe their due, insensitive to either praise or blame.

Having dismissed “historical” and “ethical” as ways of describing Schmoller’s approach, I am unsure how one can characterize it simply. Perhaps “exact” or “realistic” – Mitchell inclines to the latter – although Schmoller would have rejected both of them. But these are inappropriate, for every scientific and every theoretical approach is necessarily at once both; furthermore, these terms have misleading implications. As will be shown below, the contrast of realism to theory is also not appropriate, because Schmoller’s approach is also “theoretical.” Perhaps this difficulty indicates that the time for slogans has passed; if it ever existed, something that I do not myself believe. But with these reservations, one can say “realistic” if *one* word is needed.



misunderstands its purpose; that he blurs all boundaries in our field, and every clear concept; that his program provides a thin cover for a lack of ideas; that it becomes an endless project; that it is incapable of leading to more general knowledge, being set on unachievable objectives. But let us for a moment go back to the dispute with Menger, something that we would otherwise gladly forget. Menger did not deny all value to detailed historical study, although he did misunderstand its meaning for Schmoller; instead, he made it auxiliary to the study of some social-scientific problems. We should also note that Schmoller was astonishingly accommodating and fully realized that what he described as “Manchesterism” and “speculation” failed to adequately deal with some theoretical associations. He regarded as justifiable the striving of theory for effective and generally valid causal laws, and accepted its value for specific problems – as he noted, they could lay claim to “one room in a large house.” And of course, in his *Grundriß* he employed both its conceptual apparatus and in many areas its general approach.<sup>9</sup>

In the meantime both Menger’s and Schmoller’s arguments have been supplemented and improved, such that now there is general agreement<sup>XIX</sup> shared by most colleagues. If despite this we want to say something about a living program, still standing despite having been so often “demolished,” then we should do so not as an epistemological or methodological critic, but rather in the spirit of practical scientific work. We proceed on the basis of an almost naive recognition of the sober simplicity of this program, as a program for the future, as should also be said of Mitchell. The epistemologist must simplify and isolate to a large extent in order to identify distinct elements, testing their logical nature, where possible lending a logical coherence, a “method,” to

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<sup>9</sup> In my view that fully excludes the possibility of accusing Schmoller of a failure to understand the approach and thinking of Ricardo, for example. Nor should one assume that Menger’s and Schmoller’s different visions were separated by an unbridgeable gulf and spoke different languages, worked on different levels, were incommensurable and so condemned to eternally talk past each other. Whoever sees the task of the social sciences “as distilling the general and typical from the manifold empirical flow of daily and historical life” (Schmoller in his essay on Schäffle in *Zur Literaturgeschichte der Staats- und Sozialwissenschaften*); or treats the individuality of a people’s fate *solely* from the standpoint of the “complexity of causal relationships;” or sees the increasing “tendency of all the sciences” towards “becoming increasingly deductive with time;” and who for this reason rejects the position taken by Rickert and Gottl because of their exaggeration of the significance of the “individual, particular, unique” in social science (Schmoller in *Grundriß I*) – such a person is not far removed from Ricardo or even the logic of Mill, which from a modern standpoint can be accused of all sorts of things. The epistemology of the article in the *Handwörterbuch* and the *Grundriß* is not beyond reproach, and Schmoller could only respond to epistemological criticism that his epistemology was that of a working practitioner, not of a logical gourmet. All in all, one cannot deny his understanding of the work and aims of social theory; rather, that he overstates his aim. And in this there is a tip for opponents of Schmoller: That he is “unhistorical,” a hypertheoretical “naturalist” and “materialist!” Perhaps that is something we shall still come to experience.

every discipline, hence providing it with a domain of problems for the methodological partisan. There is both a role for this task, and a certain attraction in sublimating philosophically particular scientific matters. Nonetheless, this advances the practice of scientific work just as little as aesthetic study furthers the creation of works of art. And here we are only concerned with scientific practice. In some ways this make matters more complicated, in others simpler. For inseparable from scientific work is the mixing of logically quite disparate, even contradictory elements, while the perspective within which such work is conducted constantly changes. Rather than seeking to create clear disciplinary boundaries we have to accept that one blends into another; that the knowledge of any one time is no planned, unitary entity, but essentially a conglomeration lacking in system. Methodological and substantive work is interwoven quite variously, is of quite different levels, subject to the chance of practical motivation, the inclination and attitude of leading scientists, the methodological opportunity of accumulated studies. Living knowledge grows with the speed of a tropical forest, bears fruit whose juices cannot be contained without loss.<sup>10</sup> I select two issues arising from this developing body of knowledge. First of all, while Schmoller did not think that the meaning and purpose of political economy lay in the collection of facts in detailed monographic studies, he did consider this to be its initial task. How do those sciences that deal with the same or related material – history, ethnology, and statistics, here considering the first of these – to the economy of Schmoller’s program? And how does this relate to the inherited, essentially “theoretical” framework of our discipline? Does it exist autonomously alongside it, or does it form something new, something that is also theoretically new in the way that Schmoller wished?

Historical writing arose genetically<sup>11</sup> out of an interest in the *epos*; Homer is the predecessor of Herodotus, although Homer has also found successors of other kinds. Historical writing has never lost this artistic sheen, something that is obvious if we for example read Ranke; in much the same way that a modern epic cannot dispense with a non-artistic, perhaps we could say scientific, sheen. Knowledge can be regarded, propagated, and even explained artistically, while for example work on a modern novel could make use of a volume of statis-

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<sup>10</sup> Those systematic souls searching for *one* category of objectives, epistemologists for another, sterilize, order, and interpret given real conditions. From their point of view what I am saying here looks like a plea for vagueness. It is also a plea, however, against sharp incisions made through vital nerves. Of course, anyone is free to make the cheap accusation of a lack of understanding of proper logic.

<sup>11</sup> The genesis of a phenomenon does not necessarily indicate its nature. This is an important point to remember in another context: The historical study of the development of a social institution can reveal all sorts of things, and also *lead to* its understanding. But it does not foster this kind of understanding of itself. Neither the historical *prius* nor the logical nor the historically original are necessarily conceptually the simplest. These platitudes cannot be repeated often enough.

tics.<sup>12</sup> But three things have made historical writing something different to what it once was originally.

First, the development of techniques of assembling, criticizing, and dealing with material. This transformed it into a science in the simple sense that one has to be a “scholar” to pursue it, that one has to master procedures that are not readily available.

Second, alien interests were party to historical material and became involved for special reasons. Specialized disciplines emerged, such as the histories of law, religion or science, where any romantic interest gave way to varied cognitive aims,<sup>13</sup> so that here a “scientific” character arose even more in a narrower sense. But it turned out that the motive of this special interest was alien to the historian as such, given that it was rooted in a different field, and that even if he made these motives his own, he was often not materially in a position to do the desired work required, since for example with a history of mathematics one needed a mathematical training much more than any historical skill. For both reasons this (historical) work had to be done by persons who were not historians. Historians have in the meantime become involved, although how much they can and will do is an open question; so that there are now groups of problems that are dealt with both by historians and by lawyers. They also are coming to terms with the actual secession from these special disciplines, as a rule they complain of outsiders whose mastery of historical working methods is inadequate,<sup>14</sup> while lawyers tend to complain that purely historical work is “not legally competent,”<sup>XX</sup> something that for a lawyer has a dreadful ring.

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<sup>12</sup> For example, the sociology of an occupational group can be read out of Degas’s images of ballerinas; while there is useful scientific information underpinning the novel *Buddenbrooks*.

<sup>13</sup> In this way hybrid disciplines emerge whose nature is further complicated by, for example, the way that “law” as a real object can be treated from quite various perspectives. A lawyer can be interested in the law for practical purposes; a legal theorist is concerned with its inherent logic, a kind of legal algebra; a sociologist of law is interested in the nature and social function of the law; a legal philosopher seeks to “identify meaning” from perspectives detached from experience. In each of these distinct, although practically related, fields legal history plays a role; but a different role in each of them.

<sup>14</sup> Unavoidably Schmoller was the butt of his full share of this grumbling. In the interests of precision one must be clear about the place of Schmoller in the history and the present of our science, what that means, and what distinguishes that from similar accusations of being “only a historian.” In fact Schmoller was no technical historian; he was not a historian in the same sense that a mathematical physicist is not a mathematician. This is an instructive analogy, for very many excellent mathematicians look down on mathematical physicists with contempt, as if mathematical physics were a dilettantist abuse of mathematics. Many years ago, I went to a presentation on the theory of functions, where one participant who did in fact fail completely was destroyed by the professor with the laconic observation “Be a shoemaker – or a physicist!” Many have suffered this kind of judgment. When Helmholtz’s well-known treatise *Über die Erhaltung der*

Third, historians themselves developed an increasing interest in *circumstances* rather than *events*,<sup>XXI</sup> and that was only partially motivated externally; and there was also an increasing tendency to deal with the event more deeply than was necessary for a narrative account. Besides specific historical problems,<sup>XXII</sup> that is technical questions like the determination whether documents are genuine, plus questions of how “correct” historical narrative is, also questions such as what to think about Roman imperial history, arise in ever more varied forms, as for example the issue of the development of towns, or social structure and the causes of its change. This calls for a shift of perspective and a reform of our working methods. A narrative account is also analytical. However, in the study of social circumstances and their changes, in the “explanation” of historical events, analysis plays a different and far greater role than in a narrative account. A conceptual apparatus emerges and has to be developed and elaborated. Similarities between the object of investigation and others gain in importance; connections are dealt with in such a way that they have a “more general” application, not limited to the individual case. Specialization by period is joined by specialization according to material – a further move towards “scientification.”<sup>XXIII</sup> This too ends up with an alien specialist. For it is only in this way that the historian can successively master such tasks, if the contexts involved are either very simple, or if their difficulty has to do with the manipulation of material, hence calling for no external specialized assistance. Otherwise the historian has to draw upon specialized knowledge, and so its conceptual apparatus and approach, from the field in question; thus the economic historian has to draw upon socio-economics, or he does not do his job properly. His situation is similar to that of the lawyer who also talks about all divine and temporal matters; and if in so doing he forgets that he is here just a lay person, then he produces ideas that no candidate being examined in that particular field would be allowed to get away with.

Although the historian retains the task of being the conservator of materials and their treatment, the process of “scientification” in historical writing tends

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*Kraft* (1847) was published it was often summarily dismissed by mathematicians because, among other reasons, in it the square of a number was treated as the sum of ordinal numbers. What is interesting here is that: (1) the extent of the achievement (whose priority was, however, recognized by Mayer) could be *completely* ignored; but that (2) the objection was entirely right. Such critics are nearly always right, although their criticism is often irrelevant. And they do perform a function, for it is only through them that those who possess a weapon they have themselves made must be constantly checked in their use of it, in the absence of which the level would sink, to the disadvantage of everyone – although those who protect a form of thought or a mass of material always see themselves as holding the balance between life or death. Of course, the probable faults in Schmoller’s historical technique *should be* condemned vigorously. But that is all. To hold that against his general achievement is as reasonable as saying: In 1847 Helmholtz wrote something that contained a logical mistake. That would be *wrong*, although it is true – and a *mathematician* who wrote that in 1847 would be beyond forgiveness, no doubt of that at all.

to draw both material and results from social-scientific disciplines, and economic history from political economy. There are no logical barriers to this. Not in the *mode of procedure*:<sup>XXIV</sup> The economic historian who wishes to understand and make himself understandable cannot logically proceed in any way other than the political economist; or the latter cannot deal with a historical fact in any significant way differently from the historian. Both of them see connections, they formulate, consider, explain; although what a distinct phenomenon might be, which connection might need explaining, what is given and reliable, how formulations turn out, in what sense something is more understandable after work has been done on it – these all depend upon the standpoint and aim of the observer, something that even within the same discipline is constantly changing.

Not in the direction of *interest*: Even interest in the epic was not exclusively linked to the particular, the individual, the unique. Something that was truly unique would be unintelligible, and if lacking any connection to the observer, uninteresting. Ever more “general human interest” plays a certain role, giving analysis the leverage without which it is not even a simple narrative. These elements become increasingly prominent with the scientification of history and interest in it. The historian who conducts economic history can only retain the former interest in the epic so long as he applies specifically historical procedures. He has to adopt the intellectual apparatus<sup>XXV</sup> of the political economist as well as his orientation. The uniqueness of the individual phenomenon cannot have any other meaning for him than it does for the political economist, specifically in these three ways: First, as a meaningful factor in a particular situation; second, as a case to which own specialized knowledge can be applied; and third, as a potential source of new knowledge about the economy. And this last point, because the investigation of the specificity of a phenomenon can reveal new things, or that which has hitherto been neglected; or simply because it prompts a new idea in the observer. The clear distinction of the concrete from the abstract in our field is only slightly more unfortunate than the (logically flawed) contrast between induction and deduction. If one takes “concrete” to mean “unanalyzed,” then neither in historical writing nor in political economy is there anything concrete. If the contrast of concrete to abstract is allowed to coincide with that between individual and general, then interest in the significance of the concretely meaningful and in the generally true diverge conceptually, although coming together in practical work. For in our field more or less applicable “general” knowledge functions initially to register masses of events whose individual elements – for example, acts of exchange – do not have concrete meaning. This property is possessed only by masses of individual cases – for example, acts of barter<sup>XXVI</sup> as opposed to exchange within a modern economy – and only then do they have general meaning. Apart from this, our “general” knowledge serves only to render intelligible concrete meaning in another sense, for which the economic situation of a people in a particular year is an

example, while the totality of the concretely meaningful that can be analytically mastered constitutes economic knowledge. Concrete and abstract are only degrees of difference in the asymptotic approach of an example to the individual elements of particular cases; this is the sole practical meaning of this contrast. For example, a theory of distribution implied by the statement that the share of a factor of production in the social product is given by its marginal productivity is concrete, as in the case of Ricardo's theory of distribution, on the grounds that it introduces external definitions to Ricardo's theory; but it is naturally abstract when compared with the account given by Sombart, which in principle permits the introduction of endless concrete cases. There is no logical misstep in all of this.

That is just the consequence of two facts: That any historical understanding – understanding of the historical – is, as Simmel has noted, possible only extra-historically; and what is “extra-historical,”<sup>XXVII</sup> to the extent that it goes beyond what is known to an educated lay person, is necessarily in our case a matter of specialized knowledge possessed by political economists, who increasingly take responsibility for general economic history and its problems, and the “heteronomy” of the economy alters this as little as the incommensurability of cultures.<sup>15</sup> And also of the fact that the world of economic phenomena, however as “rationally inexhaustible” as the individual phenomenon may

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<sup>15</sup> There is a very healthy kernel to this slogan: First of all, recognition of the “value incommensurability” of cultures – if such a concept is permitted – and the basic incomparable uniqueness of each and every one; a recognition that does away with the very primitive conception that the values of today's bourgeois set the standard for all times and places. Hence caution is warranted with historical judgments made about distant cultures using the conditions of our own. But rational incommensurability – rationally, even the irrational can be understood; I do not mean here the rationality of the object, but that of the observer – would mean *scientific* unintelligibility of one culture by the people of all others. Not, however, absolute impenetrability; for we still have supra-scientific, mystical ways of understanding. Here I can make three remarks. First of all, such recognition has to legitimize itself; here I require, unlike in earlier times, neither wonders in the recognizing person, nor powers of persuasion that work like thunderbolts; but instead something negative, that the suspicion cannot be suppressed, that the observer seeks refuge in his internal evidence from the unfulfillable demands of scientific procedure. Second, once our slogan is established as such it is abused irresponsibly, and a difference of ultimate meanings is sought where a material problem requires a material solution. Internal evidence is a comfortable place: How nice to be able to tell oneself and others that every objection to any given vision simply proves the inferiority of the person raising those objections! Third, and of decisive importance to the modest aims of these remarks, is that nobody in our field takes the problem of incommensurability seriously, although almost all are disproportionately wary of the slogan, often enough out of timidity in the face of the tactically difficult position into which one otherwise falls.

Discussion here does not ignore the fact that intellectual workers can have a special interest in theorems in the same way that those who work materials have a special interest in these. These “craft interests” are something different from supposedly logically disparate cognitive interests, whose oft-claimed fundamental discrepancy was addressed in the text.

be, is in another strict sense exhaustible, since everything that appears individually meaningful from any practical standpoint; single or repeated events; circumstances, entities, and processes – whether these entities are of the type “London” or of “city,” the process of the type “peasant expropriation” or the “emergence of the ten largest landed estates in Bohemia” – all of this is in practice limited, so that “complete” registration is in principle achievable.

Schmoller’s program is based upon this, as is the possibility of the characteristic objective outlined at the beginning of this section. It takes account of these facts, opens up this historical developmental tendency to the present and adapts its possibilities to its mode of working. It creates special fields oriented to groupings of material and problems, but it erases and shifts many old boundaries, so that from the standpoint of each of the old social-scientific disciplines, including political economy, it appears “boundless” – an absence of logically circumscribed domains – although this is part of its nature, opening the prospect of a universal social science. This prospect, however, distorts questions about the connection of this program to social, especially economic, theory.

### III.

“Theory” is not understood here as the opposite of “practice.” Nor in the sense of a “working hypothesis,” a scientifically-based presumption, or scientifically unfounded speculation, and Schmoller often used the word in this sense. Nor, finally, as synonymous with “doctrine” or even simply “line of thought,” or “explication.”<sup>XXVIII</sup> Here three meanings are relevant. First, a theory is a view of a causal relationship or the explanation of a phenomenon, whether individual (the fall of the dollar exchange rate at the beginning of the war), or general (the construction of cities). The total stock of such theories can simply be referred to as “theory.” This is the sense in which Mitchell uses the word. Second, theory means the results of our intellectual work through which we shape our object of knowledge and approach. Theory is not so much the revelation of interesting results, but rather the creation of means to gain such results. It creates points of view, indications of how to solve problems. The theory of value and price often claims to be something different, but this is its principal significance. This kind of work calls for people of a particular mentality, one that was not Schmoller’s. If he liked and valued it little, he was just interested in other things; while it seemed to him an idle game, he never rejected it wholesale not sought any fundamental reform. Even studies that are relevant here and that are far closer to Schmoller’s interests, such as the book by Paul Sander, did not arouse his interest. He shared this attitude with all “realists,” including Mitchell. I would like to remark that here I see the cause of this that everything did not go the way that it might have, and many objections are justified that would otherwise not be. But third, “theory” can be translated with general poli-

tical economy.<sup>XXIX</sup> Since this doctrinal system covering our “general economic knowledge” does not only include price theory and all related elements, but is in fact based upon it; the fact is often overlooked that these elements appear here in a rather different light and with a rather different claim than they do in theory as in our second definition – as the nomographically ascertainable core of the phenomenal economic world,<sup>XXX</sup> as contrasted to its changing individual forms, as the substance of the science of the economy whose problems it solves while taking greater or lesser account of the individual case. And it does so through the application of intellectual labor to a small number of generally-occurring circumstances of daily life. This system does not exclude historical, ethnological and statistical material. It has long included historical illustrations, reports of contemporary circumstances and chapters on material that can only be approached “realistically,” such as population and social organization. Since the *Methodenstreit* bore fruit that has happened increasingly frequently. Now an introduction to economic history is usual, and there is a general effort to find a *modus vivendi* with what, from this point of view, are disparate ideas, facts, and procedures. But a deeper connection between them is missing; the form a conglomerate that looks more like a popularization than anything else. At root this corresponds to, let us say, the nomothetic/idiographic distinction; and from this it is only a short step to the idea that the material that both Schmoller and Mitchell seek to use is confronted with an independent doctrinal system as its domain of application. That is something that Schmoller resisted, and about which his program has some things to say.

*Historical* theory can mean a theory of history – this itself means four things: The totality of connections existing between historical facts; the application of the conceptual apparatus and approaches used by historical writing; the attempt to identify the motive forces of historical development, something condemned as a rule by historians and by sociologists; and finally how one should use historical materials, in much the same way that the theory of statistics is understood to include the discussion of statistical methods – or theory that is *derived from* history. As with Roscher, that can be merely the use of history to illustrate theory, or theory applied to historical circumstances, as in Smith’s discussion of the mercantile system. Or a theory that studies the historically various relative significance of the disparate perspectives presented by a “general theory,” as with List’s presentation of the systems of international trade.

Or historical theory can mean a theory in which historical development provides facts for the clarification of a problem – as with Wieser’s theory of the value of money and the linkage to historical material value. Distinct from this is a causal and interpretive theory of the genesis of a social type or of a social institution that does not directly present its “nature,” not necessarily its purest form; but which does render our understanding more precise and makes it easier to see the essential features – such as Schmoller’s theory of enterprise forms.



Or a theory that explains the course of an economic development differentially, according to differing historical circumstances – for example, Marx's and Rodbertus's theories of distribution, much like that of Adam Smith in this sense is also "historical."

Finally, theory that develops *out of* and *through* historical material by sudden insight or by generalization, and which is "valid" beyond the material from which it has developed, at least supposing that it can be disproved by new facts or insights; this is by far the most interesting case – any theory of the social classes can serve as an example. Only herein does a detailed, realistic examination serve as a path to general social-scientific knowledge. Only this approach involves fundamental questions, whereas in all other cases all theory is (scientifically) "realistic."

Given the argument presented above in the first section, the interest of Schmoller and his realistic successors was and is in understanding individual situations, such as the German economy at the turn of the century, or America's monetary situation today. This affinity for the concrete implying no particularity alters our own doctrinal structure. New problems arise, new perspectives appear, new sub-fields are formed. If for example the run of supply and demand curves can be numerically determined, this not only means that existing theory is lent substance, but new aspects of both industry and consumers are revealed that could be of use to other theoretical principles. It is often the case that in practice material prescribes our theories and concepts: The scope of our concept of money, and so to a certain degree its nature, depends to an extent on the nature of statistical material that we possess. If one has reliable income statistics one can assume the concept of the unit of income,<sup>xxxI</sup> making possible a broader concept of money, such that the concept of velocity of circulation is limited to the number of times one income becomes that of another. If in contrast one wishes, or must, only use data on the movement of a monetary stock of gold and issuing bank balances, then one arrives at a concept of money that includes, besides notes and coins, only bills and the sum of private assets held by central banks, and so a concept of velocity of circulation that is equivalent to "changing hands." A theory that has been substantively augmented and made more concrete will look different to a theory that has been developed without regard to this possibility. Mitchell is in principle right here. Another aspect is properly shown up if one recalls what has been said above about the proper exploitation of our real object. What actually interests us is not a mass of unmasterable details, but material whose nature can be studied and represented; and so our work is directed increasingly towards the creation of a theoretical structure fostering an understanding of individual elements. Hence, to keep with our example, a theory of money that not only deals with the nature of money in itself, but also those factors that determine its purchasing power, and the social and economic consequences of all observable changes in such purchasing power. Such an imperative corresponds for example with the idea

and intention of Irving Fisher's work. This is not something that has been completely ignored by theorists; but since they have followed it only in a hasty and fragmentary manner, the revolution brought about by Schmoller's program is on a smaller scale than it otherwise would be. Mitchell – much like his progenitor – is wrong on only two points. First, in underestimating the significance of working through of the given theoretical apparatus in the second sense above.<sup>16</sup> And second, in the frequently uncritical, never adequately understood manner in which the verification or rejection of theoretical statements and perspectives is effected. This would make the task of the theoretical opponent of the program much easier, while making any success for it more difficult.

What is more: Economic teaching includes statements on social institutions such as property, law of inheritance, family, the firm, wage relations, etc. – even the “purest” theory works with such terms. That these are to some extent purely economic, to some extent only partly economic,<sup>xxxii</sup> cannot be denied. Nor can their theoretical character of statements be denied; they are not conglomerations of unfinished blocks of facts, not merely quantitative or qualitative specifications that are “employed” by the principles of general political economy<sup>xxxiii</sup> as true theory, as the armory of theoretical knowledge from which the means for studying special cases can be drawn. Since they are also inaccessible from the theoretical standpoint of the problem set value, price, and money they have played a special part in the general development of economic sociology as a field of theory and as a means of studying and collecting material, whose knowledge is “data” for pure socio-economics.<sup>xxxiv</sup> Good. That may be quite

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<sup>16</sup> Mitchell introduces as examples of topics and fields for which “qualitative theory, in which we are commonly grounded” offers next to no assistance:

1. Public finance. This has at least two parts for which theory alone is insufficient, but where theory is needed: In dealing with shifting the burden of taxation nothing can be done without introducing some aspects of general price theory; while financial policy cannot be connected to currency without some use of a viable monetary theory.
2. Banking. Can anything reasonable be said about a single question in this problem set without involving theories of money and of credit?
3. Accounting and 4. Insurance. It is true that the theories employed in these two fields have not been properly evaluated by what Mitchell calls general theory. This is a deficiency. But progress will have to be made beyond these tasks, and not in their terms.
5. Transport. Can Mitchell discuss this without a theory of related prices, quasi-rents, monopoly, discrimination? He would have to prove as much to me.
6. Economic history. For the sake of brevity, can I mention Sombart, who certainly has no prejudice against the kind of theory meant here.
7. “Marketing.” If I understand correctly, the problem of how one sells goods. Yes, I admit he is correct here.
8. Economic fluctuations. Can this be treated without a theory of the price level, without Say's theorem, without a dozen other old instruments from the theoretical armory? Yes, it can be done, but then the result is, to be precise, *non liquet* – inconclusive.
9. Labor problems. The question of wages seems to belong to this, or that of the maximum working day, or the impact of state welfare spending. How can this be dealt with in the absence of price theory?

in order if nothing more than the setting of boundaries to a closed system of thought is wanted; and if one neither ignores that pure socio-economics is not the sum even of general economic insights, nor that as a result no obstacle is thereby placed in the way of the economic specialist's need to work in this field. From this point of view Schmoller's life work would for the most part consist of the creation and development of an economic sociology of this kind, Max Weber and Werner Sombart being likewise primarily regarded as economic sociologists. The meaning of Schmoller's program would thus be primarily something other than political economy; the reform of economic work for which he strived and partly effected would be the beating back of mere political economy, partly replacing it with the viewpoints of economic sociology. There is something in this; in particular, that whenever he talked of problem set value, price, and money, that is of Ricardo's<sup>17</sup> problem set,<sup>xxxv</sup> he found nothing in the conceptual apparatus nor in its procedure of this theory to which he could in principle object, but instead accepted both. In these questions he adopted a position within theory, something which is also true of Sombart, Spiethoff, and Max Weber, whatever their own interests and personality, and whatever separates them from Schmoller and from each other.

One might also wish to separate political economy in the usual narrow sense from economic sociology – more exactly, between a theory of the economic process and one of economic institutions. But one cannot overestimate the value and tenability of the dividing line.<sup>18</sup> For example, in the nature of property in the means of production, something that is infinitely diverse, given that private property itself can mean very different things. Fafner sleeping upon his treasure [in Wagner's "Ring," the editors] is not the same form of private property as property as a means of domination;<sup>xxxvi</sup> which itself involves so many different types, such as early medieval landed property, majority shareholding, or control of a parliamentary group. And it is distinct from private property as used by an entrepreneur, and yet again from living off the yield of private prop-

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<sup>17</sup> It could happen in no other science that one writer from a hundred years ago could be repeatedly cited as a typical representative of a body of work that has entirely demolished his work. And yet that happens again and again both from "theoretical" and "historical" protagonists. Marshall, whose theoretical foundations are far more in Cournot and Walras than in Ricardo, never loses an opportunity to twist the dagger. Amonn, who lacks the national allegiance that one can suppose in Marshall, suggests that theoretical economics is entirely founded upon Ricardo. For Schmoller who, as we know, lectured on the theory of marginal utility, it was clearly decisive that as a socio-economist [Sozialökonom, the editors] Ricardo enjoyed unrivalled success as a theorist and with his stance on economic policy, excepting perhaps only Marx. If this were no more than a value statement it would be a matter of indifference, a personal matter. But there are justifiable objections to Ricardo that do not apply to modern "theory," so that this identification of Ricardo with "theory" brings an irritating lack of clarity to discussion.

<sup>18</sup> I believe that the position taken in the text coincides fully with that taken by Sombart.

erty. None of this can be explained on the basis of any “Ricardian” series,<sup>XXXVII</sup> but there again cannot be explained without drawing upon them, for *one* essential element in the accumulation of property as entrepreneurial profit comes from this source through a viable theory. The modern configuration of private property is based in part on this phenomenon, and this phenomenon arises in the process of price formation. The economic sociologist who overlooks that more or less necessarily misses the point here.<sup>19</sup> The organization that every period gives to this institution is an important factor not only in the concrete outcome that the economic process has for classes, groups, and individuals, but for the economic process itself. If there are standpoints that can be so generally held that they fit all previous known forms of rule over the means of production – then the first few pages of Sombart give some examples that could be extended and elaborated in such a way that they would be much more than terminological declarations. His claims regarding the “interconnectedness with economic systems” of the “Ricardian formulas”<sup>XXXVIII</sup> would then be cut down to size. The brief chapter on property usually found in today’s textbook misleads beyond the fact that, in resolving the problems we are concerned with, such perceptions are oriented not only to its starting point, but also continuously towards these things. And since there can with social institutions be no doubt that their *essence* changes historically,<sup>20</sup> that each theory makes sense only with respect to the lifestyle of an era, this element of “historical conditionality”<sup>XXXIX</sup> enters into the principles of pure economic theory, even where its own general foundations are not so conditioned. This “data theory”<sup>XLI</sup> is not therefore some architectural addition to an old building that leaves everything as it once was. By the fact that Schmoller raised it to legitimacy, he not only opened up “interesting” new fields in exactly the way that he wished, nor did he simply foster understanding of individual situations, but instead changed this intellectual framework.<sup>XLI</sup>

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<sup>19</sup> To understand this source of private property, for example, it is important to grasp why it is that the competitive economy will repeatedly both create it and then nullify it. This is a complex and “purely theoretical” issue that is an unavoidable task of economic sociology. As long as such questions are as controversial as they are now, impatience with theoretical formulations makes no sense.

<sup>20</sup> And to a greater degree than the ideologies would allow, especially about legal theories, which are all extraordinarily constant. In particular, but not exclusively, the ideas of modern legal theories are based upon valid law; but I am not referring here to the ideas of people living under the rule of such laws, but rather the ideas of practicing, probably codifying, lawyers. But such legal theories are misleading because they absolutely refuse to differentiate legal principles and “official theory” according to social and economic strata, and contemporary lifestyles, mentalities, and *worlds* – something that would in medieval times have been incomprehensible in several ways, and might well become so again in the future. They want to apply the same grid to everything: They treat the marriage of a peasant as the same thing as that of an industrial worker, a marriage whose sociological and economic *substance* is “essentially” different.

By “theory of application”<sup>XLII</sup> is meant here the explanation of an individual – or, in a different perspective, often collective – phenomenon that for scientific or practical reasons stands in need of explanation on account of what we know and how we gain this knowledge. The substance of such a theory of application is a judgment on causation. From the perspective of any given intellectual framework, the more important of such judgments are gradually absorbed into the framework and so can add to an arsenal of answers to concrete questions. In this way everything that appears to be of interest in the world of economic phenomena belongs in this framework. Hence for example the economic consequences of Charlemagne’s *villae*, the effects of the rate of interest in 17<sup>th</sup> century Holland, or the determinants of the wage level in today’s New Zealand – all of these together with the most far-reaching generalizations and a corresponding theoretical apparatus. Schmoller’s program created the basic possibility for realistic, detailed study of this kind, and we are vigorously pursuing its possibilities. No proof is needed that this is something different to the political economy of yore,<sup>XLIII</sup> even though it involves no renewal of methodological principles. Nor does this involve a *practical* synthesis of the “abstract” and the “concrete,” at least not in an epistemological sense. Nor, finally, does this represent a guiding light for our efforts. Two examples can, however, highlight how “theory” and “realistic detailed study” work together in each task, and what we might think of the opposing viewpoints – on the one hand, that theory is superfluous, and on the other, that detailed study only produces the material that merely prompts questions.

The trade balance of the Austro-Hungarian monarchy was from 1907 to 1914 in deficit, significantly and increasingly. This is the kind of case that Mitchell wants political economists to study. It does offer a great deal of material for detailed study. But its most obvious point of attack marks a wrong turn. The most obvious thing would be to examine the individual entries on both sides of the trade balance, and so study the economic relationships of domestic and foreign trade, establishing what raised imports and reduced exports. Establishing the existence of a trade deficit in this way, an explanation could then be found in popular economic reasoning<sup>XLIV</sup> by pointing to an increased need for food and the role that the tumult in the Balkans had in limiting exports. This line of thinking is basically flawed, and the initial service that economic theory in its strictest sense could do, and which “realists” like Mitchell ignore at their own peril, is to show that the theoretically-trained political economist would not proceed like this at all.<sup>21</sup> Instead, such a political economist knows that “it

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<sup>21</sup> This example also illustrates Veblen’s statement (Thorstein Veblen. 1925. “Economic Theory in the Calculable Future.” *American Economic Review* 15: 51) that today’s generation of political economists approached detailed work “confidently” and without significant assistance from “general principles” whether these were “common sense,” mathematical in nature, or derived from general information. They certainly do so. The result is a squandering of energy. It is only surprising that he included mathe-

is not initially known what quantities of every single type of good have to be purchased from abroad, and sold there;” that this “mosaic of detail in the total picture of the balance of trade” is not fixed, but that other factors bring about the situation that “the data on exports and imports for individual types of good will finally fit the sums that the bidding of the balance of payments data requires: The balance of payments commands, the balance of trade obeys.”<sup>22</sup> Böhm-Bawerk further shows in his excellent study “Unsere passive Handelsbilanz” that any deficit which lasts for more than a few years can be explained either by the import of foreign capital and invisible exports, or by progressive foreign indebtedness. Only “realist” detailed study can tell which if these situations exist; and if a process of growing debt exists, whether this is created by the need for capital in a land undergoing industrialization, or the creation of debt by consumers or by the state – the latter was the case with Austria. Such an approach will also reveal the extent of the process and its consequences; and not the individual outcome, which goes without saying, but also the relative significance of what general theory conditionally calls “tendencies,” and thereby leads to new ones.

The movement of real wages from 1896 to 1914 will also have its place in this intellectual framework of the future, and with it an answer to the question (that is to be answered in the negative) whether the fall of these real wages in England was caused by the parallel increase of the production of gold, a question studied by Pigou.<sup>23</sup> From the descriptive point of view, the questions can be answered in the affirmative at first glance, as it can also from the theoretical point of view. I do not here need to recapitulate the *prima vista* theoretical argument about the way real wages lag monetary changes. Description confirms a positive answer, given the existence of a correlation between rising real wages and a falling price level from 1870 to 1895. But from 1850 to 1870 the reverse was true, while for the time from Napoleonic wars to 1850 the matter is unclear. In fact, the existence of a positive correlation is as little proof as would be that of a negative correlation, nor would the lack of a correlation be a full proof *against* any causal connection, since the first case can be a coincidence and the latter explained by the disturbance caused by other factors. Nevertheless, this is neither the end of the matter for “realist” analysis, nor has “theory” here its final say with the abovementioned explanation. Both have to study the problem more closely. For theory the question arises of how an increase in the production of gold influences the social product, which is the most important

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matics. Why not replace this with “commons sense” as well? Veblen’s *Theory of the Leisure Class* provides sufficient proof first that while he cannot free himself of theory, and second that he needs more of it.

<sup>22</sup> Eugen von Böhm-Bawerk. 1924. “Unsere passive Handelsbilanz.” In *Gesammelte Schriften*. Vol. 1, 499–515. Vienna: Hölder-Pichler-Tempsky.

<sup>23</sup> Arthur Cecil Pigou. 1923. “Prices and Wages from 1896–1914.” *Economic Journal* 33: 163–71.

determinant of the absolute level of real wages. Or is that a task for the “realist?” For the description the question arises of that path taken by the new gold, and which prices it initially affects – nominal wages, material means of production, or consumer goods. Or is that a “theoretical” question? And what is the character of the knowledge that leads us to examine the shaping of the relationship between labor supply and the supply of capital in the relevant periods? I do not know. Unless one insists on treating any reflection as principally anti-descriptive theory,<sup>XLV</sup> and any consideration of facts as principally antitheoretical description,<sup>XLVI</sup> then I believe one has to admit that both “methods” indiscriminately merge into one another – something that I wanted to demonstrate with this example.

None of these cases – regarding “concrete,” “data,” and “applied theories” – involve mere autonomous nomographic specification in order to approximate more clearly the individual case, but instead enrich and change the system and approach. Nor does this involve the replacement of an unusable or superfluous conceptual apparatus as a result of detailed study. Instead, there is obviously a constant reciprocal movement between the two, however we might characterize this epistemologically.<sup>24</sup> This itself already is a reason why Schmoller’s program yields a new doctrinal system in a much more important sense than simply supplying material. But the reasons for this do not stop at the point at which both Schmoller and other “realists” were quite content.

The theory of crises and of the business cycle, for example, is concerned with a phenomenon that is historical, only appearing in one particular “economic style,” that of developed capitalism – this is true for its essence and not merely, as is the case of the rent, dependent on a specific form.<sup>XLVII</sup> It is also historical in the sense that it can only be studied through “realistic detailed work,” for neither everyday experience, nor any inner logic of the economic system, nor the fundamental facts of economic behavior can identify the full extent of the phenomenon, even less directly convey an understanding of this phenomenon.<sup>25</sup> All the same, the theory of business cycles – in its most elaborated form of a general causal explanation – cannot easily be subsumed under one of the three categories just distinguished. And a theory that does not form the core of an existing doctrinal system, as for example the theory of population, but emanates therefrom, cannot be an accidental part of capitalist development; the same is true for a phenomenon like the trusts that is to be explained but whose essence is inherent to and perhaps even constitutive for capitalism. It

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<sup>24</sup> One defect of this formulation is that it leaves no place for the important element of scientific “inspiration.” But this should not affect the specifically epistemological problem of the nature of the reciprocal movement in which this element emerges.

<sup>25</sup> Many theorists of crises, for example Marx, present their views as if they were directly derived from “fundamentals.” That is not only a presentational mistake – *lues Newtoniana* – nor a mere desire to smooth out a doctrinal system; the success of any such derivation would no doubt be a significant result. But that is not what I mean here.

is therefore an *essential* part of the capitalist machine whose *principal* understanding can only be achieved through detailed study.

That mere description of business cycles does not lead very far alters nothing. It is true that all attempts to do without axiomatic “theory,”<sup>XLVIII</sup> seeking to build a theoretical “explanation” of crises merely from “facts,” have not succeeded – not excluding here the work of Mitchell, the best of such approaches. The results of those who have had some success in this direction – in particular Spiethoff – read like rigorously “theoretical” works. In fact, if one did not know that Spiethoff thought his procedure to be “historical,” in a specific sense, one would not have guessed it from his theory of crises. That is not because there is a nomothetic system of truths from which certain phenomena, including crises, can be explained – hence theory in the third of our above senses – for that would represent the core objection of the theorist to the claims of detailed study. It is simply because economic fluctuations are sufficiently complex and demand a particular approach – theory in our second meaning. This is of no great interest, and does not involve anything that is radically different from detailed study as a path to economic knowledge. All historical understanding is trans-historical<sup>XLIX</sup> in the sense that it requires the assistance of conceptual means which can perfect the material to be examined but which cannot exclusively arise from itself. Thus all description involves theory in this sense, the popular theory of “common sense.” There can be no transition to other principles if approaches are used that are nothing more than logic adapted to our aims, refinements of our conceptual means, developed, honed, polished common sense – the same goes for any method of mathematical statistics. These approaches are themselves not historical, and work on them is not itself detailed study. And unfortunately they have been rejected by some modern Americans – a quite superfluous step back. Schmoller never did that.<sup>26</sup> Faced

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<sup>26</sup> Schmoller had to fight for the moral space to conduct detailed study and had no interest at all in refining conceptual tools. For these two reasons there is no clear contrast between his own working methods and that of theory in the above sense; although there is a contrast between theorists and himself. Not only has any trace of this contrast vanished from Spiethoff, he pursues without any distinction the collection of facts and theoretical analysis as part of the same line of thought. Since these matters have surfaced in his hands, practically for the first time, appearing to overcome this contrast of investigative mentalities, his approach best exemplifies the reciprocal movement which the text aims at: For him, the collection of facts is inspired by extra-historical insights, principles, and suppositions. But these are then guided and directed by the collection of facts, and so on. And just as the unfortunate, and philosophically hypostasized, apparent contradiction between “the study of theory and of facts” is overcome, not only does the fundamental unity of social-scientific work become apparent, but also the fundamental unity of our practice with that of the natural sciences, whatever differences there may be in epistemological *interpretation*. Spiethoff can lay claim to be just as much “realist” as “theorist.” This is evident in every detail of Spiethoff’s thinking. For example: When in 1877 news spread of the success of Cailletet and Pictet’s experiments on condensation there was initially doubt about it. Although the scientific world was entirely convinced



with the collections of the Cameralists he even found the emergence of the Physiocrats to be “salvation.”<sup>27</sup>

The theory of distribution is even closer to the artery of theory (in its third sense), whose historical character – in all of the different meanings we have identified apart from the last – is recognized by everyone, and this dates back at least to Mill. But in regard to the last meaning – the need for “realistic detailed study” for knowledge of distributional processes – this is more or less universally denied. The rate of interest on capital can serve as an example. The approach offered by theory (in its second meaning) to solve the problems of distribution can be summed up in the words: The formation of prices, and probably values, for means of production. All theorists without exception proceed on the basis – even those who dispute it – that the income whose source is to be explained represents the prices of quantities of means of production. In the previous example I emphasized that this approach is quite indispensable for this problem set down to the finest detail, leaving aside the most simple. But it is insufficient for the problem that we are now faced with, the source of interest on capital. For even the best presentation of the problem, for which we have to thank Böhm-Bawerk, consists in the proof that the logic of value and price excludes the possibility of its existence, so that any “theorist of the rate of interest” has to proceed empirically, looking for special circumstances that might provide an explanation. There is no explanation of the existence of interest in the third meaning of theory without the assistance of *ad hoc* facts; only that, since interest is something we come across in our daily lives, there is the possibility of finding these facts in detailed study directed to this end. But first that would be, where the situation was sufficiently simple, like doing without any particular theoretical instrument (in the second meaning of theory). Second, while that is possible, it is not certain, so one can hardly deny the possibility

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that condensation of the five gases then known “must” be possible at the necessary temperature and under the necessary pressure, although it had not yet been achieved – all experimenters are also speculators – so many specialists engaged with this problem had attempted this at far higher pressure and lower temperature, without success, that nobody grasped how Cailletet and Pictet could have done it. The solution was simply that these two had used far higher pressure and a lower temperature *simultaneously*. Hence something that was quite obvious, and for anyone who had learned in middle school about the concept of “critical temperature.” But before this was accepted via theoretical reflection it was not obvious, as the story shows – which I owe to A. Höfler. It seems to be much the same with Spiethoff’s realization that the consumption of iron was a very good indicator for the business cycle, a very simple matter of statistical experimentation. But it only occurs to someone to look in this direction without being put off by the unreliability of the index of iron production and iron prices if one has a theory that points this way. This logical or heuristic analogy is thus of very great interest because it has nothing to do with “naturalist” postulates or attitudes, but is a fact arising from a working practice that had not been wanted by anyone.

<sup>27</sup> Gustav Schmoller. 1888. “Wilhelm Roscher.” In *Zur Literaturgeschichte der Staats- und Sozialwissenschaften*, 147–71. Leipzig: Duncker & Humblot.

that the reciprocity between theory and factual research reaches right into theory of the third kind – and that is Schmoller’s way of proceeding, as I see the matter.<sup>28</sup>

As a form of approach and a “problem-solving machine” the doctrine of value and price is trans-historical; and could have been included both by Weber and Sombart in their introductions to the matter, insofar as they were developments of the three principles: Goods are not valued because they have a value, but instead they have a value because they are valued. Exchange value derives from use value. Costs are a partial phenomenon of use value. Quite plainly these principles are universally valid where one can talk of need, good, and economic activity. The schema of exchange is just as generally applicable, and is an important vehicle of these developments. This last statement only seems paradoxical because of a misunderstanding that identifies exchange with trading, instead of seeing in exchange the theory of what it is: A formulation of all economic action adapted for the purposes of theory. It is only different with what is called economic psychology, with the claims made for motivation and behavior. The basic justification of Schmoller’s call for the exact research into data cannot be denied in this field. The economic theorist generally defends his position by claiming that he only makes use of the familiar empirical facts of everyday business life, or by attempting to make no assumptions about motivation. The former claim is clearly no kind of way out, since it first of all is in need of proof,<sup>29</sup> and second all assumption and appearance speak against the idea that the economic man of today – not at all a uniform type – feels and behaves like the man of other times and cultures. The attempt to do without psychology is interesting and valuable to the extent that it succeeds, but it is no way out of the problem since in a number of significant matters we would get nowhere without explicit and implicit assumptions about psychic behavior. This is not to say whether realistic study of the actual behavior of individual

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<sup>28</sup> Likewise interest on capital is not simply a “legal-historical” category, but a historical one, if at the same time purely economic. This contrast is also part of those efforts at construction that are intended to produce clarity, and only distort circumstances. I am aware that, “purely economic” includes the sense of “ubiquity” in its definition. But then the disjunction does not fit, for a phenomenon cannot in its full sense be legal-historical and also have nothing to do with the legal order.

<sup>29</sup> Obviously there is little illumination to be gained from the fact that what theory takes from “general economic experience” is simply general, while what happens is everywhere known as “general economic experience,” so that it does not necessitate detailed study as a matter of principle. Even the “basic facts” of the economy do not need to mean the same thing at all times and places. To this extent the dividing line drawn between “theoretical” and “realistic” political economy loses its force under *this* consideration. And it can be said of very few statements that theorists arrived at them merely on the basis of general economic experience. It is better, although just as unsatisfactory, to refer like Marshall to the “ordinary business man” [referring to: the “ordinary business of life,” the editors], as Mitchell has accurately emphasized.

economic subjects – in America the tendency that emphasizes this is called “behaviorism,” and so far its results involve substantiation that does not affect founding principles – would be a real corrective, or might further new matters of relevance to the aims of economic science.<sup>L</sup> Nor whether these things are historically distinct, whether various economic convictions<sup>LI</sup> really are so distant from one another, and whether such deviation does have an impact upon economic processes, as so often claimed.

Action and results can be of assistance here, not programmatic points and criticism. All the same, I can introduce some examples. I think it is important to distinguish between the behavior of a normal economic agent and an economic leader; not simply in the sense that this distinction would be interesting in and of itself as well as psychologically, but in the important sense that any satisfactory solution to the purely economic problem of the set value – price – money depends upon this distinction. From the psychological particularities of the leadership type, particularities that are necessarily absent in a description of the psychology of the mass of economic subjects, and which give economic action a different meaning than striving for the satisfaction of consumption needs – needs that seem meaningless and nonsensical both from the standpoint of hedonism and from that of the psyche of the “ordinary businessman” – from the psychological idiosyncrasies of such a leader flow economic phenomena from which alone, I believe, entrepreneurial profit and crises can be explained, among other things. If this example shows that if more thorough examination of the psychic disposition of economic subjects to economic action (even the purest theories as posited by Menger and Walras) has anything to offer that is in their absence inaccessible, then I believe it is possible that many basic types of economic conduct are culture-bound, linked to particular historical cultural elements. But not all of them. For the basic problems of theory at issue here a worker is at root a worker, whether a slave or a modern syndicalist, a black or a Swede.<sup>30</sup> But no matter how thorough the analysis, you will still not find a capitalist entrepreneur in the Germania of Tacitus. It is not that he is concealed by some diversionary cultural covering,<sup>LII</sup> so that the barter practiced in some cultures is treated as really an act of exchange, or an acquisitive interest is imputed to the “bourgeois industry”<sup>LIII</sup> of other cultures; rather, the capitalist entrepreneur has no existence there. Just as he does not exist in feudal culture, nor in feudal eras, so in our own times the master or lord is another type that is now a shadow of his former self. Today the relationship of master and servant, together with its cultural and economic relevance, cannot be studied in every-

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<sup>30</sup> Even that is often disputed. But it does exemplify a class of objections where the theorist is right: The tendency today to see *essential* distinctions between elements of different cultures suppresses the decisive question for our discipline of the economic function of an action and of a type that is quite independent of its cultural meaning, and what the people in question think, say, and want. The result is a loss of meaningful and useful general insight.

day life or with material requiring detailed study: The relationship is simply absent.

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It is self-evident from all that has been said here what Schmoller's work and his message mean for the socio-economics of today and tomorrow – both in what he directly wanted, and what he did not want, in respect to historians, philosophers, and sociologists. We also especially need an answer to the question of whether the work that he did, and his intention, was rather less than he claimed; and whether there was not, from our standpoint, some kind of failure, something that was worthless, without real prospects, or simply superseded. But there is another comment that arises from the end of the second section. We can define for this purpose in a wholly unequivocal manner the aim of his program as follows: To approach material burdened with as little *a priori* as possible, seek to identify relationships, in this way establish *a priori* for the future and work out new perspectives that can in turn be used as provisional instruments for the investigation of further material, hence proceeding in a constant back and forth between material and its processing in thought. His success has been that a program once thought to be the characteristic of one particular school is now no longer believed to be so. On this basis we can extend the concept of history to all social material, including ethnology and statistics; and if we overlook for the moment the demands of ideal type construction, an epistemological procedure that is Schmoller's own, then the program can be defined as the understanding of history on the basis of history.<sup>LIV</sup> The aim of this program goes beyond the merely economic to comprehend a unified sociology or social science as a (“theoretically”) processed universal history.<sup>31</sup> That is the meaning of Schmoller's historicism, as opposed to any philosophical or legal historicism – if an “ism” is at all necessary; and represents the approach from which, for Schmoller, detailed study has its “ultimate” meaning. Here we can find traces of Adam Smith, for whom Schmoller had so much sympathy when he saw in him only the scholar, as well as Ferguson, Montesquieu, Wegelin and others from the 18<sup>th</sup> century. That which can be regarded as their dream, or premonition, as their wit, their dilettantism, their philosophy – all of this has moved into the realm of possibility because of Schmoller, even if it remains remote. He not only had a vision of the goal (as well as a consciousness that he would never live to see the land he was leading to), but a clear understanding of the path leading to it. He had an unambiguous understanding of what had to be done to approach this goal without sinking into a morass of unserious speculation. As with Ibn Khaldun and Vico, he took the path of partial explanation of a partial phenomenon, of individual context, of the changing singular situa-

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<sup>31</sup> Emil Lederer. 1925. “Zum Methodenstreit in der Soziologie. Ein Beitrag zum Grundproblem der „verstehenden Soziologie.“” *Shakai-gaku Zasshi* 15: 1–16; 16: 1–18.

tion, isolated institutions and types, particular organizational forms – and he did not privilege any one of these *very varied* problematics. His comparisons were suggested without emphasis; so that what resulted did not have the clarity and provocativeness to which we are used, but seemed more a passing observation, a triviality, often in the form of a revision of the views of others; something that was not obvious to those who did not look for it. From there the path led imperceptibly to larger perspectives; not so much to the perspectives themselves as to the point from which one could achieve such a perspective if one had a telescope, a point quickly left behind again. There was a constant reserved objectivity, an avoidance of any express indication of numerous suggestions that were more implied than clearly formulated; a constant concern to guard what was developing from hasty expression,<sup>LV</sup> and against the then lethal<sup>32</sup> criticism on the part of detailed historical work that knew only of indi-

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<sup>32</sup> That was especially important from the standpoint of his position as an intellectual leader, a position preserved through the care with which he expressed himself, whose duties were always kept in mind together with the circumstances of his early years and the nature of the science that he then encountered. If I judge this situation correctly, his behavior in the relationship referred to above did indeed repel criticism more dangerous for scientific development than those which were his due: A lack of his clear conceptualization and the deficiencies of intellectual penetration of his material. This has become a routine accusation, and a good example of the melancholic fact that scientific life is subject to the law of mass psychology that Graham Wallas's magnificent humor put as follows (*Human Nature in Politics*): If it is rumored that Simpson is a drunkard, it does not follow that the Simpson in question actually drinks. Perhaps he has a cousin of the same name who has invented a cure for alcoholics – entirely sufficient grounds for the mass psyche to make an association between “Simpson” and “drunkenness.” It is difficult to investigate any such association. The lack of conceptual clarity first of all renders someone unaware of the real scope of the substance and range of the concepts used; without being aware of it something is said of one that is correct only for another. This is so true of so many political economists – the classic sinner is Ricardo – that there is a justifiable presumption that this is also true of Schmoller, although I know of no example that leaves room for doubt. For a pioneer that is no crime. Such a change in conceptual content is not always avoidable (Alfred Marshall. 1923. *Money, Credit and Commerce*, 12). If, in contrast, one thinks that Schmoller does not formulate his terms like a lawyer, that they are not suitable for legal purposes, that is quite right – and it is a merit of Schmoller that is not to be underestimated given the unbearable amateurishness with which sociological and legal viewpoints are still cluttered. As far as insufficient intellectual penetration of material is concerned, then in each case the question arises first of all: Is it the author who fails to penetrate the material, or the reader? Whoever looks for individual objects in Schmoller's landscape, rather than the contours around which the objects are placed, will of course find chaos. Schmoller's approach as outlined here accounts for any apparent blurring in his presentation to the reader, as will be mentioned in the context of “cross sections.” But this approach has proved its worth. It has since then served as a basis for sharper – but in my opinion not always happier – formulations, has made possible a continuing development towards precision, providing the support on which realistic research stands today. While the pioneer provides for the rapid advance of successors, there then always follows a critical period of consolidation. In spite of everything we owe our own improved insight to him, and if we now move more freely, this is because of his breakthrough. At that time the only possible way forward was one that left

vidual cases and documents. Only in this way can the theoretical or “theorized” universal history grow, and do so neither by trumpeting the idea – there can no longer be any merit in this; nor by postulating any unity in the historical events of a cultural group<sup>LVI</sup> – which would be quite unscientific; nor, finally, by any direct search for elements which enlighten large complexes. Schmoller sought to secure this path, the only one possible from his point of view, through epistemology. He took account of objections to its practicability. Hence his tireless disputes with philosophers, epistemologists, and colleagues in his discipline “focusing on epistemology.”<sup>LVII</sup> In so doing, he clearly fought on two fronts: Against those who aimed (using a word that is here exceptionally unambiguous) to corrupt naturalistically what he stood for; and against those who would divert him into philosophical considerations. And at stake was always the same thing: The right to identify adequate causation in the social domain, including of course the *telos* insofar as the *causa* applies, and “in general everything, psychic and non-psychic, which somehow can be proved to have an impact.” If his formulations are outdated – in some respects one would have to say that they have since been “developed further” – then not his point of view, which still today accomplishes what it should.

He also saw what was most important, something that is not inherent in the idea of “a conceived universal history,”<sup>LVIII</sup> and which he preserved, promoted, and bequeathed as a task: The phenomenon of social development. He saw this, but also the reasons rendering all attempts to advance in this direction appear not merely to be mistaken, but to be fundamentally wrong.<sup>33</sup> The first task was

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many doors open, in particular, a feeling for things. This was what made his work so fruitful; and if today we neither can or need work like he did, and doing the same kind of work that he did would be justified cause for criticism, then the criticism that he was imprecise is really no more than a malevolent – and, from the perspective of the history of science, misleading – word for what was, in him, a merit: Balance, nuance, continuity. And we can still learn from that.

<sup>33</sup> Here are some of these reasons: 1. The metaphysical character of many developmental theories, Hegel’s for example. This reason is relevant *for science*, unless it is a different train of thought but wrapped up in metaphysical phraseology. 2. Closely related to this type are two others, one of which postulates the existence in whatever sense of a developmental unity necessary to reason – either the development of a people or even of “humanity;” while the other is a “driving force” that is immaterial or at least not empirically verified (“ideas” which are proven not to be efficacious, but rather constructed “ideas,” for example), or by analogy (Roscher’s doctrine about the ageing of peoples, for example). These are certainly grounds for rejection. 3. Teleology, in the sense of postulated developmental goals, as long as it is not merely a teleological formulation of other things. 4. Value-relatedness of observation, in particular, the evaluation and ordering of distinct states from a particular value standpoint. Theories that associate development with “progress,” even in a non-metaphysical sense, belong here. 5. An evident violation of the principle of incommensurability of cultural *meanings*. 6. Apparently premature generalization or a dilettantist isolation of unsuitable elements or analytical mistakes. While all these grounds for refusal are to be recognized in principle and at most their existence in a particular case can be doubtful, a prejudice is: 7. the reason that there can

to free science from these things; more so, from the atmosphere of these things. He achieved this. And it must be emphasized that he did so, even if since then his arguments have been improved a great deal. He did so in a quite characteristic manner, having here the better of Max Weber, even if Weber had the better of him epistemologically; something that leaps out if you look at his essay on Roscher, or the last book of the *Grundriß*. He does not here raise criticisms to prove that someone is on the wrong track, but rather to open up a different path; sympathetically, avoiding throwing out the baby with the bathwater, as a rule with an implicit reference to the lines along which a particular kind of developmental theory might run, a causal theory of social development, but which is something different from the mosaic of partial explanations that makes up a sociological universal history or a universal historical sociology in the first example. Sometimes he expressed that badly; for example, when he concluded that with the development of knowledge every science became more “deductive.” But the fact that he saw the important things properly is best seen if one makes use of “cross sections,” “economic systems,” “economic spirits,” and “cultural styles.”<sup>34</sup>

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be no development or that there can be no causal understanding, either for metaphysical reasons, or because of an irrational hiatus, or because of the complexity of social phenomena or because of their heteronomy. Stage theories – even Schmoller’s – are of course not developmental theories, but only a historical or constructive shorthand.

<sup>34</sup> Something that Schmoller did not do. Maybe rightly. For quite apart from the fact that such terms carry questionable annotations, and that even more questionable things can attach themselves – such a construction always has a tendency towards the problem of the sorcerer’s apprentice: That things gain a life of their own. This has already happened in the case of the economic spirit, and if one does not interpret it in the sense of the economic conception of history – using it loosely – then it becomes a perfect shelter for metaphysical excess. If it does highlight some aspects, it opens the way to a special type of theory that wipes away other, equally essential things. For the understanding of social history it is, for example, essential that there is in reality no ideationally-unified culture; nor that there is no structure corresponding to a single economic or social system (not even in America, marked as it is by the psychic impression of a European inheritance). It is not necessarily an uninteresting secondary circumstance, an indifferent anomaly, but essential for explanation, for example:

- that Gladstone was in principle an opponent of Cobden, of Manchesterism, of the “philosophical radicals,” when he helped Peel combat the Corn Laws, rejecting England’s “spirit” of Manchesterism and utilitarianism until the 1870s;
- that for the conventional orthodoxy of aristocratic society the Rococo world was just as characteristic as the (heterogeneous) systems of intellectual ideas. These ideas were like a Renaissance fashion, adopted by the aristocracy just as conventionally and superficially; without the latter taking them seriously. Hence neither the cross section or “spirit” was a unity, nor did its elements find their explanation or their “meaning” in the epoch itself;
- that no feudal system can exist *economically* without extra-feudal elements, and
- that no capitalist system can exist *politically* without the gravitational force of pre-capitalist ideas, layers, powers, so that there is never a purely feudal nor a purely capitalist politics, or life-form, or economic mode.

Notwithstanding the incommensurability, autonomy, immaterial “wholeness,” of these “essences,” they are also complexes of distinct, changing elements, insofar as they are capable of changing themselves without violent external influence. Obviously, it is now possible to explore how such changes occur. A partial answer to a partial question of this kind is for example: The elimination through competition of older enterprises and enterprise forms, elimination of the associated lives, mentalities, lifestyles, and beliefs. Then indication of the circumstances that are the cause or occasion of such changes, for example an increase in population, to which Schmoller sometimes pointed.<sup>35</sup> But if this is possible, then the possibility cannot be excluded that the mechanisms of change and the factors of change, which have been proven in the individual case, can prove themselves in other cases as well, or if a deeper analysis proves to be a special form of more general mechanisms and factors. This would also raise the possibility of causal links within the scope of these factors, as well as more or less general theories of the mechanisms of change. Which is what development theory would be, in an invulnerably scientific, non-metaphysical, unambiguous sense, assuming one did not impute anything not meant here.

Schmoller did not think in cross sections. He preferred to accept the disadvantages – including something that may be stylized as the lesser intensity of conceptualization, if seen from the right point of view – of trying to capture the constant flow of things. That is why he forced the work of his maturity into a not altogether satisfactory system; a work in which the ashes of its coming into being and the associated struggle are removed, and that speaks to us quietly of something that I have tried to formulate here; over which he could have placed Marshall’s own motto – *natura non facit saltum*.

This begs the comparison with Marshall’s work. They had at first different tasks, came from a different background and training, but they do all the same come from the same world.<sup>36</sup> Marshall’s mode of procedure is also simple: Facts and inferences. He too, like Schmoller for us a man of objective science

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<sup>35</sup> I would personally not want to take up the cudgels for this, since it seems to have such little substance, especially in respect of an intermediate cause.

<sup>36</sup> That was not enough to make them sympathetic to each other. That was for many reasons, but among other things because their social sense had a very strong national element. For Schmoller, the Hohenzollern state was no mere object of investigation. Nor was England so for Marshall. With Schmoller that is quite clear, and it is quite the same for Marshall. He carried that commitment into science. He did not, like for example Edgeworth, read a French or a German book as if it were an English one. When he read it he crossed an inner line and unconsciously adopted an “official” stance. But the extent of common ground that there was becomes clear when one considers how Marshall worked. The greater part of his research was devoted to the collection of descriptive material, most of the remainder to the endeavor to make theory a viable way of capturing it. From Keynes’s obituary (1924, *Economic Journal*) we learn that he worked for many years on a six-volume work of economic history, and that a competent judge would put



and a teacher of positive achievements, gained his impulse *subjectively*, from his social sympathy, seeing in social service the meaning of his work. And both say – with different emphases – broadly the same thing. Both of them, each in their own way, overcame the economic analysis of the competitive system, and in general the economic analysis of simple assumptions and sharply-honed results. More, they have shown – and in principle, unanimously – how these can be overcome, and what the economic analysis of the future will look like. In both of them there slowly grew a work that from the beginning was not right in all its details, and which has since then been overtaken by even more details; but as a whole it will never go out of date, because it was “fulfilment” for its time and place. Both *Principles* and *Grundriß* contain the seeds of ninety percent of what can be done today and tomorrow, and what has been done – only partially directly, be it through receptive or critical reference to them. They continue to be inexhaustible troves of social-scientific insight, both great and small. They are of course not reserves of sterilized knowledge of the latest kind: Whoever browses through them like a dictionary or the latest monograph does them a disservice, and does not understand them. Any such person would naturally be disappointed. But whoever knows how to find and accept the ripe fruit of lifelong, self-denying work will find what he is looking for. Schmoller expresses this wisdom of old age in a rather similar way as Marshall; as with Marshall, there are now for Schmoller no advertisements for his ideas: “The author furnishes his ideas with no labels of salesmanship and few hooks for them to hang by in the wardrobe of the mind.”<sup>37</sup> This form of representation does not strive for effect but it breathes the life that gives birth to the future and, above all, moral dignity.

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his knowledge of the 17<sup>th</sup>, 18<sup>th</sup>, and 19<sup>th</sup> centuries above that of Cunningham. But in science as in politics such basic agreement already forms a connection.

<sup>37</sup> John Maynard Keynes. 1924. “Alfred Marshall, 1842–1924.” *Economic Journal* 34: 356.

### Annotations

- I “die Prinzipienfragen des Wesens der Ökonomie”.
- II “sein Gedankenkreis”.
- III “die reiche Persönlichkeit”.
- IV “nach zeitlichem und inhaltlichem Umfang des Gesichtskreises”.
- V “Differentialprognosen”.
- VI “Unterdrückung eines fremden Volkssplitters”.
- VII “eine große Durchschnittswahrheit”.
- VIII “dem überzeugungsdurchglühten Jünger jedes Ideensystems”.
- IX “Kapitalsättigung”.
- X “im Durchschnitt der Kulturländer”.
- XI “als Europäer in einem Negerland”.
- XII “Überbleibsel alter Fehltriteile”.
- XIII “toto coelo”.
- XIV “in camera caritatis”.
- XV “in anderen Lebensformen”.
- XVI “arationale Liebe”.
- XVII “das private Heim”.
- XVIII “theoretische Sozialökonomie”.
- XIX “communis opinio”.
- XX “unjuristisch”.
- XXI “Interesse am Zuständlichen — gegenüber dem ursprünglichen Interesse am Ereignis”.
- XXII “Problemreihen”.
- XXIII “Verwissenschaftlichung”.
- XXIV “Verfahrensart”.
- XXV “Rüstzeug”.
- XXVI “Tauschakte des stummen Handels”.
- XXVII “außerhistorisch”.
- XXVIII “entweder mit ‘Lehre’ oder einfach mit ‘Gedankengang’ oder auch mit ‘Begründung’”.
- XXIX “allgemeine Volkswirtschaftslehre”.
- XXX “der nomographisch erfaßbare Kern der volkswirtschaftlichen Erscheinungswelt”.
- XXXI “Begriff der Einkommenseinheit”.
- XXXII “auchwirtschaftlich”.
- XXXIII “Sätze der allgemeinen Volkswirtschaftslehre”.
- XXXIV “reine Sozialökonomik”.

- XXXV “Problemkreis”.
- XXXVI “Herrschaftsmittel”.
- XXXVII “‘Ricardianische’ Gedankenreihe”.
- XXXVIII “Behauptung von der ‘Wirtschaftssystemgebundenheit’ der ‘Ricardianischen Formeln’”.
- XXXIX “das Moment ‘historischer Bedingtheit’”.
- XL “Datentheorie”.
- XLI “Lehrgebäude”.
- XLII “Anwendungstheorie”.
- XLIII “die Nationalökonomie von ehemdem”.
- XLIV “vulgärökonomische Erklärungsversuche”.
- XLV “prinzipiell antideskriptive Theorie”.
- XLVI “prinzipiell antitheoretische Deskription”.
- XLVII “dem Wesen nach, nicht etwa bloß, wie z. B. die Grundrente, einer bestimmten Form nach”.
- XLVIII “‘Theorie’ im Sinn von Lehrsätzen”.
- XLIX “überhistorisch”.
- L “für die Zwecke der Wirtschaftslehre relevante Dinge”.
- LI “Wirtschaftsgesinnungen”.
- LII “in ablenkender Kulturhülle”.
- LIII “bürgerlichen Nahrung”.
- LIV “Begreifen der Geschichte aus der Geschichte”.
- LV “vor den Rissen ungeduldiger Ausdruckslust”.
- LVI “durch Postulieren irgendwelcher Einheit des historischen Geschehens eines Kulturkreises”.
- LVII “mit Philosophen, Erkenntnistheoretikern, ‘erkenntnistheoretisierenden’ Fachgenossen”.
- LVIII “begriffene Universalgeschichte”.