

## Max Weber, the Austrians, and Me

By Peter J. Boettke\*

Max Weber is arguably the most influential social scientist of all time. A quick glance at Google Scholar will reveal that he has over 378k citations, while Karl Marx has over 372k, and John Maynard Keynes records over 102k. Weber was an economist, a historian, and, of course, a sociologist. In many ways, it can easily be argued that he was the founder of the field of economic sociology. Not Karl Polanyi and his idea of embeddedness, nor Joseph Schumpeter and his ideas of creative destruction and social change, but Weber and his tripartite distinction between pure economic theory, economic sociology, and historical analysis (Swedberg 1998; Kolev 2018; Kolev 2020). In developing his “interpretative sociology,” Weber sat both within the Austrian School of Economics and their adherence to methodological individualism and marginal analysis, and the German Historical School and their emphasis on the unique political, legal, and cultural influences that shape economic activity.

Depending on how one reads that claim, Ludwig Lachmann’s declaration in his review of Ludwig von Mises’s *Human Action* that “[i]n reading this book we must never forget that it is the work of Max Weber that is being carried on here” (1951, 413) will be viewed as obvious or absurd.<sup>1</sup> To me, it was always obvious. My first exposure to Weber was as an undergraduate at Grove City College. In my junior year, I was asked to join an advanced study group consisting of visiting graduate students from Europe and Latin America that were working on their MA or PhD under the supervision of my economics professor Hans Sennholz. I was the only undergraduate student admitted into the group at that time. During my senior year, I wrote a paper on

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<sup>1</sup> See also Hayek’s description of Mises and his relationship to Weber first published in 1978 as the introduction to the German edition of Mises’s *Notes and Recollections*, and subsequently republished in Vol. 4 of Hayek’s *Collected Works: The Fortunes of Liberalism* (1992, 153–154). As Hayek explains, Mises was to his mind “without doubt one of the most important economists of his generation,” but this created an extreme puzzle. Mises was always an outsider, despite being “one of the most original thinkers of our time in the field of economics and social philosophy.” He was, Hayek argues, more akin to thinkers like Voltaire or Montesquieu, Tocqueville and John Stuart Mill, and his work provided a “global interpretation of social development” that was only comparable to the work of “Max Weber, with whom he was connected by a rare mutual respect,” though Mises had the superior analysis in this account of social development because “Mises had the advantage of a genuine knowledge of economic theory.”

Weber and the Austrians to present to the seminar, which I did in the spring of my senior year. I don't remember everything about it, but I do remember folks didn't like what I had to say. But I was confident that what I had to say was more or less right. The first paper I wrote as a graduate student a few years later touched on a similar theme as I tried to explain the nuanced way that economic theory (pure logic of choice) interacts with the institutional environment (situational logic) to produce an interpretative framework that enables a better telling of history and the human condition (see Boettke 1989a; Boettke 1989b). The purpose of theory, as I understood Weber to be teaching and Mises to be developing (e. g., in his *Theory and History* 1957), was to aid in the understanding and writing of history. Theory provided us with our "reading glasses" which enabled us to understand the human story of our past and unfolding in our present.

Kenneth Boulding was one of my teachers in graduate school. I was excited to study with him because as an undergraduate we had a year-long course in history of economic thought. The Sennholz seminar was, in part, a Great Books approach to the study of the discipline of economics and the related disciplines of political economy and social philosophy. In the process of those studies I had come across a great article of Boulding's "After Samuelson, Who Needs Adam Smith?" (1971). He argues that we all do because Smith is still asking and answering questions which are not exhausted by Samuelsonian economics. Then in my first year of graduate study, I took a course overload to study history of political economy with Professor Karen Vaughn and we read Boulding again, and from there I also discovered his review essay in the *JPE* on Samuelson's *Foundations*. In that essay Boulding makes the following claim:

It may be that today the greatest danger is from the other side. The mathematicians themselves set up standards of generality and elegance in their expositions which are a serious bar to understanding. Conventions of generality and mathematical elegance may be just as much barriers to the attainment and diffusion of knowledge as may contentment with particularity and literary vagueness. [...] It may well be that the slovenly literary borderland between economics and sociology will be the most fruitful building ground during the years to come and that mathematical economics will remain too flawless in its perfection to be very fruitful (1948, 199).

There we have it again, the Weberian argument about the intellectual progress to be made at the borderland of economics and sociology. The pure logic of choice was a necessary but not a sufficient component of an explanation of the workings of society. The pure logic had to be complimented by the development of situational logic as varying institutional environments, produced by the formal and informal rules and enforcement techniques found in politics, law, and society (especially formal and folk religion). Boulding, in another telling passage from *The Economics of Peace*, writes:

Economic problems have no sharp edges; they shade off imperceptibly into politics, sociology, and ethics. Indeed, it is hardly an exaggeration to say that the ultimate answers to every economic problem lies in some other field. Economics is the skeleton of the social science; the backbone and framework without which it degenerates into an amorphous jellyfish of casual

observation and speculation. But skeletons need flesh and blood; and the flesh and blood of economic problems can only be found in the broader field (1945, 237).

Back to Weber to go forward with economic sociology. The real home of the Austrian School of Economics was never in technical economics alone. Of course, the leading thinkers in the Austrian tradition from Menger, Böhm-Bawerk and Wieser to Mayer, Mises and Schumpeter to Hayek, Machlup and Morgenstern to Kirzner, Lachmann and Rothbard all made fundamental contributions to pure economic theory, but they also made significant contributions to applied economic theory, or what I have been calling situational logic. That is, they applied the logic of what Hayek called “the economic calculus” (Caldwell 2016) to various institutional environments and traced the processes that would be set in motion. Many of them, not all, then used the pure logic and the situational logic to do significant empirical work. As such, it is better to read Mises and Schumpeter, and say Hayek and Rothbard as practitioners of *comparative historical political economy* as much as examples of the pure economic theorist. Their economics was *never* institutionally antiseptic, and they certainly never strove to develop such an economics. They were, from Menger onwards, practitioners of a genuine institutional economics – a contextual economics – that avoided the pitfalls of being an amorphous jellyfish or a sterile skeleton.

It is this picture of economics, political economy, and social philosophy that one can read in my works dealing with the Soviet system (Boettke 1990; 1993; 2001), as well as the broader works on the history and methodology of our discipline (Boettke 2012; 2018; 2021). Though far less ambitious than Mises’s great work, and in fact largely derivative of that project, I would see it in the same vein as Lachmann did – the continuation of the Weberian project. Choice against constraints matters, but critical to operationalizing that is the recognition that *context matters*, and that context is shaped by the political, legal, and social world within which we dwell and interact with one another. It is this context that ultimately determines our ability to pursue productive specialization and realize peaceful social cooperation.

One final historical note: Weber championed a scientific method that enabled productive discourse on such foundational issues as capitalism and socialism, the impact of alternative religious doctrines on economic growth and development, and the effectiveness of bureaucracy and the iron cage of modernity. That method was the simple argumentative discipline of treating ends as given and limited analysis to the efficacy of chosen means to achieving given ends. Once again, the tools utilized in that analysis are provided by the logic of choice and situational logic. Without those tools, our discourse collapses into the amorphous jellyfish Boulding warned of, and we end up in the situation of the late German Historical School and the “socialists of the chair.” Rational dialogue is rendered near impossible in such a world. Weber, like Mises who followed in his footsteps, saw the way out of the intellectual stalemate. He championed positive analysis *before* we had positive economics, and as such I would argue avoided the pitfalls that await for Popperian epistemology, Friedmanite instrumental empiricism, and Samuelsonian arid formalism. Social science worthy of

the name *social science* is to be found in the consistent and persistent development of Weberian interpretative sociology, and the role that he carved out for both economic theory and for history, mediated through the framework provided at the borderland between economics and sociology.

I wish to conclude by pointing out the additional avenue by which Weber influenced developments in *contemporary* Austrian economics – through the work of Alfred Schütz. Schütz was a student of Mises and a participant in the Mises seminar in Vienna, and he migrated to the US where he taught at the New School for Social Research. Unfortunately, Schütz died relatively young, but his impact was deeply felt. From his Vienna days, his work impacted Fritz Machlup significantly – and the discerning reader can see the various ways that Machlup sought to incorporate Schützian insights about social science into his own methodological discussions with mainstream neoclassical economists. This is most evident in his substitution of the word “intelligibility” for “predictability” in his own discussions of verification and falsifiability. But it can also be seen in his invoking of puppets and typification. Schütz developed his methodological approach as a way to blend Mises and Weber into a coherent framework for understanding the social world. His *The Phenomenology of the Social World* (1967) would also influence greatly a stream of sociological research associated with Peter Berger and Thomas Luckmann’s *The Social Construction of Reality* (1966) as well as more radical strands such as reflected in Harold Garfinkle’s ethnomethodology. But forgotten is how Schütz impacted developments within the contemporary Austrian School. Richard Ebeling has written several history of thought essays detailing the relationship (see especially Ebeling 1999). Roger Koppl and I edited a special issue of *The Review of Austrian Economics* 14 (2–3) 2001 on Schütz’s contributions and their relationship to the Austrian School. The references cited in those papers point to a long intertwined and productive relationship from the 1930s to today. Koppl’s *Expert Failure* (2018) builds on the work of Schütz as well as Berger and Luckmann to demonstrate the intimate linkage between institutional arrangements, social epistemology, and public policy effectiveness. This work is critical for framing discussion in such critical areas of contemporary concern ranging from the Global Financial Crisis, Criminal Justice Reform, and Public Health. But, I should emphasize that the work of my colleague Virgil Storr, in particular, has addressed both Weber and Schütz in the development of his approach to economic sociology from a contemporary Austrian perspective.<sup>2</sup>

Storr stresses both subjectivism and context in his examination of commercial society and the process of development. Economic sociology has a prominent place in contemporary Austrian economics, even if it doesn’t always go by that name for professional sociology reasons. Contemporary Austrian economists are studying everything from the web of interpersonal relationships that constitute the complex modern economy, the underlying legal, political, and social rules of social interaction,

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<sup>2</sup> A summary, though in no sense a comprehensive summary, of his contributions of economic sociology can be found in Storr and John (2020).

as well as the mechanisms of enforcement of these rules, and how alternative rules of the social game either promote or hinder the ability of individuals to pursue productive specialization and realize peaceful social cooperation through mutually beneficial exchange. This is seen not just in abstract methodological and theoretical waxing about the weaknesses of mainstream economics, but in the applied work on post communism and development economics, and in disaster studies and community resiliency.

The bottom line is that the influence of Max Weber's economic sociology has been a constant throughout the history of the Austrian School, and continues to exert a strong impact. It is just too often hidden from plain sight, so that casual readers miss the connections completely, or worse see them in juxtaposition to one another. It is my sincere hope that the work we will do at the *Journal of Contextual Economics* will correct this and leave no doubt in the minds of readers of the intimate and deep intellectual affinity in the Weberian interpretative sociology and the Austrian School of Economics.

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