

## Max Weber and “Practical Political Economy”

By Hans Nutzinger\*

“And it makes precious little difference to the practical work of a theorist whether Mr. Methodologist tells him that in investigating the conditions of a profit maximum he is investigating ‘meant meanings’ of an ‘ideal type’ or that he is hunting for ‘laws’ or ‘theorems.’ As a matter of fact, in the epoch of his ripest thought, M. Weber was not unwilling to declare that, in so far as his almost complete ignorance of it enabled him to judge, he saw no objection of principle to what economic theorists actually did, though he disagreed with them on what they thought they were doing, that is, on the epistemological interpretation of their procedure. Indeed, he was not really an economist at all” (Schumpeter 1954, 819).

Weber, M. 2020. *Praktische Nationalökonomie. Vorlesungen 1895–1899*. Vol. III/2, *Max Weber-Gesamtausgabe*, edited by H. Janssen with the collaboration of C. Meyer-Stoll and U. Rummel. Tübingen: Mohr Siebeck.

Joseph A. Schumpeter’s harsh evaluation of Max Weber’s (allegedly lacking) knowledge of economics as a science is not uncommon among 20<sup>th</sup> century economists of different persuasions – both inside and outside the German-speaking area. Furthermore, Walter Eucken (1891–1950), a famous liberal economist who, broadly speaking, shared Weber’s value and methodological orientations, emphasized one generation later that, in his view, Max Weber’s (1922, 189 sqq.) statements on “ideal types” in scientific reasoning were not only fragmentary, but also contained “serious faults,” as he misjudged the “fundamental difference between real and ideal types as well as the logical character of both and the disparity among the procedures of abstraction that lead to the formation of both types” (Eucken [1940] 1989, 123). Taken together, these judgments would imply that Weber’s judgments on economics and economists were not only founded on a poor understanding of the discipline, and hence he was not an respectable – theoretical or practical – economist, but furthermore that even Weber’s methodological statements suffered from significant and severe shortcomings.

Whereas Schumpeter at least seemed to be willing to let Weber pass as an acceptable – but for economics less significant – “Mr. Methodologist,” Eucken even called this label into question. What then has been and is still today the verdict on

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\* Faculty of Economics and Management, University of Kassel, Nora-Platiel-Str. 4, 34109 Kassel, Germany. The author can be reached at [nutzinger@uni-kassel.de](mailto:nutzinger@uni-kassel.de).

Weber on the part of most economic colleagues – then and now? Most pronounced, it appears largely to come down to a friendly and consolatory labeling as a “prominent sociologist.” Within this supposition lies implicit the shift in the conception of economics whereby historical, cultural and value-oriented thinking came into general discredit; in Germany this took place with some delay, and it happened shortly after the time of Weber’s early death by pneumonia in 1920, which itself was due to being overworked and general bad health, not as one among the many million victims of the Spanish flu as many people suspect. Marshallian economics, centering more around mathematical models and formulae and therefore rather opposed to “soft” formulations and considerations of the “Old School,” started its triumphal procession; therefore economists of the “New School” were in bitter need of a garbage heap, called sociology, where henceforth “non-economic” and “disturbing” institutional, historical and ethical deliberations of the “Old School” could easily be disposed. Here, in this context, Max Weber was and still is highly appreciated as an industrious trash worker for neoclassical economics. Was this, then, his honorable but ultimate funeral on the cemetery of social ideas?

What, if any, are Max Weber’s true and lasting contributions to economics as a social science? In order to comprehend his uniqueness and lasting – but largely hidden – importance in economics, it is useful to have a closer look at him as a “political economist” in his time. “Political economy,” however, is not meant here in the broad sense of an alternative name for “economics” (as it is understood by Alfred Marshall in his *Principles of Economics* (1920 [1890]) which would imply “a study of mankind in the ordinary business of life,” but Weber’s quite singular position in Germany’s particular scientific and political situation at the end of the 19<sup>th</sup> and the beginning of the 20<sup>th</sup> century. In academic terms, it was characterized by two scientific disputes: first, the *Methodenstreit* (“dispute over methods”) with the Younger historical school headed by Gustav (von) Schmoller, on the one hand, and the “Austrian school” with Carl Menger as the leading scholar on the relative importance of “induction” (out of historical findings) vs. “abstraction” (based on general formal “laws”) on the other. Here, Max Weber took an intermediate position using historical research as well as abstract reasoning based on “ideal types.” The second dispute was the *Werturteilsstreit* (“value judgment controversy”) between Schmoller’s idea of quasi-objective “cultural values” and Weber’s plea for a strict separation of normative value judgments from evidence-based “scientific statements.” As the present volume III/2 *Praktische Nationalökonomie* (Practical Political Economy) of the *Max Weber-Gesamtausgabe* (MWG, Baier *et al.* 1984–2020) shows, he took the British and French examples of a relatively liberal and democratic domestic policy as a basis of a power-driven foreign policy as a model for Germany and his own political-economic thought (cf. 52seq.). This volume’s appearance in June 2020 has completed the large 53 volume MWG edition comprising almost all (I) *Schriften und Reden* (Writings and Speeches), (II) *Briefe* (Letters) and (III) *Vorlesungen* (Lectures) which Weber produced from 1875 through 1920.

What, then, is characteristic for Max Weber? His specific methodological feature has been aptly termed “liberal imperialism” by the late historian Wolfgang J. Mommsen, and it is probably best illustrated by Weber’s handling of the “social question” which was the primary topic of the *Verein für Socialpolitik* since its foundation in 1872; hence, aspects of the “social question” were investigated in several mostly empirical studies, e. g. on the situation of agricultural and industrial workers. The underlying impetus for these studies was of ethical nature for most members of the *Verein*, such as Max’s brother Alfred who cooperated with Max Weber and others in the study on “selection and adaptation of labor force in the close large scale industry (Alfred Weber 2000, 437). Alfred Weber’s interest focused on the influences of modern factory organization on the personality and the life of factory workers, Max’s concerns concentrated on efficiency of and objective requirements put on workers” (cf. Alfred Weber 2000, 437–447). Other illustrative examples for Weber’s efficiency orientation can be found in the editorial *Einleitung* (19–29) and in books 4 and 5 of the manuscript (see below). The most striking example is perhaps his critique of “factory feudalism,” not because it is feudal but because and insofar as it is inefficient. Weber’s emphasis on efficiency is probably the closest link between his notion of “Political Economy” and contemporary mainstream “economics,” perhaps offering the most readily access to Weber’s economic writings for standard economists (although they will continue to miss mathematical formulae in the text).

The first three volumes of MWG section III contain Weber’s general economic lectures, as far as they were handed down in written, often abbreviated form and not seldom in short notes, which he gave at Freiburg and Heidelberg from 1894/95 until his breakdown in 1899. Following a rule introduced by his pre-predecessor Karl Heinrich Rau (1792–1870), but also practiced outside Heidelberg, Weber regularly offered lectures in *Allgemeine (“theoretische”) Nationalökonomie* (General or ‘Theoretical’ Economy, III/1 MWG), in *Praktische Nationalökonomie* (Practical Political Economy), reproduced in the present volume (III/2 MWG), and in *Finanzwissenschaft* (Public Finance), reproduced in III/3 MWG. These were supplemented or enriched by more specialized lectures on single topics, such as economic history, stock markets, industrial and agricultural policy, or the workers’ movement. This makes sufficiently clear that any judgment of Weber’s contributions to economics on the basis of his *Praktische Nationalökonomie* is much too narrow and incomplete. However, some insights into his handling of economic reasoning at his time can be gained from there, as we will see below.

What, then, was *Praktische Nationalökonomie* all about? As far as I can see, in Weber’s time this subject was not well-defined, but rather a loose mixture comprising the history of economic thought, elementary economic policy or *Volkswirtschaftspolitik*, ethical considerations, practical examples, etc. Therefore, personal persuasions and preferences of the author had a significant influence upon selection and presentation of topics. This is also true in the case of Max Weber. His written preparations were rarely elaborated and far from a coherent manuscript which could be simply read out to students as the name “lecture” (German: *Vorlesung*) would pre-

sumably suggest. There is not even a disposition at hand, only “preliminary remarks” on “concept and tasks of *Praktische Nationalökonomie*” containing a rough scheme of the lecture. Strictly speaking, what is presented here is not a real work of Max Weber but “– unavoidably – a construct, a composition of the editor” (MWG III/2, 14). As most students of this lecture and of the supplementing *Allgemeine (Theoretische) Nationalökonomie* were preparing themselves for later careers as lawyers or tax inspectors in public administration, the frictions among this heterogeneous audience led to a peculiar separation between theoretical economics and its practical application, which was uncommon at British and American universities.

On the basis of diverse materials, the editor has compiled a rather detailed *Inhaltsübersicht* (overview of contents) which can be organized into two “parts” (I. historical and general part, II. special part) and five “books,” preceded by the “preliminary remarks” on *Praktische Nationalökonomie*. Book 1, titled “Systems and Doctrines of Economic Policy” is more than mere *Stoffhuberei* (accumulation of stuff): In his famous 1895 inaugural lecture at the University of Freiburg (MWG I/4), Weber had combined his plea for objectivity in social sciences (directed against Gustav Schmoller, head of the then dominating Younger Historic School in Germany) with a strong political commitment – in this case against the “de-Germanization” of agriculture in the East – which seemed contradictory to his alleged advocacy for the “freedom of value judgments.” But this is, as the characterization of Weber given above reveals, a misunderstanding: Weber was not opposed to “value judgments” as such but against masquerading them as objective truths. This is also one of the reasons for his critique of the stage theories which were prevalent at the time and which tended to mix descriptive with normative analysis. Thus, Weber’s *Praktische Nationalökonomie* at Heidelberg in 1898 and 1898/99 forms an important intermediate step and piece of evidence for his continuity in methodological thinking, on the way from the Freiburg inaugural lecture of 1895 up to his famous 1904 article on the objectivity in social science knowledge (MWG I/7) and his important contributions to the debate in the *Verein für Socialpolitik* during 1910 to 1914. Furthermore, his critique of the stage “theories” contributed without doubt to the gradual disappearance of these popular approaches in the German-speaking area.

First traces of Weber’s “Protestant Ethics and the Spirit of Capitalism” (1904/05) can be found in the first “book” on “systems and doctrines of economic policy,” confirming his priority vis-à-vis Werner Sombart (1902). This is an interesting finding of the MWG but not an important contribution to the history of economic thought. The second “book” deals with “policy of population movement,” an optional topic of *Praktische Nationalökonomie* addressing government influence on birth rates and on population migration. In the third “book” on “trade policy,” Weber criticizes, *inter alia*, Bismarck’s protectionist policy since 1877 as harmful to Germany’s outward power although he was not a “free trader” on principle.

In his fourth “book” on *Verkehrspolitik* (“traffic policy”), Weber uses a broad concept of traffic including physical transportation as well as monetary and fiscal

policy. Especially in the latter field historical materials from different times and countries prevail, showing, among other things, the way from private *Zettelbanken* (“note issuing banks”) to modern central banks. At first glance this looks very similar to common German historicism at the time, but Weber differs from that in his characteristic scientific position (a combination of objectivity in scientific research with a normative value judgment towards German imperial policy vis-à-vis other progressive countries). The concluding book five on *Gewerbepolitik* (“commercial policy”) again presents a broad survey of historical development in different regions, including population movements and the emergence of professional commercial training, with special emphasis on Germany and Austria. But Weber’s scope and analysis also include the dramatic changes since the second half of the 19<sup>th</sup> century: big business, large corporations, separation of ownership and control, prevalence of cartels and trusts, often supported by legislation and jurisdiction, which in practice even cut back on some of the commercial freedom already achieved by the middle of this century.

The editor Hauke Janssen has created an impressive and readable volume out of a rather limited number of hand-written pages with often abbreviated keywords and outlines. Much of the material is only accessible to the reader via Janssen’s ample and detailed explanations in the critical apparatus. For good reasons, Janssen has chosen a rather generous interpretation of the MWG edition rules: He uses, if necessary, verifications of quotations and uncertain readings for substantial explanations. In addition, Max Weber’s own bibliographical information is not only checked throughout, but substantially expanded by further references, i. e. underlying sources which he had actually used but not noted. This is not only important for the sake of completeness but also for an understanding of Weber’s very abbreviated notes and keywords. In most cases, they are not self-explanatory but can only be reasonably understood on the base of the (often hidden and now revealed) sources and references. Not only for the specialized researcher, but also for the interested reader this – doubtless very laborious – completion of the bibliography is of immense value. For the arrangement of the “manuscript” these additional references were also in some cases essential. Furthermore helpful for professional and interested users alike are the glossary, the biographical register of persons and the compact disk to the volume with full text.

Hauke Janssen’s interpretations and explanations are generally plausible, often convincing; always helpful and stimulating for further research. This is a significant achievement given the quite chaotic way in which Weber customarily prepared his lectures and which probably could best be described as “learning by writing” frequently conducted only a few hours ahead of lecturing. But the volume also reveals that Weber was much more than a mere methodologist or a simple “accumulator of stuff” (a *Stoffhuber*). From time to time, he poses decisive questions and offers valuable hints for an answer. Whether he is also to be considered an important economist remains an open question – and which ultimately depends on what economists do nowadays. In the spirit of Max Weber, economics is not simply “what economists do,” but also what they think they are doing. For Weber himself at the very

least, economics was not only a bread-and-butter profession but an integral part of a broader social science.

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