

Economics and Society and the Fate of Liberal Capitalism*

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Abstract

Weber's writings on economic history, economic policy, and schools of economics, and his teaching of economics are outlined. His engagement with, and expertise in economics, are revealed to be more extensive than is generally appreciated. The full potential of his major work *Economy and Society* has yet to be exploited, and this requires a clearer grasp of Weber as an economist. His critique of the scientific claims of modern economics is still relevant, and this is illustrated through his use of the Austrian marginalist school. The appropriation of Weber's supposed individualist social science by Mises and Hayek is shown to be misplaced. The relevance of Weber's writings as an economist for the analysis of contemporary "neoliberal" societies is explored. Weber combines a knowledge of neoclassical economics with an awareness of how economic power is deployed to seek out profit opportunities. The similarities between the liberal laissez-faire economics of his day and the neoliberal regime that has taken hold since the 1980s now allow us to appreciate fully his economic sociology and apply it to contemporary capitalist practices. Weber's analysis of the economic division of labour yields a conceptual distinction between rentier and acquisitive capitalism and explains how rentiers can form a status group and intervene in bourgeois parliamentary democracy. Weber's distinctive approach makes possible the analysis the interrelation between economic power, economic ideas, and the spheres of politics and social stratification.

Keywords: Austrian marginalism, German historical school, liberalism, neoliberalism, Hayek, Mises, Wieser, division of labor, class, status group,

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acquisitive capitalism, householding capitalism, rentiers, inequality, Piketty, free parliamentary representation, rentier politics.

Weber as a liberal economist

Max Weber wrote and taught as an economist throughout his working life. His first post as professor involved teaching theoretical economics and the applied subjects of banking, finance, agrarian economics and industrial policy. His appointment, at Freiburg in 1894, was as professor of national-economy and finance. He took over the syllabus of his predecessor Eugen von Philippovich, which included the texts of the recent marginalist revolution in economics. His lecture course there and later at Heidelberg was entitled "Universal ('theoretical') National-economy" and it incorporated leading figures of the Austrian school of economics: Carl Menger, Friedrich von Wieser, and Eugen von Böhm-Bawerk. The way in which those economists had constructed a theoretical economic subject - rational economic man - and proceeded to an abstract theory of market behavior became one element of Weber's thinking about economics.¹

Another element in his makeup as an economist, and far better known, was his encyclopedic interest in economic history. In his last teaching post, at Munich in 1919-1920, he reluctantly gave in to his students' demand that he lecture on economic history, a subject where his knowledge was legendary. That lecture course was entitled "Outline of Universal Social and Economic History", though given the title *General Economic History* in translation.² The Weber scholar and historian, Wolfgang J. Mommsen, referred to Weber as a "universal historian".³ When we consider that his teaching career was bookended by two economics courses - theoretical economics and economic history - we could equally describe Weber as a universal economist.

A third element of Weber the economist was his continuous interest in policy questions. Economists in the German-speaking world were, and still are, termed "national-economists". This can be translated simply as "economist", but this

excludes the national framework within which economic thinking was embedded. Just as today, this generated a large range of applied topics. Throughout the 1890s Weber was part of a large research project investigating the state of the rural economy. This was a fiercely contested policy and political issue with, at one extreme, a farming lobby arguing that Germany should disengage from industrialization if it were not to destroy its rural economy and society. On national security grounds Weber argued against foreign migrant labor on the farms of the eastern border of Germany. On the other hand, he argued against tariffs, with which native farmers sought to protect their produce against the import of cheaper cereals. Was Germany to become a protectionist economy, or would it compete in world markets? Weber argued for the latter option, since to withdraw from the international economy meant retarding economic growth and economic strength. The issue had important political consequences, for protectionism would have strengthened the position of a reactionary Prussian elite which sought to control Germany's internal and external development.⁴ Weber produced two large research reports in both these areas, one on the position of the farmworker in the East of Germany, the other on the place of futures trading in grain on the German stock exchanges.⁵

A further dimension of Weber's work as an economist was his willingness to engage in discussion and argument with fellow economists. There was considerable polarization between the Austrian "abstract" school and the predominantly historical and institutionalist nature of the German school.⁶ Weber spoke to both sides, defining his own position through these debates. Also, to give a more extensive example, Weber was the commissioning editor in a handbook series on social-economics. He selected the young Joseph Schumpeter to write the history of economic doctrines, and Friedrich von Wieser to write on social economics. Both of these economists injected a new intellectual energy into economics and had a lasting influence on twentieth century economic thinking: Schumpeter through his quasi-sociological theory of the role of entrepreneur as the driving force behind capitalist innovation, von Wieser for his part in the new theory of marginal utility, which as Schumpeter later noted in his

History of Economic Analysis "created an analytic tool of general applicability in economic problems."⁷

It is quite legitimate to denote Weber as a professional economist, in the same way as any academic today who lectures on economic theory, economic history and economic policy would also be recognized as an economist. But this designation requires further explanation, since these elements do not form an obvious unity that would identify a distinctively Weberian approach to economic analysis. The recent publication of Weber's economics lectures and the publication of the critical edition of the final version of *Economy and Society*, both by the Max Weber Gesamtausgabe, have revealed his deeper engagement with Austrian economics. This creates a tension between his interest in the Austrian school, on the one side, and his extensive writings that places economic behavior in historical, political and religious context, on the other.⁸

Weber and the Austrian school of economics

Weber's first lecture course, given at Freiburg in 1895, is now published as "Universal 'theoretical' Economics." It reveals that Weber was far more closely engaged with the Austrian school of economics than previously realized, and that his relegation to economic history, which is where his major contributions and the Protestant Ethic studies in particular are placed, is erroneous. Carl Menger, in *Investigations into the Methods of the Social Sciences*,⁹ accused the German historical approach to economics of wallowing in facts from which no "exact laws" or "typical statements" could be derived. Menger's own approach was to place the individual economic subject at the center of the economic process, and in doing this it was possible to adduce laws of behavior. Menger's "marginalist revolution" held that market exchanges - in his examples this featured farmers exchanging so many sheep for a cow - are calculated on the marginal value such transactions bring to the economy of each farm. From this illustrative basis Menger's theory was extended to the whole area of production and distribution.¹⁰ Marginalism is termed "subjective value theory," and in the discipline of economics it quickly displaced the classical theory that prices were calculated according to the inputs of the various factors of production. The

principal object of Menger's attack was Gustav Schmoller, who placed economic agency with the state, or institutional forms such as guilds or employers' associations.¹¹

If Weber is viewed through an exclusively sociological or cultural lens, we would see him siding with Schmoller. After all, what is the Protestant Ethic other than argument that religion co-determined, through a new vocational spirit, the rise of capitalism? Weber's own copy of Menger's *Investigations* still exists, and on the page where Menger states that the aim of social science is to trace back "the phenomena of humanity to its most original and most simple factors", Weber has written idiomatically in the margin, "alles ganz dunkel" - the clarity of mud. For Weber, what remains permanently clouded is the complexity of the empirical world. But what has to be applauded - and here Weber publicly backed Menger against Schmoller - is the intellectual ambition to clarify reality through the construction of lawlike statements. Mommsen, as editor of the economics lecture course, comments, "He [Weber] made Menger's fundamental position into his own, which sharply separated between theoretical types and empirical statements. Its methods, namely to develop in purely logical ways theoretical types or lawlike statements, which could then be used to submit empirical reality to rational interpretation, became increasingly important for his own epistemological views."¹²

Weber in referring to the leading Austrian economists in his lecture course - Menger, Wieser, Böhm-Bawerk - sees in their abstract theories a "*constructed* 'economic subject'" that stands in sharp "opposition to empirical persons". Theoretical economics argues with "a non-realistic person, analagous to a mathematical ideal figure", that is, a fictional number.¹³ This oppositional duality forms the epistemological basis for his later formulated ideal type. Weber introduced the ideal type in his 1904 essay "The 'Objectivity' of Knowledge in Social Science and Social Policy". On "abstract economic theory" he argued that "It presents us with an *ideal* image of what goes on in a market for goods when society is organized as an exchange economy, competition is free, and action is strictly rational. [...] The substance of this construct has the character of a *utopia*

obtained by the *theoretical* accentuation of certain elements of reality." Where we find in empirical reality that these interrelations can be found to some extent, "then we can pragmatically *clarify* the *distinctive character* of that interrelation and make it understandable, by means of an *ideal type*."¹⁴

In the light of this scholarship, we might conclude that Weber's attraction to the Austrian school was purely methodological in character. The matter is more complicated, however. Melchior Palyi, an economist who knew Weber, attended his lectures and edited and published Weber's *Universal Social and Economic History* in 1923, penned the following sketch of Max Weber:

It was my good fortune, in particular, to come in close contact, as their student and assistant, with the two most original thinkers and most brilliant personalities of the period: Lujo Brentano and Max Weber, the foremost social scientists of their age. They were scholars of encyclopedic scope and of statesmanly stature, animated by the ethos of their belief in Liberty and Justice. As true Liberals, they stood in matters of labor policy for trade unionism, the eight hour day, and for factory legislation, as far as compatible with domestic free enterprise and international free trade. They were opposed to dogmatic laissez-faire -which meant paternalism in labor relations- as well as to paternalism in government.¹⁵

Palyi combines Weber's economic liberalism with his social liberalism. (Weber took over Brentano's chair in economics at the University of Munich in 1919.) Weber's own background and political affiliation were to support the economically liberal party in Germany (the National Liberals) and, as Palyi notes, to oppose governmental paternalism which had been started by Chancellor Bismarck who, in the early 1860s, broke with the free-market orientation of the National Liberals. Max Weber's antagonism toward Prussian authoritarianism was both political and economic in nature. His own economic liberalism is *one* part of his make-up as a social scientist.¹⁶

The methodological shortcomings of neoliberalism

Nicholas Gane has drawn attention to the ways in which the Austrian economists, Ludwig von Mises and Friedrich Hayek, took Weber to be an important antecedent of their own free market theories.¹⁷ This indicates that today's neoliberalism, which at its core is an attempt to restore the supremacy of the market on a global scale irrespective of national particularities, has a lineage that can be traced through Friedrich Hayek and Ludwig von Mises back to Max Weber. Both Hayek and Mises were impressed by Weber's robust critique (in 1919) of the socialization of production and distribution on the basis of planning and dispensing with money and prices.¹⁸ Hayek's elevation of the market as the principal mechanism for allocation of resources, production decisions and economic return to individual agents was shared only in part by Weber, who analyzed markets in terms of unavoidable power inequalities.

In extracting what he saw as Weber's endorsement of an individualist approach to economics, Ludwig von Mises overrode and rewrote Weber's epistemology. Mises's base assumption was as follows: "All action is economizing with the means available for the realization of attainable ends. The fundamental law of action is the economic principle. Every action is under its sway."¹⁹ Like Menger, Mises thought economics was a nomological science capable of formulating laws, which were "valid always and everywhere". An economic rationality underlay all human action and from this laws of economizing could be inferred. The philosopher of science Hans Albert characterizes Mises' approach as follows: "pure economics is a priori; it is in a way a '*logic of action*' which like logic and mathematics does not stem from experience but from reason."²⁰ Stephen Turner in his chapter in the Handbook shows that Weber rejected the possibility of such laws. Against the nomological Weber, asserted his own method, the interpretive understanding of reasons for action. The multiplicity of those reasons could be typified, but they could not be reduced to any one axiom or law.

We are faced with a methodological standoff at this point. Mises claimed nomological validity for economics as a science, and moreover used this to justify the normative claims of his version of liberal economics. Weber claimed that social science had to proceed as an interpretive science, able to discern patterns

of social behaviour and to uncover causal explanation of occurrences. This did not justify normative demands - for example, the creation of free markets in the name of economic liberty - on the basis of science. Weber was emphatic that science cannot determine value or normative choices. Those belong in the realm of belief, opinion, and politics. As Hans Henrik Bruun shows in his chapter in the Handbook, it is in the nature of ethical choice to separate our scientific knowledge of the world from how we choose to act. During a conference on science and technology, Weber observed that productivity is a concept of economic science, but that its pursuit has to be justified on political and ethical grounds. For example, robotics greatly increases the productivity of the worker, to the point of eliminating her from the factory. Misesian economizing justifies this; Weber says the productivity gain has to be argued out in terms of the overall sociological consequences and policy implications for citizens. Failure to maintain the separation will end badly: "To mix up prescriptive demands with scientific questions is the work of the Devil", as Weber castigated his fellow economists.²¹

The Misesian tendency in contemporary economics has flourished under the banner of neoliberalism over the last decades. On the basis of the primacy of the market over state regulation and opposition to an interventionist and redistributive state, Hayek first launched neo-liberalism as an explicit political programme at the inauguration of the Mont Pèlerin Society in 1947.²² The *new* liberalism was a call for a return to neoclassical economics in the face of the distortions of communism, fascism and the welfare state. While they claimed to co-opt Wieser and Weber, both of these were foremost in understanding *social* economics and where the market ended and the institutions and spheres of society began. Wieser, who is credited with placing the idea of marginal utility on the intellectual map, drew out the social consequences of this theory in his *Social Economics*. The rejection of classical theory and its derivation of value from land, labor, and capital meant that property (land and capital) had no preemptive claim over economic policy, and neither did labour as a class.²³ On this line of thinking there is considerable reciprocal influence between Wieser and Max Weber.

"Neoliberalism," as it has come to be used since the 1980s immediately fails the Weberian test of clarity of concept and definition. In the name of free markets, it has licensed large corporations, bank oligopolies and a de-regulated financial industry to impose freedom of access over hitherto non-market institutions and value spheres. For example, politics gives way to governance and technocratic administration. The sociologist William Davies defines contemporary neoliberalism as the disenchantment of politics by economics.²⁴ Weber invoked the disenchantment of the "iron cage", whereas today the power of markets displaces all other value standards.

Since the great financial crisis of 2008 "neoliberalism" is now subject to extensive critical onslaught - precisely because of the sociological consequences. It is a large subject and requires a much fuller treatment than space allows here. But many of the critical responses, such as the excellent *Nobel Factor* by Offer and Söderberg,²⁵ are in line with Weber's methodological position that social science does not deal with axiomatic assertions that justify all policy decisions. To give one very consequential example, the theory of rational expectations, which had come to the fore in economics and economic policy in the 1990s, held that economic agents were rational and reacted to future events and trends, such as inflation or government spending. From Weber's standpoint this would be an interesting heuristic that might yield some interesting patterns of behaviour, despite being based on the unrealistic assumption that all economic agents are able to anticipate the future. But within the Misesian conceptual framework, rational expectations theory was held to be axiomatically true. The policy decisions that were derived from it declared that all governments' attempts to stabilize an economy were self-defeating, even in a financial crisis, because they had already been factored into economic agents' decisions.²⁶ Austerity economics, as it has afflicted Europe, is one consequence of this erroneous theory.

The economics of modern capitalism

In this section I turn to how we should place Weber the economist within the wider frame of the social and historical sciences. Weber sets out his overall approach to economics in an essay published in 1904 in the *Archiv für Sozialwissenschaft und Sozialpolitik* (Journal for Social Science and Social Policy). The *Archiv* had been relaunched in 1904 with a new owner, Edgar Jaffé, and a new editorial team, of Edgar Jaffé, Werner Sombart and Max Weber. Jaffé was a businessman, turned academic, and his expertise was banking. Sombart was one of the most famous economists in Germany, though with a certain Marxist notoriety. Together they penned a joint article (*Geleitwort*) explaining the new approach of the journal, which previously had concentrated on empirical studies on the dire state of labor and working conditions as well as the required social legislation.

"Today, our journal has to consider the historical and theoretical investigation into the *general cultural significance of the development of capitalism* as the scientific problem that is dedicated to [dealing with it]."²⁷

This, their statement continues, will involve the neighboring disciplines of "the general theory of the state, legal philosophy, social ethics, with studies in social psychology and with those inquiries usually categorized under the name of sociology." The statement signs off on a methodological note that "the specific significance of social phenomena of culture" demands the formulation of "clear and unambiguous concepts."²⁸

The transition from traditional to acquisitive capitalism

Weber systematically elaborates the nature of this transformation in Chapter 2 of *Economy and Society*, which is entitled "The Basic Sociological Categories of the Economy." At its heart the chapter pursues the idea of "economizing". How do different individuals and groups seek profit opportunities, and what are the sociological boundaries through which this activity is allowed and enabled? The Misesian axiom of economizing is shown to be dependent on specific sociological structures. Only in the West has a configuration of features come about in which the free use of labor has become determinative. Weber refers to these

interlinked features as "peculiarities" (*Eigenschaften*) of the West (or the "Occident" as he terms it). It is only in the West that a cold-eyed pursuit of profit has been enabled as in no other civilization. The *Protestant Ethic* provided the motivational grounds for this turn around, and his historical comparative studies in religion and economy came up with a range of answers as to how Occidental civilization came to be configured to enable the free development of these "peculiarities".²⁹ (See the chapter by Joshua Derman in the Handbook.)

The Occident, therefore, has cleared all sociological obstacles in the domain of the economy for an acquisitive capitalism to pursue profit unimpeded. This is behavior "oriented to opportunities for seeking new powers of control (*Verfügungsgewalt*) over goods."³⁰ Goods and services, exchange of goods and business credit are all elements, or means, for gaining advantage in making a profit. "'Profitability' (*Rentabilität*), means, in the rational case, one of two things: (1) the profit estimated as possible by ex-ante calculations the attainment of which is made an objective of the entrepreneurs' activity; or (2) that which the ex-post calculation shows actually to have been earned in a given period, and which is available for the consumption uses of the entrepreneur without prejudice to his chances of future profitability."³¹ The use of capital, the use of labor, the sale of goods, and the estimation of market opportunities all have to be considered, and a power of disposal exercised, in order to assure profitability. Paramount in this is "the highest possible degree of calculability as the basis for efficient capital accounting". Weber says of this economic/business calculus "It is far from the case that only economic factors are important to it. On the contrary, it will be shown that the most varied sorts of external and subjective barriers account for the fact that capital accounting has arisen as a basic form of economic calculation in the Western World (*Okzident*)."³²

Weber's economic sociology shows us how this was achieved, and this takes us to the ruthless core of modern capitalism, which as he lamented at the end of the *Protestant Ethic* now imprisons us like an "iron cage." Making a world free for capital accounting requires the exercise of power, applied to existing social and

political structures. The theme of power is threaded through Weber's economic sociology.

Processes of appropriation and expropriation

"Capital accounting in its formally most rational shape thus presupposes the battle of man with man." Weber follows up this startling statement with another: "No economic system can directly translate 'subjective feelings of need' into effective demand, that is, into demand which needs to be taken into account and satisfied through the production of goods."³³ Where capital accounting is most advanced, it has already altered the balance of powers within a society. As Weber notes, "In an economy which makes use of capital accounting and which is thus characterized by the appropriation of the means of production by individual units, that is by 'property', profitability depends on the prices which the 'consumers [...] can and will pay.'" ³⁴

How does "property" appropriate the "means of production"? Such a statement could be taken directly from Karl Marx's *Capital*. In fact, the current English translation exaggerates the similarity, and a more correct translation of the German *Beschaffungsmittel* is "means of procurement", which has the wider sense of assembling all the inputs required for production, the organization of labor in relation to the production process and, finally, marketing, distribution, and retailing.³⁵ Weber himself occasionally uses the term "means of production" (*Produktionsmittel*), and there is a degree of interchangeability between the concepts. So, which economic groups are being appropriated by property?

Weber outlines a prior situation in § 20 of Chapter 2 of *Economy and Society*. There, the means of procurement are complementary to labor. Quite simply, the means of procurement are appropriated by workers (individually or in association), or by owners, or by regulating associations of third parties. In pre-modern capitalist societies individuals as settlers, as farmers or as craftsmen had control of their own means of procurement or means of their own livelihood. This can also exist within modern capitalism, as is the case with cooperative associations. Owners, to think of feudal lords, have also laid claim to means of

procurement by rights to property (for example, the manor and related labor services) in feudal law, as did the Church in medieval Europe.

Section 21 ("*Appropriation of disposing [human] accomplishments*") outlines the role of managers, as determined by the type of appropriation. Today, we are very much familiarized with the distinction between "labor" and "management." Weber holds to the overriding concept that the performance of human labor (*menschliche Leistungen*) - that is best translated as human accomplishments, is the production of outputs (products or services). Historically, across many societies, persons, or groups of persons, have themselves disposed over those outputs. That a manager disposes over other people's labor is a feature of that peculiarity of modern capitalism. The endowment of managers with the power of disposal of other people's labor is conferred by the owners of property, in this case the means of production/means of procurement. Management is another form of propertyless free labor, except in this case it is a form of bureaucratic or clerical labor. The way in which the occupation of a manager is designated is an aspect of the social division of labor.

Commentators have usually contrasted Weber to Marx by saying that Weber's argument is about calculability whereas Marx's is about the prior expropriation of the means of production by capitalists and the subsequent exploitation of the working class by the bourgeois class.³⁶ It is certainly the case that Weber starts from the necessity of capital accounting (while Marx holds to the impersonal dynamic forces of capital itself). But Weber is just as insistent as Marx that this involves a wholesale rearrangement of the use of capital (means of procurement) and so of changes to the class and status structure. Expropriation of preexisting forms of appropriation has to take place in order to render society, any society, susceptible to the unique peculiarity of modern industrial capitalism. The peasant is thrown off his land, as in the enclosure movements, the craftsmen or cottage industry is forced into wage labor in factories.

The starkness of this argument has been forgotten and overlooked ever since sociology gave up its interests in political economy (or social-economics as

Weber terms it). This occurred after 1945 when in advanced countries a different form of capitalism - social welfare capitalism or the social market - was ushered in as central to the postwar settlement imposed by *pax americana*. A new form of citizenship was conferred on the propertyless worker. Workers were accorded not just political and legal rights but rights to welfare, and an efficient and effective fiscal state interposed itself between labor (as mere calculable inputs) and capital. Governments regulated markets, especially financial markets and the free flow of capital across national borders.

In the 1950s and 1960s a whole school of sociology developed that sought to explain how stratification, class, capitalism and politics operated in ways that maintained society as a coherent entity. This is encapsulated in T. H. Marshall's classic book *Citizenship and Social Class*.³⁷ This explained how the ineradicable conflict between capital and labor was managed by the post-1945 nation-state. This process goes into reverse under the neoliberal regime whose political phase is triggered by the new conservatism of the Reagan presidency in the 1980s and Prime Minister Thatcher in the UK. The neoliberal regime of our age has returned us to the contours of capitalism that were familiar to Weber in his day. Through a re-engagement with Weber's economic sociology we can analyze and explain how social-liberal capitalism was returned to market capitalism, through a process of re-expropriation of labor and citizen rights.

The triadic division of labor

The ways in which economic needs are met in a mass production - mass consumption capitalist economy is through a complex and specialist division of labor. Weber uses the term the *technical* division of labor, and this analysis is very much in the tradition of Adam Smith's classic description of breaking down the manufacture of pins into its component parts and allocating a different worker to each task and, likewise, Henry Ford's re-organization of car assembly through the slow-moving production line.³⁸ Most of economic and business discourse concentrates on the technical division of labor, and it is very much concerned with the productivity of labor and managerial prerogatives. (See the chapter by John Scott in this Handbook.) In the management literature there is a

general fascination, probably not shared by most workers, with how far the division of tasks can be taken and with the social psychological effects on workers. Weber himself was coauthor of such a study.³⁹ However, in the larger scheme of economic sociology, the *social* division of labor takes precedence for Weber. This is an issue of power, of who has the power of control over resources, the stages of production, and marketing. Weber analyzes this through the concepts of appropriation and expropriation. The issue of the calculability of capital demands total control and complete expropriation of previous forms of appropriation.

Weber is quite aware of the empirical complexity that inheres in the social division of labor. On one side owners of firms may well join in the performance of human labor and may themselves handle management functions. On the other extreme, managers appointed and employed by the shareholders (the owners) of joint stock companies may arrogate to themselves a large amount of autonomy. Weber handles this spectrum through the well-known principal-agency distinction, which has generated a whole genre of management literature.⁴⁰ The latest variation on the place of the manager in the social division of labor is the inclusion of the manager in the ownership of the company, through remuneration with stock options. This was introduced under the (very contentious) assumption that giving managers an ownership stake would align the interests of managers with those of shareholders.⁴¹

How production in firms is organized, the technical organization, comes down to who has the power of disposal over *menschliche Leistungen*, and this in its turn depends on the social division of labor. Another important and pervasive illustration of this conceptualization is the fairly recent phenomenon of value chains. Factories are no longer closed establishments (*Betriebe*) where most of the production process occurs within the factory walls, issuing a range of finished products for the market. Transport technology and information technology have allowed the production of components at local sites across the world. An automobile or mobile phone is the outcome of complex production and labor processes each adding, through the production of a component, a value

to the final product. In the literature this is termed "post-Fordist production,"⁴² though Weber's term, the "means of procurement," is open to these developments.

In a Weberian analysis it is a mistake to attribute the complexity of modern production to the visible technical division of labor. The complexity resides in the insufficiently explored social division of labor. A Californian mobile telephone and computer company, to think of Apple Inc., can own plants in a number of different countries; and within those plants the disposing powers of managers extends to the dictatorial. Within the People's Republic of China, half a billion of propertyless wage laborers were created when released from collectively owned farms and manufacturing units. The latter disposed over their labor and the managerial function was part of the collective enterprise. Once the Chinese Communist Party had decided it would pursue capitalism with Chinese characteristics, it was decreeing a fundamental change in the social division of labor.

The *economic* division of labor completes the triad. The move from a traditional capitalism or capitalism regulated by convention to that of aggressive profit-seeking acquisitive capitalism represents the economic division of labor. Weber defines it as follows: "Finally 3. in every manner of combination of [human] accomplishments with the material means of procurement and by the manner of their allocation (*Verteilung*) to economic entities (*Wirtschaften*) and [mode of] appropriation, the *economic* question has to be asked: is this a householding (*haushaltsmäßige*) or a profit-making acquisitive (*erwerbsmäßige*) operation?"⁴³ A householding economy is a very large category in Weber's economic sociology. A royal household, a manorial economy, the *oikos* of Roman antiquity all fall into this category, where production is oriented according to sociologically and politically determined need. Its economy may be intermittent or continuous and surpluses sold on the market, but it is not predominantly oriented to profit-making on a capitalistic market. As in the traditional "putting out" system of home-based production,⁴⁴ it can be capitalistic without being profit obsessed. Weber overlaps this distinction with that between productive capital and wealth

(*Vermögen*). Until comparatively recently, in western economies, the assumption has been that productive capital is employed and driven by profit-making acquisition, an *Erwerbswirtschaft*. Explaining the transition from traditional capitalism to the acquisitive economy is the basic theme of the *Protestant Ethic* (and it becomes very clear in Weber's disputing of Sombart's use of acquisitiveness).⁴⁵ Today, capitalist wealth-accumulating strategies, the major thesis of Piketty's book *Capital in the Twenty-First Century*, in Weberian terms come under the heading of a householding and *Vermögen* strategy. The rise of rentier finance capitalism, expanded in the section below - "From Acquisitive to Rentier Capitalism", concerns the *economic* division of labor.

Specifying the preconditions for neoliberalism

In Chapter 2, §30 of *ES*, "The Conditions (*Voraussetzungen*) of Maximum Formal Rationality of Capital Accounting", we can find a complete specification of the aims of today's neoliberalism. We have already outlined the first precondition (on the appropriation of the means of production/procurement). Following on, we have (2) the "complete autonomy in the selection of management by the owners" and (3) is free labor, freedom of the labor market and freedom in selection of workers. Weber frames "free labor" in terms of appropriation: "complete absence of appropriation of jobs and of opportunities for earning by workers and, conversely, the absence of appropriation of workers by owners." In the former, workers have control over their own labor and in the latter, ownership of labor is foregone, as in slavery and serfdom. The remaining preconditions are (4) the freedom of parties in any economic transaction to freedom of contract and the absence of regulation on consumption, production, and prices; (5) (we have already encountered) the complete calculability of technical conditions of the production process plus rational technology; (6) the predictable functioning of public administration and a rational legal order; (7) is the complete separation of a household economy from an enterprise economy or firm (which is discussed further below) and (8), which takes us into the realm of today's financial capitalism, "a monetary system with the highest possible degree of formal rationality".⁴⁶

What for Weber is an ideal type, against which empirical reality can be assessed, turns out to be a more or less exact specification of neoliberalism. If we take the European Single Market, which has been laid down by a series of Treaties starting in 1986 (and therefore has the status of international law), the free movement of goods, services, labor, and capital is the foundation of the European Union's free market. National governments are not allowed to intervene to subsidize or regulate the movement of labor, to regulate prices, or to obstruct the movement of capital. Weber does not quite capture this last requirement since he worked in the framework of national economies. But it is fully consistent with the freedom of capital to maximize its profit opportunities, by moving capital where the technical division of labor returns the greatest profit on capital and labor deployed. European Union law decrees that governments will uphold this framework, so satisfying precondition 6. In addition the European Court of Justice upholds contractual freedom. The European Union also has a common currency and a European Central Bank, whose operations are based on enhancing the Single Market. This is in complete contrast to Weber's account of the rise of central bank, which is to assist the national state in its foreign policy goals and domestic development of a banking system. For Weber, capitalism flourished from the competition between nation-states, and he actually doubted whether capitalism would survive the demise of the national state: "as long as the national state does not give place to a world empire capitalism also will endure."⁴⁷

From the outset this regime has been criticized as a charter for free-market capitalism, and at the present time its operation threatens the very existence of the European Union as a political association. The reasons for its shortcomings and possible failure as a political and economic project are too complex to enter into at this point. But the complexity can be rendered in Weberian terms as a problem of translating what seemingly works in theory (formal rationality) into substantive rationality. They belong to two different realms: one of thought, the other empirical reality. The ideal type belongs to the intellectual realm, and formal rationality cannot be replicated or realized in empirical reality.

Without going into the many critiques of the Single Market, what is to be learned from Weber's analysis of how formally rational capitalism generates substantive *irrationalities*? These, as will be seen, are sufficient for formal conditions to be transmogrified into the undermining and dissolution of modern capitalism, as understood according to the liberal tenets of rationality.

"The fact that the maximum of *formal* rationality in capital accounting is possible only where the workers are subjected to domination by entrepreneurs, is a further specific element of *substantive* irrationality in the modern economic order."⁴⁸ This is the existential irrationality of life, or life conduct, under conditions of "pure" capitalism, which assumes the domination of the worker by the entrepreneur, or through his managerial employee who is able to enforce discipline on the workforce. The presence of trade unions and political parties founded to protect the interests of the majority of the labor force will, of course, ameliorate the absolute control of managers and entrepreneurs in enforcing that work discipline - as was the intention of the Cohesion Fund in the European Union. This has been the trend in Organisation for Economic Cooperation and Development countries since 1945, but is now in reverse with the reassertion of managerial and entrepreneurial power under neoliberal regimes. As the technical division of labor has opened up value chains across the world, the conditions of workers have tended to precarious employment, the loss of rights, the impossibility of forming effective trade unions, and labor law and courts antipathetic to the rights of employees.

From acquisitive to rentier capitalism

Aside from this existential and material irrationality, Weber also notes the irrational tendencies of finance. The two aspects are mutually reinforcing. "In a market economy a management which is not hampered by any established rights of the workers, and which enjoys unrestricted control over the goods and equipment which underlie its borrowing, is of superior credit-worthiness".⁴⁹ The de-unionization of firms and the withdrawal of government protections, which have been explicit goals of US conservatives, have reduced the risk of lending to such firms.⁵⁰ Weber was writing in an era of shortage of capital and far stricter

rules on how much credit a bank could advance in relation to its cash reserves and liabilities.

That noted, Weber is also clear that wherever credit notes, in the form of bills, bonds, or promissory notes, can be freely exchanged between parties, there will come into existence financial speculation and the subsequent risk of bank collapses. Weber appends the following sentence after his enumeration of the preconditions for the modern capitalist enterprise: "A further motif is speculation, which becomes important from the moment when property can be represented by freely negotiable paper. Its early development [in the seventeenth century] is marked by the great economic crises which it called forth."⁵¹ "In modern economic life the issue of credit instruments is a means for the rational assembly of capital."⁵² As Geoffrey Ingham (in his chapter in the Handbook) demonstrates, bank credit and credit instruments, are intrinsic both to the rise of modern capitalism, its maintenance and its further development. These aspects also belong to the social division of labor.

The process of appropriation - and Weber's main focus is the appropriation of the means of production and labor and the imposition of managerial control - does not stop there. The possibility cannot be excluded "that a wide degree of control over the policies of management may rest in hands outside the enterprise (*betriebsfremde Erwerbsinteressenten*), by virtue of their powers over credit or financing - for instance, the bankers or financiers who finance the enterprise." The position and role of the manager "may come, through appropriation, into the hands of 'outside interests' representing the resources of shareholder wealth interests (*Vermögensinteressenten: Anteilsbesitzer*)."⁵³ At this point, Weber notes, a number of things may happen. If a wealth fund controls a firm, through its stake in the shares of a company, it can demand a high rate of income. In other words, it can demand high dividend payments rather than re-investment in the firm itself, for instance, in new technology. Another possibility is "through temporary stock acquisitions, into the hands of speculative 'outside interests' seeking gains only through the resale of their share." Or, the management of a firm falls into "the hands of outside business

interests, by virtue of power over markets or over credit (such as banks which provide credit or 'financers')." ⁵⁴ In the current neoliberal regime huge privileges have been accorded to banking and finance, which in Weberian language have appropriated the producer-owners and the management of companies. Hedge funds, private equity, investment trusts, and investment banks have all acted in the ways described by Weber but on a scale he would not have comprehended. These financial powers "may pursue their own business interests, often foreign to those of the organization as such." ⁵⁵ Weber could have included in the list of possibilities the role of investment banks in driving relentless mergers and acquisitions of companies, from the motive not of superior performance and economies of scale but of short-term profits. This is the *raison d' être* of large pools of private wealth, such as hedge funds and private equity.

The usual situation in profit-making firms in modern capitalism is to borrow so long as the profit opportunities exceed the rate of interest, and this in turn is determined by the power situation between the firm making goods and the income of those buying them. Classically, this was achieved by Henry Ford, who ensured that workers could afford to buy his cars; and, more generally, a high-wage economy is good for the profits of large producers of consumption goods. This situation is theorized by economists, continues Weber, in terms of the marginal utility of producers and consumers. But then he writes, "Economic theory - which could, however, also be developed along very different lines ...". ⁵⁶ It just happens that the power distribution favors those who own the means of procurement to proceed in the Fordist way. Another form of ownership, what Weber terms "wealth" (*Vermögen*), would organize capitalism differently; and this would require another economic theory. The type of ownership - borrowed capital for purposes of investment in production versus accumulated wealth - overrides orthodox economic theory and ushers in another form of capitalistic practice. ⁵⁷

"The management of wealth (*Vermögensverwaltung*) and the acquisitive enterprise (*Erwerbsbetrieb*) may be outwardly so similar as to appear identical. The former can in fact only be distinguished from the latter according to actual

final *meaning* of the economic activity: On the one side, increasing and maintaining the profitability and the position of market power of the enterprise, and on the other side, the security and increase of wealth and income."⁵⁸ On the surface both cases are capitalistic and seek to make a profit, but underneath very different strategies are being pursued.

This can be illustrated in terms of economic power. Edsel Ford in the 1920s created banking trusts to supply cheap and available credit to customers, thus maintaining the primacy of the car factory. General Motors from the 1990s onward became increasingly oriented to making money from financial products rather than from its production plants. It was pursuing a wealth strategy for its shareholders. Again, whole national economies are structured according to the interests that determine the capitalistic economic division of labor. Ingham's classic book on the City of London and industry in the United Kingdom demonstrates how a strategy of maximization of financial capital operated to the detriment of the acquisitive profit-making capitalism preferred by industry.⁵⁹

Stratification

The theme of stratification has its own chapter in *Economy and Society*, Chapter 4 "Classes and Status Groups." Weber did not complete the chapter, and his presentation is schematic. We do have an earlier version (written c. 1912), which was translated and published by Gerth and Mills as a free-standing essay.⁶⁰

These circumstances have led to a situation where stratification is not adequately related to economic sociology. When Weber composed the first version, entitled "Classes, Status Groups, Parties", he had yet to write his economic sociology; and when he had written his comprehensive economic sociology in 1919, he only provided the schematic version of "Classes and Status Groups" and this lacked the usual extended Handbook exemplification in smaller font. Sociological discourse subsequently has developed a limited number of themes such as occupational and class structure, and how status modifies class determination. However, the larger themes of appropriation and the triadic division of labor remain unexplored, and it is these sections of Chapter 2 that need further development if the true potential of the *Economy and Society*

project is to be realized. Now that Piketty and colleagues have foregrounded the issue of rentier financial capitalism and inequality, the Weberian contribution to the economic division of labor requires further attention.

Weber first defines "class situation," which means "the typical probability of: 1) the provision of goods, 2) gaining a position in life, 3) a sense of destiny in life, a probability which derives from the relative control over goods and skills and from their income-producing uses within a given economic order."⁶¹ The first part of this definition almost equates to saying that class situation is lifestyle broadly understood. The second part of the definition makes clear that any lifestyle is dependent on the economic order and where one is positioned within that order to receive income and goods.

This connects to the economic sociology of Chapter 2 of *Economy and Society* and is most clearly seen in the section on occupation (*Beruf*). What one derives from one's occupation - whether this is a professional occupation, a skilled trade, or a manual occupation - is closely related to the triadic division of labor. Going back to the example of the manager, his or her position ultimately rests on what kind of social division of labor predominates. Chief executive officers of contemporary corporations (joint stock companies with limited legal liability) can be said to have attained the highest class position of managers in history. They are given ownership rights (as in share bonuses), they are given managerial powers approaching dictatorial proportions weakly controlled by the company board or shareholders, and they operate in a system that accords them unheard of remuneration. This has come about through the weakening of shareholders' power as well as employee power. It is the changing configuration of the social division of labor that has allowed the emergence of the chief executive as a new elite. And their power of disposal over the technical division of labor and the occupation and skilled needs of the workforce in turn determines the class position of company employees. In the present era ordinary workers are being de-classed and reduced to a "precariat," and professional occupations, forming the middle class, are facing reduced career opportunities.

To give another example, universities are staffed by highly trained and educated lecturers, and on that basis they can claim educational *status*. (Educational qualification and training, for Weber, is the major marker of status difference in the modern world.⁶²) But, as most lecturers come to realize, universities are now more important as an economic sector rather than in their role of learning and education. Their economic importance has overridden their position as self-governing academic communities whose economy stood on a relatively unconsidered householding basis. The economic division of labor has changed their relatively privileged class and status situation into a university employee with declining career and income opportunities. And in the technical division of labor within the university, self-governing councils have been suborned to a new managerial stratum. Status has given way to class position and this has resulted from changes in the economic division of labor within a wider capitalistic knowledge economy.

With Chapter 4 of *Economy and Society* unfinished, there are some general remarks at the end of chapter 2 offering a brief analysis of the sources of income, wages, and profits as they are received in various class and status situations of different societies. Weber refers the reader to another economist (Robert Liefmann) who had published at some length "Return and Income" (*Ertrag und Einkommen*). In regard to the occupational structure and the opportunities for income, Weber merely directs the reader to "problems of 'class' and 'status.'"⁶³ So, the linkages between the two chapters are flagged up but not adequately developed by Weber.

Nevertheless what we have there can be re-worked for present times. In outline Weber offers the components of class according to (1) property classes, (2) commercial classes, and (3) social classes. Commercial classes is a rough translation of *Erwerbsklasse*, a word whose difficulty we have already noted. Each class is positively or negatively privileged, and it is the entrepreneur and manager who heads up the positive class situation in the acquisitive (*erwerbsmäßige*) order of modern capitalism, with the negatively privileged being the laborers, whether skilled or unskilled.

Weber's property classes range far and wide, and this is because they include non-modern capitalist societies like feudal and slave regimes. The list of the negatively privileged gives us the flavor in this regard: first, the unfree (which is also a status distinction); second, the declassed, and Weber supplies the example of the Roman *proletarii* (the non-property-owning sons of Roman citizens); and third, the "paupers" (Weber's quotation marks). Sociologists usually talk of the changing class structure in order to explain the re-emergence of the poor and the declassed in the contemporary world. A stricter Weberian approach examines changes in the division of labor.

Rentiers are prominent in the list of positively privileged holders of property. Rentiers receive income from a list that includes men (as in owning slaves), land, mines, factories and equipment, ships, creditors (of livestock, grain or money), and securities. Rentiers do not appear in the list of the positively privileged *Erwerbsklasse*. Piketty has handled the issue of rentiers extensively and elegantly in his *Capital in the Twenty-First Century*. There they make their appearance as a well established nineteenth-century social class living off securities (e.g. consols), whose value and return remained constant.⁶⁴ (They would also count as a status group, since their life style would be ruled by convention-seeking refinement and antimaterialist outlook.)

Dynamic profit-seeking capitalists displace the rentier. This occurred in the rapidly expanding industrial capitalism of the late nineteenth century, which is accompanied by the thrusting entrepreneur, acquisitive in his attitude and capable of deploying capital for the greatest return. A new class of industrialists appears, often seen as supermen or heroic figures, as depicted by Veblen and others.⁶⁵ In Piketty's terms, such is the rate of capital formation - industrial equipment, factories, transport infrastructure, urban development - that the return to property owners of this new capital stock is much higher than the low but dependable rate of return on modest amounts of savings. In Weber's terminology, living off wealth (*Vermögen*) is replaced by the return on the investment in capital, and the driver of an expanded deployment of capital and

consequent transformation in the division of labor is the acquisitive attitude of the industrial capitalist.

By around 1900 capitalism had reached the stage characterized by Sombart and Weber as "high capitalism" (*Hochkapitalismus*). Technology and science, in particular electromagnetism and chemicals, were making the production process far more sophisticated; and a new middle class of scientists, technologists, and clerical workers and retail personnel, including of course accountants, was interposed between the brute relations of capitalist factory owner and dragooned workers. The new middle class derives its sense of class and lifestyle through education and skill as a technician, bureaucrat (or white-collar worker), and manager. Achieving rentier status through lifetime savings was no longer the prime objective; rather, consumption, career, and rising income from work were the goals. And in a literary sense the new middle class explored the modernist dilemmas of the various emancipations on offer compared to the staid rentier and patriarchal bourgeoisie, as, for instance, dramatized in the plays of Henrik Ibsen.

Over the twentieth century the return to capital (in the form of profits and dividends) has been around 30% and 70% to labor. The new rentier capitalism that has been emerging from the 1980s onward, for Piketty, is caused by a disproportionate accumulation of capital and property in general by the capital-owning class. This tendency, inherent in an acquisitive capitalist order, is severely disrupted at points in the twentieth century through the destruction of capital and savings because of wars, financial crashes, and economic depression. This, Piketty argues, restores an advantage to all employees because their share of overall income increases relative to the return from a depleted capital stock. The increase in capital and property and its concentration in the hands of the top 5% of the population, since the 1980s, have created the new inequality of today. This has severely impacted both the working and middle classes since, with reduced wages and incomes both in purchasing power and relative to the wealthy, the sense of being a skilled manual worker or professional middle-class person has deteriorated.

Piketty is echoing Weber in showing that rentier capitalists do not want to re-invest and apply new technologies to their businesses, to the extent that this was the case in the productive phase of capitalism. Instead rentier capitalists want to extract greater profits for themselves, to reduce the wage costs of their businesses, and to engage in financial engineering such as tax avoidance and share buy-backs. This altered trajectory has consequences not only for the lifestyle and class situation of employees but for political attitudes as well. Changes, originating in the *economic* division of labor, have effects not only on class and status but also on politics.

Class, status, and rentier politics

"If we lay the causal chain before us, one moment it moves from technological to economic and political matters, and the next moment, from political to religious and then to economic and other matters. At no point do we have any resting place."⁶⁶ Weber made this point in a discussion on the relation of technology and culture, and it recalls the project of the *Archiv* that would consider the relation of the economic in relation to culture. *Economy and Society* is the encyclopedic working out of these propositions. The main underlying argument of "Classes and Status Groups" is that a common class situation will have a projection into politics. Under a Marxist formulation a class acts for itself as a revolutionary force in the political arena. Weber qualifies this assumption by specifying preconditions for this to occur. Workers have to be able to face the class enemy (as in workers and bosses), there needs to be a sufficient mass of workers in the same class situation, the workplace (factory) has to be conducive to collective action, and an intelligentsia needs to be in place to provide a roadmap for political goals.⁶⁷ For these reasons Weber adjudged the revolutionary movement to have passed in Germany around 1900, and the main schools of political sociology in the twentieth century have concurred with this judgment.

However, the matter of the reciprocal actions of class and status on politics is not laid to rest. Throughout the twentieth century class-based labor reforms have successfully introduced welfare, labor laws, and social reform into the political

arena, most frequently against conservative parties representing the interests of capital.

Neoliberalism has operated with an ideology that its superior delivery of economic welfare renders all class-influenced politics obsolete. Class conflict within national political arenas is to be replaced by "governance", where economically enlightened experts would administer the course of economic affairs. The hollowing out of the industrial working class was ignored on the calculation that economic welfare according to a global measurement was increasing. The imposition of austerity following the great financial crisis of 2008 has exacerbated inequality and loss of economic opportunity for large sections of the labor force.

How would a Weberian analysis conceptualize and explain the rise of populism and the politics of "economic nationalism"? In an ideal-typical spirit I suggest a *Vermögenspolitik*, or rentier politics. This follows an economic strategy that seeks to confine personal wealth exclusively to an increasingly closed elite (already discussed), and to appropriate political powers. And to follow Weber's suggestion, such a process would lead to the formation of a status group. The ownership of property, the basis of class determination, is transformed into a status group that is signified not simply by conspicuous consumption and unaffordable luxury for the many but by the closing of opportunity for others by economic and political means. "The development of hereditary status groups is generally a form of the (hereditary) appropriation of privileges by an organization or qualified individuals. Every definite appropriation of political powers and the corresponding economic opportunities tends to result in the rise of status groups, and vice versa."⁶⁸ As the quote indicates Weber did not envisage this occurring in the modern world; rather, he was thinking of medieval societies with feudal lords, guilds and other closed associations. The argument now has to be considered that extraordinary class advantage is being translated into status group privilege, and all political means are being used to secure both class and status advantage.

Weber considered that there was an elective affinity or natural fit between acquisitive capitalism and bourgeois representative democracy. The rise of the middle-class entrepreneur occurred in the face of the resistance of the old regime of the landed, semi-feudal, property-owning class who ruled through a legislative chamber where entry was determined by privileged (entailed) landed estates. Weber identified himself as a self-avowed bourgeois in the fight to sweep away the reactionary landed class of the Prussian Junkers and their dominance of German politics through the Prussian upper house.⁶⁹ England had won the battle against landed interests in 1846 with the repeal of protectionist corn laws, and England par excellence was the country of parliamentary, middle-class, democracy, and admired by Weber.⁷⁰

Weber handles this topic in Chapter 3 of *Economy and Society*, "The Sociology of Rulership" (*Herrschaftssoziologie*) in § 21, entitled "Representation." "One factor in the development of free representation was the undermining of the economic basis of the older status groups (*Stände*). This made it possible for persons with demagogic gifts to pursue their career regardless of their social position. The source of this undermining process was modern capitalism."⁷¹ Modern, acquisitive capitalism, as Weber noted in the *Protestant Ethic*, was a revolutionary movement. In pushing aside the old order of landed privilege, it transformed politics into free representation, parliaments and political parties. For Weber, the role of the demagogue and orator was always important in the development of new political forms, whether in ancient Athens or republican Rome and, in the modern age, liberal as well as socialist politics. The main point, though is that the "formal rationalization of the economic order and the state which was favorable to capitalistic development, could be strongly promoted by parliaments."⁷²

Weber then qualifies this argument by saying that parliament works most successfully when the free representatives are drawn from the classes of "education and property" ("*Bildung und Besitz*"). Property qualifications are used to hinder the extension of the electoral franchise, postponing as long as feasible the entry of the proletarian class into parliament. But when this occurs, which

Weber himself came to support around 1917, the nature of parliament is itself radically transformed in the direction of class politics.⁷³ Weber died in 1920 and did not have the opportunity to comment on the progress of class-based politics in the Weimar Republic. Ever since the 1920s to the present, the representation of class, and the collective interests of the working class, in parliamentary politics have been much debated subject.⁷⁴ There is an inherent antagonistic relation between working-class representation in parliaments and acquisitive capitalism, on the grounds that capital accounting wants predictability and functionality from politics and the state; whereas proletarian politics, at the extreme, abolish parliament and institute soviets or, in retaining bourgeois forms, insists on variations of social democracy. Turning back to Chapter 2, Weber makes it very clear that contemporary capitalism is committed to mass consumption and mass production and at some level this has to be consistent with mass society including mass franchise. His political sociology does not examine the feasibility of this and how it might function.

What we do have in his writings is the basis for an analysis of how a *Vermögens*-capitalism might operate in the political arena, specifically § 22 of Chapter 3 of *Economy and Society*, "Representation by the Agents of Interest Groups" (*Repräsentation durch Interessenvertreter*). To some degree this is to be expected under contemporary capitalism. Industrial and agricultural sectors, professional occupational groups as well as trade unions will appoint people to represent their interests. However, Weber notes, the variations in this kind of representation can have "very different significance". A representative chosen on the basis of occupation or class can have extreme consequences, either "radically revolutionary or extremely conservative in character". In the former case, Weber instances soviet revolution where property owners are excluded from political rights. In the case of conservatism the aim is to "disenfranchise the numerically superior masses."⁷⁵ This approximates to the situation of conservatives in the US Republican Party who have made significant inroads in disenfranchising segments of the population that are regarded as debilitating to the property interests of the wealthy. This is achieved by various means: lobbying of the US Congress to reduce welfare benefits to the propertyless,

making voter registration onerous, and the gerrymandering of electoral districts for state legislatures and governors as well as in the US Senate. This is enabled by the financing of political parties where the normal allowances for party financing and electoral financing are biased to the wealthy contributors. In the United States this has greatly accelerated with the Supreme Court's 2010 ruling *Citizens United*, which opened the way to unlimited contributions from corporations, wealthy individuals, and unions for political candidates.

Weber discusses agent representation in terms of occupational groupings. This concerns fighting for political influence between occupations, where occupational difference has become pronounced within a broader capitalist economic order of an acquisitive kind. The property interests of the wealthy become the basis for instructing their agents, their representatives in the political assemblies, not to vote freely according to conscience or within a wider political manifesto but according to the interests of narrowly drawn electoral districts or franchises. In the United States associations of the very wealthy, such as the libertarian Cato Institute, have organized electoral candidates to ensure that they adhere to a narrow conservative agenda.⁷⁶ More generally, this would be termed simply plutocracy. What Weber's theory allows is how the representation operates in parliamentary-type assemblies.

A *Vermögenspolitik* is reactionary and very much against the grain of normal political economy in advanced societies. "Genuine parliamentary representation with the voluntaristic play of interests in the political sphere, the resulting plebiscitary party organization with its consequences, and the modern idea of rational representation by interest groups, are all peculiar to the Western World."⁷⁷ Weber thought that this destiny or outcome was inscribed in the unique way in which status groups and classes had developed historically. Acquisitive capitalism produced formally free classes and occupational status groups, and these formed the basis of removing the political privileges of the monarchically led patrimonial states in favor of the rational state and legal constitutional order. However, the logic of a capitalism of a wealthy rentier class

reverses this historic destiny in favor of privileged access to power, by the political disenfranchisement of the propertyless and their immiseration.

Conclusion

This last sentence in tone is a value judgment on my part. Weber, according to his own methodological standards, offers an impassive analysis of the two forms of capitalism, acquisitive and wealth-accumulating. Both of these are possible within modern capitalism, just as the birth of modern capitalism itself was an outcome of a number of contingencies, most of which involved a degree of ruthlessness. Within the public sphere, however, as citizens we are required to express our views and judgment. Writing in a political capacity on the need for Germany to move quickly to universal suffrage with no privileged groups of voters, he criticized the rentiers of his own time. He railed against those who wanted a more "easy-going way of life": "These are the parasitic ideals of a stratum of prebendaries and *rentiers* who have the impertinence to judge the hard daily struggle of their fellow citizens who are engaged in physical and mental work against the standards dreamed up at their writing-desks." The context is different but the sentiment still applies. The rentier class today takes as its standard the glossy consumerist standards of "How to Spend it".

The economic cosmos of mass production and mass consumption will, said Weber, contain an economic power imbalance that decides just what needs will be met and at just what level effective demand is set. In his capacity as a political opinion-former, he wrote, "*equal* voting rights corresponds to the essential nature of today's state. The modern state is the first to have the concept of the 'citizen of the state' (*Staatbürger*)."⁷⁸ The political sociologist, Alan Scott, comments on this: "Universal suffrage is not an expression of natural equality, but a momentary political counterbalance to otherwise ubiquitous *social* inequality. It represents a brilliant institutional resolution of one of the central paradoxes of modern societies: they are founded on egalitarian political principles but nonetheless run through with economic and social inequalities." In the voting booth "the promise of modern democracy is made good."⁷⁹

Today's neoliberals in claiming Weber as part of the liberal heritage have failed to recognize that Weber's specification of modern capitalism is rigorous and that its attainment was to pass through a very narrow historical-civilizational gate. As a liberal, his specification did not involve privileging the economic and the market over the political, the social, the cultural, or economic science itself, for these were counterbalancing forces to the forces and power of capitalism that once unleashed were, for Weber, monstrous.

Notes

¹ Max Weber, *Allgemeine ("theoretische") Nationalökonomie. Vorlesungen 1894-1898*, *Max Weber-Gesamtausgabe* (hereafter *MWG*), III/1, ed. Wolfgang J. Mommsen with C. Judenau, H.H. Nau, K. Scharfen, M. Tiefel (Tübingen: J.C.B. Mohr [Paul Siebeck], 2009), 26-29. For an outline of the syllabus see Sam Whimster, S., *Understanding Weber* (London: Routledge, 2007), 23-28.

² Max Weber, *Abriss der universalen Sozial- und Wirtschaftsgeschichte. Mit- und Nachschriften 1919/20. Mit- und Nachschriften*, *MWG*, III/6, ed. Wolfgang Schluchter with Joachim Schröder (Tübingen: J.C. B. Mohr [Paul Siebeck], 2011); *General Economic History*, trans. Frank H. Knight (London: George Allen & Unwin, 1927). Hereafter *GEH*.

³ Wolfgang J. Mommsen, "The Universal Historian" in *The Age of Bureaucracy* (Oxford: Blackwell, 1974), chap. 1.

⁴ See Keith Tribe, "Prussian Agriculture-German Politics. Max Weber 1892-7," in *Reading Weber*, ed. K. Tribe (London: Routledge, 1989), 85-130.

⁵ Max Weber, *Die Lage der Landarbeiter im ostelbischen Deutschland. 1892*, *MWG*, I/3, ed. Martin Riesebrodt (Tübingen: J.C. B. Mohr [Paul Siebeck], 1984); Max Weber, *Börsenwesen, Schriften und Reden 1893-1898*, *MWG*, I/5, ed. Knut Borchardt with C. Meyer-Stoll (Tübingen: J.C. B. Mohr [Paul Siebeck], 1999).

⁶ Fiona Maclachlan, "Max Weber within the *Methodenstreit*," *Cambridge Journal of Economics* (2016): 1-15; "Battle of the Methods," entry in *The Max Weber*

Dictionary, ed. R. Swedberg and O. Agevall (Stanford CAL: Stanford Social Sciences, 2016), 15-16.

⁷ Joseph Schumpeter, *Economic Doctrine and Method. An Historical Sketch* (London: George Allen & Unwin, 1954 [1912]), 912; Friedrich von Wieser *Theorie der gesellschaftlichen Sozialökonomie*, (Tübingen: J.C. B. Mohr [Paul Siebeck], 1914), trans. by A. Hinrichs as *Social Economics* (New York: Greenberg, 1927).

⁸ On the latter contextualizing approach, see Richard Swedberg, *Max Weber and the Idea of Economic Sociology*; on Weber as part of the universe of economists see Keith Tribe, "A Lost Connection: Max Weber and the Economic Sciences", in *Das Faszinosum Max Webers. Die Geschichte seiner Geltung* (Constance: UVK, 2006), 313-330.

⁹ Carl Menger, *Untersuchungen über die Methode der Socialwissenschaften, und der politischen Ökonomie insbesondere* (Leipzig: Duncker & Humblot, 1883).

¹⁰ Carl Menger, *Principles of Economics* (New York: New York University Press, 1981 [1871]).

¹¹ Weber disagreed with Schmoller's periodization of economies; see Weber, *Economy and Society* (hereafter *E&S*), ed. G. Roth and C. Wittich (Berkeley: University of California Press, 1978), 118; *Wirtschaft und Gesellschaft. Soziologie. Unvollendet 1919-1920, MWG I/23*, ed. K. Borchardt, E. Hanke and W. Schluchter (Tübingen: Mohr [Siebeck], 2013), 302.

¹² *Allgemeine ("theoretische") Nationalökonomie*, MWG, III/1, 26.

¹³ *Ibid.*, 122-123; Whimster, *Understanding Weber*, 25-26.

¹⁴ Max Weber, "The 'Objectivity' of knowledge in Social Science and Social Policy", in *Collected Methodological Writings* (hereafter *CMW*), ed. H. H. Bruun and S. Whimster, trans. Hans Henrik Bruun (London and New York: Routledge, 2012), 124-5.

¹⁵ Melchior Palyi, *Compulsory Medical Care and the Welfare State* (Chicago: National Institute for Professional Services, 1949), 15.

¹⁶ On the historical and family background, see Guenther Roth, *Max Webers deutsch-englische Familiengeschichte 1800-1950* (Tübingen: Mohr Siebeck, 2001). Roth places Weber as a "cosmopolitan nationalist".

¹⁷ Nicholas Gane, "Sociology and Neoliberalism: A Missing History", *Sociology* 48.6 (2014): 1092-1106; see also Gane, *Max Weber and Contemporary Capitalism* (New York: Palgrave Macmillan, 2012), chap. 5.

¹⁸ *E&S*, 104-107. Weber references Mises own critique of socialist calculation, *E&S*, 107; *MWG*, I/23, 280-285.

¹⁹ Ludwig von Mises, *Epistemological Problems of Economics* (Princeton, NJ: Van Nostrand, 1960 [1933]), 80. Hayek wrote approvingly of Weber who had made clear "the impossibility of a rational calculation in a centrally directed economy from which prices are necessarily absent" in F. A. Hayek, *Individualism and the Economic Order* (London: Routledge & Kegan Paul, 1949), 144. See Richard Swedberg's research in *Max Weber and the Idea of Economic Sociology*, 301-303.

²⁰ Hans Albert, "Hermeneutics and Economics. A Criticism of Hermeneutical Thinking in the Social Sciences," *Kyklos*, 41 (1988): 589.

²¹ Weber, *CMW*, 358-360, quote at 358.

²² Gane points out that Hayek and Mises are quite different at an epistemological level. Hayek agreed with Weber's refusal to accept a "positivist" view of social science. And von Mises adopted part of Weber's theory of social action, in what he called "praxeology". Gane, "Sociology and Neoliberalism", 1094ff.

²³ For both Weber and Wieser the line between the social and economic is permeable, and for both relations of exchange constitute an early form of sociality, which Weber termed *Vergesellschaftung* - the formation of the social. Wieser explained this as follows: "Acquisitive enterprises are instruments of a great social productive and acquisitive process following a division of labour. This social productive and acquisitive process, and with it, the inseparable process of exchange together comprise the social economy." *Social Economics*, 151.

²⁴ See for example William Davies, *The Limits of Neoliberalism. Authority, Sovereignty and the Logic of Competition* (London: Sage, 2016).

²⁵ Avner Offer and Gabriel Söderberg, *The Nobel Factor* (Princeton, NJ: Princeton University Press, 2016).

²⁶ See Offer and Söderberg, *The Nobel Factor*, 25-33.

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- ²⁷ Jaffé, Sombart and Weber, "Accompanying Remarks", in *CMW*, 95-99, 97; "Geleitwort", in Weber, *Zur Logik und Methodik der Sozialwissenschaften. Schriften 1900-1907*, MWG, I/7, ed. G. Wagner with C. Härpfer et al. (Tübingen: Mohr [Siebeck], 2018), 125-134, 130.
- ²⁸ "Accompanying Remarks", *CMW*, 97, 98; *MWG*, I/7, 131, 133.
- ²⁹ Weber, "Prefatory Remarks to the Collected Essays in the Sociology of Religion" in ("Prefatory remarks"), in *The Essential Weber: A Reader* (hereafter *Essential*), ed. S. Whimster (London: Routledge, 2004), 101-112, 103; Weber, "Vorbemerkung", in *Die protestantische Ethik und der Geist des Kapitalismus/ Die protestantischen Sekten und der Geist des Kapitalismus. Schriften 1904-1920*, MWG I/18, ed. W. Schluchter with U. Bube (Tübingen: Mohr [Siebeck], 2016), 101-121, 105.
- ³⁰ Weber, *E&S*, 90; *MWG*, I/23, 258.
- ³¹ *E&S*, 91; *MWG*, I/23, 260.
- ³² *E&S*, 92; *MWG*, I/23, 261.
- ³³ *E&S*, 93; *MWG*, I/23, 262.
- ³⁴ *E&S*, 92-93; *MWG*, I/23, 262-263.
- ³⁵ S. Whimster, "Issues in translating Weber's writings on economics", *Max Weber Studies*, 16, no. 2 (2016): 189-210.
- ³⁶ See Simon Clarke, *Marx, Marginalism and Modern Sociology. From Adam Smith to Max Weber* (Basingstoke: Palgrave, 1982).
- ³⁷ T. H. Marshall, *Citizenship and Social Class* (Cambridge: Cambridge University Press, 1950). For a parallel analysis see M. Rainer Lepsius, *Soziale Schichtung in der industriellen Gesellschaft* (Tübingen: Mohr Siebeck, 2015). For the American situation see R. Bendix and S. Lipset, eds., *Class, Status and Power*, (Glencoe IL: Free Press, 1953).
- ³⁸ In fact Weber's acknowledged source is Karl Bücher.
- ³⁹ Max Weber, *Zur Psychophysik der industriellen Arbeit. 1908-1912*, MWG I/11, ed. W. Schluchter with Sabine Frommer (Tübingen: Mohr [Siebeck], 1995).
- ⁴⁰ See A. Berle and G. Means, *The Modern Corporation and Private Property* (New York: Harcourt, Brace & World, 1968 [1932]); Oliver E. Williamson, *Economics of*

Discretionary Behaviour: managerial objectives in a theory of the firm (Englewood Cliffs NJ: Prentice Hall, 1965).

⁴¹ William Lazonick and Mary O'Sullivan, "Maximizing Shareholder value: a new ideology for corporate governance", *Economy and Society*, 29.1 (2000): 13-35.

⁴² *Post-Fordism: A Reader*, ed A. Amin (Oxford: Blackwell, 1994).

⁴³ *E&S*, 114 (translation changed); *MWG* I/23, 297.

⁴⁴ Weber outlines the traditional putting out system in the mid-nineteenth-century German textile industry and its transformation into a modern acquisitive undertaking in *The Protestant Ethic and the Spirit of Capitalism*, tr. T. Parsons (London: George Allen & Unwin, 1948), 76.

⁴⁵ Whimster, *Understanding Weber*, 33-40.

⁴⁶ *E&S*, 161-162; *MWG*, I/23, 375-6.

⁴⁷ *GEH*, 337; *MWG*, III/6, 368.

⁴⁸ *E&S*, 138; *MWG*, I/23, 336.

⁴⁹ *E&S*, 138; *MWG*, I/23, 335.

⁵⁰ Nancy Maclean, *Democracy in Chains. The Deep History of the Radical Right's Stealth Plan for America* (Melbourne and London: Scribe, 2017). Greta R. Krippner, *Capitalizing on Crisis* (Cambridge, MA, and London: First Harvard University Press, 2011).

⁵¹ *GEH*, 286; *MWG*, III/6, 326.

⁵² *GEH*, 279; *MWG*, III/6, 320.

⁵³ *E&S*, 139 (translation changed); *MWG*, I/23, 337-338.

⁵⁴ By "financer" and not "financiers" Weber is referring to those who buy companies from the banks. See *MWG*, I/23, 337n56. Today we would refer to private equity firms specializing in buy-outs.

⁵⁵ *E&S*, 139; *MWG*, I/23, 338.

⁵⁶ *E&S*, 97; *MWG*, I/23, 270.

⁵⁷ *E&S*, 97-98; *MWG*, I/23, 270.

⁵⁸ *E&S*, 98 (translation changed); *MWG*, I/23, 270.

⁵⁹ Geoffrey Ingham, *Capitalism Divided? The City and Industry in Britain's Social Development* (London: Macmillan, 1984).

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- ⁶⁰ *From Max Weber*, ed. and trans. Hans Gerth and C. Wright Mills (London: Routledge & Kegan Paul, 1948), 180-195.
- ⁶¹ *E&S*, 302; *MWG* I/23, 592.
- ⁶² Max Weber, "Statuts groups and classes", in *Essential*, 176, 181, cf. 180-181; *MWG* I/23, 592-600, cf. 598-600.
- ⁶³ *E&S* 140; *MWG* I/23, 339.
- ⁶⁴ Thomas Piketty, *Capital in the Twenty First Century* (Cambridge, Mass. and London: Harvard, Belknap Press, 2014).
- ⁶⁵ Thorstein Veblen, *Theory of Business Enterprise* (New York: Scribner, 1904).
- ⁶⁶ Max Weber, "Technik und Kultur. Diskussionsbeitrag zum Vortrag von Werner Sombart auf dem Ersten Deutschen Soziologentag am 20. Oktober 1910 in Frankfurt am Main", in *Verstehende Soziologie und Werturteilsfreiheit. Schriften und Reden 1908-1917*, *MWG*, I/12, ed. J. Weiß with S. Frommer (Tübingen: Mohr [Siebeck], 2018), 226-236, 236; "Remarks on 'Technology and Culture'", trans. by Beatrix Zumsteg and Thomas Kemple, *Theory, Culture & Society* 22.4 (2005): 23-38.
- ⁶⁷ Weber, "Statuts groups and classes", in *Essential* 179; *MWG*, I/23, 596-597.
- ⁶⁸ Weber, "Statuts groups and classes", in *Essential*, 180; *MWG*, I/23, 599.
- ⁶⁹ Wolfgang J. Mommsen, *Max Weber and German Politics. 1890-1920* (Chicago: Chicago University Press, 1984).
- ⁷⁰ Wolfgang J. Mommsen, "A Liberal in Despair", *Age of Bureaucracy*.
- ⁷¹ *E&S*, 296; *MWG*, I/23, 586.
- ⁷² *E&S*, 296-297; *MWG*, I/23, 587.
- ⁷³ *E&S*, 297; *MWG*, I/23, 587.
- ⁷⁴ Seymour Martin Lipset, *Political Man. The Social Bases of Politics* (Garden City NY: Doubleday, 1960).
- ⁷⁵ *E&S*, 297-298; *MWG* I/23, 587-588.
- ⁷⁶ MacLean, *Democracy in Chains*, 209-210.
- ⁷⁷ *E&S*, 299; *MWG* I/23, 591.
- ⁷⁸ Weber, "Suffrage and Democracy in Germany" in *Weber: Political Writings*, ed. P. Lassman and R. Speirs (Cambridge: Cambridge University Press, 1994 [1917]),

103; *Zur Politik im Weltkrieg*, MWG, I/15, ed. W. J. Mommsen and G. Hübinger (Tübingen, Germany: Mohr[Siebeck], 1984), 369.

⁷⁹ Alan Scott, "Capitalism, Weber and Democracy", *Max Weber Studies* 1, no. 1 (2000): 40.