



RICHARD SWEDBERG (1998) *Max Weber and the Idea of Economic Sociology*. Princeton: Princeton University Press, 315 pp., ISBN 0-691-02949-0

Are economics and sociology two incompatible fields within the social sciences? Most economists nowadays would probably agree with this. But has this always been, and must this necessarily be, the case?

A few years ago Joseph Schumpeter was subject to a thorough scrutiny by way of the pen of Swedish sociologist Richard Swedberg (Swedberg 1991). Now time has come for another prominent social science character. It is thus most appropriate for this fading century to see an elaborate and updated treatment of perhaps its greatest social interpreter, Max Weber. And it is *as* appropriate for this to be undertaken by Swedberg who for many years has nourished a genuine interest in issues found in the borderland between sociology and economics (cf. Swedberg 1990) which thus are seen as complementary, and not mutually exclusive, facets within the social sciences.

Given the vast array of Weber's work (is he really a historian, an economist, a sociologist, or all of these, but during different parts of his life?), any serious attempt at understanding, and coming to grips with his contributions must necessarily be confined. In the present work Swedberg, following his own major field of interest, seizes upon economic sociology. This implies that not only must the reader, and Swedberg, grasp Weber (which is in itself a major undertaking), but also the field of economic sociology as a separate area of inquiry. The path chosen by Swedberg is as necessary as it is challenging and rewarding in that he closely integrates the two.

Understanding what Weber means thus implies penetrating economic sociology and vice versa, given the preeminent role played by Weber in this realm. That is, the idea of economic sociology, emerging at the turn of the century, is more or less seen as synonymous to Weber's thoughts in the area. It has also greatly inspired the (new) economic sociology coming forth in our days by way of, for instance, the notion of embeddedness where individual action is subject to its social context (cf. Granovetter 1985). Even though Weber (as related in some depth by Swedberg) reaches out far and in several of his works (cf. *General Economic History*, a book compiled from shorthand notes of Weber's teaching in Munich!) sets out to come to terms with Western capitalism as such, it is his 'pure' economic sociology that seems most fascinating. This view is apparently held also by Swedberg who uses recent Nobel laureate Amartya Sen as an example of the value of Weber's attempt to place the selfish interest-driven individual in her social milieu. Hence economists and sociologists alike should feel compelled to share the thoughts of Weber as framed by Swedberg.

What then *is* (Weberian) economic sociology? Any interpretation of that project is necessarily influenced by the eyes of the beholder. Swedberg is a sociologist who also pays due respect to economics, which renders him most apt for the task he sets out to take on. He centers his reasoning on how Weber views the actor in terms of the driving forces she is subject to and the goal she, by way of her action, aims at. Three types of action are thus discerned along an eco-socio spectrum. *Economic action* results as foremost material interests drive a behavior oriented towards utility, whereas its sociological counterpart, *social*

action, comes about as not only due to the aforementioned interests but also as habits and emotions lead to a type of conduct reaching out towards both the individual goal of the actor herself *and also to other actors*. *Economic social action*, the core argument of (Weberian) economic sociology, blends the two where both one's own utility *and that of others* matter for a behavior induced by economic *and* social driving forces. 'In other words, economic *social* action, the basic unit in Weber's economic sociology, differs from economic action, the basic unit of analysis in economic theory, in that it not only is driven by material interests and directed at utility, but also takes the behavior of others into account.' (Swedberg: 5).



Weber's notion of social economic action according to Swedberg (p. 24)

In addition, Weber's interpretation of the relation between economic and sociological theory allegedly focuses rational/nonrational action and social/nonsocial action where economic theory is more confined to the first sense, given its unique preoccupation with economic goals. Swedberg further identifies four themes that inspire Weber's second chapter of *Economy and Society* wherein the lion's share of his economic sociology is found. Firstly, there are different kinds of economic action (e.g., 'householding' vs. 'profit-making'); secondly, rationality can be conceived of in a variety of ways (e.g., 'formal' vs 'substantive' rationality); thirdly, economic institutions can be conceived of through their social structure (e.g., markets as resulting from both exchange via bargaining and competition between potential exchange parties); and, finally, a few macro structures (e.g., the six different modes of capitalism) are discussed.

Apart from the dissection of the microfoundations of Weber's economic sociology (which in a way seems to be the most intriguing part to share for an economist), Swedberg also assigns a considerable number of pages to grasp areas related hereto. This entails the relationship between economy and politics (e.g., the state's monetary policy), economy and law (e.g., the 'England problem'—how come that England, void of formal legal rationality, could promote capitalism) and economy and religion. The latter is, following *The Protestant Ethic and the Spirit of Capitalism*, without doubt that part of Weber's work most known to the general public but, as Swedberg convincingly argues, Weber's contribution reaches much further out. The impression one gets from sharing Swedberg's text, and hence almost certainly his admiration for the great German, is that there was so much more to do for Weber in closing the sometimes seemingly unbridgeable gap prevailing between economic and sociological theory. The reason why this did not happen is that it was not until the very last years of his life that Weber seized upon the opportunity to really develop the field of economic sociology. Hence Swedberg supplements his own text in two ways that really add to the contribution of Weber (and thus the present book) in a most fruitful manner.

In the “Epilogue: Weber’s Vision of Economic Sociology,” we thus learn how Weber’s economic sociology relates to his editorship of *Grundriss der Sozialökonomik* (a huge work on economics dealing with both the analysis of economic phenomena as such and the nature of capitalism). In addition Swedberg (p. 163) furnishes five postulates, labeled Basic Principles thus summarizing Weber’s vision.

The unit of analysis is economic social action, defined as interest-driven action that is oriented to utility and also to the behavior of others.

Economic action is presumed to be rational until otherwise proven.

Struggle and domination are endemic to economic life.

Economic sociology should analyze economic behavior as well as behavior that is economically relevant and economically conditioned.

Economic sociology should cooperate with economic theory, economic history, and other approaches within the framework of a broad type of economics (social economics).

In this way the thoughts of Weber could thus be related, and compared to, the view of other related disciplines. Swedberg himself chooses to do this by bringing forward the emerging ‘new economic sociology,’ a stream of thought that allegedly conceives of rationality in a way much different from Weber. The book also features an appendix, “The Evolution of Weber’s Thought on Economics” that is particularly intriguing for anyone curious about the economic aspect of the German’s work. Among other things Swedberg provides here is a thought-provoking historical account of development of ideas where, for instance, Schmoller and Menger are contrasted in a most clear and distinct manner.

The book provides a relatively straightforward path to an understanding of Weber, even for those unfamiliar with his work. This follows from the clarity of the text of Swedberg’s as well as the many thoughtful illustrations that transform Weber’s text into something more readily accessible. Anyone who, like myself, has battled in order to understand Weber’s own text (be it in its English translation) will particularly appreciate Swedberg’s contribution.

Reading the Swedbergian Weber with an Austrian eye proves particularly rewarding, and maybe also somewhat provoking, in a number of ways. This is inherent to the very relationship between Austrian economics and sociology in general and that between Weber and his contemporary Austrians in particular. This aspect is by no means scrutinized in any detail by Swedberg, something which is both understandable and maybe, somewhat unfortunate.¹ Still the book features a good deal of information upon which to draw for anyone interested in an Austrian-Weber connection. One way of exploring this link is by way of scrutinizing a few distinct aspects, such as methodological strongholds, the role of competition and opponents common to Weber and the Austrians.

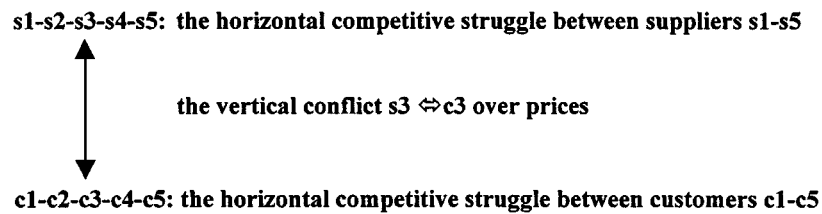
Much can be learned about methodological strongholds by relating how Weber himself (1978 (1922):4) defines sociology. He asserts that: Sociology (in the sense in which this highly ambiguous word is used here) is a science concerning itself with the interpretive understanding of social action and thereby with a causal explanation of its course and consequences.’ The ‘interpretive understanding’ is thus the Weberian notion of *Verstehen* implying that the only ‘reality’ that there is, is that perceived and elaborated upon by a subject. Subjectivism is hence a key issue. As referred to by Swedberg (p. 213), Weber

is at times most concrete when it comes to ruling out non-subjectivism and even viewing subjectivism as a prerequisite for action, the latter in itself a crucial ingredient in the Weberian discourse. Hence, in depicting the exchange between two people who, except for this exchange, have nothing in common whatsoever, Weber claims that without the subjective meaning assigned to the exchange itself, the exchange can neither be conceived of, nor be carried out.

Further, concerning another cornerstone in any methodological discourse, Weber (op cit:13) is *as* explicit: 'Action in the sense of subjectively understandable orientation of behavior exists only as the behavior of one or more *individual* human beings This [to consider collectives of individuals] is never the road to interpretation in terms of subjective meaning.' (original italics). What Weber seems to say is that given that action in its subjective sense is what counts, the analysis must necessarily be directed towards the individual. The latter thus constituting a precondition for the former. This stance of Weber's is further clearly discerned in a letter (related by Swedberg:214) drawing on the individual as the main brick of analysis. 'In other words, sociology itself can only proceed from the actions of one or more separate individuals and must therefore adopt strictly individualistic methods.' On a most shallow level it appears that there is a distinct parallel between Weber's views and Austrian methodological individualism and subjectivism.² Once one digs deeper into, for instance, the notion of rationality, this will no longer be the case. Further, few Austrians (as noted by Boettke 1998:56) after Mises have paid explicit attention to any sociological discourse. This implies that even though part of the methodological pillars are overlapping, the object of study is different.

However, when we explore an example of Weber's analysis, such as how he looks upon a typically Austrian area of interest such as competition, things get more compelling. Provided the Austrian conception of competition, in a most rudimentary way, could be grasped as some kind of a developing axis of Menger-Mises-Hayek-Kirzner, focusing on the crucial role of the process of exchange, entrepreneurship, knowledge and alertness, Weber is in some, but not all, aspects close to the Austrian view. Consider for instance the way in which 'horizontal' competition (between suppliers) comes about as an indirect process subject to the 'vertical' market dimension (bargaining and exchange between suppliers and customers). Menger (1994 (1871):175–180, 197–218) is close to this way of reasoning in coming to grips with the *Preiskampf* as is Mises (1966 (1949):117, 273–279) in arguing that consumers' satisfaction is safeguarded following their decisive role in distinguishing (that is buying or not buying) one seller from the other by way of, for instance, the inducement of new market entry. The corresponding point is made by Kirzner (1973:182–183) who shows how the customer could act entrepreneurially in the factor market by making factor suppliers realize that there is competition around. Weber is possibly even more explicit than the Austrians in tying competition to the market, and even in one place (1978 (1922):635) argues that competition is the very *sine qua non* for markets. Competition to Weber (op cit:38) is *meaningful orientation* towards other actors implying a 'formally peaceful attempt to attain control over opportunities and advantages which are also desired by others.' Weber further clarifies (op cit:43), in a phrasing of words not far from Menger's, that the bargaining between exchange partners is related to the competition prevailing between actual or potential rivals. That is, competition takes place for the exchange opportunities exploited

in bargaining. Or, by way of graphics, as interpreted by Swedberg (p. 43):



Weber's market analysis (Swedberg 1998:43)

Weber (op cit:99, 100) further appears Austrian in the sense that characteristics of the market process as well as freedom of entry matter for competition. Swedberg (p. 39) emphasizes the signification of 'appropriation' in the writings of Weber as 'the alienable monopoly of opportunities in a closed social relationship.' Relationship closure in this sense thus forecloses newcomer entry and, in consequence, competition.

One last aspect (there are of course also others) of the Austro-Weberian tie that could be singled out from reading Swedberg is that of the presence of common intellectual opponents, namely The (new) German Historical School and the socialists. As for the *Methodenstreit*, Swedberg (p. 178) distinguishes a) 'the subject area of economics' and b) 'the division of labor between the social sciences in analyzing the economy' as key elements in understanding the abyss prevailing between Menger and Schmoller.³ He further (pp. 176, 177) argues that Weber takes a somewhat neutral position in siding with Menger when it comes to the latter, and with Schmoller as regards the first issue. Weber does not actively participate in the battle of methods but seems implicitly to side with Menger in being very much at odds with Schmoller.⁴ Swedberg (p. 293) thus notes how Weber, in a letter to Brentano in 1908, supports the Mengerian view that economic history can never replace economic theory. In the case of Weber, this is all the more striking given the fact that he was trained and brought up as a German historicist (and also, to some, remained one for the remainder of his life).⁵ Neither did Weber ever overtly side with the Austrians in their anti-socialism. Still, as noted by Swedberg (pp. 45, 79–81, 244), Weber analyzes the problems inherent to a centrally planned economy but by the pursuit of sociological claims. The monopoly of bureaucracies (under capitalism, private and public bureaucracies allegedly outweigh each other via mutual control) entails an overt imbalance of power, the disappearance of independent economic activity (i.e., entrepreneurship) and the policing of values from above. These are some of the undesirable consequences that Weber finds following from the introduction of central planning.

Swedberg's contribution is an important building block in explicitly formulating the fundamentals of the agenda for the new economic sociology that has been emerging since the 1970s. So does this mean that this contribution is to non-sociologists merely a matter of curiosity? I am not so sure that is the case. 'It is clear that Weber is one of the few thinkers in social science whose work must be taken seriously, and what he has to say on the relationship between economics and sociology is of interest to both sociologists and economists.' (Swedberg:6). As an economist I am inclined to agree with this statement,

following the eclectic touch of the text. Further, given the present status of the Austrian discourse reaching out to the 21st century (cf Rizzo 1992, Boettke and Prychitko 1994), Swedberg's book should be valuable also for Austrians in search for a constructive, yet not self-defeating, dialogue with other strands of social theory.

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Notes

1. Like the majority of sociologists Swedberg mostly does not single out the Austrian interpretation of economics (cf Swedberg 1990 where no Austrians are turned to). See however Swedberg 1994 (pp. 260–261) where Austrians are discussed in their own right.
2. For an elaboration of this point, cf Boettke (1998).
3. Where Schmoller in the first case endorsed more of a holistic view and Menger in the second more of a sharp division both between the various branches of economics and between economic science and ditto reform.
4. Weber's own *Methodenstreit* is the Battle of Value Judgements that occurred within the realms of *Der Verein für Sozialpolitik* where he explicitly opposed the position of Schmoller, this same constituting a blurred mix between facts and values in scientific analysis.
5. Cf Mises (1960:74 ff) where it is noted that the historicism of Weber's curtails his ability to make a true contribution when it comes to letting economics and sociology approach each other.

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