

## Max Weber as a Political Economist\*

By Hauke Janssen\*\*

### Abstract

Max Weber's path to economic science was impacted to a large degree by political motives. The question emerges how the depiction, which has been maintained by historians of economics, of Weber as a methodologist – who demands objectivity and value freedom in scientific analysis – is compatible with the view of a young, politically-minded economist who, even from the university lectern, did not shy away from personal value judgments? The manuscripts first published recently in the context of the *Max Weber-Gesamtausgabe* on his lectures *Praktische Nationalökonomie* (1895–1899) reveal that Weber distinguished sharply between value judgments and scientific analysis – not in order to suppress the former, but in order to be clear about his ultimate goals and its consequences at all times and to elevate these to guide his thinking in practical questions of political economy.

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## 1. Max Weber's Path to Political Economy<sup>1</sup>

In the summer semester of 1882, Max Weber (1863–1920) enrolled as a student of law at the University of Heidelberg. Since prospective lawyers were required to attend lectures on political economy, Weber was exposed – at the very least – to one class by

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\*\* Hauke Janssen, PO Box 113232, 20432 Hamburg. The author can be reached at [hauke.janssen58@gmail.com](mailto:hauke.janssen58@gmail.com).

<sup>1</sup> At the end of the 19<sup>th</sup> century, economic science at German universities was usually referred to as *Nationalökonomie* or, synonymously, *Volkswirtschaftslehre*. For both terms, there is no translation in English that is both established and literally accurate. “Political economy” was the common term for much of the 19<sup>th</sup> century, including for Ricardo and Mill; the term “economics” became commonplace with Marshall at the end of the 19<sup>th</sup> century. “Economics” stood as a more rigorous and abstract approach which made increased use of mathematics than was customary in Germany at the time. Therefore, we generally translate the German terms *Nationalökonomie* or *Volkswirtschaftslehre* with “political economy” in this text.

Karl Knies (1821–1898),<sup>2</sup> one of the pioneers of the *older* Historical School; then, in Berlin, possibly to Gustav Schmoller (1838–1917),<sup>3</sup> the most prominent figure of the *younger* Historical School; but certainly to Adolph Wagner (1835–1917) (Mommsen 2009, 2), who is neither close methodologically to Knies nor Schmoller, but who maintained sympathies for the classical-deductive approach (Winkel 1977, 130 ff.). If one also considers Weber's reception of the Viennese theory of marginal utility (Mommsen 2009, 21–31), one can ascertain that his economic analyses are hardly one-sided, even if the attraction of discipline for the *young* Weber “only becomes understandable against the background” of the Historical School (Hennis 1988, 49).<sup>4</sup>

Weber, who studied under Levin Goldschmidt (1829–1897), the leading commercial law expert of his time, received his doctorate in 1889 with the *Geschichte der Handelsgesellschaften im Mittelalter* (Weber [1889] 2008, translated as: “The History of Medieval Commercial Partnerships”). In 1892, he obtained the authorization to teach Roman law as well as German commercial law at the University of Berlin. The preceding habilitation thesis (Weber [1891] 1986) conferring the license to teach, supervised by the agricultural historian August Meitzen (1822–1910), analyzed Roman agricultural policy and Roman law, but it was Weber's particular interest on contemporary German matters which strongly influenced his view of the past.

When Weber was offered an adjunct professorship in commercial law at the law faculty of the University of Berlin in November 1893, his future path seemed to be mapped out. But Weber was toying with a chair in political economy at the University of Freiburg (Kaesler 2014, 388 ff.). As he wrote to his mother Helene, he wanted to escape the study of “relatively dull jurisprudence” (*MWG* II/2, 442).

As early as the beginning of 1892, Weber had participated in the evaluation of the agricultural economic inquiry of the *Verein für Socialpolitik* (*Verein*), taking on the “politically most contentious part” (Mommsen 2009, 6): namely, the analysis of more than 2,500 questionnaires on the situation of agricultural workers in the East Elbian regions. The hurried and expansive work appeared in 1892 and established Weber's reputation among political economists. Georg Friedrich Knapp (1842–1926) praised

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<sup>2</sup> Cf. Mommsen (2009, 12). Hennis (1988, 63 ff.) emphasizes a “paramount importance of Knies for Weber's socio-economic training,” which is not without contradiction (cf. Swedberg 1998, 181). In the manuscript of the Lectures on *Praktische Nationalökonomie* (*MWG* III/2), published in 2020, Weber does not mention Knies.

<sup>3</sup> Cf. Swedberg (1998, 181 and 288). As a student, Weber read Schmoller with favor, especially since the latter, as Weber wrote to his father in 1883, turned out to be less of an “emphatic state socialist and one-sided protectionist” than commonly believed (*MWG* II/1, 352). To this journal's credit, it should be noted that Weber preferred to use articles from Schmoller's *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, a precursor of this journal, for his lectures on economic policy (*MWG* III/2, 11).

<sup>4</sup> Schumpeter ([1954] 1994, 815 ff.) calls Weber one of the most important representatives of the “‘Youngest’ Historical School,” Salin ([1923] 1951, 153 ff.) considers him one of the most important “descendants” of Schmoller, of whom the future will have to show whether he is not in the end better regarded as the forerunner of something new.

it: Max Weber had produced a monograph on “Labor Relations in the East” which “surprised all readers by its richness of thought and profundity of understanding” (cited in Marianne Weber [1926] 1984, 136). This had consequences: Weber was co-opted into the *Verein* in March 1893 and thus also became a candidate for a chair in political economy (Radkau 2005, 135). In addition, a further parallel track led from jurisprudence to political economy. In early 1894, still under the influence of Goldschmidt, Weber began with a series of articles on the *enquete* in the run-up to the passing of the first German Stock Exchange Act, which was controversial at the time (cf. *MWG* I/5), and was soon considered an expert in the field (cf. Borchardt 1999).

He was appointed to the chair of political economy and public finance in April 1894 (Kaesler 2014, 390 ff). But even if it is not the sometimes alleged “complete change of his actual field” (*MWG* I/4–2, 537), accepting the call to Freiburg as successor to Eugen von Philippovich (1858–1917) implied an enormous challenge. Upon assuming the professorship, Weber estimated himself, as he admitted to Adolph Wagner, “as a beginner in 9/10 of the field I am to represent” (*MWG* II/3, 77).

By the end of his third semester in Freiburg in the spring of 1896, he conceived of himself as a “master of his new subject” (Marianne Weber [1926] 1984, 214). According to this narrative, Weber, thanks to his genius and his inexhaustible work ethic, mastered the workload which was assigned to him through his professorship within a short period of time. This prompted “amazement, indeed, even admiration” (Eisermann 1993, 37). Finally, at the turn of the year 1896, the renowned Heidelberg faculty appointed him to the former professorship of Karl Heinrich Rau (1792–1870) and Karl Knies. “Among the younger lecturers of political economy,” the justification was formulated, “Weber occupies a very special place” and promises to become “one of the leading men in his field” (cited in Hentschel 1988, 204 f.).

His workload, however, took its toll with his health deteriorating rapidly. In 1899, he suffered a breakdown and was no longer able to give lectures. At his own request, the ministry overseeing university administration granted him retirement in 1903. Weber thus became an honorary professor without teaching obligations. He did not lecture again until 1918, first on a trial basis at the University of Vienna, then from the summer of 1919 on for the short time before his premature death in Munich – the latter as a professorship of social science, economic history and political economy (*MWG* III/1, 57–60).

Between 1894 and 1899, Weber lectured on *Finanzwissenschaft* (“Public Finance”) (*MWG* III/3) twice, *Praktische Nationalökonomie* or *Volkswirtschaftspolitik* (“Practical Political Economy” or “Economic Policy”) (*MWG* III/2) three times, and *Allgemeine* (‘theoretische’) *Nationalökonomie* (“General (‘Theoretical’) Economy”) (*MWG* III/1) six times in Freiburg and Heidelberg.<sup>5</sup> *Theory* thus represented the “core of his lecture activity in political economy” (*MWG* III/1, 159). It is through this prism that Weber’s preference of substance can be discerned. If, however, one considers

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<sup>5</sup> The main lectures comprised between 4 to 6 hours per week each.

Weber's entire teaching activity of those early years (*MWG* III/1, 52–63), the view one obtains is less certain. There was only one supplementary lecture to complement *Allgemeine* ('*Theoretische*') *Nationalökonomie* – namely the “History of Political Economy” – while there were five courses accompanying “Economic Policy:” “Agrarian Policy” (twice, published in *MWG* III/5), “The Labor Question and the Labor Movement” (twice, published in *MWG* III/4), and “Money, Banking, and the Stock Exchange” (published in part in *MWG* III/2). In addition, his inaugural address at Freiburg on “*Der Nationalstaat und die Volkswirtschaftspolitik*” (Weber [1895a] 1993, translated as “The Nation State and Economic Policy”) as well as a series of lectures (*MWG* I/4) and his contacts with the liberal politician Friedrich Naumann (1860–1919) attest to Weber's political interest. At that time, according to Mommsen ([1959] 2003, 38), he believed “that he could make his basic political convictions reverberate, precisely through his potency in holding a professorship of political economy.”<sup>6</sup> The “economic perspective,” Weber notes in his inaugural address, lies in “making inroads:” namely, “social policy in place of politics, economic power relations in place of legal relations, cultural and economic history in place of political histories [...] in short, to use the semi-reproachful word of colleague from the discipline of jurisprudence: we have ‘come into fashion’” (Weber [1895a] 1993, 562).

Weber's political aspirations thus enter his works, enabling his *entrée* to becoming an economist. In his study on the question of agricultural workers (1892) and the presentation on it given at the *Verein* (1893), Weber argued against the tendency he himself had stipulated of large, capitalist-run farms in the German East. On the other hand, he did advocate for *internal colonization*, for the creation of an estate of peasant farmers in Germany. This ought to prevent the danger of what he described as “po-lonization” (Weber [1893] 1993, 176). He found even more drastic words in his inaugural address than in the *Verein*, illustrating the role “which the physical and psychological racial differences between nationalities play in the economic struggle for existence.” He describes the Polish rural worker as a “type” with “inferior physical and mental habits of life” (Weber [1895a] 1993, 553) who, with the advance of the capitalist organization of business, increasingly offered themselves as cheap labor to the East German Junkers and thereby displaced German agricultural workers and peasant farmers. There was a threat of “Slavic inundation, which would lead to cultural regression of several generations” ([1894b] 1993, 458). Weber's *ceterum censeo* of those years was that the commercial interests of agrarian capitalism were opposed to the “vital interests of Germanness” (*MWG* II/3, 659). The political thrust against the Junkers becomes obvious in Weber's contributions on the stock market in warning of the dangers of restrictive legislation, such as had been demanded by agrarians, even to the point of banning commodity futures. “Their *true* aim,” Weber ([1895] 2000, 589) writes in the *Handwörterbuch der Staatswissenschaften*, is the

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<sup>6</sup> After a speech in Saarbrücken in January 1897, Weber received an offer from national liberal secessionists to run as a candidate for them in the 1898 Reichstag elections; Weber declined (*MWG* I/4, 811 f.; Marianne Weber [1926] 1984, 236).

“shift of economic and thus of political power in the interior in favor of rural land ownership.”

Weber's path to economic science was thus strongly influenced by political motives. Therefore, the question arises how the maintained image of Weber within the history of economics, as a character who stood for *value freedom* and *objectivity* (Schumpeter [1954] 1994, 540; Winkel 1977, 151 ff; Rieter [1984] 2002, 152), is compatible with that of the *young* political economist who did not shy away from personal value judgments from behind the university lectern? This question will be addressed here, especially in light of the manuscripts in note form of his lectures on *Praktische Nationalökonomie*, which have now been published for the first time in the Collected Works, the *Max Weber-Gesamtausgabe* (MWG), and which allow for more comprehensive insights into the young professor's thinking on economic policy than was previously possible.

## 2. *Praktische Nationalökonomie* in Germany at the End of the 19<sup>th</sup> Century

When the first volume of the *Handwörterbuch der Staatswissenschaften* (HdStW)<sup>7</sup> appeared in 1890, which Weber used extensively for his lectures, the editors – Johannes Conrad (1839–1915), Ludwig Elster (1856–1935), Wilhelm Lexis (1837–1914), and Edgar Loening (1843–1919) – had decided to restrict the subject matter to “economic and social” disciplines. They were “well aware” that “objections could be raised against this narrow interpretation of political science.” In comparison to Robert von Mohl's (1799–1875) *Encyclopädie der Staatswissenschaften* (1859), for example, many fields of study had been excluded, among others: the general theory of the state; public law; constitutional, administrative, and international law; politics; and the history of the state (Conrad et al., 1890, III.). Hans von Scheel (1829–1901) went even one step further in the *Handbuch der Politischen Ökonomie*, edited by Gustav Schönberg (1839–1908). He believed that the “often-used term ‘*Staatswissenschaft*’” for political economy was “far too broad” on the one hand, since it also included non-economic state activities. On the other hand, it was “much too narrow,” because it was only applicable to the domain of economic problems in which the state acted. Scheel (1890, 70 ff.) therefore rejected the term *Staatswissenschaft*, preferring the term “political economy,” or, alternatively, “socio-economics.”

Thus, the two most important reference texts on questions of political economy in Germany at the time – the *Handwörterbuch* and Schönberg's *Handbuch* – mark a process of professional differentiation among the state sciences, ushering in the path for political economy to become an independent science in Germany. The latter

<sup>7</sup> On Max Weber's working methods and the importance of the *HdStW* and Schönberg's *Handbuch der Politischen Ökonomie*, see (MWG III/2, 96–102).

extends into the 20<sup>th</sup> century, and its trajectory is reflected in the changing names of the *Handwörterbuch: Handwörterbuch der Staatswissenschaften* (from 1890 onwards), *Handwörterbuch der Sozialwissenschaften* (from 1956 onwards) and *Handwörterbuch der Wirtschaftswissenschaft* (from 1972 onwards).

During Weber's period, most of the professorships at German universities in the study of economic phenomena were still designated as those of the "state sciences," e. g., Schmoller's and Wagner's professorships in Berlin. Weber who at the time of his appointment to the University of Heidelberg urged for the introduction of an independent seminar for political economy – and the abolition of the seminar on the sciences of the state which had been established under Knies – then became the first full professor of political economy and public finance at the university (Mommssen 2009, 18 f.; Hentschel 1988, 201 ff.).

According to the editors of the *HdStW*, it was not coincidental that the term "sciences of the state" to designate the professorships of economic science became "official" at a time at which the "conception of the economic role of the state takes a new turn" (Conrad et al. 1890, III). Alluding to the fact that, after a prolonged liberal period,<sup>8</sup> economic theory in Germany had returned to a more active view of the role of the state in economic life through the founding of the *Verein* in 1872 is noteworthy, since it was also accompanied by a call for the discipline to be more oriented towards practical goals. In many cases, this view is linked to the understanding of cameralism, a German-Austrian variety of mercantilism which had characterized German economic teaching until the time of Rau.<sup>9</sup> However, as was later concluded, the study of economic questions "ossified into a practical economic science, particularly from the point of view of the civil servant who was entrusted with the administration of state economic enterprises" (Philippovich 1899, 20). As late as the second half of the 19<sup>th</sup> century, it was the case that students of the discipline in Germany generally selected their field of study as they sought to enter the civil service as lawyers and/or tax officials (i. e. cameralists).

The tension between the requirements of a discipline which was preparing to become a general science in its own right and an "art of teaching of civil servants-lawyers" (Priddat 1997) ultimately fuelled the division between a theoretical discipline and the applied, practical parts, which were peculiar to the German landscape. This division is attributed to the influence of Rau, who had been teaching in Heidelberg since 1822, in a phase of transition to Classical Political Economy in Germany (Scheel 1890, 74; Schmoller 1901, 546 ff. ). Rau divided the subject into "General

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<sup>8</sup> Cf. Streissler (1997, 104): If one considers that Wilhelm Roscher (1817–1894) proved to be "hardly less market-liberal in the substance of his arguments" than Rau, then one can state that "German economic policy orthodoxy during the first three quarters of the 19<sup>th</sup> century was astonishingly liberal."

<sup>9</sup> Rau saw himself, and Weber interpreted him in the same manner, as an advocate of classical political economy, which was advancing from England and France to Germany (*MWG* III/1, 697 f.). Others suggest that Rau was the "last notable cameralist encyclopaedist" (cf. Hentschel 2003, 193).

Economics,” “Economic Policy,” and “Public Finance” (the science of cameralism in the narrow sense).<sup>10</sup> In “General economics,” the Smithian concept of allocation in a free market was developed to a large extent, but in “Economic Policy,” a state-scientific way of thinking prevailed (Priddat 1997, 18f.). The outcome constitutes an impossible balancing act. As stated by Schmoller (1901, 547), this divide “corresponds, on the one hand, to the fashionable idea of the time – taken from the English – that there existed a natural political economy entirely independent of the state and administration” and thus allowed for “the pure, logical, predominantly abstract formulation of theorems on value, price and income distribution.” On the other hand, it also “meets the need, borne out of an old, administrative and technical cameralism, of instructing the student, both separately and in proper context, about what is necessary concerning agriculture and commerce – and its preservation by the state.”

In Rau’s estimation, the state should “refrain from controlling the entire production, distribution and consumption of material goods in a nation by orders and prohibitions.” But it *should* certainly “intervene where, without its assistance, an important economic success” would not be achieved (Rau 1862, 5). Speaking in modern terms, he explains such cases of market failure through externalities which cause a discrepancy between private and social costs, establishing hereby a systematic connection between *theoretical economics* and *economic policy* (Streissler 1997, 99). For in cases of market failure, the civil servant-state, along with its cameralistic instruments, remains tasked with – speaking, once more, in modern terms – the optimal allocation of resources. The depiction of effective measures remains reserved entirely in the sphere of *Praktische Nationalökonomie*. Streissler (*ibid.*) considers Rau to be the first economist ever to present “a theory of general economic policy” based “on a clear unified principle.”

If one follows Philippovich’s textbook *Volkswirtschaftspolitik* (1899, 20), Rau is not only the first – but also at the time the only – figure who had attempted a “scientific review of economic policy” in Germany in a “synoptic manner.” In Rau’s aftermath, only treatments of the individual branches of economic policy had existed, without making clear “the relationship of the individual branches to each other, their position in respect to the entirety of the national economy, and their significance for it.” The explanation lies in the fact that German political economy, under the growing influence of the historical school, neglected the study of the operation of general principles pertaining to the economic sphere in favor of detailed, empirical research. Schmoller (1882, 1379 ff.), on the other hand, believed that one still knew far too little about these matters to be able to form a “system.” Until Weber’s time, the sections on *Praktische Nationalökonomie* remained “in a descriptive foreground” wherein they aligned with “what they had already been during cameralism: empirical theorems

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<sup>10</sup> Cf. Rau (from 1826 onwards), *Lehrbuch der politischen Ökonomie*. Vol. 1: *Grundsätze der Volkswirtschaftslehre*, 1826 (1869); Vol. 2: *Grundsätze der Volkswirtschaftspflege mit Rücksicht auf bestehende Staatseinrichtungen*, 1828; from 1839 onwards: *Grundsätze der Volkswirtschaftspolitik mit anhaltender Rücksicht auf bestehende Staatseinrichtungen*, [1862] 1963 in two sections; Vol. 3: *Grundsätze der Finanzwissenschaft*, 1837 (1871).

situated in time and place, practical-technical instructions for action, as well as theories of prudence on private-economic as well as economic policy matters” (Hentschel 1988, 196). Schmoller (1901, 548) argued that economic policy must concern itself with “recent economic development of Western Europe – or of a single country – according to periods or the main branches of political economy.”

Weber also centers the analysis of his lectures on *Praktische Nationalökonomie* by distinguishing between time periods *and* its main subjects: A first book on systems and doctrines of economic policy is followed by books on population, trade, transport and commerce (i.e. *Verkehr*), and policy on manufacturing and agriculture. He illustrates in the first book that the scope of purely rational motives in the economic behavior of peoples is alterable over the course of epochs and across countries. Thus, Weber’s *Praktische Nationalökonomie* focuses not on conveying a *general theory* of economic policy, but rather of taking account of the history of changing systems and doctrines. And since these respective economic policies adopted in each case are reflected in institutions, legal arrangements and provisions, Weber’s work, above all, focuses on the history of economic policy institutions and laws – not, pertaining to the latter, in the Böhm-Bawerkian sense, but in a sense of administrative law.

### 3. Economic Policy as Social Policy

The begin of the so-called “age of social policy” (Sombart 1897, 3) can be dated to Schmoller’s calling his colleagues to Eisenach soon after the founding of the German Reich to establish a unique *German* political economy dedicated to the social problems of the time (Schmoller [1872] 1998, 71 ff.). Knies, Knapp, Schönberg, Wagner, and Lujo Brentano (1844–1931) were all involved from the very beginning, and the *Verein für Socialpolitik* – founded in 1872/73 as a rival to the more economically-liberal-minded *Kongreß deutscher Volkswirte*, which had existed since 1858 – quickly became the guiding force in German political economy.

At first, the “social question” was often equated with the “workers’ question,” aiming at the situation of wage earners, in particular “in economic, moral and social respects” (Schönberg 1891, 633). Worker plight resulted from a period of tumultuous industrialization and a rapidly growing population, whose surplus flowed from rural areas into cities and industrial districts. Adam Smith’s (1723–1790) teaching, according to which the “invisible hand” of the market coordinates selfish individual interests into an overall social good,<sup>11</sup> appeared undermined by reality in this episode of history. As even liberal economists admitted, there was a stark “contrast between progress and poverty” which “made a mockery out of the presumption of harmony” (Ad. Weber 1909, 31 f.). The maxims of economic liberalism had come under suspicion, not least through criticism by Karl Marx (1818–1883), as merely justifying the

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<sup>11</sup> Cf. Smith [1776] 2012, 445.

exploitation of workers under capitalism, of being merely *Vulgärökonomie*. The *Verein* pursued a two-fold approach in its reaction: on the one hand, it opposed *laissez faire*; on the other hand, it opposed Marxist socialism and the emergence of a budding social democracy. Thus, the economists around Gustav Schmoller, who were all united in the *Verein*, prepared the path scientifically for Bismarckian social policy (Winkler [2001] 2005, 250).

For the implementation of social reforms, as Schmoller formulated on the occasion of the founding of the *Verein*, its advocates relied on the “state” as the “greatest institution for the education of humankind.” Herein, they saw in the “two hundred years of struggle for legal equality that the Prussian administration and Prussian royalty fought, for the elimination of all privileges and prerogatives of the higher classes, for the emancipation and elevation of the lower classes,” as they noted, “the best inheritance of the German state system – towards which one must never be unfaithful.” They sought a “strong state power” which, “standing above the egoistic class interests,” would “make the laws” and with a “just hand” would “protect the weak” and “elevate the lower classes” (Schmoller [1872] 1998, 70 f.).<sup>12</sup>

According to Schmoller’s conviction, political economy ought to become a science which could not be separated from “the conditions of space, time and nationality” and whose justification must “preferably be sought in history” (Schmoller 1860, 463). The classics, however, as the Historical School around Schmoller believed firmly, had subjected themselves too much to “mere speculation,” limiting themselves to “stereotypical abstractions.” In Germany, as Schmoller ([1897] 1920, 204) noted, a “yearning for facts, for reality,” for “empirical observation and research” arose as a consequence. An example of the practical nature of this research are the great *enquêtes*, such as those on the question of the agricultural worker or on that of the stock exchanges – in which the young Max Weber also took part.

Science in Schmollerian fashion did not stop at the mere description of conditions, but had a concrete, ethical, action-guiding component. The “social problem” arose, as Schönberg noted in the *Handbuch der politischen Ökonomie*, “from the starting point that conditions come into conflict with a societal ideal,” and “that, for many, one has arrived at the conviction that state and society both have the possibility and the duty to eliminate – or at least to mitigate – this contrast.” This led to an appeal to help the lower class to a better existence, thereby ensuring more “justice,” more “culture and morality” in society (Schönberg 1891, 631 f., 646 ff.). Schmoller’s disciples thus put themselves in the service of social reform, aligning the criteria of their proposed economic policy accordingly. This earned them – specifically in reaction to Schönberg’s inaugural speech in Freiburg (1871) – the moniker of “socialists of the chair” by the *Kongress deutscher Volkswirte* (Oppenheim 1872). Schmoller ([1872] 1998, 69)

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<sup>12</sup> The vast majority of members wanted to achieve their goal within the framework of an economic order based on private property. Although Wagner called for nationalization on a larger scale, his state-socialist views did not prevail in the *Verein* (cf. Winkel 1977, 131 ff.).

himself soon appropriated the term, which was initially perceived as a defamatory slur, in an episode of self-mockery.

A quarter of a century later, the younger Historical School held the majority of Germany's professorships firmly in its hands (Krüger 1983, 19). Schmoller proclaimed on the occasion of taking over the rectorship in Berlin: "Neither strict Smithians nor strict Marxians can today claim to be considered fully equivalent. Anyone who does not stand on the foundation of contemporary research, of the contemporary state of knowledge and methods is not a useful teacher" (Schmoller [1897] 2018, 228).

Weber does not belong to any of the categories Schmoller frowned upon. He was neither Smithian nor Marxist<sup>13</sup> – and despite his adaptation of the theory of marginal utility, he was also not a strict follower of the foremost opponent of the grandmaster in Berlin: the Austrian School.<sup>14</sup> Although Weber professed to be a "disciple of the German Historical School" ([1895a] 1993, 563), and even though his classes on political economy – even his lectures on *theory* – were predominantly historical, he did not belong – neither methodologically, nor in terms of economic policy – to the Schmoller school.

In delivering his inaugural address in Freiburg in 1895, it was social policy advocates à la Schönberg and Schmoller who now made up the target for the young newcomers – such as Weber. Unlike "the great majority" of his colleagues, Weber did not follow what he called the "swindle of the kingdom of social reforms" (*MWG* II/7, 356). While many colleagues distinguished themselves with weighty monographs on social policy issues – among the Freiburgers, most prominently Heinrich Herkner (1894) and Gerhart Schulze-Gaevernitz (1890) – Weber's contribution to such analyses remains rather modest (Aldenhoff-Hübinger 2009, 11 ff.). Indeed, he begins his lectureship by, as he writes to his brother Alfred in explanation of his inaugural address, giving the "*Ethische Cultur* a firm kick in the backside" (*MWG* II/3, pp. 80–83).

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<sup>13</sup> Nevertheless, he acknowledged the scientific achievements of both schools, rejecting Schmoller's dictum since, behind it, there was only personal judgment of the "revered master(s) of other political points of view" (Weber [1913] 1996, 154 f.).

<sup>14</sup> In his lecture on "Theoretical Economics" (*MWG* III/1, 137–146, 281–299), Weber explained price formation in the modern market economy along the lines of Carl Menger (1840–1921) and Eugen von Böhm-Bawerk (1851–1914). Mardellat (2009) even places him among the Austrian school. We think this is going a bit too far. In the *Methodenstreit*, for example, Weber positioned himself closer to Menger than to Schmoller – but ultimately in between them (cf. Swedberg 1998, 176 ff.; Mommsen 2009, 21–31). On Weber's ambivalent reception in the third generation of the Austrian school, see Kolev (2018a; 2018b).

## 4. Max Weber's Lectures on Economic Policy

The term *Praktische Nationalökonomie* ("Practical Political Economy"), Max Weber noted in the preface to his lecture was "historically common, yet nevertheless outdated." At issue was "the science of economic policy" (*MWG* III/2, 127). In contrast to *theory*, whose task was to explain phenomena and "make comprehensible what is," economic policy, as a "*normative science*," was tasked with evaluating what exists from the "point of view of what *should be*" (*MWG* III/2, 131 f.). Weber emphasizes this task at the very beginning: one is concerned with establishing norms for the practical economic behavior of the state and other human communities. But: "according to which standard?" In other words, "[d]oes an ultimate general standard even exist" (*MWG* III/2, 132)?

Weber tackles this problem immediately in the first book of *Praktische Nationalökonomie*. It begins with a historical account of systems of economic policy and doctrines from antiquity to liberalism (*MWG* II/3, 136 ff.), continues with an analysis and critique of the ideals of economic policy, and concludes with the justification for *his* ultimate standard, which he then subsequently applies to the problems of population, trade, transport, commerce, and agricultural policy in the following books.

### 4.1 Book 1: "Systems and Doctrines of Economic Policy"

The first book of *Praktische Nationalökonomie* is the most interesting part for our purposes here. We find early traces of what economists today generally associate with Max Weber: the question of value judgments, the method of ideal types, and Weber's thesis on the connection between Protestant ethics and the spirit of capitalism.

Economic policy which, as in Weber's time, aims at the elimination of social "ills"<sup>15</sup> necessarily requires an "Idea of Justice in Political Economy" (Schmoller [1881] 2016). That the determination of what constituted social justice was part of *their* task was, indeed, part of the self-understanding of the economists gathered in the *Verein*. Schmoller and fellow colleagues assumed that with increasing knowledge of economic and social development, scientifically-substantiated value judgments would also materialize (Nau 1998, 21). Weber ([1904] 2018, 145 f.) noted shrewdly: in so doing, one elevated "political economy to the level of an 'ethical science' on an empirical basis."

It must have been a provocation to listeners when Weber, the freshly-minted professor, contrary to the old master, Schmoller, refused to offer an affirmative reply to the question: "what *is* to be – does *science* have an answer to it" (*MWG* III/4, 76)? Only the analysis of the "factual foundations of ideals" is "*objectively possible*," as well as

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<sup>15</sup> Cf. Schönberg's (1891) treatment of the labor question: 1. "Die Übelstände" (653 ff.) and 2. "Die Reform" (683 ff.).

the examination of the suitability of particular “means to reach a certain goal.” From this negation, however, the “obligation” ensues to be “transparent at all times what ultimate ends” are being pursued (*MWG* III/2, 316–319). For often enough, according to Weber in his inaugural address in Freiburg (*MWG* I/4, 564), the social scientist succumbs to the “illusion” of “being able to *abstain* from one’s own value judgment *at all*.” Not with the consequence that one remains “faithful to a corresponding intention,” but that one falls prey to “uncontrolled instincts, sympathies and antipathies.”

While Weber’s address did touch upon the problem of value judgments in science, it did not, at this point, initiate a debate about it (Aldenhoff 1991, 86–90; Glaeser 2014, 93 ff.). It was not the demand for value freedom which caused a stir, but rather Weber’s pronounced political confession – “steeped,” as it says at the end, “in the sincere grandeur of national feeling” (Weber [1895a] 1993, 574).

Mommsen (1993, 47) notes that the inaugural address from May 1895 represents “perhaps the most significant testimony concerning the close connection between science and politics” in Max Weber’s work. Irritated by the ambiguity of cool rationality and heated engagement, the reception of Weber emphasizes signs of “initial clairvoyance” (Jaspers 1932, 17) on the one hand – and “consternation at the vigor” of Weber’s views on the other hand (*MWG* II/3, 82).<sup>16</sup> In this context, it is his plea for German imperialistic politics as well as his image of humankind which comes across as partly social Darwinist, partly racist (Mommsen [1959] 2003, 37–51; Aldenhoff 1991; Radkau 2005, 215 ff.; Kaesler 2014, 407 ff.; Müller 2020<sup>17</sup>). This has been mitigated, at times, by the allusion that an inaugural lecture traditionally enables the speaker “the opportunity for open exposition and justification of the personal, and to that extent the ‘subjective’ point of view” (Weber [1895a] 1993, 543; Glaeser 2014, 121); moreover, in the acknowledgment that Weber later regretted the lecture as an immature “sin of his youth” and “no longer upheld” this earlier belief (Mommsen 1993, 50 ff.; Glaeser 2014, 127 f.).

The ordinary lectures on *Praktische Nationalökonomie* of the years 1895–1899 bear important witness to the close connection between science and politics in the work of the young Weber. They can be understood as an attempt to fill out the economic-political program, which had only been sketched in broad outlines in the inaugural address.<sup>18</sup>

<sup>16</sup> Moreover, Weber’s methodological reflections only emerge clearly in the printed version. In the lecture, he had largely omitted the relevant passages (*ibid.*, 561–565) in consideration of the time and audience.

<sup>17</sup> Müller’s meritorious essay appeared only after the completion of the present manuscript and could therefore not be included here, just as, on the other hand, Müller (2020) has not yet received Max Weber’s lectures *Praktische Nationalökonomie* (*MWG* III/2).

<sup>18</sup> He did, however, refrain from racist tirades against the Poles in front of his students. In Else von Richthofen’s postscript to his lecture on agrarian policy (winter semester [1897] 1998), he merely states: “The task of Germany’s agrarian policy must be to preserve the German East in its German character and German culture” (*MWG* III/5, 368).

German political economists at that time were prone to convey the idea of historical development in stages – from primitive society to the barter economy to the period of the modern economy, as evidenced in the thought of Friedrich List (1789–1846), Knies, Schmoller and also Karl Bücher (1847–1930). Weber (cf. *MWG* III/2, 133–161) directs his attention, in particular, to Bücher’s stage theory – from the domestic, self-sufficient economy (*Hauswirtschaft*), to the urban economy of the Middle Ages (*Stadtwirtschaft*), to the modern national economy (*Volkswirtschaft*) – but without committing himself to it in its entirety (Mommesen 2009, 39 f.).<sup>19</sup>

The theory of stages,<sup>20</sup> however, implies a movement from *lower* to *higher* economic forms. It is this type of depiction of progress which Weber rejects. He warns us against the temptation of interpreting the succession of economic stages “as a teleological development towards ever higher forms of culture and economy” (Mommesen 2009, 40). “Not always,” Weber ([1895a] 1993, 554) points out referring to the competition between German and Polish agricultural workers, “does selection in the free play of forces swing in favor of the more economically developed or towards the predisposed nationality.” Moreover, the description of evolution as a process of ascent is accompanied by an – often unconscious – evaluation:

We take “sides on behalf of those who are on the rise, because they are – or are beginning to be – superior. Precisely through their victoriousness, they appear to prove that they represent an ‘economically’ *higher* type of humankind; it is all too easy for the historian to be convinced of the idea that the victory of *more* developed beings in struggle is self-evident, and that defeat in the quest for existence is a symptom of their ‘backwardness’” (Weber [1895a] 1993, 564).

Weber himself resorted to such evaluations, stating, for example, that the indigenous of South America remain “at the [developmental] stage of childhood” in “economical and ethical” terms (*MWG* III/2, 241). His assessment that Germans were at a higher cultural stage than the Poles is also significant because Weber thereby arrived at a political critique of “productivity” as the measure of the value for economic policy. For Weber, the situation of the agricultural economy in the German East was a prominent example of the fact that more productive organization of business does not automatically offer more developed populations better opportunities for advancement. On the contrary, for Weber ([1895a] 1993, 554 f.), it was precisely *because* of the Poles’ low physical and psychological state that they could displace Germans. “Lower wages” attracted “lower races” (Weber [1897b] 1993, 821). Measured in terms of *productivity*, the erstwhile development in the East would have been worthy of endorsement. Yet in his view, the “ideal of production” did not entail its own justification, but presupposed the acceptance of “eudaemonic goals” (*MWG*

<sup>19</sup> Apart from Bücher, Weber also refers to List’s *Stufenfolge* ([1841] 1922) in *Praktische Nationalökonomie*, *MWG* III/2, 397.

<sup>20</sup> Weber’s *Praktische Nationalökonomie* reveals a certain discomfort with the term *Stufe* [i. e. stage] in Book 1. In §1 he mostly discards it – as in heading “3. <Stufe> Die Stadtwirtschaft.” Also in the previous case: “2. <Stufe> Der *Feudalismus* als Quelle wirtschafts-politischer Institutionen,” while in the older text it makes stage-theorizing more prominent by placing “Stufe des Feudalismus” as the heading (*MWG* III/2, 150; 140).

III/2, 307 ff.) – a commitment Weber was unprepared to accept. The paradox of Weber’s inaugural address emerges here: on the one hand, it was “completely saturated with politics and full of value judgments” and yet, on the other hand, provided the “foundation” of his subsequent “theory of the value freedom of the pure sciences” (MommSEN [1959] 2003, 39 ff.).

Instead of a stage theory of development, Weber emphasized “the contingency of historical formations and economic systems” (MommSEN 2009, 40). In a sense, the first book of *Praktische Nationalökonomie* was a tentative attempt at ideal-typical analysis. In this context, the systems examined by Weber – such as mercantilism or that of economic liberalism – were not merely derived empirically from historical material, but constructed according to a mental image. In other words, the tenet of each respective system essentially co-determines the selection of its inherent facets,<sup>21</sup> making the meaning of economic action “comprehensible,” and allowing for an assessment of the advisability of economic policy measures – precisely “from the point of view of what should be” (*MWG* III/2, 132).

Even Bücher does not feature mere economic history, but rather cross-sectional analyses of his stages of domestic, urban, and the national economy. He is concerned with a depiction of the typical, with a description of historical reality that is oriented towards reality but that does not, ultimately, attempt to portray it one-to-one. “The historian,” Bücher (1898, 54) writes, “must not overlook facets in a particular ‘era’ which are important, while the stages of the theorist need only illustrate the normal, but may confidently disregard the accidental.” Each individual economic stage ought to be grasped “in its typical completeness” without being “put off by the accidental occurrence of transitional formations or by individual phenomena” (Bücher 1893, 15). Weber, too, tried to capture systems and doctrines of economic policy in their ideal types.<sup>22</sup> Although he did not present this method until 1904 with his essay on “Objectivity,”<sup>23</sup> he already used the term “*Idealtypus*” in his lecture on *Allgemeine Nationalökonomie* (1894–98), denoting therein that the explanation of facts logically involves the “development of ideal types of the driving forces” (*MWG* III/1, 278).

While, according to Weber, the ideals of economic policy were initially still strongly “ecclesiastical-ethical” (to preserve the “tradition of faith”) in the feudal

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<sup>21</sup> Pertinent terms which would later be associated with Weber research, such as *Wertbezogenheit* and *Kulturbedeutung* ([1904] 2018, 189–193), did not yet appear in *Praktische Nationalökonomie*.

<sup>22</sup> Wilbrandt (1924, 114) views Weber’s “ideal types” as getting to the heart of Bücher’s approach of concept formation.

<sup>23</sup> Cf. Weber ([1904] 2018, 203 f.): “An ideal type is formed by the one-sided accentuation of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent concrete individual phenomena, which are arranged according to those one-sidedly emphasized viewpoints into a unified analytical construct. In its conceptual purity, this mental construct cannot be found empirically anywhere in reality. It is a utopia – and for historical work the task arises to determine in each individual case how close or how far reality is from that ideal image.”

Middle Ages, these became increasingly “secular-political” (to preserve the “power of the city” and the “wealth of its citizens”) in urban economies (*MWG III/2*, 305, 200–203). This gave rise to the idea of the “welfare state” in cameralism (*MWG III/2*, 271).

In modern “nation-state structure(s) of enlightened despotism,” economic policy emerged with mercantilism (*MWG III/2*, 136, 214). It served to secure the position of power for the ruler and the nation with the goal of “participating in the exploitation of the world.” A “revenue-generating [...] ideal of productivity” prevailed (*MWG III/2*, 306). Weber sums it up as follows: “An exhortation of economic self-interest of the subjects to promote the power of the national state. This is accompanied by the “creation of the bourgeois class,” the “outward expansion of capitalism,” and “colonial” policy (*MWG III/2*, 243).

Under the impression of globally increasingly unleashed economic freedom under liberalism, the development taking place at the end of the 19<sup>th</sup> century is often interpreted as a transition to the stage of the world economy. For Weber, however, a liberalized world economy did not necessarily represent the conclusion of a “historical development spanning millennia” – from the domestic, to the urban, and ultimately to the national economy (*MWG III/2*, 128). The “unregulated economy,” Weber prophesied, is “nothing eternal;” economic freedom in the future will, on the contrary, “fade” again. The “ossification of technology and economics” could lead to its vanishing with the waning of the “expansion” and a “monopolization of the market” (*MWG III/2*, 297). It was a “mistake of liberalism” to consider “unbridled competition eternal” (*MWG III/2*, 298). The purported stage of “world economy” lacked a “foundation,” namely a “world state,” a uniform “world culture,” and a uniform “race” (*MWG III/2*, 299).

Thus, it was not only economic reasons which put a halt to the global expansion of free trade and the international division of labor, but it was ultimately “*national* resistance – both by the *state* and by *race*” – “against a subordination to the global economic division of production” (*ibid.*, 299). The concepts of “state” and “race” signify a specific type of human being acting in national association – in other words, a perspective which posits a stark contrast to that of a universal, purely rational *homo oeconomicus*. “Political economy as an explanatory and analytical science,” Weber noted in his inaugural address ([1895a] 1993, 559), “is *international*, but as soon as it makes *value judgments*” it is bound to that characteristic of humankind which we find in our own being.” German economic policy could therefore only be pursued “from the *German* point of view” (*MWG III/2*, 321).<sup>24</sup>

According to Weber, every “competitive struggle in the marketplace” requires a “*selection process* in which individual, racial and cultural qualities determine the victor” (*MWG III/II*, 316, 299). In the eternal struggle for existence, “selection” always exists; there is only the “*semblance*” of peace. The “ideal of peace” is itself

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<sup>24</sup> Weber’s reception of Friedrich List is noticeable here; cf. List ([1841] 1922, chapter 11): “Die politische und die kosmopolitische Theorie.”

nothing other than “sentimentality and illusion” (*MWG III/2*, 325, 323). For Weber, this applies both externally and internally to the nation. Efforts at social policy, he argued, ran the risk of impeding the functioning of the selection process, thereby weakening future generations (*MWG III/2*, 309–312). In this context, he invoked the arguments of a “socio-political Nietzscheanism:” namely, “protection of the strong, elevation of a type and its foremost representatives, removal of the obstacles to selection, [and] elimination of the physically weak” (*MWG III/2*, 312). Weber, however, preferred the compromise, a “combination of solidarity and struggle” that mediated the conflict between the interests of current and future generations. After all, “national and cultural communities” were united by a “sense of solidarity” (*MWG III/2*, 312 f., 310, 323 f.).

The first draft of his notes on the ideals of economic policy in *Praktische Nationalökonomie* dates back to the summer semester of 1895 and was written at the same time as his inaugural address. In the winter semester of 1897/98, Weber revised and supplemented his remarks, producing a separate section – § 5 “Die wirtschaftspolitischen Ideale” (*MWG III/2*, 301–326, translated as “The Ideals of Political Economy”) – which then concluded the first book (cf. *MWG III/2*, 38 ff.).<sup>25</sup> This paragraph provides an important – yet hitherto unknown – intermediate step from the inaugural lecture in May 1895 to the “Objectivity” essay in 1904, in which Weber once again fleshes out and expands on his ideas.

Weber’s revision in *Praktische Nationalökonomie* goes back to Werner Sombart’s (1863–1941) study *Ideale der Sozialpolitik*, which the latter had sent to Weber in early 1897.<sup>26</sup> Sombart, too, discusses the question to which extent ideals can be made the subject of empirical science. In his view, it is scientifically feasible to trace the causal elements of the genesis of ideals or to ask about their significance for human action. Likewise, one could examine the “dependence of individual ideals on ultimate aims” (Sombart 1897, 13 f.). Weber’s inaugural address had not yet expressed these ideas in such clarity. We do not find a more comprehensive analysis of various ideals, their dependencies, significance, and economic consequences prior to *Praktische Nationalökonomie*. While Sombart (*ibid.*, 25) only refers peripherally to Weber’s inaugural lecture, the latter mentions Sombart in passing in the revised version, namely under the heading “(b) Rückbildung zum technischen Ideal” (translated as “Regression to a Technical Ideal”) accompanied by the following notes: “Most ample satisfaction of

<sup>25</sup> In Weber’s *Allgemeiner* (‘theoretischer’) *Nationalökonomie*, an editorial comment is inserted that, as reported in the *Grundriß der Vorlesung* (1898), Weber had planned a sixth book “Entwicklung und Analyse der ökonomischen und sozialen Ideale” (translated as “The Development and Analysis of Economic and Social Ideals”), for which, however, no manuscripts survived (*MWG III/1*, 170). It is possible that Weber also wanted to use the fifth part of *Praktische Nationalökonomie* for his theory lecture.

<sup>26</sup> Cf. Max Weber’s letter to Sombart on February 8, 1897 (*MWG II/3*, 287 ff.); as well as Glaeser (2014, 95), who, since *Praktische Nationalökonomie* was not available in 2014, does not establish a reaction until 1904.

the demand of *material* goods, ‘productivity’ / Only in this way ‘*cultural progress*,’ intellectual development possible” (*MWG* III/2, 314).

Although Sombart did not consider it to fall within the purview of political economy to formulate specific cultural goals and corresponding value judgments, he believed that the technological ideal of productivity provided an autonomous standard of value, which could claim general validity for the economic sphere. Moreover, he saw the improved fulfillment of cultural needs – of whatever kind – as linked to economic development in terms of increased productivity (Sombart 1897, 44).<sup>27</sup> Weber rejected both of these suppositions.

With the expanding “movement towards economic freedom,” Weber wrote sarcastically in *Praktische Nationalökonomie*, the “illusion” provided the contentment that the “divine order of freedom” was “just” and “useful” at the same time (*MWG* III/2, 306) – an allusion to the natural order of *laissez-faire* derived first from physiocracy and subsequently from the Classics. Increasingly, Weber noted, the (ecclesiastically-inspired) “ethical aspect” now disappeared, and the economy became an “end in itself.” Concepts such as the “‘natural’, i.e. natural-law” – or economic law – “and therefore just” or the “productive” must be understood in this context, and the “ideal of production is regarded as a specifically *economic* ideal” (*MWG* III/2, 307). But: “does economic policy derive its standards from its own *subject matter*; are there specific *economic* or *social* ideals; or does it [i.e. economic policy] incorporate – ethical, political – ideals in its substance?” (*MWG* III/2, 305). In his opinion, the latter also applied to the productivity ideal; it was not *autonomous*, but derived. The “ultimate standard” is always the “appraisal of a certain type of man.” Humankind is always “the ambition of the economy,” which is present “behind all purported ‘purely economic’ – ‘autonomous’ – ideals” (*MWG* III/2, 325). The ideal of production was only the economic manifestation of *eudaemonism* already known from Epicurus – applicable in equal terms both to liberalism and to “vulgar socialism” in demanding the “greatest happiness of the greatest number” (*MWG* III/2, 308, similarly 322 f.). “Hypnotized by technical-economic progress,” Weber argues, any “absence of the pursuit of the maximum of the result of production” is considered a “deadly economic sin” (*MWG* III/2, 307, 322 f.). He analyzes the eudaemonistic ideal as “unclear in itself.” With regard to ethical concerns, the idea of a “‘justice’ of certain objective conditions” becomes prominent. But it is “[n]ot objective *conditions*, but subjective *sensation* which determines ‘happiness’” (*MWG* III/2, 309, 324). And denigrating the utilitarian ethics inherent to Anglo-Saxon liberalism: only according to a “vulgar conception” was the task of economic policy “the happiness of the world – the improvement of the ‘pleasure balance’” (*MWG* I/4, 558).

<sup>27</sup> Cf. Rau (1862, 1): “The more sizeable the national income is and the better it is distributed, the sooner justice, the basis of morality, can take root, the more means for the attainment of manifold advantages and for the promotion of every kind of human education present themselves, the more affinity for higher goods of life becomes dominant, and the more abundant sources of aid flow to the government for its own needs;” as well as Philippovich’s *Wirtschaftlicher Fortschritt und Kulturentwicklung* (1892, 47 f.).

Weber also dismisses the link between productivity and cultural progress. It is “not proven” that the “maximum in terms of the supply of material goods” causes subjective happiness or general “*cultural progress*,” it is not proven that commodities are decisive as a “source of *spiritual development*” (*MWG* III/2, 314–17). A skepticism which would later be shared by Sombart.<sup>28</sup>

Thus, the forcefulness of Weber’s critique of value judgments in science becomes particularly apparent with the case of the productivity ideal, and this criticism is unfurled in *Praktische Nationalökonomie*. But it was not until 1909 that Philippovich’s Vienna paper on “Das Wesen der volkswirtschaftlichen Produktivität und die Möglichkeit ihrer Messung” (translated as “The Essence of Economic Productivity and the Possibility of Its Measurement”) triggered the scandal that subsequently went down in the history of economics as the *Werturteilsstreit* – the value judgment controversy.<sup>29</sup> Weber’s criticism of value judgments in science is rightly regarded as a symbol of the “crisis of the paradigm of the historical schools” (Nau 1996, 12). Yet it – with the ideal of productivity in mind – is also extended to protagonists of other directions as well: proponents of German or English classical schools; the “vulgar socialists” or unorthodox colleagues such as Philippovich; and, above all else, his fellow colleague Sombart.

The “ultimate standard of value, even for economic considerations,” according to an oft-quoted passage from Weber’s inaugural address, is the “*raison d’état*.” But what are nation and state in his mind? Weber argues against the prevalent conception of the time, namely of an overly organic view of the nation-state. In his view, the nation state is not an “indeterminate something that one elevates all the higher the more one shrouds its essence in mystical darkness,” but it is rather the “secular organization of might of the nation” ([1895a] 1993, 561). Wilhelm Hennis ([1984] 2003, 68) concludes that Weber’s primacy of politics was “not ostensibly rooted in the power of the state, but anthropological, oriented to an image of man.” Weber, he argues, was not an *etatist*, but, “for him,” the state was “solely an instrument of the nation, i. e., a human community held together by sentiments.” Hennis’ view is affirmed in *Praktische Nationalökonomie*. “Every work of economic policy,” Weber notes, implies “in the *final* analysis the creation of conditions of existence favorable to certain *types* of humanity – and unfavorable to others.” Desirable economic policy for Germany must be a policy with the goal of “assertion and propaganda of the *German* form of culture and life” and must create “conditions of existence in favor of its own type” (*MWG* III/2, 319 f.). “*Humankind*,” it continues, is “the aim of the economy,” – “*not* the bringing about of a certain external condition *for its own sake*” (*MWG* III/2, 325 f.). However, in order to create and maintain the appropriate conditions for the existence of one’s own

<sup>28</sup> On the change in Sombart’s views on the relationship between productivity and cultural progress, see Glaeser (2014, 96–109).

<sup>29</sup> At times, one detects surprise that such an “innocuous” topic (Rieter [1984] 2002, 152) as that of Philippovich’s 1909 paper sparked this dispute. Being familiar with *Praktische Nationalökonomie*, this is much less surprising.

type of man in the struggle for existence, national economic policy is required which places itself in the service of “increasing the *power* of the German nation” (*MWG* III/2, 320).

Both in the inaugural address as well as in his lectures on political economy at the time, Weber posed the question of the specific criteria from an economic perspective concerning “races” or “types of humanity” (*MWG* III/2, 319). Are economically relevant racial traits genetically fixed or are they conditioned by one’s surroundings? Are the – in Weber’s estimation – low standards “given to the Slavic race by nature or [are they] cultivated over the course of its past” (Weber [1895a] 1993, 551)? The question remains unanswered. Indeed, he refrains from speculation about determining “the limit for the variability of physical and mental qualities of a population, given the influence of the living conditions in which it is placed” (*ibid.*, 555). In *Allgemeine (theoretische) Nationalökonomie*, he devotes himself to this issue in more detail, but the conclusion remains that the problem “certainly cannot” be solved “at present” (*MWG* III/1, 358).<sup>30</sup> Weber, however, warns against overemphasis of a concept of race based on genetic disposition or heredity, especially “in the domain of psychology.” Humankind is “mutable” under the “influence of [one’s] living conditions” (*MWG* III/1, 347).

Weber assumes reciprocal conditionality of human or cultural types, on the one hand, and economic systems, on the other hand, in *Praktische Nationalökonomie*. In turn, the economic systems created by humankind have a lasting effect on the development of specific human types through the specific selection they themselves promote. Seen through this prism, Weber’s types of people are also at the very least *social constructs*. German economic policy thus has the task of influencing the process of selection in the service of asserting the *German* form of culture and life.<sup>31</sup>

At two places in *Praktische Nationalökonomie*, Weber goes into more detail about the connections between the economic system and corresponding type selection. But we are interested here only in the approach whose later continuation made Weber famous.<sup>32</sup>

<sup>30</sup> In a letter to Robert Michels from 1911 (*MWG* II/7–1, 171) on the latter’s planned contribution on “Wirtschaft und Rasse” in the *Grundriß der Sozialökonomik*, Weber asks rhetorically: “What is known today about the truly hereditary qualities and differences of people in their importance for the economy?” His response: “In my view, nothing.”

<sup>31</sup> Cf. Weber’s contribution to the value judgment controversy in the *Verein für Socialpolitik* ([1913] 1996, 173 f.): “Without exception, every order of social relations of whatever kind must ultimately also be examined to see *which human type*, by way of external or internal selection, is given the optimal chances of becoming dominant. Neither is the empirical investigation really exhaustive, nor is the necessary actual basis for a valuation – be it consciously ‘subjective’ or be it claiming ‘objective’ validity – available at all. In frequently immature form, this is what my academic inaugural address wanted to express at the time [...]”

<sup>32</sup> The other approach is found in the appendix “Rassepolitik” of Book 2 (*MWG* III/2, 369–374). Here Weber compares the system of a plantation economy run with slaves of African origin in the American South with the system of free labor in the north, explaining the different development – in the spirit of the era – as partly racial and partly climatic (cf. *MWG* III/2, 374;

In *The Protestant Ethic and the 'Spirit' of Capitalism* (Weber [1904/5] 2014), Weber explains the emergence of capitalism by means of cultural and intellectual-historical causes. The term “spirit of capitalism” is derived from the first volume of Werner Sombart’s *Der moderne Kapitalismus* (Sombart 1902, 378–397). While disclosing this, Weber ([1904/5] 2014, 141, 147 f. etc.) emphasizes to his critics that his understanding on the matter dates back to his own, older works, some of which he had presented “12 years ago in the colloquium” (Weber [1910] 2014, 575), placing this around the winter of 1897/98. Weber research has not been able to determine anything definitive on this issue, so the claim remained unconfirmed. Some have warned against trying to place the origins of the *Protestant Ethic* in a time period prior to the turn of the century (Radkau 2005, 319). Evidence for the claim presented itself, however, in the first book of *Praktische Nationalökonomie* under the heading “Die wirtschaftspolitischen Ideale der Theokratie” (*MWG* III/2, 236–243; cf. Janssen 2020, 47–51).

This account owes important impulses to the publication from 1883 *Der christlich-soziale Staat der Jesuiten in Paraguay* (*MWG* III/2, 238) by the erstwhile Bonn-based professor Eberhard Gothein (1853–1923).<sup>33</sup> In *Praktische Nationalökonomie*, Weber characterizes the establishment of Catholic-Jesuit thought in terms of an economically “self-sufficient colony” on a “communist-patriarchal basis,” applying to the common cultivation of corn, cotton and tea, as well as the education of children (*MWG* III/2, 238–240). The purpose of the mission is characterized by a precise regulation of the livelihoods of indigenous people for their “conversion and domination” by the church (*MWG* III/2, 232). The result: “annihilation of the possessive urge – i. e. not allowing it to appear” (*MWG* III/2, 241). The ideological underpinning for this experiment is provided by *La città del sole* (1602) by the Catholic utopian Tommaso Campanella. According to Weber (*MWG*, III/2, 238), the purpose of education in the city of the sun was the “killing of self-interest” and the “nurturing of love for the community.”

The counterpoint to the anti-capitalist Jesuit utopia consists of Weber’s remarks on “Calvin and the Protestants of the Merchant Cities” in *Praktische Nationalökonomie* (*MWG* III/2, 241–243).<sup>34</sup> There, the “work of the businessman” had become the “general purpose of life” and one’s ethical “struggle” was directed at consumption and the “craving for pleasure” (*MWG* III/2, 241).

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Janssen 2020, 46 f.). Mommsen ([1959] 2003, 43) notes that Weber later rejected “all biologicistic theories and concepts in the social sciences as unscientific,” combatting them “fiercely.” See also Müller (2020, 553–560).

<sup>33</sup> It is commonly known that Gothein’s *Wirtschaftsgeschichte des Schwarzwaldes* (1892) kindled Weber’s insights into the relations between Protestantism and capitalism.

<sup>34</sup> Perhaps Weber was inspired by Gothein’s (1883, 68) view of the English colonies in North America. These, too, were states that originally “rested on a religious foundation.” Further, “has it been remarked correctly that in the Calvinistic congregation of Geneva lay the germ of the North American Union? [...] “If the constitution of Paraguay reaches an ideal of morality and of economic life, as Catholicism specifies,” then the “colonists of Pennsylvania” would also incur in similar fashion “the most direct consequences of Protestantism.”

In economic terms, this implied the realization that “management of production by *capital* is inevitable” and that “capitalist export production” created income for the starving masses. If the Spanish *cortes* believed that “merchants [only] increase the price of goods” (MWG III/2, 229) and therefore considered trade morally questionable, the self-confidence of the Protestant cities, contrarily, was based on trade and merchants. The same logic applies to interest: frowned upon by the scholastics and forbidden to faithful Catholics, interest was permitted to reformed Protestants because money “can bring about *profit* in buying and selling.” In Weber’s words: “Thus: the *cultivation* of capitalism and the monetary economy,” the “cultivation of economic *self-interest*” (MWG III/2, 242). Every “*unproductive* use of wealth,” indeed, “every expansion of consumption” was “prohibited” to Calvinists or strictly regulated by “*luxury* legislation.” This led to an “*unleashing* and ethical sanctioning of the possessive urge” through “restriction of the desire for *pleasure*.” Weber considered this to be an “ethical theory of economic avarice” (MWG III/2, 242 f.).

Certain notions of the so-called “Weber thesis” developed later (Schluchter 2009, 44 ff.) are already present in *Praktische Nationalökonomie*: namely, that the Protestant ethic is a driving force for the development of modern capitalism and that the Protestant *work ethic* plays a supporting role in it – as the “outlook on life of those *most diligent* elements in an upwardly striving capitalism for whom the acquisition of wealth is an *ethical ought* [i. e. *ethischer Beruf*]” (MWG III/2, 243).<sup>35</sup> Weber called this phase of development the “Heroic Age of Capitalism” (MWG III/2, 243) – a formulation he would take up again in 1904/05.<sup>36</sup>

## 4.2 The Main Branches of *Praktische Nationalökonomie*

“Handelspolitik” (trade policy) and “Gewerbepolitik” (commercial policy) – the former more or less understood as foreign trade policy (Book 3), the latter as manufacturing policy (Book 5) – are the only two subjects we can claim with certainty that Weber discussed in all three of his lectures on *Praktische Nationalökonomie*.<sup>37</sup> They

<sup>35</sup> Cf. Weber ([1904/5] 2014, 149): “Here people are orientated to acquisition as the purpose of life; acquisition is no longer viewed as the means of satisfying the substantive needs of life.” Further, “the ‘ideal type’ of the capitalist entrepreneur [...] ‘gets nothing out of’ his wealth for his own person – other than the irrational sense of ‘fulfilling his vocation’” (*ibid.*, 170 f.).

<sup>36</sup> Cf. Weber ([1904/5] 2014, 397): “This thankfulness for one’s own blamelessness (which was caused by God’s grace) penetrated the mood of life of the Puritan middle class. It conditioned the formalistic, exacting, hard character of these representatives of the heroic epoch of capitalism.”

<sup>37</sup> See the editorial note in MWG III/2, 78 as well as 82–96. On “Bevölkerungspolitik” (population policy) (Book 2) and “Verkehrspolitik” (literally: “traffic policy”) (Book 4), including transport as well as money, banking, the stock exchange and insurance policy, etc., see Janssen (2020, 44–47, 57–67) as well as MWG III/2, 329–376, 496–574. Weber announced Book 6 “Agrarian Policy” in the winter semester 1898/99; it was supposed to form the last part of *Praktische Nationalökonomie*. Presumably, Weber was not able to present “agrarian policy”

are, therefore, of interest to us in the following and shall be regarded by way of example for Weber's treatment.

First and foremost, Weber traces the transition from mercantilism to liberalism, from a fundamentally regulatory and protectionist economic policy to a system characterized by freedom of trade and commerce. This is followed by a consideration of what Weber called a "blowback" (cf. *MWG* III/2, 293, 440, 599) against liberalization.

Along with Mommsen ([1959] 2003, 73 ff., here p. 84), we consider Weber as belonging to a circle of "liberal imperialists" whose model of society – following England's example – focuses on liberalization at home and on national strength and power in the global arena. The latter claim is expressed unambiguously in his inaugural lecture, when Weber ([1895a] 1993, 571) calls the unification of Germany a "juvenile prank," which it "would have done better to refrain from for the sake of its costliness – considering that it should have been the conclusion, not the starting point, of a policy based on global German power."

Weber regarded the English Navigation Act of 1651 as a model of imperial trade policy. With this act, Oliver Cromwell granted the domestic fleet a quasi-monopoly on intermediate trade with the colonies, enforcing its claim militarily in the Anglo-Dutch Wars (*MWG* III/2, 247 ff., 256). At that time, naval forces were recruited from the merchant fleet in the event of war. Thus, the expansion of the domestic merchant fleet promoted by the Navigation Act simultaneously implied a strengthening of maritime military power.<sup>38</sup> It is in this context that Weber repeatedly lamented the imbalance between Germany's desired strong position as a trading nation and its underdeveloped maritime military power (*MWG* III/2, 487; Weber [1895a] 1993, 570). An "extension of the ability to earn income through the expansion of export opportunities," Weber wrote ([1896] 1993, 610) in response to a lecture by the historian and politician Heinz Delbrück (1848–1929), "is today absolutely conditioned in the long run by the outward expansion of political power. A dozen ships on the coasts of East Asia are worth more at certain moments than a dozen trade treaties which might be terminated."

The English doctrine of free trade emerged on the basis of rapidly growing industrial production and the resulting need for unfettered access to export and commodity markets. At the same time, industry demanded the import of cheap food to supply the domestic workforce and to keep wages low. The political agitation for free trade thus arose as a "common front by industry against agriculture" (*MWG* III/2, 389). In 1839, the Anti-Corn Law League was founded in Manchester, and the erstwhile stronghold of the British textile industry lent its name to a new period of economic policy: Manchester Capitalism. Weber's lecture revealed that it was mer-

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within *Praktische Nationalökonomie*, since the winter semester 1898/99 was characterized by Weber's absence due to illness.

<sup>38</sup> Even Adam Smith ([1776] 2012, 452), who rejected trade restrictions in principle, justified the Navigation Act: "the defense of the country...depends very much upon the number of its sailors and shipping."

cantilist protectionism first and free trade policy later which served the same goal under changed historical circumstances: namely, the preservation of the power of the British empire.

The German states also experienced a comparatively liberal economic era after the German Campaign of 1813, especially in the years 1834–1875. The driving force behind this development was Prussia, whose customs and trade policy was guided by the intention of overcoming the German *Kleinstaaterei* and which was keen on creating a German empire (*MWG* III/2, 389–422). In the debate on economic policy, the free traders united in the *Kongreß deutscher Volkswirte* gained the upper hand. But with the emergence of the social question and the Panic of 1873, the setbacks intensified. Carried by a “sociopolitical mood” and a surging call for the “protection of the ‘weak’ also in trade policy,” Weber notes, a “renaissance of protectionism” broke out in the mid-1870s (*MWG* III/2, 438–452, esp. 444 f.).

In the early 1890s, after Bismarck’s dismissal, the renewal of a whole series of important bilateral trade agreements was on the agenda. Chancellor of the German Empire Leo von Caprivi (1831–1899) charted a new, liberal course in Germany’s social and trade policy – the so-called *Neuer Kurs*. Schmoller (1892, IXf.), commenting on these developments, noted “another shift is in the making,” this time “directed against the excessive nature of protective tariff policies and against existing and [additional] threats of tariff wars.” In sociopolitical terms, too, Schmoller (1892, V) continues, this question is at the forefront for many states at the present time, “insofar as the livelihood of thousands and millions of workers depends on opportunities for sale, which one’s own and others’ foreign trade policy as a whole creates, maintains or thwarts.” Fierce agitation against the *Neuer Kurs* began immediately in the form of an alliance between heavy industry and Prussian Junkers,<sup>39</sup> as well as particularly on part of the agrarians against a trade pact with Russia, a supplier of cheap grain, which was nevertheless concluded in February 1894. In *Praktische Nationalökonomie*, Weber describes this treaty as the “first measure taken against the Junkers” (*MWG* III/2, 487). Indeed, he opposed the protective tariff alliance and the manner in which Bismarck had instrumentalized it for himself.

Bismarck’s reversal concerning trade policy in the late 1870s was accompanied by his intention to split the National Liberal Party, which was dominant in the Reichstag. When a majority of the party voted in favor of Bismarck’s Anti-Socialist Law in October 1878, this led to the break-up of the faction and, as Weber laments in *Praktische Nationalökonomie*, the “definitive severance of the workers from the liberals” (*MWG* III/2, 445).

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<sup>39</sup> Heavy industry feared the technologically superior England, as evidenced by Weber (*MWG* III/2, 443) on the basis of steel production (Bessemer vs. Thomas process). The agrarians, who were involved for a long time in grain exports, were transformed into advocates of protective tariffs with increasing competition from Russia, Argentina and North America. In Weber’s (*ibid.*, 444) notes: “Thus battle front has changed. Fight against big industry abandoned. Alliance with it.”

This had consequences. While in England, ever since “the emergence of organized labor” trade policy had been supported by a common interest shared by the bourgeoisie and the proletariat (*MWG* III/2, 383), in Germany heavy industrialists and land barons alleged increasingly successfully to the public that their interest was grounded in the “protection of national labor.” Weber viewed this as “imposture.” The argument “would only apply in a sincere fashion if it was *workers* who were really to be protected against competition.” But the “admission of the Polish workers” in East Elbian agriculture, the “import of workers during strikes at ports in Hamburg”<sup>40</sup> only affirmed the “protection of the German land rent” and the “protection of German corporate profits” (*MWG* III/2, 490 f.).

In these passages, the script of *Praktische Nationalökonomie* is infused with pithy quotations, transforming – often enough – into a report from the plenary hall of the Reichstag and its back rooms (see, for example, *MWG* III/2, 415–417, 487–489). Again and again, we encounter the young Max Weber at the university lectern as a passionate economist who not only calls the arguments of the agrarians “imposture,” but who also calls the theories of Karl Marx and the anthropologist Otto Ammon “rubbish,” the “social policy of 1890” a “fiasco,” and the conservative Catholic Count Belcredi an “uneducated donkey” (*MWG* III/2, 308, 313, 491, 487, 634).

At the Evangelical Social Congress in Leipzig in 1897, Schmoller’s follower Karl Oldenberg (1864–1936) discussed the theme of Germany as an industrial state. He criticized increasing industrialization and a trade policy which favored commercial exports at the expense of agricultural interests. According to Oldenberg, this system would inevitably collapse as soon as the importing countries of the time had built up their own industries. He therefore argued for agricultural tariffs and a policy of moderate autarky. Weber resisted the notion, countering in the ensuing debate that Germany had “*never* pursued any other policy than that which was convenient to land barons, which had suited agricultural rather than industrial interests” (Weber [1897d] 1993, 633). An inhibition of industrial development implied that “German capital would increasingly seek investment *abroad*, and that the most energetic beings of the industrial population would flow away; lazy rentiers and a stuporous-minded traditionalist crowd” would remain behind (Weber [1897c] 1993, 631).<sup>41</sup> In *Praktische Nationalökonomie*, he continues his criticism of Oldenberg again (*MWG* III/2, 489–92). The “outflow of the strongest,” according to Weber, implied the “conservation” of the “*weakest*” at home (*MWG* III/2, 491 f.). While Oldenberg feared a dangerous dependence on foreign countries due to Germany’s export orientation, Weber warned

<sup>40</sup> The Hamburg dockworkers’ strike of 1896/97 was one of the largest labor disputes in the German Empire and ended in defeat for the strikers. At times, personnel from abroad was to be used to fend off the strike. In January 1897, a number of professors enlisted support for the dockworkers, including Naumann, Herkner, and Ferdinand Tönnies, among others. Weber ([1897a] 1993, 817), in a speech in Saarbrücken in January 1897, sharply opposed the employers’ “master-of-the-house” position and their categorical refusal to negotiate with strikers.

<sup>41</sup> Weber deals with the problems of emigration and immigration policy in Book 2, §7: “Politik der Bevölkerungsbewegung” (*MWG* III/2, 344–368).

against the risks of fleeing into a deceptive “countryside idyll,” pleading instead for a policy of “national greatness” (Weber [1897c] 1993, 630; *MWG* III/2, 491 f.).

Weber was not a free trader as a matter of principle (cf. also Mommsen 1993, 55 f.); his lecture notes reveal certain sympathies for a system of transitional educational tariffs à la Friedrich List (*MWG* III/2, 396 f., 433–37). He was united with List in the idea that an “education to become an ‘industrial state’” was equivalent to an “education of the nation to become an economic power” (*MWG* II/2, 397). The quintessence of Weber’s trade policy is to be found in that those measures should be favored by which Germany’s “position of power” is strengthened; depending on the constellation of circumstances, “protective tariffs or free trade may be the [appropriate] means.” In the erstwhile discussion in Germany, he considered moderate agricultural import duties (“*low or not at all*”) to be justified as a “*transitional measure*,” but “protectionism” must not have the “purpose of a policy of *self-sufficiency*.” Germany’s trade policy must “express” that “*bourgeois*-capitalist development is [Germany’s] future for the foreseeable future” (*MWG* III/2, 493).

Concerning German *Gewerbepolitik* (i. e. commercial or manufacturing policy), the de facto elimination of monopolies of guilds in the course of the Prussian reform movement under Karl von Hardenberg (1750–1822) from 1810 onwards marked a turning point towards freedom of occupation and trade (*MWG* III/2, 585). The subsequent emergence of an increasingly precarious industrial proletariat led to calls for protective measures. But Weber’s audience learned relatively little from him about the adverse conditions and reforms – at least compared to the accounts of his “socialist of the chair” colleagues, such as Schönberg (1891) and Philippovich (1899, 138–203). At least Weber mentions the industrial code of 1869 of the North German Confederation, which established the freedom of association and the right to strike for workers; its revision on June 1, 1891, in the context of the *Neuer Kurs*, is also addressed. But Weber touches only briefly on the content of the actual worker protection laws (*MWG* III/2, 651 f.). The restrictive legal provisions, for example, on work by women and children, Sundays as a day of rest as well as night work remain unmentioned, as, incidentally, does the introduction of statutory social insurance from 1883 onwards.<sup>42</sup> Instead, Weber’s account focuses predominantly on labor and factory regulations, with particular attention paid to the arrangements of representation of workers’ interests by works councils. In 1891, these groups were merely awarded the right to a “hearing” – work regulations were then issued mandatorily by the employer. This development, according to Weber, merely constituted an “alleged approach” to introduce “factory constitutionalism” – a term that, for Weber, Naumann, Schulze-Gaevernitz and others, implied a more equal order and regulatory approach to the interaction of entrepreneurs and workers in the factory than what had been implemented. Without unions, there would only be “*sham*-constitutionalism” – an al-

<sup>42</sup> Social insurance was mostly dealt with within *Gewerbepolitik* (see, for example, Schönberg 1891, 737–759; Philippovich 1907, 242–271). That Weber remains silent about it in *Praktische Nationalökonomie* is unusual.

lusion to a statement by the German Labour Party Leader August Bebel (1840–1913)<sup>43</sup> – capable of weakening “workers in their struggle for wages” (*MWG* III/2, 652).

Weber notes a “decline of craftsmanship and cottage industry in light of [the rise of] large-scale factory operations” (*MWG* III/2, 606). While many social policy makers lamented mechanization and romanticized the crafts, Weber was a decided modernist. He was convinced that there was no point in “*artificially* maintaining economically *outdated* forms of production,” above all else “not [in] *cottage* industry,” which he considered “downright alarming.” Nor was supporting the small-scale craftsman worthwhile – a “languishing” and “psychologically unpleasant” type belonging to a “waning class.” Strengthening craftsmanship, for example through stricter regulations on apprentice training, only made sense where it had a “permanent place.” In these cases, one need not shy away from “restrictions” on the freedom of trade. Nevertheless: “The future [is] with the *proletariat*” and thus also with industry (*MWG* III/2, 610). Here, therefore, Weber’s assessment was quite different – even in “psychological” terms – from that concerning the question of agricultural workers in East Elbian regions.

According to Weber, the “*private-sector* aspects inherent to the present economic order” drove the size of industrial enterprises “*beyond* the technically necessary, even beyond its useful limits.” For it was the “concentration of capital” which allowed for an “easier way of overcoming *crises*,” leading to a strengthening of one’s “position of power in the *competitive* struggle” (*MWG* III/2, 610). In contrast, he considered the Marxist argument that concentration was a consequence of lower profit rates to be “overstated” (*MWG* III/2, 607). He was also skeptical of the view that the “[competitive] *struggle* among enterprises” (*ibid.*) should be inhibited by organized co-operation in business associations. The attempt to “regulate commerce” by means of cartels often meant that “the economically most viable and technically most advanced enterprises remain *outside* [of it]” (*MWG* III/2, 570). The disadvantage of the development towards larger-scale operations was “reduced control” and “diminishing self-interest” (*MWG* III/2, 607). Weber also addressed this aspect in his remarks on the joint stock corporation in Book 4. For in these large incorporated companies, capital ownership and corporate management usually diverged. Thus, a “bureaucratic character of management ensues. Self-interest in the genuine sense diminishes, and the interests of the manager may collide with those of the proprietor” (*MWG* III/2, 565). In this case, Weber adopted a perspective of economic sociology, hinting at what could become of the “increasing dominance of the large-scale enterprise” (*MWG* III/2, 608) and where the rationalization of the economy could lead: namely, to bureaucratic sclerosis of the business organization and the associated paralysis of dynamism under capitalism. “As soon as further expansion of opportunities for sale become impossible,

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<sup>43</sup> On April 15, 1891, August Bebel described the introduction of workers’ committees in the Reichstag as the “sham constitutional fig leaf...with which factory feudalism is to be concealed” (cited in Teuteberg 1961, 381).

free competition will be replaced by mutual understanding in the form of syndicates, cartels, etc., i. e., a kind of guild, only one level higher than the guilds in the Middle Ages, which also eliminated free competition” (Weber [1897c] 1993, 851). Weber viewed large international trusts, in particular, as “questionable” and generally feared an “‘undermining’ of the state” by the power of the cartels (*MWG III/2*, 570).

Advances of large-scale enterprises were accompanied by “increasing *proletarianization* of the industrial workforce” (*MWG III/2*, 608). The nation had a vital interest in a “*gradual* transition, not proletarianization in bursts” (*MWG III/2*, 610). In economic terms, proletarianization, according to Weber, need not imply “degradation;” after all, “the small craftsman” often lived “more miserably.” Oppressive, however, was the “*social shift*,” the “establishment of a relationship of domination,” the “cessation of external *independence*,” the “expulsion from an *estate*, entry into a *class*” (*MWG III/2*, 608).

Weber argued for the training of the “highest strata of *skilled workers*” to a new kind of “*Fabrikbeamten*,” i. e. a factory clerk. Concretely, “those who stand *above the machine*, *supervise* it, in contrast to those who *operate* it” (*MWG III/2*, 609).<sup>44</sup> What was necessary in Germany, however, was an “elimination of ‘factory feudality’” (*MWG III/2*, 611)<sup>45</sup> for the purpose of “preparing its social unification and the emergence of new middle classes.” For Weber, this is the crux of the “the workers’ question.” It was “from *this* point of view” that he advocated on behalf of “worker protection and coalitions,” for “factory inspections” and for works councils (*MWG III/2*, 611). Instead of interventions in the name of an ethically-motivated social policy, Weber advocated a principally free-market regulatory framework that promoted Germany’s performance and competitiveness and was based on approximate equality of power and rights between capital and labor. For Weber, this entailed that “workers would emerge from their political impotence by granting the freedom of association” (Weber [1895b] 1993, 722 ff.; [1897a] 1993, 817). As a consequence, Weber defended the Hamburg dockworkers’ strike with market-based arguments: “Every businessman is entitled to demand for his goods the price that seems befitting to him and that he believes he can obtain. The worker’s goods are his labor. He, too, has the right to sell his goods at the highest possible price” (Weber [1897a] 1993; 817).

The emergence of an organized labor force, however, was “inhibited *in our country* by agrarian supply.” This influx of new, ever-cheap labor from the countryside “thwarts” and prevents the development of an organizing proletariat – as Weber noted

<sup>44</sup> So far, this is only a “small quantity.” Weber speaks of roughly 205,000 of a total of 7.3 million industrial workers.

<sup>45</sup> By “factory feudalism” a system of corporate care was implied, such as one favored by the Saar industrialist Carl Ferdinand von Stumm-Halberg (1836–1901), who was sharply criticized by Weber. In his view, it produced “patriarchal dependency” similar to that of earlier manor servitude (cited in Krüger 1983, 31). Factory feudalism contrasts with “factory constitutionalism.”

in his inaugural address, it prevents a “labor aristocracy” (Weber [1895a] 1993, 572).<sup>46</sup> This was a “specifically *German* problem in the workers’ question,” which must ultimately be solved through “agrarian” means (*MWG* III/2, 609). And thus Weber returned to the problem of agriculture in the German East.

## 5. Conclusion

In Max Weber’s lectures on *Praktische Nationalökonomie* from 1895 to 1899, we encounter a university professor open to technological progress and economic change, who views Germany as an export-oriented industrial state and overseas trading power, equipped with modern means of transportation and attractive financial centers. In order to get there, the German Reich would finally have to break the political “domination of the eastern Junkers” (Weber [1897d] 1993, 633; *MWG* III/2, 491 f.).

In this, Weber differed from many colleagues who were far more skeptical of the blessings of the market economy and who constantly wanted to rein in competition and the dynamism of capitalism through all kinds of inhibitions and prohibitions. His criticism was aimed at those who, in his opinion, dreamt of a “policy of self-sufficiency” and of Germany as a “countryside idyll” (*MWG* III/2, 493; Weber [1897d] 1993, 630). Weber was thus a modernist whose admiration for the English model, a country that acts both liberally *and* imperially, was pronounced.

Nevertheless, Weber did not remain blind to the social question in his lectures. However, he did not champion Marxist or state-socialist views, nor did he advocate a policy that served the cause of social justice or the welfare state. According to Weber, the German economic order should be based on the principle of competition, with the market conducting selection based on performance and efficiency. But in order for the German economy and society to develop its potential, the power of labor had to be strengthened. Thus, Weber advocated for “works councils,” the “elimination of ‘factory feudality,’” “worker protection and coalitions,” “factory inspections,” and the right to strike (e.g., Weber [1897a] 1993, 816 f). In his view, Germany needed an organized, well-trained, and robust labor force so that it could secure the place among the world powers that it deserved in the struggle for existence of the German nation – a place that neither an archaic feudal class nor the weak German bourgeoisie alone could provide (Weber [1895a] 1993, 572). “Internal democratization as the basis of a power politics externally,” was the political path Max Weber had proposed ever since his inaugural address in Freiburg in 1895. At least, this is what Gerhart von Schulze-Gaevernitz (1923, XIII), a former colleague at Freiburg, attested to Weber.

At first glance, Weber’s lectures on *Praktische Nationalökonomie* are a typical product of historicism. He clearly refrains from offering a general theory of economic

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<sup>46</sup> See also *MWG* III/4, 195–203: “§10. Die Organisation der Arbeiter-Aristokratie in England.”

policy. Instead, he amasses mountains of historical material spanning various centuries, regions of the world, and areas of economic policy. At times, Weber goes far afield. His remarks on Japan and China in Book 3 on “Trade Policy” (*MWG* III/2, 465–477), for example, demonstrate Weber’s early interest in East Asian culture.

At second glance, the realization surfaces that *Praktische Nationalökonomie* is nevertheless systematic; a unifying thread is woven into the collection of material that guides the reader through the labyrinth of its notes. At the beginning, there is the problem of defining political economy as a science to which the “*judgment of phenomena is assigned*” (*MWG* III/2, 304), although Weber knows that value judgments are always only subjective in nature. Thus, even then, Max Weber calls for a clear distinction between science and value judgments, but not “with the intention of repressing the latter, but in order to bring them into discussion with much-needed clarity, and thereby to elevate them to the guiding principle of his scientific analysis” (MommSEN 1993, 54). For even if prevailing ideals cannot be proven to be right or wrong, good or bad, they can still be analyzed *objectively* in terms of their “factual foundations” (*MWG* III/2, 316), consequences, and opportunities. Weber conducts such an examination of various historical ideals of economic policy in Book 1 “Systems and Doctrines of Economic Policy.” In so doing, he *personally* concludes that economic policy must ultimately subordinate itself to the power interests of the nation, thereby serving the cause of expanding one’s own culture and type. He applies this standard of values to judge the appropriateness of various means in the main branches of economic policy. This is the guiding principle that binds Weber’s *Praktische Nationalökonomie* together. “While distinguishing his scientific knowledge strictly from value-judging politics,” Schulze-Gaevernitz (1923, XVIII) writes, “Max Weber nevertheless remained a political economist of utmost importance, who set this very science the task of participating in the political education of the nation.”

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