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# Socialism and capitalism in the work of Max Weber

## ABSTRACT

There seems to be little room left for socialism in the thought of Max Weber. For him the market and its free play of forces was the basis of freedom and rationality. Still the 'social question' accompanied him throughout his life. His last lecture was on socialism.

His speech on socialism demonstrates his staunch liberalism. What he discusses as 'state socialism' is really state capitalism. Socialism seems to reduce to ethical and egalitarian values.

Still towards the end of his life he systematically opposed 'market economy' to 'planned economy.' A universal pattern thus emerges: capitalism and socialism as polar opposites which denote fundamental alternatives for society.

## I THE SOCIALISTS OF THE CHAIR: WAGNER, BRENTANO AND WEBER

The problem of capitalism and socialism appears not to have been central to the thought of Max Weber: at least when compared with his favorite themes such as rationality, bureaucracy and charismatic leadership. Still 'the social question' accompanied him through all his life. The year of his birth (1864) was also the year of the foundation of the first International; Lassalle's *Allgemeiner Deutscher Arbeiterverein*, the first organized worker's movement in Germany, had been founded the year before (in 1863), to be followed by the foundation of the (staunchly Marxist) Social Democratic Workers' Party by Bebel in 1869 and the union of both parties into the German Socialist Workers' Party at Gotha in 1875. When the repression of that party by Bismarck's anti-socialist laws began in 1878, Max Weber was 14 years of age. When he died in 1920, he was in the process of preparing a lecture on socialism.

The decade from 1878 to 1890 was marked by the continuing political repression of the socialists and by Bismarck's social legislation

which instituted public insurance for workers against sickness (1883), occupational accidents (1884) and, most far-reaching, old age (1889) which, together with the uninhibited growth of cartels and trusts, made Germany one of the leading industrial powers in the world. This policy also created the conditions which made the German Socialists the strongest Marxist party in the world and the leading force in the Second International (1889–1914).<sup>1</sup>

It was in this social and political setting that Max Weber completed his study of jurisprudence and joined the Association for Social Policy in 1888, the organ and rallying point of the so-called ‘socialists of the chair’ (*Kathedersozialisten*) which had been founded in 1873.<sup>2</sup> Scorned by the Marxists as ‘bourgeois socialists’ and attacked by the entrepreneurial camp for sympathizing with socialism and colluding with the Marxists the association combined people with a wide variety of views who were, however, unanimous in one point: the rebuttal of classical Manchester laissez-faire and the advocacy of an active role of the state in social legislation (i.e., ‘social policy’) aimed at improving the condition of the working classes and reducing class strife.

It is obvious from this description that the ‘socialists of the chair’ were no Marxists; they were social reformers rather than socialist revolutionaries, even though at the time of the foundation of the association their ideas had a revolutionary ring and an inspiring effect on its members, most of whom believed in the ideal of Prussia as a ‘social monarchy.’<sup>3</sup> If this ideal was a gross illusion, it was a useful one which allowed the association to develop an uninhibited activity without fear of repression.<sup>4</sup>

The association combined conservatives and liberals with Adolph Wagner and Lujo Brentano as their most outstanding representatives. Based on Hegel’s exaltation of the state, and on Rodbertus’s conception of socialism,<sup>5</sup> Wagner and the conservatives advocated a sort of *Staatssozialismus* and pointed to Bismarck’s creation of the state owned and run postal service and railways, the *Reichspost* and the *Reichsbahn* (which also provided a nice revenue to the government, thus cushioning the military budget against the interference of the Parliament). One need only extend this system to the coal and steel industry, tobacco, alcohol, etc.,<sup>6</sup> to get a live picture of the potential of ‘state-socialism’ which, it should go without saying, approximated ‘state-capitalism’ much more than socialism as a free association of the prime producers.<sup>7</sup>

The liberal ‘left’ wing of the association was well aware of the implications of Wagner’s ‘state-socialism.’ Under the leadership of Brentano, they called for a sort of ‘social constitutionalism’ which would combine an active legal protection of the working force (e.g., the diminution of working hours and factory inspection as in England) with the right to free coalition and association. The liberals thus

hoped to strengthen the position of the workers so they could balance the power of the entrepreneurs and benefit from the free play of powers. Rather than expecting the handouts from the 'social monarchy,' this would allow the workers to hold their own and become self-reliant citizens.<sup>8</sup>

One needs only to juxtapose these two opposing views to realize that Max Weber was much closer to the anti-conservative liberal camp of Brentano than some of his political views suggest. Whatever his advocacy of imperialist and expansionist power politics (particularly in his inaugural lecture in 1895 on 'The National State and its economic policy'), at no time in his life was he a conservative.<sup>9</sup> Invariably, the individual and his freedom rather than the state and its power stood in the center of his concern.

His methodology and theory are thus in full harmony with his values: as he espouses free individual choice over collectivism, and self determination over regulation, his preference is for free enterprise rather than bureaucratic order, for methodological individualism rather than 'the social fact,' for Kantian nominalism rather than for Hegelian realism.<sup>10</sup> Whatever his admiration for Marx as a scholar, his aversion to the crude realism of Engels and Kautsky as well as that of Roscher and Knies was elemental; it was, as it were, not an epistemological issue, but a moral ('existential') one. His deeply felt need to hammer out freedom may even underlie his most fundamental discovery: to ground individual freedom not only subjectively, as Kant had done, in the unfathomable spontaneity of the 'transcendental ego,' but also in opposite 'objective possibilities' or 'pure types' between which the individual could choose but which exist independently of mere individual whim, feeling, or sentiment.<sup>11</sup>

## II THE 'RADICALS' OF THE YOUNGER GENERATION: WEBER AND MARX

The year 1890 was marked, politically, by the dismissal of Bismarck and the termination of the anti-socialist laws, ushering in an illusory 'new era' strengthened rather than weakened by the repression, the Socialist Workers' Party reorganized into the Social-Democratic Party of Germany, the SPD, whose vote continued to increase dramatically in the following decades until in 1912 it constituted the strongest fraction in the Reichstag (with 110 deputies and 34.8 per cent of the vote). This development fostered the 'revisionist' belief within the SPD in a possible peaceful transition to socialism.<sup>12</sup> At the same time it triggered attempts of the clergy, both Catholic and Lutheran, to stall the increasing shift of workers into the atheist camp and to oppose some sort of Christian socialism to Marxism.<sup>13</sup>

Thus the first Evangelical-social Congress was convened in 1890 in

which Weber's mother took a keen interest and which she attended together with her eldest son who would become a regular participant in the years to follow. Significantly, the Congress split in 1894 when its left oriented '*christlichsozial*' wing opposed the conservative Stoecker, mostly because of their opposition to the big agrarian interests east of the Elbe. Two years later, the split crystallized into the foundation of the National-social Association under the leadership of Friedrich Naumann, a Lutheran pastor and a populist who believed in a 'social monarchy' which would be able to combine monarchy and democracy.<sup>14</sup> (Note that the avoidance of the term 'Christian social' indicates the wish to separate politics from religion and eventually, in 1903, cleared the way for a fusion with the Progressive Party of mainly petty bourgeois Democrats. Also, note that Naumann's National-social Association of 1896 is not at all identical with Hitler's 'National-socialist Party,' the Nazi Party which was founded in 1920).

For various reasons including the onset of his illness in 1897 Weber did not get deeply involved in Naumann's National-social Association, which was a political failure and finally disintegrated. At the same time, Weber continued his cooperation with the Evangelical-social Congress and with the Association for Social Policy which was much more prestigious. It was on a commission of these associations that he organized two broad surveys in 1892 and 1893 on the condition of the rural labor force east of the Elbe, i.e., mostly on the estates of the Junkers. This survey was not well received by the Junkers and their conservative retinue. At the same time this experience became the source of his unsparing criticism of Prussia's then firmly established ruling class.

A rare phenomenon in German society, this stance made him an unusually clear-sighted, class-conscious bourgeois who was equally disillusioned with the conservative agrarian interests, the National-liberal upper bourgeoisie, the national-social populists and the progressivist petty bourgeoisie. In terms of the 18th Brumaire, Max Weber is the prototype of a '*républicain pure*.' A deep-seated aversion, sometimes bursting into open hatred, of the feudal-bureaucratic establishment occasionally pushes him farther to the left than he belongs.<sup>15</sup> At the same time the Association for Social Policy remained his intellectual homestead which allowed him, under the banner of value-freedom, to remain uncommitted to everyone.

More precisely, it was not the Association but rather the *Archiv fuer Sozialwissenschaft und Sozialpolitik* upon which his work and mind were centered, with Edgar Jaffe and Werner Sombart as his co-editors. Starting in 1904, the *Archiv* became the leading journal in its field for a decade and a half. It was at the same time the undeclared organ of the anti-conservative left wing of the Association which received Marx in its midst albeit on the condition that he strictly stick to his second nature: the 'red Prussian' and bourgeois radical, the 'pure republican' he had never ceased to be.<sup>16</sup>

Two eminent bourgeois thus met intellectually in the *Archives*: Marx, the 'pure republican' and Weber, the 'bourgeois Marx';<sup>17</sup> the one advocating social revolution, the other, the free play of powers; yet both of them class conscious, disgruntled with the feudal-bureaucratic establishment, contemptuous of the petty bourgeoisie and machiavelian in their concept of power; the one, the 'red Prussian,' an engrained disciple of Hegel; the other, an engrained liberal and neo-Kantian; the first, never considering any concession to capitalism; the second, unswerving in his liberal convictions. Still, the author of the *Communist Manifesto* was able to recognize that the bourgeoisie 'cannot exist without constantly revolutionizing production' and that 'during its rule of scarce one hundred years, [it] has created more massive and more colossal productive forces than have all preceding generations together.'<sup>18</sup> In a similar vein Weber was apt to socialize with radicals such as Bloch, Lukács and Toller and to state, right in the face of a feudal-aristocratic officers' corps, that the Manifesto was 'a scientific accomplishment of the first order' and that, so long as there will be workers, there will be an indestructible body of socialists.<sup>19</sup>

What causes both thinkers to be unwavering and still to be broad minded is not fanaticism but clear-sightedness. While they take opposite sides they seem agreed that *one* solution is out of the question, namely an eclectic confusion of both options. Much as one cannot have the cake and eat it too, they felt that one cannot have socialism and have a free play of forces too, nor can one have capitalism and a 'social monarchy.' Thus, if both thinkers were uncompromising, they were so first of all in point of logic.

At the same time, each of them chose a negative foil to repudiate his opponents: Marx denounced the anarchy of the market and exploitation; Max Weber, bureaucracy and the lack of enterprise. To an astonishing extent both thinkers embody and personify, without personal rancour, quite opposite alternatives.<sup>20</sup>

### III CAPITALISM AND SOCIALISM AS FORMAL AND MATERIAL RATIONALITY

The preceding discussion has shed some light on the reasons for the lopsidedness of Weber's thought. This pertains not only to his substantive preferences for it also affects his methodology and the conceptual framework of his thought. This is particularly obvious in the use he makes of the notions of 'formal' and 'material' rationality.<sup>21</sup> On the one hand, capitalism is equated outright with 'formal' (instrumental, purposeful) rationality, whereas socialism is connected, though not equated, with 'material' rationality which is vaguely defined as informed by values. In Weber's opinion, capitalism implies a maximum of formal calculation which is 'relatively unequivocal,'

whereas its opposite, material rationality is considered 'full of ambiguities.' It is in this context that socialism and communism appear to be reduced to 'value rationality or material rationality, mostly of an equalitarian or ethical nature.'<sup>22</sup>

This formulation is susceptible to two variant interpretations both of which shed an interesting light on the discussion of socialism although they are both unsatisfactory. The first interpretation, which seems obvious from the preceding quotations, tends to equate capitalism with an objective social structure ('mode of production,' economic formation, etc.), whereas the interpretation of socialism suggests that it is mostly an outgrowth of ideology (i.e., of subjective values, sentiments, etc.). To put it into terms Weber used in the context of his sociology of religion, it would seem that capitalism is determined by material interests, and socialism, by ideals.<sup>23</sup>

This interpretation partly overlaps with a second interpretation which tends to equate capitalism with 'instrumental' rationality and socialism with 'strategic' or 'consummatory' rationality, i.e., with either means or ends as the decisive component of action. While the first interpretation is basically ontological, the second one is couched in action theory, i.e., the first interpretation focuses on two different layers of reality whereas the second interpretation focuses on the two complementary elements of action.

Neither interpretation properly fits capitalism or socialism, although the second version can at least claim a closer semblance to reality. After all, capitalism focuses on production as a *means* to make profits, whereas socialism regards the satisfaction of needs as the *end* production must serve. It thus appears that for socialism production is an end in itself while for capitalism it is merely a means, the first subordinating production to a plan, the second leaving production to the regulation of the market place. Thus, what the dichotomy of 'material' ends and 'formal' means really amounts to is the difference between plan and market.

Basically, neither of the two interpretations holds. Capitalism and socialism represent neither two different ontological layers (such as economic structure and ideological superstructure) nor two different poles of action. Rather, to set the whole confusion straight, two opposite types of socioeconomic structure (e.g., capitalism and socialism) must correspond to two opposite types of social consciousness such as, e.g., the 'spirit' of capitalism and the 'spirit' of socialism, or, for that matter, a 'protestant' and a 'catholic' ethic.

This immediately leads us to ask two questions: (1) Does socialism really lack 'formal' rationality and a distinctive social structure; (2) Does capitalism really lack 'value' rationality, i.e., a legitimating and motivating ideology? The answer is that Weber was quite prolific about the 'spirit' of capitalism and the 'protestant ethic' while, on the other hand, he was as scant about the socialist ethos as about the

socialist structure. He vaguely delineates socialism as 'egalitarian and ethical'; yet the first epithet is tautological with communism, the second, with value rationality. When it comes to socialism Weber seems to be at a loss. All he offers are thinly veiled tautologies.

#### IV STATE CAPITALISM AND MONOPOLY CAPITALISM: CARTELS AND MONOPOLIES

This observation is well born out by Weber's speech on socialism given to Austrian officers in Vienna on June 13, 1918. For its interpretation, it is important to realize the date and the type of audience addressed: he spoke seven months after the Russian October Revolution and three months after the conclusion of the peace of Brest-Litovsk. Thus, under an intensifying pacifist and socialist agitation in Germany and Austria, Weber's audience was anything but favorable to Marxism. On the whole, the speech appears not well organized, but a rather loose agglomerate of disparate observations, concerns and prospects. (As one could expect, Weber was quite unsympathetic to the Russian communists; he predicted the civil war (which indeed erupted only a month later, in July 1918) and stopped short of predicting the collapse of communism due to the fact that the overwhelming majority of the Russian people were peasants and petty bourgeois.)<sup>24</sup>

On the other hand, he predicted that, should the Bolshevich regime survive, it would produce not the dictatorship of the proletariat but of the officials — a danger Lenin<sup>25</sup> was not unaware of but which Weber exaggerated out of proportion. After all, it was Weber who stressed the purely instrumental role of the bureaucracy to implement goals but not to set them. It is on these premises that the supposed 'dictatorship of the officials' can hardly be taken at face value.<sup>26</sup> However, while Weber's remarks obviously served as a political stratagem to deter potential sympathizers from communism,<sup>27</sup> they are at the same time a wholesome step toward coming to grips with the structural opposite to capitalism. After all, the 'dictatorship of the officials' or, even more pertinently, the 'military dictatorship, not of generals but of the corporals' is something more concrete than the mere referral to 'material rationality.'<sup>28</sup>

Another step in the same direction is Weber's digression on 'state socialism' which is of the utmost interest.<sup>29</sup> It hints at the German war economy as a movement towards socialism in the sense that it proves that a complete takeover and regulation of the economy by the state is feasible. After all, this was an economy no longer run by private enterprise and profit motives but organized and collectivized under the most pressing circumstances, in the common interest (i.e., the war effort). The German workers had only to seize state power (as Lenin had just demonstrated) in order to take over the economy



and install socialism. On the other hand, as far as Russia was concerned, the Bolsheviks had only to adopt the German economic system to build socialism effectively (as Lenin in fact envisaged in winter and spring 1918 before the outbreak of the civil war).<sup>30</sup>

Following the usage of the time, Weber did not hesitate to call this kind of penetration of the economy by the state, 'state socialism.' However, he at once debunked it as a compulsory cartel: In substance, it eliminates the market (i.e., 'capitalism' in the sense of a commodity economy). If this is what the socialists want, viz. to overcome the 'anarchy of production' and to regulate the economy, this seems indeed the way to do it. At the same time Weber points out that this is not the socialism or communism the workers and the Communist Manifesto envisage. In his opinion, it establishes the 'dictatorship of the officials' and, as the officials depend on experts, in the last analysis the dictatorship of the economy over the state rather than the reverse.<sup>31</sup>

Weber's analysis of the German war economy is indeed staggering. He recognized the almost total regulation of the national economy without expropriation of the owners which resulted in the elimination of risk and competition and a guaranteed income to the entrepreneur which should no longer be called a profit but a pension. Rather than the dictatorship of the proletariat, this suggests what Weber scathingly called 'socialism of the entrepreneurs.'<sup>32</sup> One may prefer to call this system 'state capitalism' (as indeed Lenin did). But it seems odd to call it, as the conservatives did, 'state socialism.'

At the same time, 'state capitalism' turns out to be a mixed blessing for the entrepreneurs in that whatever they gain in financial security they lose in real power. For not only is the power they gain as a cartel collective power, it is also delegated power, i.e., power not gained through a free coalition, but delegated, for an unspecified time, from the state. Much as did the feudal barons at the time of rising monarchical power, the entrepreneurs lose their independence and become cogs in a machinery which is far superior in power. In the long run, they are bound to become officials, i.e., servants of the government bare of any semblance of sovereignty. Sooner or later, the loss of control (private enterprise) will entail the loss of ownership.

In this case, a further change occurs, viz. the transformation of the cartel into a monopoly which, all superficial semblance to the contrary, is qualitatively different from the cartel. After all, a cartel is a coalition of legally free partners (whatever their factual economic dependence), whereas a monopoly is a centralized, compulsory mechanism which abrogates any local or individual sovereignty. In other words, the cartel is a voluntary association, the monopoly, a compulsory institution.

Seen in this light, the compulsory cartellization of the German war economy was really a monopoly rather than a cartel. Consequently,

the distinction between 'state-socialism' and 'state-capitalism' shrinks to the modest difference that state capitalism tolerates private property while it virtually strips the owners of the control of it. Thus state capitalism is fit to serve as a transitory stage from capitalism to socialism, but it is inherently unstable, i.e., it is not a consistent, 'pure' type. On the other hand, the term 'state socialism' appears as a tautology: socialism must imply monopoly or forego its claim to regulate production in order to eliminate the 'anarchy of the market.' As this monopoly must by its very nature be global, it implies the possession of global power, which is but a synonym for the state. In other words, the 'withering away' of the state is an illusion, much as the 'association of the free producers.'

The case is quite different with the cartels, including the quasi cartels usually called 'monopoly capitalism' whose most distinctive feature is the continuation of the private sovereignty of its members. In other words, the coexistence of big, market dominating (quasi) 'monopolies' is really an informal cartel whose partners continue to wield sovereignty, sharing risks and responsibilities. At the same time it stands to reason that none of the ostensible 'monopolies' is a monopoly in the strict sense; rather, what we are dealing with are oligopolies, loosely bound by informal quasi-cartels, but indubitably, and indeed stubbornly, sovereign. They recall a sort of feudalism transposed into economics which will under no circumstances submit to centralized 'absolutism' or 'oriental despotism' any more than in politics.

A closer look at the big corporations substantiates this analysis. While they dominate the market to a considerable extent, they still remain subject to it. For while the quasi-cartel constitutes an insurance against overproduction and underselling, it does not insure against obsolescence and inefficiency.<sup>33</sup> Nor are quasi-cartels exempt from a continuous revaluation of the internal strengths among their partners. To be sure, the stronger impose their will on the weaker ones; still the relationship among the more powerful is ultimately controlled by the free play of power. To hold their own, even the most powerful have constantly to draw even with their partners (e.g., in point of expansion, investment and inventions) or else they will end up among the weaker, dictated upon, partners.<sup>34</sup>

However inappropriate the name, 'monopoly capitalism' is thus the polar opposite to socialism which, in its classical form, is necessarily *monopoly* socialism and *state* socialism which purports to eliminate the 'anarchy of production'. Of two things only one is possible: either a market mechanism and competition, or regulation (planning) and monopoly. It is for this reason that any conflation of the two opposites is inherently unstable.

## V CAPITALISM, SOCIALISM AND BUREAUCRACY

It is at this juncture that we become aware that the notions of both 'capitalism' and 'socialism' are fleeting and indeed equivocal as they combine two basically different dimensions: the one dimension is built around the axis of private (individual) ownership vs. common (collective) ownership, the other, around the axis of a competitive economy vs. a centralized and directed economy. Crossing over these two dimensions, we end up with the four logical types shown in Table I.

TABLE I

<i>Profit oriented</i>	<i>private ownership</i> 'Classic capitalism'	<i>collective ownership</i> 'Market Socialism'
market economy ' <i>Warenwirtschaft</i> ' (exchange value)	free enterprise 'Monopoly Capitalism' Ricardo, Sombart	cooperatives Anarcho-Syndicalism Proudhon, Lassalle
<i>Want oriented</i>	'State Capitalism'	'Classic Socialism'
household economy ' <i>Bedarfwirtschaft</i> ' (use value)	nationalization compulsory cartellization Robertus, A. Wagner	total monopoly centralized planning Marx, Engels

The point is that the cross-over produces four alternatives over against the simple dichotomy of capitalism vs. socialism. Two of these types are stable and typical, viz. 'classic' capitalism and 'classic' socialism, and two of them are unstable and atypical, viz. state capitalism and market socialism. Of these, classic capitalism and classic socialism need no further comment (except that they are really two-dimensional); it is state capitalism and market socialism that remain to be discussed.

To begin with state capitalism, or compulsory cartel, it is inherently unstable because the individual owner forfeits his discretionary power while the production reorients itself from profit to wants, as is implicit in any monopoly. For example, having obtained the monopoly in salt, sugar, matches or tobacco, the global social need becomes the only crucial indicator for production. Still, the contradiction remains that in state-capitalism the production is social, i.e., designed for society as a whole, while the profits flow to private owners without any moral justification such as risk, innovation, etc. In the long run, therefore, this type of monopoly tends to degenerate into a combination of predatory capitalism and inert bureaucracy.

On the other hand, market socialism (i.e., a communal economy or association of free producers) felicitously avoids these vices only to succumb to its own internal weakness, the lack of power, which is

entailed by the lack of monopoly. Unless there is strong support and open interference from the state the pull of the market and its competition will prod the more enterprising elements to dissociate themselves from the collective and to return to private enterprise. In sum, benevolent utopianism and instability are the hallmarks of the associations of free producers, much as compulsory cartel and state monopoly are inherently predatory and parasitic.<sup>35</sup>

The preceding typology has shed more light on both capitalism and socialism. With this in mind, it is amazing, but also very illuminating, to note the lopsidedness of Max Weber's views. He stays almost entirely silent about socialism, elaborating only on the one variety, viz. 'state-socialism,' which in substance is not really socialism, but state-capitalism. On the other hand, collective ownership does not seem to concern Weber except for a casual mention of consumer cooperatives to the almost complete exclusion of producer cooperatives such as, e.g., Lassalle and Robert Owen had envisaged. It does not seem that any variety of socialism but state capitalism was conceivable to him.

Almost strikingly, he stays silent about the vertical axis of market, or enterprise, vs. household, or *oikos*,<sup>36</sup> i.e., of *Erwerb* vs. *Bedarf*, or of *Warenwirtschaft* vs. *Bedarfwirtschaft* which had occupied him in his *Agrarian Sociology of Antiquity* (of 1909) as well as in the older (second) part of *Economy and Society* (of 1911–12).<sup>37</sup> Interestingly, this is also the axis of exchange value vs. use value (which goes back to Adam Smith, Ricardo and Marx) which in turn coincides with the distinction between 'formal' and 'material' rationality in the sense already discussed: the commodity economy rationalizes the means and cannot exist without continually revolutionizing the forces of production; conversely, the household economy rationalizes the ends and cannot but stabilize economy and society. In sum, the market economy is inherently revolutionary and expanding whereas the household economy is inherently conservative and 'traditional.' The first is predicated on expansion, the second, on 'steady state.'<sup>38</sup>

Surprisingly or not, socialism thus turns out to be intrinsically conservative; it is the competition of the market that triggers innovation and revolution. Both Marx and Weber were only diffusely aware of this hidden matrix. As for Marx the 'anarchy of production' became the main target of his attacks, so 'bureaucracy' for Weber. In the case of Marx, this meant killing the goose that lays the golden eggs, in the case of Weber, it meant dismissing the instrument whose rationality and indispensability he had been the first to emphasize and to which he attributed even a distinct mode of legitimate authority. Still, something remains unresolved in both systems of thought: How could a socialist economy work successfully without the controlling mechanism of the market, and how could a capitalist economy work reliably without a bureaucracy?

## VI VERKEHRSWIRTSCHAFT AND PLANWIRTSCHAFT

Except for the passages mentioned above which link socialism either with state capitalism or with bureaucracy, there exists another interesting reference to the problem in the first part of *Economy and Society* where Weber juxtaposes '*Verkehrswirtschaft*' (i.e., market, or commodity economies) with '*Planwirtschaft*' (i.e., centralized, or planned economies).<sup>39</sup> The difference between them is mainly the contrast between profit on the one side, and the satisfaction of wants, on the other: while the first is oriented to the market, the second is centered on the 'household.' He says: 'A preliminary step towards a household-like *planned* economy is any rationing of the consumption, as *any regulation in general* which is primarily aimed at regulating the distribution of *consumer goods*.' (My emphases.)<sup>40</sup>

Two points are brought out in this remark which seem of extreme importance. First, in contrast to capitalism and its market economy, socialism is geared to a household economy. The latter is by no means limited to primitive societies, families, clans, etc., as the reference to the Pharaohs indicates where corvees substitute for the market and the tax office without apparent diminution of efficiency.

The second observation converges with our previous discussion of monopoly in contrast to competition. Much as the latter is predicated on besting one's competitors and on the strict calculation of exchange value, monopoly is predicated on satisfying overall wants. It is, hence, as intimately linked with a central plan as it is linked with use-value. Whatever the variations in a socialist economy, its goals are primarily geared to consumption. In sum, socialism is essentially 'Konsumenten-sozialismus.' Conversely, it is safe to say that capitalism is essentially '*Produzentenkapitalismus*' (a term Weber does not use), for it is the production of commodities, i.e., the calculation of profits, which determines the investment of capital.

In view of these results, we are now in a position to re-evaluate the question of rationality and irrationality in capitalism and in socialism. For one, the 'formal' or, more precisely, the *instrumental* rationality of capitalism is quite indisputable. It is its overall '*strategic*' (i.e., goal setting) rationality that has been cast into doubt by conservatives and socialists alike.<sup>41</sup> Conversely, if the lack of formal—instrumental rationality has been the fundamental weakness of utopian and anarchistic socialism, it is in the field of strategic and material rationality that socialism has been able to claim superiority over *laissez-faire* capitalism.

## VII THE CAPITALIST AND THE SOCIALIST ETHOS

Our analysis has thus far focused on the structural aspect of Max Weber's views on socialism. Whatever was obscure regarding socialism,

Weber was quite clear regarding the dichotomy of commodity economy and planned economy. For simplicity's sake, let us equate capitalism with market economy and competition, and socialism, with household economy and monopoly. Both sides are in turn linked with exchange value and use value. Thus, the first is tantamount to an open economy, the second, to a closed one.<sup>42</sup>

At the same time, Weber was less than unequivocal about the ethos which corresponds to each type. In his famous essay on *The Protestant Ethic* (1904–5) we learn about the 'spirit of capitalism' that it advocates hard work, thriftiness and a certain acquisitiveness, features which are subsequently absorbed into 'inner-worldly asceticism,' a phrase which denotes no longer an economic but a religious ethos. Its polar opposite, the spirit of traditionalism, is dealt with even more summarily.<sup>43</sup> Our criticism does not stop here. Much as both types of ethos give food for thought, their inherent weakness is their limitation to internal logical consistency out of context with the specific social setting from which they originate and without which they cannot be fully understood, a feature which makes Weberian ideal types all too often look like intellectual cobweb.

This holds for Weber's favorite type: the 'spirit' of capitalism is more illustrated than analyzed by quotations from Benjamin Franklin, but no attempt is made to analyze the setting to which this ethos is the response. The question *why* 'the rising strata of the industrious lower middle class' behave in the way they do is not raised. The reason for this procedure is not too difficult to find: to properly elucidate the socioeconomic basis of the 'spirit' of capitalism would have impaired his dearest endeavour, viz. to attribute this 'spirit' to religion as its most important sources.<sup>44</sup>

It is due to this kind of intellectual legerdemain that the 'spirit' and its rationality is attributed to disenchantment, loneliness and predestination rather than to the simple and earthy opportunity to invest gainfully. It is this opportunity that drives the 'industrious lower middle class' — artisans, merchants and peasants alike — to invest and thus to become 'rising strata.' In sum, contrary to what Weber would urge us to believe, the spirit of capitalism is not suspended in midair. Rather, it is investment and its tangible rewards which underlies the 'protestant ethic': to work hard and to save in order to invest, thus 'deferring enjoyment' and spawning discipline as well as rationality.<sup>45</sup>

The case with traditionalism is not different. Much as investment and calculation underlie the 'capitalist' ethos, monopoly and solidarity underlie the 'socialist' ethos which lies at the bottom of 'traditionalism'. Ironically, while it is indeed true that capitalism has produced miracles far superior to those of antiquity and the middle ages, it was under the aegis of monopoly and *Bedarfswirtschaft* (want satisfaction) that the Egyptian pyramids, Roman aqueducts and Gothic cathedrals

were raised. It is in the light of this analysis that the denial of formal and purposeful rationality to traditional and socialist societies must appear nothing short of bizarre.<sup>46</sup>

In order to come fully to grips with socialism and its ethos, we have to introduce another notion which Weber uses elsewhere: much as capitalism is marked by the market and commodity production for profit, its opposite is marked, not only by monopoly and planning, but also by the household, or *oikos*, as its special 'mode of production.' The latter includes production, not for profit and exchange value but, rather, for the satisfaction of wants (sufficiency) and use value. It is from this goal that both the need for monopoly and for planning originates as, up to this date, every family budget demonstrates.<sup>47</sup> We have thus come to the heart of the matter: to conduct a whole economy and society as though they were a single household, with an equal satisfaction of wants for each and for all denotes the 'law of motion' of a socialist society and economy.

A glance at its opposite counterpart is no less illuminating: the market works, and must work, for profit for this is its sole rationale once solidarity is ruled out. However, to work optimally, it presupposes competition, for it is only with competition that its own 'law of motion' becomes fully effective: To best the competitor and to sell profitably, goods must be produced either more cheaply, i.e., more 'rationally' (and this is the interpretation of rationality which underlies all others), or it must produce superior quality. It is for this reason, given competition, that capitalism cannot but revolutionize production. It must aim at cheapness, rationality and excellence with the same necessity and inexorability as the household economy must aim at sufficiency for each and security (provision) for all.<sup>48</sup> By the same token, the market is inherently expansionist and inegalitarian (which are only different terms for competition and for marginal utility), whereas the household is inherently conservative and egalitarian (which are only different terms for solidarity). Quite obviously, each 'mode of production' produces its own distinctive ethos: competition spawns calculating 'rationality,' the quest for innovation and individualism, while co-operation spawns solidarity, the quest for security, and egalitarianism.<sup>49</sup>

### VIII CONCLUSION: CAPITALISM AND SOCIALISM AS POLAR OPPOSITES

The elaboration of two polar types of ethos is apt to shed additional light on Weber's thought and method.

1 While his analysis of socialism and its concomitant ethos remain quite incomplete, he correctly sensed the crucial role of the egalitarian and 'communist' ethos for the espousal of socialism: even where the

socialist revolution and the planification of the economy have left so much to be desired, the socialist ethos continues to attract those who cannot, for strictly structural reasons quite independent of individual benevolence or meanness, expect to benefit from capitalism, its inherent insecurity and discrimination against the weak. (He once aptly remarked that the law of marginal utility invariably worked to the detriment of the 'underprivileged').<sup>50</sup> It is in this sense that socialism, like capitalism, is virtually indestructible, whatever their structural deficiencies.

2 In discovering a polar pattern, Weber repudiated the dominant unilinear evolutionary pattern. Quite specifically, he denied the thesis that socialism was the inevitable successor to capitalism, anymore than capitalism had been the inevitable successor to feudalism. There is no doubt that in doing so Weber refused to acknowledge the inevitable demise of his own class — again proving the incurable liberal he was. At the same time, he opened a new, multilinear avenue to macro-sociology.

3 In pursuing his bipolar paradigm further, Weber could easily have arrived at a bipolar universal-historical (macrosociological) model which linked capitalism, market economy and competition (formal rationality) with the ancient city, feudalism and western democracy on the one side, and socialism (substantive rationality), household economy and monopoly with 'oriental despotism,' 'patrimonialism' and the 'leiturgical state'<sup>51</sup> on the other hand; the first, basically expansionist, 'rational' and 'progressive'; the second, basically stationary, corporative and hierarchical.

The much vilified model of 'oriental despotism,' the 'Asiatic mode of production,' 'patrimonialism,' etc., far from being defunct, but trimmed of their overweening ethnocentric prejudice, thus finally emerge as the polar opposite to occidental, 'expansionist,' 'progressive,' 'capitalist' society, each with a corresponding ethos in its own right. The east ceases to be merely the negative foil to western society. Rather, a clear cut and comprehensive dichotomy of polar opposites replaces the 'protestant ethic' and the 'spirit of capitalism' as the sole center of Weber's thought.

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#### NOTES

1. For a detailed history, cf. Guenther Roth, *The Social Democrats in Imperial Germany*, Totowa, NJ, Bedminster Press, 1963.

2. Cf. Dieter Lindenlaub, *Rich-*

*tungskaempfe im Verein fuer Sozialpolitik. Wissenschaft und Sozialpolitik im Kaiserreich. (1890-1914)*, Wiesbaden, Franz Steiner Verlag, 1967.

3. For a very sobering appraisal of



the German historical school in economics cf. Joseph Schumpeter, 'Sozialpolitik and the historical method,' in *A History of Economic Analysis*, New York, Oxford University Press, 1954, part IV, ch. 4, pp. 800-14. Also, cf. Fritz Ringer, *The Decline of the German Mandarins. The German Academic Community 1890-1933*, Cambridge, Mass., Harvard University Press, 1964.

4. Under the 'system Althoff' (the Prussian minister of culture) not everyone was out of this fear, notably Simmel, Sombart, Robert Michels and Ferdinand Tönnies. Cf. Arthur Mitzman, *Sociology and Estrangement. Three Sociologists of Imperial Germany*, New York, Knopf, 1973. Also, cf. Edward Shils (ed.), *Max Weber on Universities*, Chicago, University of Chicago Press, 1974.

5. Whatever the errors in his theory, Rodbertus (1805-75) has played quite an influential role. Like Marx he was a Ricardian who was strongly critical of *laissez-faire* economics. Interestingly, he led a long correspondence with Lassalle, the hated friend and rival of Marx.

In particular, Weber gives Rodbertus credit for the term 'oikos' which, as we shall see, stands at the center of non-market (non-profit) economies. Note the judgment of Guenther Roth in his 'Introduction' to Max Weber, *Economy and Society*, Berkeley, University of California Press, 1978, p. liii: 'As a scholar of antiquity, the conservative socialist Rodbertus surpassed Marx.'

6. Cf. the suggestive passage in Weber's *Agrarian Sociology of Antiquity*, London, New Left Books, 1976, p. 365: 'To have a true picture of the later Roman Empire in modern terms, one must imagine a society in which the state owns or controls and regulates the iron, coal and mining industries, all foundries, all production of liquor, sugar, tobacco, matches and all the mass consumption products now produced by cartels.' Also, cf. Guenther Roth's 'Introduction,' op. cit., p. lviii f., who quotes *in extenso*

the remarkable passage from Weber's *Agrarian Sociology of Antiquity*, loc. cit., in which Weber, infringing on his own principles, drew a direct comparison between the liturgical state machine of the *New Kingdom* and the later *Roman Empire* in the one side and the Wilhelminian state bureaucracy on the other side: 'Bureaucracy stifled private enterprise in antiquity . . . This applies to modern Germany too . . .' For a recent study on the same theme, cf. Robert Antonio, 'The contribution of domination and production in bureaucracy: the contribution of organizational efficiency to the decline of the Roman empire,' in *American Sociological Review*, vol. 44, 1979, pp. 895-912.

7. 'State capitalism' is the term both Bukharin and Lenin use to characterize the state-controlled German war economy. Cf. Nikolia Bukharin, *Imperialism and World Economy*, New York, Monthly Review Press 1973, esp. ch. XIII, pp. 144-60 on 'War and economic evolution.' For Lenin, cf. footnote 30, below.

8. A very fine and impressive reading is Lujo Brentano, *Mein Leben im Kampf um die soziale Entwicklung Deutschlands*, Jena, Fischer, 1931.

9. After the eulogizing works by Marianne Weber (1926) and Karl Jaspers (1921) which are politically innocent (though not apolitical), a much more critical literature has thrown more light on the vacillations and contradictions in Weber's political philosophy. Cf. Marianne Weber, *Max Weber: a Biography*, (1926), Engl. trl. New York, Wiley, 1975; Karl Jaspers, *Three Essays. Leonardo, Descartes, Max Weber*, New York, Harcourt, 1964; Wolfgang Mommsen, *Max Weber und die deutsche Politik 1890-1920*, Tübingen, J.C.B. Mohr, 1959; 2nd rev. ed. 1974; Raymond Aron, 'Max Weber and Power Politics,' pp. 83-100 in Otto Stammer (ed.), *Max Weber and Sociology To-day*, New York, Harper & Row, 1971; Ilse Dronberger, *The Political Thought of Max Weber. In Quest for Statesmanship*, New York, Appleton, Century, Crofts, 1971; also,

cf. Wolfgang Mommsen, *The Age of Bureaucracy*, New York, Harper & Row, 1977.

10. Cf. Stanislav Andreski, 'Method and substantive theory in Max Weber,' *British Journal of Sociology*, vol. 15, pp. 1-16, 1964; H.H. Bruun, *Science, Values and Politics in Max Weber's Methodology*, Copenhagen, Munksgard, 1972; Steven Seidman and Michael Gruber, 'Capitalism and individuation in the sociology of Max Weber,' *British Journal of Sociology*, vol. 28, 1977, pp. 498-508; Johannes Weiss, *Max Weber's Grundlegung der Soziologie*, Munich, Verlag Dokumentation, 1975.

11. For a systematic elaboration of such polar alternatives which will have to replace Parsons's 'pattern variables' see G.H. Mueller, 'The Protestant and the Catholic ethic,' *Annual Review of the Social Sciences of Religion*, vol. II, 1978, pp. 143-66, and *id.*, 'The dimensions of religiosity,' *Sociological Analysis*, vol. 41, no. 1, Jan. 1980, pp. 1-24.

12. The blame for 'revisionism' is mostly laid to Eduard Bernstein and his pathbreaking book of 1899 (English translation: *Evolutionary Socialism*, New York, Schocken, 1961). However, the impact of the parliamentary success of the German Social Democrats was already clearly reflected in Engels's preface to the second edition of Marx's *Class Struggles in France* written shortly before his death in 1895. Cf. Joseph Schumpeter, *History of Economic Analysis*, op. cit., pp. 759-80 and 877-85 on 'The defeat of liberalism' and 'The Marxists.' More recently, cf. David Beetham, *Max Weber and the Theory of Modern Politics*, London, Allen & Unwin, 1974, pp. 161 ff. on 'The proletariat and social democracy.'

13. On this development, cf. Joseph Schumpeter, op. cit. 1954; David Beetham, op. cit. 1974; Dieter Lindenlaub, op. cit., 1967, and Wolfgang Mommsen, op. cit. 1959. Also, cf. Hans Gerth, 'Introduction' to Hans Gerth and C. Wright Mills (eds), *From Max Weber: Essays in Sociology*, New York, Oxford University Press, 1946,

pp. 45-74 on 'Intellectual orientations.'

14. *Demokratie und Kaisertum* (Democracy and Empire) was the title of the influential book of Friedrich Naumann which he published in 1900. For Weber's unsparing criticism of Naumann cf. his remarks 'Zur Gruendung einer nationalsozialen Partei' of 1896, reprinted in Max Weber, *Gesammelte Politische Schriften*, 2nd edn, Tübingen, J.C.B. Mohr, 1958, pp. 26-9.

15. This was prominently the case in Weber's two diatribes against proposed laws in the Prussian Diet to expand semi-feudal entails (*Fideikomnisse*) in 1904 and 1917. Cf. his long article on 'Agrarstatistische und sozialpolitische Betrachtungen zur Fideikommissfrage' of 1904, partly reprinted in *Gesammelte Politische Schriften*, op. cit., 1958, pp. 178-86. Also, compare his writings on 'Capitalism and rural society in Germany,' 1904, and on 'The national character and the Junkers,' 1917, both reprinted in Gerth & Mills, op. cit. 1946, chs. 14 and 15, pp. 363-95, which closely parallel the two articles on the entails.

16. For an unsympathetic appraisal of Marx in this light cf. Leopold Schwarzschild, *The Red Prussian. The Life and Legend of Karl Marx*, New York, Scribner, 1947. More recently: Karl Raddatz, *Karl Marx. A Political Biography*, Boston, Little, Brown, 1978. For a most interesting criticism from an insider, cf. Michail Bakunin, 'The International and Karl Marx,' 1872, and 'Anarchism and Statism,' both in Sam Dolgoff (ed.), and trl., *Bakunin on Anarchy*, New York, Knopf, 1972, pp. 286-320 and 323-50.

17. The predicate of Weber as a 'bourgeois Marx' stems from Albert Salomon, 'Max Weber,' in: *Die Gesellschaft*, vol. 3, 1926, p. 131. The same predicate of a 'bourgeois Marx' was originally attributed to Pareto in his obituary in the Italian socialist daily *Avanti* in 1923; cf. Schumpeter, op. cit., 1954, p. 110.

Besides Weber and Pareto there is still a third candidate for the epithet: Boehm-Bawerk (1851-1914) whom

Schumpeter, op. cit., 1954, p. 847, calls 'one of the great architects of economic science.' 'If we wish to label his place in the history of economics, we had better call him "the bourgeois Marx,"' Schumpeter, 1954, p. 846.

18. Karl Marx, *The Communist Manifesto*, in R.C. Tucker, (ed.), *The Marx-Engels Reader*, New York, Norton, 1972, pp. 338 f.

19. These quotes are from Max Weber's speech on socialism given at Vienna on June 13, 1918. It is reprinted in Max Weber, *Gesammelte Aufsätze zur Soziologie und Sozialpolitik*, Tübingen, J.C.B. Mohr, 1924, pp. 492-518, and in Eduard Baumgarten, *Max Weber. Werk und Person*, Tübingen, J.C.B. Mohr, 1964, pp. 243-70, with interesting commentaries.

There exist two partial translations of this speech into English: (1) by David Hytch in J.E.T. Eldridge, (ed.), *Max Weber: The Interpretation of Social Reality*, New York, Scribner's, 1971, pp. 191-219, and (2) by Eric Matthews in W.G. Runciman, (ed.), *Max Weber: Selections in Translation*, Cambridge University Press, 1978, pp. 251-62. Although much shorter, the latter translation is generally superior to the former.

20. It needs to be noted that neither Marx nor Weber are pledged to Hegelian triads. Rather than on 'Aufhebung' and synthesis, their dialectic is predicated on conflict. It is hence intrinsically dyadic. Cf. Marx's acid repudiation of Proudhon's handling of dialectics in *The Poverty of Philosophy* (1847).

21. On Weber's various notions of rationality, cf. Gert H. Mueller, 'The notion of rationality in the work of Max Weber,' *European Journal of Sociology*, vol. XX, 1979, pp. 149-71.

22. Cf. Max Weber, *Economy and Society*, Totowa, N.J., Bedminster Press, 1968, and Berkeley, Cal., The University of California Press, pb., 1978. The pagination of both editions is identical. The quote referred to is from *Economy and Society*, part 1, chapter 2, section 9, p. 86. For brevity's sake, we will subsequently refer to: E&S 1.2.9, p. 86.

23. The juxtaposition of interests and ideals occurs in the important 'Zwischenbetrachtung,' reprinted in Gerth and Mills, op. cit.; 1946, ch. XI, p. 280, under the heading: 'The Social Psychology of the World Religions,' pp. 267-301. Interestingly, the famous juxtaposition which is very reminiscent of Marx, is a later insertion in the second edition of 1920.

24. 'The majority of the Russian people is anticommunist.' Cf. Eldridge, op. cit. 1971, p. 217. On the whole, the speech in Vienna must be seen in close context with Weber's article of February 3, 1918 on 'Innere Lage und Aussenpolitik,' (The internal situation and foreign policy) reprinted in Max Weber, *Gesammelte Politische Schriften*, op. cit., 1958, pp. 280-93. Also, cf. Beetham, op. cit. 1974, ch. 7, esp. pp. 198-203.

25. For example, Lenin ordered a statistical count of government employees in 1921-2. For a penetrating analysis of eastern european bureaucracies, cf. Rudolf Bahro, *The Alternative in Eastern Europe*, London, New Left Books, 1978. For another searching attempt, cf. Rudi Dutschke, *Versuch, Lenin auf die Füße zu stellen*. Berlin, Wagenbach, 1974.

26. Ilse Dronberger, *The Political Thought of Max Weber*, op. cit. 1971, pp. 195 ff., leaning on Mommsen, op. cit., 1959, pp. 275 ff., is quite critical of Weber, accusing him of having warped the truth.

27. To get a live impression why Weber may have lost patience with strict 'value neutrality,' cf. Rainer Lepsius, 'Max Weber in Munich,' *Zeitschrift für Soziologie*, vol. 6, 1977, pp. 106 and 107: 'On November 4, 1918, he gave a speech which dealt with the political reconstruction of Germany. Erich Muehsam and Max Levien were present and heckled his speech . . . A hostile and demagogical atmosphere surrounded Weber.' . . . 'Again on December 5, 1918, on the invitation of the Democratic Party, he addressed an electoral meeting. He was repeatedly interrupted and had finally to stop. 'Partisans of the Raeteregerung' (i.e. a

Soviet style government) 'agitated against Parliamentarianism.'

28. Later on, Weber calls the Bolshevik revolution a military coup perpetrated, not by generals, but by corporals and land-hungry peasant-soldiers: 'The astonishing thing is that this organization has functioned as long as it has. It has been able to do so because it is a military dictatorship not, it is true, of generals, but of corporals, and because the war weary soldiers returning from the front saw eye to eye with the land hungry farmers used to agrarian communism . . . It is the only large-scale experiment with a 'proletarian dictatorship' that has been made to date' (Eldridge, op. cit., 1971, p. 216).

29. Eldridge, op. cit., 1971, p. 202; Runciman, op. cit., 1978, p. 254.

30. With astounding clarity, Lenin made this point in a sequence of articles published in *Pravda* in May 1918 (Cf. V.I. Lenin, *Collected Works*, English trl. from the 4th edn, vol. 27, Moscow, Progress Publishers, 1977, pp. 339 and 340): 'let us first of all take the most concrete example of state capitalism . . . It is Germany. Here we have "the last word" in modern large-scale capitalist engineering and planned organization, *subordinated to Junker-bourgeois imperialism*. Cross out the words in italics, and in place of the militarist, Junker, bourgeois, imperialist *state* put *also a state*, but of a different social type — a *Soviet* state, that is, a proletarian state, and you will have the *sum total* of the conditions necessary for socialism . . . history has taken such a peculiar course that it has given birth in 1918 to two unconnected halves of socialism existing side by side . . . in the single shell of international imperialism. In 1918 Germany and Russia have become the most striking embodiment of the realization of the economic, the productive and the socioeconomic conditions for socialism on the one hand, and the political conditions, on the other.'

31. Eldridge, op. cit., 1971, p. 203, or Runciman, op. cit., 1978, p. 254.

32. Eldridge, op. cit., 1971, p. 204,

or Runciman, op. cit., 1978, p. 255. Matthews incorrectly translates this as 'producer's socialism' while D. Hytch speaks of 'a socialism of industrialists.'

33. As the recent crisis of the Chrysler Corporation livelily demonstrates oligopoly does not necessarily protect from bankruptcy; in contrast, monopoly and state ownership do.

34. The same case is made by R. Heilbroner, *Between Capitalism and Socialism*, New York, Random House, 1970, ch. 12, against John Kenneth Galbraith's *The New Industrial State*, Boston, Houghton Mifflin, 1967. Interestingly, Marianne Weber made the same point in her early essay on *Fichte's Sozialismus und sein Verhältnis zur Marx'schen Doktrin*, Tübingen; J.C.B. Mohr, 1900.

35. This observation particularly pertains to two historic cases: the state monopolies under the Stuarts which aroused the anger of the City of London and ignited the rebellion of 1640. The counter example is the experiment of Robert Owen in New Harmony which collapsed, due to the lack of authority to discipline, selfishness and greed.

36. Cf. *E&S* II. ch. 2.1, 1978, pp. 349 f.): 'We will distinguish two types of economic action . . . *Bedarfsdeckung oder Erwerb*' (want satisfaction or profit making).

37. Cf. *E&S* II. ch. 4.2, 1978, pp. 375-80) on 'The disintegration of the household: the rise of the calculative spirit and of the modern capitalist enterprise, and *E&S* II, ch. 4.3, 1978, pp. 381 ff.) on 'The alternative development: the oikos.' Also, cf. the unfinished chapter on 'The market: its impersonality and ethos,' *E&S* II, ch. 7, 1978, pp. 635-40.

38. The Communist Manifesto aptly points to the close link between capitalism (i.e., gainful investment) and expansion. This idea has been further pursued by Boehm-Bawerk in his magisterial work on *The Positive Theory of Capital* (1889, English translation 1891). Joseph Schumpeter, *Capitalism, Socialism and Democracy*, 3rd ed., New York, Harper, 1950, pp.

81-6, following the same line, speaks of 'creative destruction' as the inherent predicament of capitalism. On the other side, the idea of 'zero growth' and steady-state economies seems to be quite recent. It can, however, be traced back to J.S.Mill (1848) and even to Aristotle.

39. Cf. *E&S* I. ch. 2.4, 1978, pp. 109 ff. on 'Market economies and planned economies.' Significantly, *Verkehrswirtschaft* (market economies) is linked with *Erwerb* (profit making), *Interessenlagen* (self interest) and *Marktfreiheit*, whereas *Planwirtschaft* is linked with want satisfaction and household-like budgeting.

40. *E&S* 1978, p. 111.

41. On instrumental and strategic rationality, cf. G.H. Mueller, op. cit., 1979. The complementary pair of instrumental and strategic rationality must not be confused with *Zweckrationalitaet* and *Wertrationalitaet* which are coterminous with material interests and ideals, each of which implements and sets goals in its own way.

42. Cf. *E&S* II. ch. 2.2, 1978, p. 341, on 'Open and closed economic relationships.' and *E&S* II, ch. 2.5, 1978, pp. 344-47, and 'Monopolist vs. expansionist tendencies.' For an early document on this matter, cf. J. G. Fichte's *Der geschlossene Handelsstaat*, published in 1800, and Marianne Weber's critique in op. cit. above, fn. 34.

43. For a consistent system of polar opposites cf. G.H.Mueller, op. cit. 1978 and 1980.

44. For a criticism of Max Weber's idealistic leanings, his protests to the contrary notwithstanding, cf. H.M. Robertson, *Aspects of the Rise of Economic Individualism*, New York, Cambridge University Press, 1933, and Kurt Samuelsson, *Religion and Economic Action, A Critique of Max Weber*, New York, Harper & Row, 1961.

45. Ironically, this idea is not brought out by Marx either who was unsympathetic to the idea of deriving property from its most natural source: hard work. Instead, his famous (26th) chapter in *Capital I* on 'primitive

accumulation' focuses on the deprecation of the church and the enclosures which certainly sped up the polarization of poverty and wealth by destroying the protective corporative structure of 'traditional' society. Marx is perfectly right that no property structure ever existed, or even came into being, without the interference of political power and law as its product and that the latter invariably worked in the interest and to the benefit of the rich. Yet under such circumstances, no 'protestant ethic' would ever have been able to emerge. The very existence of the latter compels us to conclude that, before and around the Reformation, opportunities to lift oneself up through hard work and thrift must have existed on a fairly large scale. The picture of feudalism thus is due to be revised considerably, much in the sense Perry Anderson has shown in his *Passages from Antiquity to Feudalism*, London, New Left Books, 1974. In particular, note his superb analysis of 'The feudal mode of production' and 'The feudal dynamics', 1974, pp. 147-53 and 182-96.

46. On the possibility of socialism as an economic system cf. Schumpeter, op. cit., 1950 and in particular op. cit., 1954, pp. 985-90 on 'The theory of planning and of the socialist economy,' esp. p. 986 f.: 'Three leaders, von Wieser, Pareto and Barone, who were completely out of sympathy with socialism, created what is to all intents and purposes the pure theory of the socialist economy, and thus rendered a service to socialist doctrine that socialists themselves had never been able to render. . . . It was particularly useful for them to realize that there was nothing specifically capitalist about their basic concept of value and its derivatives such as cost and imputed returns. These concepts are really elements of a completely general economic logic, of a theory of economic behavior that may be made to stand out more clearly in a model of a centrally directed socialist economy than it can in the capitalist garb in which it presents itself to the observer whose . . . experience is with a capitalist

world . . . all this amounts to saying that any attempt to develop a general logic of economic behavior will automatically yield a theory of the socialist economy as a by-product.'

47. Weber was keenly aware of this corollary. Cf. *E&S* I. ch. 2.14, 1978, p. 113, on 'Market economy and planned economy': 'The economic organization of a feudal lord exacting *corvée* labor or that of rulers like the Pharaohs of the New Kingdom belongs to the same category as a family household. Both are equally to be distinguished from a market economy.'

48. Cf. *E&S* I, ch. 2.14, 1978, p. 110: 'A planned economy oriented to want satisfaction must, in proportion that it is radically carried through, weaken the incentive to labor so far as the risk of lack or support is involved.'

49. The point is that polar opposites follow a logic totally different from Weber's original ideal types. As Carl G. Hempel, *Aspects of a Scientific Explanation*, New York, The Free Press, 1965, ch. 7 on 'Typological Methods in the Natural and Social Sciences' has shown, Weber's historical ideal types should better be called models. In contrast, polar opposites denote alternative extremes which define the 'objective possibilities' of action. The stroke of genius is that infinite subjective choices are thus subjected to an objective mapping which delineates their limits

*a priori* while at the same time the individual stays free to choose.

50. Cf. *E&S* II. ch. 8.6B, 1978, pp. 927 ff. and Gerth and Mills, op. cit., 1946, pp. 181 f. With an almost brutal bluntness Weber states that 'It is the most elemental economic fact that the way in which the disposition over material property is distributed among a plurality of people meeting competitively in the market . . . in itself creates specific life chances. According to the law of marginal utility this mode of distribution . . . favors the owners and, in fact, gives to them a monopoly to acquire such goods.'

51. The continuity between the Tsarist and the Soviet state has repeatedly been noted. What is astounding is that, from quite different stances, first rank experts such as Alec Nove and Rudolf Bahro have become aware of the 'elective affinities' which exist between state socialism and the 'Asiatic mode of production,' 'patrimonialism,' and the 'leiturgical' household-like state of the New Kingdom and the later Roman Empire. The profound irony is that, while all these societies are eligible for socialism, they are least likely to traverse capitalism as a preliminary stage. Cf. Alec Nove, *Political Economy and Soviet Socialism*, London, Allen & Unwin, 1979, ch. 2, 'Russia as an Emergent Country,' and Rudolf Bahro, op. cit. 1978.