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Introduction

This volume of essays originates in a paradox. No work in the annals of sociology currently commands as much esteem among sociologists as the unfinished text by Max Weber known to English readers as *Economy and Society*. And yet, thirty-five years after the first full-length translation of the text into English and more than eighty years after its original publication in German, there is still no single volume that has *Economy and Society* as its main subject.

Despite its formidable bulk and density, *Economy and Society* looms as a rarity: a common rallying point in a highly fragmented intellectual discipline, a work from which sociologists of many different persuasions claim to draw intellectual inspiration and sustenance. When, for example, members of the International Sociological Association were asked in 1998 to name the most influential sociological work of the twentieth century, the victor, by a healthy margin, was Max Weber's *Economy and Society*.¹

But *what is this work* that stands in such a revered place? Confronted with this question, curious students and scholars may feel as if they are attempting to construe the proverbial elephant from the disparate accounts of blindfolded observers, each of whom knows only a part of the animal in question. Some will tell them that *Economy and Society* is a manifesto for a particularizing and interpretive sociology. Others will describe it as a conceptual treasure trove from which to quarry causal generalizations about societal development. And these are only two of the guises that Weber's magnum opus has assumed in the literatures of sociology and the other social sciences.

In size and scope, *Economy and Society* truly is an elephantine work. The English translation consists of 1,372 pages, 356 sections, and 20 chapters, covering topics ranging from the conceptual foundations of sociology, to economic relations and political associations, to the world-historical dynamics

of law and religion. Some parts of the book have been well covered by specialists, others less so. There is no work, however, that engages the book as a whole with the goals of providing an up-to-date introduction to its principal parts and of initiating a critical assessment of its form and substance. That is the purpose of the chapters in this volume.

I

We speak of *introducing* *Economy and Society* and, on this basis, *initiating* the task of critical assessment because the scholarly discussion of *Economy and Society* is still open, multivocal, and fluid, and any attempt to achieve closure on it at this point would be premature. As the chapters in this volume make clear, despite its considerable age, *Economy and Society* is still a living text subject to divergent interpretations and appropriations.

There is one area, however, in which a scholarly consensus seems to be emerging. It concerns the claim, first made by the German editors of Weber's collected works, that *Economy and Society* is in fact not a unified text at all, but a loosely linked assemblage of writings—most of them unfinished and in fragmented forms not intended by the author for publication—that Weber composed in starts and fits during the dramatic second decade of the twentieth century. But even this emerging point of agreement among specialists is scarcely known to non-German readers. What is more, the implications of this conclusion for the understanding and appropriation of Weber's ideas—and for any future rearrangement of the pieces of *Economy and Society*—are only now being discussed. (On both these points, see Chapter 3.)

But the textual integrity of *Economy and Society* is not the only point of critical ferment. Since the mid-1990s, the text has been opened up also by new research into Max Weber's life and ethical stance (see Chapters 1 and 2) and into the substance of his thinking about action, religion, political rulership, and the organization of economic activity (see Chapters 4–7). Meanwhile, other scholars have begun to reconsider the concepts of *Economy and Society* from alternative theoretical stances—pragmatist, feminist, Marxist, critical-legal—and to reassess its arguments in light of contemporary historical scholarship (on these points, see the essays in Part III).

While it is too early to know where these lines of work will lead, it is time that they were moved beyond the province of specialist debate. Through this book, we seek to make them accessible to the wider audience of social scientists, humanists, and their students, who wish to understand this text and to appropriate—or critique—its ideas. The volume is in three parts. Part I consists of three chapters focused on the contextual and textual background of *Economy and Society*; Part II of four chapters devoted to the expo-

sition of the core sections of the text; and Part III of seven chapters that offer contemporary critical assessments and applications of various aspects of Weber's analysis. Before turning to a brief description of each chapter, however, we outline Weber's general approach to the social sciences as it is exhibited in *Economy and Society*. Understanding this approach is key not only for understanding the text itself but for appreciating its continued relevance as well.

II

There is no single reason why scholars and students far beyond the ranks of Weber specialists continue to turn to *Economy and Society*. Quite apart from its historical significance as one of the intellectual foundation stones of the academic discipline of sociology, the text, even when viewed not as a unified book but as an assemblage of loosely connected pieces, unfolds topics and themes that continue to occupy social-scientific attention: human agency, *Verstehen*, the rationality of action, the division of labor, domination, class and status groups, the relation between religious and economic interests, and the nature of the dynamic processes—bureaucratization, disenchantment, rationalization—that characterize the modern Western world, to give only a partial list. No wonder, then, that this text is recurrently mined, bit by bit.

To these reasons for *Economy and Society's* continuing vitality we add another: the pertinence and fertility of Weber's vision of social science, a vision that seeks to overcome, rather than gloss over, certain fundamental antinomies that have long structured—and that continue to structure—much social-scientific debate: the individual versus society, the rational versus the nonrational, the material versus the ideal, structure versus agency, stability and order versus conflict and change, nomothetic generalization and explanation versus idiographic description and interpretation, and so on.² Of course, the relative salience of these antinomies has varied—and still varies—considerably across disciplinary space and scholarly time; each has had its place and its moment in the sun. And the relative independence of the various antinomies from one another, their failure to map neatly onto one another, has made way for a large number of intellectual positions, further multiplied by periodic efforts to carve out spaces between some of the polar extremes. Nonetheless, as Andrew Abbott has argued, the broad historical tendency has been for such dichotomies to surface again and again, splitting social-scientific fields, subfields, and sub-subfields into opposed camps, in ways that are not always generative of new empirical and theoretical insights.³

In the United States, for example, sociologists and political scientists are presently embroiled in heated debates about economic models of explana-

tion, debates that pit proponents of rational-choice explanations, which center on individual interests and beliefs, against: (1) advocates of non- or anti-utilitarian approaches to action that emphasize (inter alia) values, culture, or emotions; and (2) advocates of non- or anti-individualistic forms of theorizing that highlight (inter alia) institutions, relations, and networks.⁴ Subject to less open discussion, but even more entrenched, is the divide between those for whom social science is an effort to build robust explanatory generalizations that apply across time and space and those whose primary interest is to understand human actors and social processes by situating them in the context of particular times and places.

If this latter controversy is presently less engrossing and encompassing than it was in Max Weber's own time, this is not because generalizers and particularizers in the social sciences have generally found a satisfactory middle ground where they can coexist peaceably and productively. Rather, it is because the divide has so hardened that the two sides can simply ignore each other if they choose. This hardening can be observed across the contemporary social sciences, where economics now anchors the generalizing pole and cultural anthropology the particularizing pole, with political science (now) closest to economics, history closest to anthropology, and sociology somewhere between history and political science. This same hardening can also be observed within individual social-science disciplines, where subfields tend to be dominated either by generalizers (for example, in microeconomics, economic history, population geography, or physical anthropology) or particularizers (in cultural theory, cultural history, or cultural geography). The tension is especially pronounced in sociology, where it expresses itself in competing approaches to social theory (such as positivist versus antipositivist), as well as in contrasting methodological traditions (statistical analysis versus ethnography), with many subfields gravitating toward one pole or the other. (Thus subfields such as stratification, organizations, and social psychology are weighted more in generalizing directions, while urban sociology, the sociology of science, the sociology of culture, and historical sociology tend in more particularizing directions.)⁵

The distinct achievement of *Economy and Society*, among the classics of sociology, is to provide a means and a model for bridging this divide. Unfinished and fragmentary though it may be, Weber's text self-consciously stakes out a *via media*, or middle way, between universal law and cultural-historical description, the *via media* that he first mapped out in his early methodological writings and then reconnoitered in his studies of the world religions. In taking this stance, *Economy and Society* gives expression to the form of theorizing and of generalization appropriate to such a middle course. For this reason, Weber's work in laying this path merits close study, even in those instances where modern scholars, including some of the contributors to this

volume, would dispute among themselves the accomplishment of Weber's efforts.

Indeed, while Weber scholars are sometimes at odds about the "success" of particular formulations in *Economy and Society*, they are widely agreed in understanding the book as an attempt to map a third way between the idiographic and nomothetic approaches. Guenther Roth described *Economy and Society* in these terms over three decades ago in his introduction to the full English-language translation,⁶ and specialists on Weber's methodological work have often made the point as well.⁷ Unfortunately, this point has not been sufficiently appreciated outside of specialist circles, where Weber's methodological writings are less well known. This has allowed social scientists at opposite poles of the idiographic/nomothetic divide to ransack *Economy and Society* for statements that appear to support their views, even when these views run counter to the central thrust of Weber's work.

To bring this aspect of *Economy and Society* squarely into focus, at a time when the split between generalizing and particularizing is deeply ingrained in American social science, is the object of the remainder of this Introduction. In the next section (Section III), we introduce *Economy and Society* to the general reader by briefly outlining some of the distinctive features of Weber's approach: causal explanation, *Verstehen* or interpretation, methodological individualism, and ideal types. In Section IV, we move backward in time and situate Weber's approach in its intellectual and historical context, the so-called *Methodenstreit*, or war of methods, between the German or historical school of economics, on the one hand, and the Austrian or theoretical school, on the other—a debate, in essence, about the merits and limits of generalization and particularization. In Section V we return to Weber to show how his own approach, culminating in *Economy and Society*, can be seen as an attempt to resolve the various issues raised by this debate—and thus to overcome the divide between generalizing and particularizing viewpoints. Finally, against this backdrop, we provide a brief overview of the chapters in this volume (Section VI).

III

An outline of Weber's approach may be found in the discussion "Basic Sociological Terms" that serves as an introduction to the English-language edition of *Economy and Society*. This section of the text was written in 1919, shortly before Weber's death, and was first published in 1921. It is a revision and expansion of an earlier essay that Weber published in 1913 and was one in a long series of essays on the "methodology of the social sciences" that occupied him, on and off, during the final two decades of his life,⁸ as he carved out his own position in the intellectual debate that we describe in the next

section. As such, "Basic Sociological Terms" is the culmination of nearly twenty years of systematic reflection and, as Weber's final statement on this subject, an effective encapsulation of the position at which he had ultimately arrived.

Weber opens this section of *Economy and Society* with his well-known definition of sociology as "a science concerning itself with the interpretive understanding of social action and thereby with a causal explanation of its course and consequences."⁹ Here, we already glimpse two hallmarks of the Weberian approach: the emphasis on "interpretive understanding" and "causal explanation" and the connection between the two. Let us examine each in turn, beginning with the latter, causal explanation. The emphasis on causal explanation is important because it marks off Weber's sociology from two other, closely related endeavors of his time: the exhaustive description of specific events, which was the avowed goal of a certain kind of historical writing that was widespread in this period,¹⁰ and the complete recovery of symbolic meanings, such as those embodied in written texts (e.g., the Bible), which was the goal of hermeneutical disciplines, such as the critical readings of the Bible, which were also immensely influential during Weber's time. While Weber regards the endeavors of "understanding" and "explanation" as distinct in aim, he does not regard them as separate in practice. Quite the contrary. For Weber, descriptive and interpretive accuracy is a key measure of an explanation's "adequacy"; an explanatory account that captures and integrates what we know about the intentions and actions of real individuals, he says, is always preferable to one that does not. For the sociologist, however, interpretive and descriptive accuracy is a means and a metric, rather than an end in itself. The goal of sociological analysis is not to capture all the nuances and complexities of human meaning and intention, but to enter these issues to the degree necessary to render the analyst's account plausible to other observers, who are familiar with the issues and evidence in question.

Weber's definition not only draws a line between sociology and the neighboring hermeneutic disciplines; it also distinguishes his vision of sociology from competing visions. For example, by making causal explanation (of concrete courses of social action) the primary goal of his sociology, Weber distances himself from evolutionary and positivistic versions of sociology, such as Spencer's and Comte's, that sought to discover "universal laws" of social development. This is not to say that Weber denies the existence of social-scientific laws, at least in the loose sense of observable regularities or recurring patterns (such as the "laws of supply and demand," which govern price-setting within capitalist "free markets"). What Weber *does* dispute is the priority given to the search for "universal laws" in these and other sociologies. For Weber, general laws are a means for understanding "concrete re-

ality" (*Wirklichkeit*), rather than ends in themselves. Thus the development of social theory should always be subservient to—and propelled by—the construction of causal explanations.

Weber's sociology is distinguished from other disciplines and other sociologies not only by its *goals*, the priority that it gives to causal explanation, but also by its *means*, its use of interpretive understanding (*Verstehen*). Interpretive understanding, in Weber's usage, is the attempt to reconstruct the intentions behind a particular complex of human actions. To be sure, this is easier said than done because access to, and information about, individual motivations are usually imperfect and incomplete. Weber therefore recommends that the sociologist begin by provisionally treating all action as "rational," that is, as oriented to the conscious pursuit of clear ends, whether material (such as wealth and power) or ideal (salvation or honor).¹¹ If the actual course of an action cannot be understood in rational terms—as in the case, say, of a panic on the stock market—sociologists should then turn their attention to nonrational forms of action—that is, to types of action driven by habit or emotion, where actors do not have conscious or clear ends in view. But in so doing, says Weber, the sociologist must always be careful to avoid a "rationalistic bias"; that is to say, the sociologist must not assume, *prima facie*, that the most rational account is necessarily the most accurate one. Generally speaking, in cases where the same action is susceptible of more than one interpretation—which is to say, the overwhelming majority—the analyst should always give preference to the explanation that possesses the highest degree of descriptive accuracy and interpretive plausibility, the one, in other words, that best fits what is known about the actual course of action and the subjective purposes behind it, and *not* simply the one that best fits one's personal intuitions or *a priori* assumptions about "human nature."

It should be noted that these standards of explanatory adequacy differ from those prevalent in the physical sciences, at least according to certain philosophical renderings of these sciences.¹² On the one hand, Weber's standards are more demanding insofar as they require a plausible account of subjective intentions, something that is neither necessary nor possible in the study of inanimate matter.¹³ On the other hand, they are less demanding insofar as they do not involve the invocation of a general law that "predicts" or "covers" the outcome in question—the *sine qua non* of scientific explanation for some philosophers. In this regard, too, Weber sees the aims and possibilities of social science as related to, but distinct from, those of the humanities and the physical sciences. In his view, the social sciences are united with the humanities (*Geisteswissenschaften*) by their concern with human particularity and subjective meanings, but divided from them by their focus on causal explanation and their use of simplified and generalized interpreta-

tions. With the natural sciences, they share the goal of explanation, but are distinguished from them by the structure, standards, and object of explanation. Thus, on the question of whether the social sciences are one with the physical sciences or more closely related to the humanities, Weber adopts an intermediate position.

A third hallmark of Weber's sociology is "methodological individualism."¹⁴ As outlined in *Economy and Society*, methodological individualism means for Weber: (1) that social groups and social institutions (for example, social classes and nation-states) are made up of individual human beings; (2) that the "actions" of such groups and institutions are ultimately the result of individual actions; and (3) that groups and institutions only exist if, and to the degree that, individual action is oriented toward them. The contributors to this volume offer different assessments of this strand in Weber's thinking; in Chapter 4, for example, Donald Levine faults this feature of Weber's work for leading to a neglect of social interaction, while in Chapter 5 Richard Swedberg accents Weber's manner of moving "from single individual actions, to social relationships, to organizations and other complex configurations" (see also Chapter 6). Regardless of these differences, however, the contributors broadly agree that Weber's methodological individualism was not designed to expunge "class," "state," or other relational, organizational, and structural terms from the sociological lexicon. For Weber, methodological individualism serves, rather, as a precaution, a precaution against the intellectual dangers of hypostatizing groups and institutions into thinking and acting subjects. Weber's intention in adopting this principle was to distance himself from other schools of thought (such as Marxism and historicism) that treated groups or institutions (such as social classes and nation-states) as the "real subjects of history," as collective actors with unified interests or values.

The fourth hallmark of Weber's sociology—and one with special relevance to his *via media*, as we will see—is the use of "ideal types." Weber's ideal types are conceptual constructs that are ideal in the sense that they are abstractions from, and hence simplifications of, concrete social reality, rather than mirrors or full depictions of it. And they are types insofar as they seek to capture what from the analyst's viewpoint are "typical" features of this complex reality—a determination that can only be made in light of extensive historical and comparative knowledge. In Weber's usage, then, ideal types are analytical tools that help the investigator to identify recurring features of the sociohistorical world: action patterns, kinds of social actors, interactional forms, relational configurations, organizational structures, developmental processes, and so on.¹⁵ As such, ideal types constitute benchmarks or yardsticks that enable the researcher to recognize what is general and what is specific in a particular object of investigation. In *Economy and Society*,

Weber explains his thinking here as follows (also making reference to several of the other themes we have discussed):

We have taken for granted that sociology seeks to formulate type concepts and generalized uniformities of empirical process. This distinguishes it from history, which is oriented to the causal analysis and explanation of individual actions, structures, and personalities possessing cultural significance. The empirical material which underlies the concepts of sociology consists to a very large extent, though by no means exclusively, of the same concrete processes of action which are dealt with by historians. An important consideration in the formulation of sociological concepts and generalizations is the contribution that sociology can make toward the causal explanation of some historically and culturally important phenomenon. As is the case of every generalizing science, the abstract character of the concepts of sociology is responsible for the fact that, compared with actual historical reality, they are relatively lacking in fullness of concrete content. To compensate for this disadvantage, sociological analysis can offer a greater precision of concepts. This precision is obtained by striving for the highest possible degree of adequacy on the level of meaning. It has already been repeatedly stressed that this aim can be realized in a particularly high degree in the case of concepts and generalizations which formulate rational processes. But sociological investigation attempts to include in its scope various irrational phenomena, such as prophetic, mystic, and affectual modes of action, formulated in terms of theoretical concepts which are adequate on the level of meaning. In all cases, rational or irrational, *sociological analysis abstracts from reality and at the same time helps us to understand it in that it shows with what degree of approximation a concrete historical phenomenon can be subsumed under one or more of these concepts*. For example, the same historical phenomenon may be in one aspect feudal, in another patrimonial, in another bureaucratic, and in still another charismatic.¹⁶

While, as Weber writes elsewhere, “it is the subsequent task of history to find a causal explanation for these specific traits,”¹⁷ as a contribution to sociology, *Economy and Society* is essentially a multilayered compendium of ideal types, generated by means of historical comparison, that Weber offered to furnish a way out of the fierce methodological controversy that polarized his contemporaries.

IV

The controversy in question was the *Methodenstreit*—the war of methods—that erupted between the historical and neoclassical schools of economics during the 1880s and continued on into the early years of the twentieth century. In this controversy, Weber encountered powerful arguments in favor of both generalizing and particularizing approaches to social scientific knowledge, though in neither case did these arguments stand in isolation. From both sides, they appeared intertwined with other fundamental antinomies of social scientific thinking.

The chief protagonists in this “war,” though by no means its only protagonists, were Gustav von Schmoller and Carl Menger.¹⁸ Schmoller was the doyen of the “historical” or “ethical school” of economics and a major mover and shaker in the German academic system during the late nineteenth century. Like the founding fathers of the “older” historical school, Wilhelm Roscher, Bruno Hildebrand, and Karl Knies, Schmoller was highly critical of the classical school of political economy that emerged in Britain during the late eighteenth century, with its “atomistic” view of the social world and its emphasis on self-interest.¹⁹ Menger, by contrast, was a younger scholar, and a passionate defender of the British tradition. Today he is revered not only as the founder of the Austrian school of economics, but also as a leader of the neoclassical revolution that eventually swept to power in that discipline.²⁰ In the 1880s, however, Menger’s views were still on the margins, at least on the Continent, and in 1883 he published a defense of them entitled *Untersuchungen über die Methode der Socialwissenschaften und der Politischen Ökonomie insbesondere (Investigations into the Method of the Social Sciences)*.²¹ The book was at once an attack on the “historical method,” as understood by the German school, and a defense of the “formal theory” of the British school, as Menger interpreted it. Schmoller responded with a searing review of Menger’s book, which devolved at times into an ad hominem attack.²² Menger rejoined with a second, more vitriolic book entitled *Die Irrthümer des Historismus in der Deutschen Nationalökonomie (The Errors of Historicism in the German School of National Economics)*.²³ Schmoller never replied directly to this second attack, but he continued to defend the historical approach, and to attack the neoclassical approach, in several of his later works. Although Menger fell silent, he spent many years working on a definitive statement of his methodological position, which he never completed. However, his followers took up the cudgel, and there were several more skirmishes in the ensuing decades.

The issues raised by the *Methodenstreit* were multiple. They included problems of method, of course, but also deeper questions about the nature of social reality and the character of social-scientific knowledge, as well as disciplinary issues about the internal structure of economics and its proper relationship with the other social sciences. The positions taken by the participants were also multiple—and changing. Thus Schmoller’s views were somewhat different from those of the “older” historical school, and they evolved further in the course of his career. This is not the place to discuss this debate in its full complexity, since our primary goal here is to contextualize Weber’s position. Hence we focus mainly on the writings of Menger and Schmoller, and especially on those points of contrast that seem most relevant for understanding Weber’s vision of sociology and the social sciences. Specifically, we focus on issues of: (1) methodology and epistemology; (2)

ontology and causality; and (3) priorities and boundaries. Doing so will help to clarify Weber's views on causal explanation, interpretation, methodological individualism, and ideal types, as well as his broader position on the possibilities and limitations of nomothetic and idiographic approaches in the social sciences.

METHODOLOGY AND EPISTEMOLOGY

The historical school espoused what we might call a *comparative-inductive* method.²⁴ In this vision of the research process, repeated "observations" of economic phenomena would serve as the evidentiary basis for the discovery and confirmation of empirical patterns and regularities and, ultimately, for the formulation of economic "laws." The first step in the process was "classification," understood in quasi-zoological terms as the grouping together of different "species" of economic activity (for example, agriculture, manufacture, finance) and of the various "organs" of an economic system (guilds, merchants, financiers, and others). The results of this enterprise can be seen in the various "handbooks of economic science" produced by the older historical school during the mid-nineteenth century.²⁵ From the standpoint of the historical school, the next step in the research process consisted of "description," meaning the identification of "equivalences, similarities, correlations, effects, and contexts."²⁶ The chief yield of this work was narrative histories of particular policies, industries, or national economies (such as mercantilism, or silk production in Germany) of the sort produced by Schmoller and other members of the "younger" historical school.²⁷ The ultimate goal of such work was a "universal history" of economic life in all times and places, which could serve as the basis for a "general theory" of economics. Not surprisingly, this goal remained—and remains—unfulfilled. While the historical school generated many descriptive works of economic and social history, some of which are still read today, it produced very little in the way of economic or social theory.²⁸

Members of the historical school did not devote great reflection to the philosophical underpinnings of their method—they tended to be somewhat disdainful of "philosophical speculation"—but the epistemological assumptions implicit in their approach might best be described as a form of *naïve empiricism*, not unlike that of John Locke. Their view was empiricist in the sense that knowledge about causality is seen as the (relatively unproblematic) product of observation, repeated over time. When the researcher observes a recurring conjunction between two events, he or she infers a causal connection between them. This position was naïve insofar as it failed to address two old and important critiques: (1) Hume's critique of Locke, namely, that the observation of a regular conjunction between two events does not necessarily imply the existence of a causal connection between them, at least not

from a strictly logical point of view; and (2) Kant's rejoinder to Hume, namely, that causality is not a relationship between things-in-themselves (noumena), but between things as they appear to be (phenomena)—that is, between our perceptions of reality as structured by the pretheoretic categories of our understanding. What the historicists failed to consider, then, was how and if particular observations could be translated into general theories and how particular observations themselves were structured by pretheoretic categories.

Menger fully recognized these problems. He realized that universal laws of economic life could not be generated through historical induction. And he also realized that even the most naively descriptive forms of historical research "cannot dispense with certain abstractions."²⁹ His solution to these problems was radical: he prescribed a complete divorce between economic theory and economic history. Since universal laws cannot be derived from historical observations, Menger reasoned, they must be based on a priori assumptions. Conversely, since the laws of economics do not obtain in the real world, economic events must be accounted for in purely historical terms. Furthermore, because the ends of economic theory and economic history are fundamentally distinct—universal laws in one case, particular causal explanations in the other—their methods must also be distinct. Economic history must be based on an "empirical-realistic" method, which employs "real types" to identify "empirical laws." By real types, Menger understood "basic forms of real phenomena, within the typical image of which . . . a more or less broad scope is given for particularities." By empirical laws, he meant "theoretical knowledge which makes us aware of the actual regularities (though they are by no means guaranteed to be without exception) in the succession and coexistence of real phenomena."³⁰ Economic theory, in contrast, must be based, according to Menger, on a methodology of "pure types" and "exact laws." The first step in this kind of theoretical research, argued Menger, is the "purification" of economic reality, the removal of all its noneconomic aspects. Having reduced the economic system to its "simplest elements," the exact theorist can then seek the laws that govern the interaction of these elements. The result, according to Menger, will be laws that are as "exact" as those that obtain in mathematics or geometry. Because they obtain only for the pure entities of economic theory, however, these laws cannot be used to explain or predict the concrete events of economic history. But this does not impugn their validity. "To want to test the pure theory of economy by experience in its full reality," countered Menger, "is a process analogous to that of the mathematician who wants to correct the principles of geometry by measuring real objects. . . . Realism in theoretical research is not something higher than exact orientation, but something different."³¹ Nonetheless, Menger believed that the laws of economics could eventually

be combined with other laws of social behavior to generate a unified and predictive theory of social life.

Like Schmoller, Menger made little effort to spell out the philosophical assumptions that underlay his method. But modern scholars tend to describe it as an *essentialist-realism* with Aristotelian roots.³² According to this view, the world consists of various classes of objects. All elements of a class have certain essential properties that allow the researcher to identify these elements *as* members of that class. Individual objects may also have incidental properties that one must separate out to grasp their essential properties, much as the chemist removes the impurities from a metal sample before trying to determine the general properties of the metal, with the important difference that, in economic science, this purification is achieved *conceptually* rather than physically, by imagining a pure *homo oeconomicus* motivated exclusively by material self-interest. The “exact laws” of theoretical economics obtain only between these underlying essences, not between their actual empirical embodiments. Consequently, these laws cannot be tested or refuted by empirical observations, since these will necessarily be observations of an impure reality, a reality that cannot be purified in practice (in contrast to physical elements, like metals, which can be purified). But while economic theories may not be “realistic” in the sense of capturing the complexity of reality, or explaining real events, asserted Menger, such theories nonetheless capture the *underlying* reality of economic life. Menger’s theory is thus a realist theory, in the philosophical, as opposed to commonsensical, meaning of the term, insofar as it claims to describe underlying elements and unobservable properties of reality.

ONTOLOGY AND CAUSALITY

But what are the simplest elements of economic life? For Menger, there were just three: individuals, interests, and goods. The exact theory of economic life, he argued, must begin by assuming an a priori world of self-interested individuals competing for scarce resources. Why? Because the real phenomena of economic life can always be traced back to “the innumerable individual economic efforts in the nation,” and because self-interest is “the most original and the most general force and impulse of human nature.”³³ Thus Menger is not simply a *methodological* individualist, who views *homo oeconomicus* as a fruitful starting point for economic analysis; he is an *ontological* individualist, who views the rational individual as a historical universal. His argument for formal theory is thus motivated not only by methodological considerations, but by metaphysical ones as well, and it is for this reason that he issued a rhetorical appeal to common sense—common-sense understandings about the reality of individuals and the prevalence of self-interest—for this is the only way he had to ground his purely metaphysical argu-

ment. As such, his argument contains at least two crucial assumptions that could be, and have been, called into question. The first is that complex processes can, and should, always be explained in terms of their simplest elements, that is, that valid explanations always proceed by means of reduction. The second is that individuals and interests are the simplest elements of economic life and, as such, incapable of still further reduction—for example, to warring drives, as in a psychodynamic model of the self, for example, or to conflicting roles, as in a sociodynamic model.

Menger himself did not draw out the implications of this ontology for an understanding of causation.³⁴ But other members of the Austrian school did. They argued that all phenomena of social life must be traced back to individual actions, a position that contemporary philosophers refer to as the *genetic* theory of causality. In this view, any supra-individual entity, such as a group or an institution, can never be the cause of anything in any philosophically meaningful sense because these entities *do not really exist* (any more than do sub-individual entities like drives or roles). Accordingly, the events of economic life can—and *must*—be traced back to the level of individual actions and to the beliefs and interests that drive them because this level is the seat of reality. This position is similar to the one adopted by many contemporary rational-choice theorists, when they insist that all social-scientific explanations can and should be given explicit “micro-foundations.”

The position of the historical school on questions of ontology and causality was quite different. Rejecting the reductive “atomism” of the British approach, the historicists argued that the whole is usually greater than the sum of its parts and that the parts are always shaped by the whole. The historicists did not deny the existence of individual economic actors or material self-interest. However, they did argue that:

1. individual economic actors are embedded within particular national economies or other economic communities;
2. the economy itself is embedded within a larger culture or society—the nation-state within modern Europe (this is why the historicists sometimes referred to themselves as “national economists”);
3. the economic behavior of individual actors is strongly influenced by (a) nonmaterial motives, such as custom and morality, and by (b) noneconomic institutions, such as law and the state (for which reason historicists also referred to their approach as “ethical”).³⁵

The position of the historical school could thus be described as *methodological holism*, insofar as it regarded both individual and supra-individual actors as real, but then took the latter as its analytic starting point.

This methodological holism usually went together with an *organic* theory of causality in which the current state of a particular whole (a national econ-

omy, for example) is understood as the product of some previous whole (the history of that particular economy), rather than of the past actions of its constituent parts (individual actors). In this sense, the operations of any specific part of the economy can only be understood with reference to the whole. This position is organic both in treating national economies as organisms that grow and evolve and in viewing the constituent parts of national economies as organs that fulfill certain functions within that whole. This perspective is similar, and in some ways nearly identical, to the positions advanced by American institutionalist economics in the early twentieth century and by scholars in comparative political economy in the late twentieth century.

PRIORITIES AND BOUNDARIES

As one might expect, these differences in methodological strategy and philosophical assumption were closely connected with differences in scholarly priorities and disciplinary boundaries. While Schmoller and Menger both saw the empirical study of concrete economic phenomena and the attempt to formulate economic laws as legitimate goals for economic science, they assigned them very different priorities. For Schmoller and the historicists, describing specific economies and explaining particular economic phenomena were methodologically prior—and politically paramount. For Menger and the neoclassicists, in contrast, the development of exact theories and universal laws was philosophically prior—and theoretically superior.

These differences in scholarly priorities were connected with differences of disciplinary vision. The historicists conceived of economics as a substantively broad, theoretically diverse enterprise that would have close relations not only with history, but with work on law, religion, psychology, and politics, to name only a few. Today, the kind of economic research that they envisioned is done mainly *outside* of economics in certain quarters of history, sociology, and political science (for example, by economic historians, historical sociologists, and political economists). Menger and the neoclassicists advanced a narrower and less pluralistic vision of economics, with a clear division of labor both within economics (between the “empiricists” and the “theorists”) and between economics and the other social sciences. As is well known, it is their vision that eventually triumphed in economics and, increasingly, at the generalizing end of the social scientific enterprise *tout court*, at least in the United States.

Of course, the lines of intellectual descent are quite tangled and often obscured. Contemporary proponents of generalizing and particularizing do not necessarily see themselves as Menger and Schmoller’s offspring; nor do they understand their disagreements as a continuation of the *Methodenstreit*. Indeed, the memory of these men and their battle is alive only within small

circles of specialists. Perhaps this is as it should be. Neither, however, do these contemporary proponents typically present or defend their visions with the care, the nuance, and the self-consciousness that Menger and Schmoller brought to the task. From well-formulated and passionately articulated intellectual positions, the generalizing and particularizing alternatives have evolved into unreflectively held academic habitus, no less consequential for all their taken-for-granted character. In this respect Max Weber was dealt a better hand: coming on the scene in the midst of the *Methodenstreit*, he was historically situated to confront the issues head-on and to point a way beyond them. And it is in *Economy and Society* that he puts this via media into practice.

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Weber was well aware of the players and issues involved in the *Methodenstreit*. As a student, and later a professor, of economics at several German universities, including Humboldt University, where Schmoller reigned supreme, he could not help but be aware of it.³⁶ But where did he stand on the issues it raised? From a casual inspection of Weber's life and work, one might presume that his sympathies lay with Menger. As a student in Heidelberg, Weber found Knies's lectures on economic history insufferably dull. Later, in middle age, while recovering from his nervous breakdown, he published three essays on the "historical approach," one on Roscher and two on Knies, all highly critical. Then, toward the end of his life, he became engaged in a heated debate with Schmoller and other advocates of the "ethical" approach to economics over the relationship between "facts" and "values" in social science research—the so-called value-judgment debate (*Werturteilsstreit*).³⁷ Thus it is not entirely surprising that younger members of the Austrian school, like Friedrich von Hayek, would later claim Weber, after his death, as one of their own. After all, did Weber not advocate a theoretical and typological approach similar to Menger's?

But the Austrians were not the only ones to stake a claim to Weber's legacy. Chronicles of the historical school often speak of Weber as a member of the "third generation" (*jüngste Generation*) of historicists, alongside Joseph Schumpeter, Werner Sombart, and Georg Simmel.³⁸ And not without justification. For the bulk of Weber's scholarly work was comparative and historical, rather than formal and theoretical, and even on the surface *Economy and Society* has more in common with Roscher's and Knies's handbooks on national economics than with Menger's treatise on marginal utility theory. Indeed, it was commissioned as part of just such a handbook! While Weber never devoted an entire essay to Menger or the Austrian school, his methodological works are laced with critical references to the