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How to Analyze the Chinese Economy with the Help of Max Weber:

A Practical Guide to His Economic Sociology

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Max Weber's writings are notoriously difficult to understand, as anybody who has tried to read *The Protestant Ethic and the Spirit of Capitalism* or *Economy and Society* is well aware of.¹ To this can be added that there exists today an enormous secondary literature on Weber's work, in which various aspects of his writings are discussed; and that his *Collected Works* exceed more than 40 volumes

To properly deal with Weber's complexity, his many works, and the giant commentary, is not something that a student or scholar will want to undertake, unless it is his or her ambition to become a Weber specialist. This also means that unless some way is found to teach Weber in a straightforward way that captures his complexity of thought, and calibrates this with the insights of the secondary literature, his ideas are bound to be misunderstood and mishandled. This is also the situation today, when Weber is being taught or discussed, apart from what can be found in the writings by a small number of Weber experts.

The problem with much of the specialist literature, however, is that it addresses specialist topics, in a way that can usually only be appreciated and understood by other specialists. In this article, in contrast, I will try to present Weber's economic sociology, including his analysis of China, in such a way that it is relatively easy to understand, for the student who is willing to make a bit of an effort. It is also my ambition to present Weber's ideas in such a way that the reader, after having finished this article, will be able to make a Weberian analysis of whatever economic topic he or she is interested in. Throughout this article I will therefore try to recast Weber's approach into *practical rules for how to proceed*.

Since this article has been written for an audience of Chinese students and scholars who are interested in Weber's economic sociology, I thought it would be useful to also include a presentation of his analysis of China. The analysis of economic phenomena that can be found in *The Religion of China* will therefore serve as a concrete example of Weber's economic sociology. I will not argue that Weber's picture of China is one that Chinese scholars should agree with, for a number of reasons I will mention later in this article. But it seems wrong to

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present Weber's economic sociology to a Chinese audience without bringing up what he says in *The Religion of China*.

The article is divided into three parts: one that presents Weber's general analysis in sociology; another that presents his economic sociology; and a third that discusses his analysis of the Chinese economy. The reason for proceeding in this way, and why the reader is not advised to jump directly to part two or three, is that it is not possible to understand Weber's analysis of the Chinese economy without understanding his economic sociology; similarly it is not possible to understand his economic sociology without understanding his general sociology.

While it is very common for today's busy academics who are interested in some topic to dive straight into Weber's work and read what he has to say about it, this way of proceeding is *not* to be recommended. Weber constructed a very specific type of sociology; and he did so in a very systematic way, starting with the foundation. Taking shortcuts invites to serious misunderstandings; and there exist a multitude of examples of people who have misunderstood Weber precisely because they have only read some small part of his work (say his theory of bureaucracy or what he has to say about Confucianism). With Weber, you have to start with the foundation; and the foundation is his *interpretive sociology*.

Part 1. The Foundation of Weber's Economic Sociology: His Interpretive Sociology

Students of Max Weber (1864-1920) typically view him as a sociologist and fail to note that he was first a professor of law, then a professor of economics, and that he only developed a full sociological perspective during the last ten-fifteen years of his life (he never held the title of professor of sociology). Somewhere around 1906-1908 Weber started to focus on sociology and would continue to do so till his death in 1920. He produced two works in sociology: *Economy and Society* (published posthumously in 1921-1922) and *Collected Essays in the Sociology of Religion* (3 vols, published in 1920-21).ⁱ His famous study *The Protestant Ethic and the Spirit of Capitalism* was written in 1904-1905 and was included (by Weber himself; in a revised version) in one of the volumes in *Collected Essays in the Sociology of Religion*.

The main place where Weber presents the basic features of his sociology is in Ch. 1 in *Economy and Society*. In later parts in this work, he especially discusses four areas of sociology: economic sociology, political sociology, sociology of law, and sociology of religion. All of these areas build in a general way on the ideas presented in Ch. 1; even if it was Weber's intention to integrate them much closer into the vision that can be found in Ch. 1. His death in 1920 prevented him from carrying out this plan, except for in the case of his economic sociology which closely follows Ch. 1. This makes Weber's economic sociology extra interesting, also for those who are primarily interested in other aspects of his work.

The name that Weber gave to the version of sociology he developed towards the end of his life was *interpretive sociology* (“*verstehende Soziologie*”). By using the adjective “interpretive” he clearly wanted to mark it off from existing forms of sociology (which he did not hold in very high regard). Presumably he also hoped that his own version of sociology would become predominant, something that has *not* happened. In fact, many students refer to Weber's “sociology” without realizing what “interpretive” stands for, and that it differs on crucial points from most other forms of sociology. This is true not only for his own time but also for today; and it is especially the case with most quantitative forms of sociology, from those that are popular in say stratification studies to the kinds that are used in networks analyses.

It is therefore crucial to understand what “*interpretive*” (“*verstehende*”) stands for, and why Weber insisted on using this term. Its core meaning is related to the fact that human beings understand (*verstehen*) the meaning of things and invest their actions with a meaning. The consequence of this, according to Weber, is that when you try to analyze and explain why people behave in a certain way, it is not enough to observe their behavior from the outside – an approach that works perfectly well, and is sufficient, in the natural sciences. You also need to know *how the actors themselves see things and their own actions in particular*, since this will help to explain them. In brief, interpretive sociology differs from most other sociologies by its radical stance that people's meanings of their actions *have to be* part of the analysis. They do *not* account for the full explanation - but they have to be part of it.

Weber summarizes what his interpretive sociology stands for in one concise sentence, which is then explicated in some twenty pages. Anybody who wants to understand Weber's

sociology and also wants to be able to carry out a Weberian analysis should learn this sentence by heart. It reads:

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.ⁱⁱ

From this concise statement, it is clear that the sociologist should try to establish *causality*, and elsewhere in Ch. 1 Weber also states that sociology is an *empirical science*. The concept of “social action” stands at the very center of his analysis and refers to an *action* invested with a *meaning*. What makes this type of meaning-filled action “social” is, in Weber’s formulation, that it is *oriented to* the actions of other actors.

It can also be oriented to an *order*, as Weber adds later in Ch. 1. An order is a concept that is derived from that of social action; and it refers to a set of meanings for how to act or, more precisely, to a set of meanings that actors feel that they want to follow or have to follow. An order, especially if it is enforced by a staff, comes close to what is meant by an institution today.

The purpose of sociology is not to explain single important events (this is the task of history), but primarily to establish “type concepts” and “generalized uniformities” (“*generelle Regeln*”) of how people act empirically (Weber 1978:19). Single events or the subjective experiences of single individuals are not, in other words, part of Weber’s agenda.

Note also that no empirical social phenomenon can be fully captured or explained through an analysis; you can only (according to Weber) try to get as close to what is going on (or has happened) as you possibly can. This means that the sociologist will try

to establish the rules *and* the extent to which these are followed. To do this effectively you need to use sociological concepts or *ideal types* that help you in this enterprise.ⁱⁱⁱ

It is often thought that by an ideal type Weber meant an abstract analytical concept that differs from its counterpart in reality which is by necessity much richer in empirical detail. This, however, represents a misunderstanding. By ideal types Weber means concepts that are idealized in the sense that they *exaggerate* central features of social actions (including their meaning), in order to capture their quality as norms or rules to follow. In ideal types actors are also assumed to have full knowledge of all facts in a situation; be totally attuned to (or aware of) what is happening; and be able to make rational decisions, based on this knowledge and awareness. Ideal types are constructed in this way by Weber *for heuristic purposes*, that is, to get a better grip on empirical reality, by way of *contrast* and *comparison*. Ideal types, are means, never ends (Weber 1949:106).

Weber argues that meaning structures per se should not be at the center of sociology, but the actions that people engage in *and* the meanings with which they invest these actions. Unless the meaning matches the action, causality cannot be established. If you, for example, want to greet a friend and extend your hand, the meaning and the action match each other. But if you instead of extending your hand do something strange (say lie down on the floor), they do not. In Weber's terminology, this is referred to as *adequacy at the level of meaning* (Weber 1978: 11).

For full causality, you also have to establish that the action tends to have or to be followed by the intended result. If you want to greet a friend and extend your hand towards her; and if she, when she sees this, is likely to herself extend her hand in

response, your action has been successful, in that it has caused its intended effect. Weber refers to this as *causal adequacy* (Weber 1978:11).

What has so far in this article been said about Weber's interpretive sociology can also be recast as *practical rules to follow for someone who wants to make a Weberian analysis* of some empirical phenomenon. Since I am now switching from a presentation of Weber's ideas (which is difficult enough to do properly), to a transformation of these into practical rules to follow, there are clearly many ways to go wrong. Still, the reader will hopefully agree that this is a useful way of thinking about Weber's sociology, even if he or she would phrase these rules somewhat differently.

1. Teach yourself as much as possible about the topic you want to analyze.

2. Begin the analysis by looking at the way that actors behave towards each other and the meanings they invest their behavior with ("social action") as well the orders (or institutions) they orient their behavior toward.

3. Use existing ideal types as heuristic tools, in an attempt to establish the rules or norms for the actors to follow, as well as the way in which they are actually followed.

4. Use the actions, and the meaning that the actors invest these actions with, to explain the effects of their actions, including those that are unintended.

Step 2: Going from Weber's General Interpretive Sociology to his Interpretive Economic Sociology

Once the student has a grip on Weber's general approach to sociology, he or she is ready for the next major step, which is to analyze an *economic* phenomenon. In principle, what now needs to be done is to apply the ideas of social action and order (or institution) to the economy.

This, to recall, means that a very special set of ideas will be applied to the economy, namely those of interpretive sociology, turning the analysis into an exercise in interpretive economic sociology.

Before proceeding with the task of spelling out what this interpretive economic sociology looks like, and especially the concepts of *economic social action* and *economic order*, two points need to be made clear. First, when Weber presented his interpretive sociology (in Ch. 1, in *Economy and Society*), he not only spelled out its general principles about social action, ideal types, and so on; he also supplied a number of what he considered to be the key concepts in (interpretive) sociology (Weber 1978:24-56). It is advisable for anyone who wants to carry out a Weberian analysis in economic sociology to get acquainted with these key concepts.

These are useful for the study of any topic in society, not least Weber's famous concepts of the state, open and closed social relationships, and so on. But some of these concepts are also of special relevance for students of the economy. These include such concepts as property (a form of closed social relationship), competition (a form of peaceful struggle for opportunities that also others desire), and the firm (an order, supported by a staff and which is profit-oriented in nature; Weber 1978:38, 48-50, 116).

The second point to keep in mind is that according to Weber, economic sociology deals with three types of social phenomena (Weber 1949:64). One of these are economic institutions in a narrow sense, such as firms, stock exchanges and money. But there also exist two other types of phenomena that should be studied in economic sociology, according to Weber. These are non-economic phenomena that influence economic phenomena, and economic phenomena that influence non-economic phenomena. Weber's term for the former is *economically relevant phenomena* and for the latter *economically conditioned phenomena*. As an example of the former, there is ascetic Protestantism which helped to create and spread the spirit of rational capitalism. *Economy and Society* also contains many examples of how the working conditions of various groups tend to influence what kind of religion people will be attracted to. Peasants, for example, often see magic forces as operating in nature – and also in their religion.

Just as Ch. 1 in *Economy and Society* provides the student with a series of basic concepts that can be used for a general sociological study, so Ch. 2 provides the student with a series of

basic concepts that are useful when you study economic phenomena. Ch. 2, in other words, is the place where the student will find definitions and explanations of such key concepts as the market, money, capitalism and much more.

Chapter 2 is the one and only place in Weber's whole work in which he tries to present and explicate the key concepts of his economic sociology. The student may want to keep two points in mind when reading this chapter. The first is that Ch. 2 is part of a work that also contains many chapters on how the economy is related to other phenomena, such as law, politics and religion. For a detailed account of the interaction of the economy with each of these, the student should consult other chapters in *Economy and Society* than Ch. 2.

A second point is that Ch. 2, which is more than 150 pages long, is extremely dry and a very difficult text to get through. According to one commentator, for example, Ch. 2 is an "almost unreadable accretion of definitions piled upon definition" (Sica 1992:146, 208).^{iv}

Given the complexity of Weber's presentation of economic sociology in Ch. 2 in *Economy and Society*, I will single out a few concepts in this chapter that are useful to start out with and to keep in mind. The first is *social economic action* and the second is a derivative of this, *economic order* (or *economic institution*). As we know from Ch. 1, for there to be a social action, there has to be (1) an action (2) that is oriented to others (or an order), (3) which is invested with a meaning. What makes a social action an *economic* social action is the meaning element. For a meaning to be economic, Weber says, has to be "concerned with a desire for 'utilities'" (ES:63).

Before addressing why Weber uses the term *utility*, it is important to remind the reader once more that the element of meaning is absolutely central to his economic sociology. Round little metal pieces, for example, only become "money", if they are invested with a special meaning (Weber 1977:102-3). No action is economic per se; it is *the meaning* that makes an action economic.

Weber uses the term "utility" in plural because he wants to capture the fact that there exist two major kinds of utility or economic actions. Economies can either (1) be organized around the satisfaction of needs or (2) around profit. Note the similarity of Weber's argument to the concepts use value and exchange value in Aristotle and Marx.

After social economic action, the most important concept or conceptual pair is that of *householding* versus *profit-making* (Weber 1978:86-100, 356-84).^v “The two basic types of all economies are *householding* and *profit-making*” (Weber 1923:6). Note that Weber, as so often in his sociology, here casts social action in terms of verbs and as an ongoing activity, instead of as nouns or fixed entities. In a *householding* economy, the focus is on use value and the goal is to *satisfy needs* and, if possible, generate *wealth*. You keep track of what is happening in this type of economy through a *budget*; and examples of *householding* entities are individual households, manors in the Middle Age, and the socialist state. A *profit-making* unit would be the firm and the capitalist order or system as a whole. Here the goal is *profitmaking*; you want *capital* to increase; and you keep tabs on things not through a budget but through *capital accounting*. Most economies operate through a mixture of *profit-making* units and *householding* units.

Another concept in Weber’s economic sociology that is useful is that of *appropriation* (Weber 1978:44, 125-50). This concept is broader than that of property, in that it denotes a situation in which someone has control over something and can exclude others from it – but not only with the help of the law. Many pre-capitalist societies, for example, lack a formal legal system; there also exist many situations in the modern economy where you have *de facto* exclusion.

Most of us tend perhaps see the modern economy as rational, and pre-capitalist economies as traditional and not rational. Weber, however, disagrees; and instead presents us with a different view of *economic rationality* (Weber 1978:85-6). First of all, rationality is not an assumption but a variable; and its variations can be empirically studied. Actors in a stock exchange may, for example, act rational in many cases, but not necessarily in a panic. The power relations in a firm may also force an employee to act more or less rational, and so on.

To economists, rationality is something that mainly concerns the means and not the goals of an action. Weber, in contrast, suggests that both the means *and* the goals can be rational. *Formal rationality* in economic action deals with quantitative calculation, while *substantive rationality* deals with the way that groups of people make economic provisions, given their ultimate values (Weber 1978:85). Weber states that substantive rationality is hard for the analyst to handle. Nonetheless, it draws attention to crucial dimensions of the economy; it also makes the analysis of economic sociology less formal than that of mainstream economic.

While Weber does not assign *the market* to the central position it has in modern economics, he does discuss and define it (Weber 1978:82-5, 635-40). Weber views the market as an order or institution that is the result of primarily two types of interactions, not just one. You buy and sell in a market – but you also compete to be the buyer or the seller when the price is decided. A market can also be more or less regulated; with a non-regulated market being a so-called free market. Prices in markets are not set through demand and supply; instead they are the result of the power of the market actors.

That markets exist in a society does not mean that its economy is capitalist; and for this to be the case, markets have to predominate. Furthermore, there does not only exist one type of capitalism, which has gradually grown stronger, first in the West and then elsewhere (as, for example, Marx thought). Weber distinguishes between different types of capitalism; of which the three most important are: *rational capitalism*, *political capitalism* and (what may be summarized as) *traditional commercial capitalism* (Weber 1978:164-66). The latter two forms of capitalism have existed far back in history; they are also not dynamic and can easily co-exist with traditional rulers, such as kings and emperors. Rational capitalism, in contrast, is very special. It has only existed since something like the mid-19th century; it only emerged in the West (but is today diffusing everywhere); and it has totally remade earlier types of society.

Even if most of what Weber has to say on the theme of politics and the economy can be found elsewhere in *Economy and Society*, and not in its Ch. 2, Weber does make the point in this chapter that the state or the ruling political group is typically a part of the economy (Weber 1978: 166-201). The state, as is often argued in modern economic discourse, is consequently not an actor outside the economy but an organic part of it. This is the case in particularly two ways: every state or ruling political group has to be financed in some way; and money is typically issued by the state or the ruling political group.

If we now leave Weber's key concepts and try to translate what has just been said into practical rules for how to carry out an analysis in Weberian economic sociology, we get something like the following:

5. Decide if the phenomenon is economic, economically relevant or economically conditioned. An economic phenomenon is typically also part of an overall political, legal and (often) religious context which has unfolded through time.

6. If the phenomenon is primarily economic, decide if it is an example of householding or profitmaking (or a mixture of the two). Determine not only how householding and profit-making are expressed in the actions of the actors, but also what their accompanying meaning structures look like.

7. Decide on the type and degree of substantive rationality as well as formal rationality.

8. For markets and firms, look at the following features: their degree of regulation and rationality, their interactional patterns and meaning structures.

9. Decide on the role of the state (or the ruling political group) in economic life, especially in relation to how it is financed and how it regulates money.

Step 3: Learning from a Concrete Example: Weber's Study of China

It is one thing to have a good knowledge of what a general approach in economic sociology looks like, quite another to carry out a concrete study with its help. This applies to Weber himself as well – and we therefore have to discuss also his concrete studies, as opposed to the theoretical Chs. 1-2 in *Economy and Society*. Since this article is about China and its economy, the task boils down to this: what can we learn from the study known in English as *The Religion of China* or *Confucianism and Taoism* as I shall call it, since this is a closer translation of the original title (*Konfuzianismus und Taoismus*; Weber 1920, 1951).^{vi}

Confucianism and Taoism exists in two versions. The first was conceived in 1913 and published in 1915 (in two installments). The revised version that Weber worked on in 1919 was published in 1920. Weber himself read galley proofs for the revised version, which was published in Volume 1 of *Collected Essays in the Sociology of Religion*.

The information so far, however, fails to mention something that is crucial to know, namely that Weber's study was conceived as part of a huge project that had its origin in his famous study *The Protestant Ethic*. The name of this project was *The Economic Ethics of the World Religions*, and it had as its overall goal to answer the following question: why did rational capitalism only emerge in the West, under the influence of ascetic Protestantism, and why not also elsewhere in the world, under the influence of other religions? The subtitle of the project was *Sketches in the Sociology of Religion*; and Weber presumably chose the term "sketches" (rather than say "studies" or "analyses") to indicate the incomplete and exploratory nature of the enterprise (Schluchter 2014:11).

Before Weber died he produced two long studies or sketches that address this issue, besides *Confucianism and Taoism*. One looked at a very early stage in the process that ended up with the emergence of rational capitalism in Europe, *Ancient Judaism* (Ger. *Das antike Judentum*). The second is known in English as *The Religion in India* (Ger. *Hinduismus und Buddhismus*).

It should be pointed out that Weber's project on the economic ethic of world religions stretched over a time of more than a decade. During these years his terminology in sociology changed to some extent. This was also the period during which he worked on *Economy and Society*, which meant that similar ideas often took somewhat different expressions, depending on whether Weber looked at them from the perspective of a concrete study or from a more theoretical perspective.

Before proceeding to the content of *Confucianism and Taoism*, it should also be noted that there by now exists a considerable secondary literature on this study (see e.g. the references in Barbalet 2014, Schluchter 2014). The general verdict seems to be that Weber's analysis of China is faulty on many points, due to his lack of knowledge of Chinese as well as the fact that he was not a sinologist, something he frequently mentions in *Confucianism and Taoism*. Weber, for example, did not properly understand Chinese law and the nature of Taoism; and he totally missed neo-confucianism.

The critique that Weber failed to realize that China would one day be able to develop a powerful capitalism within its own borders, especially under the influence of Confucianism, is

on the other hand incorrect. Weber explicitly states that while China did not internally generate what he calls rational capitalism, it would be perfectly capable of developing it, once it had been invented elsewhere. Since this is an issue that is often debated, it may be useful to cite the central passage in full (and the reader may want to substitute “rational capitalism” for Weber’s “capitalism”):

The Chinese in all probability would be quite capable, probably more capable than the Japanese, of assimilating capitalism which has technically and economically been fully developed in the modern cultural area. It is obviously not a question of deeming the Chinese “naturally ungifted” for the demands of capitalism. But compared to the Occident, the varied conditions which externally favored the origin of capitalism in China did not suffice to create it. Likewise capitalism did not originate in occidental or oriental Antiquity, or in India, or where Islamism held sway. (Weber 1951:248)

When Weber in 1915 discussed his project on economic ethic with his publisher, he stated that he was going “to apply the method used in the essay ‘The Protestant Ethic and The Spirit of Capitalism’ in a general way” also in his analysis of other religions (Schluchter 2014:14). Presumably what he meant by this is that he was going to center the analysis around the emergence of a new mentality towards capitalism, as in *The Protestant Ethic*. This means that he would continue to work with the idea that an order (or institution) has a form as well as a content; and also that the content can develop in one part of society (say religion) and then drift to another one (say the economy).

It was furthermore Weber’s ambition in his project on the economic ethics to also look at “the other side of the causal chain” (Weber 1930:27). This means that instead of just seeing how religious ideas can influence economic and other institutions, as in *The Protestant Ethic*, he now also wanted to look at the way in which religious ideas are shaped by non-religious institutions.

By way of quickly describing how Weber wanted the reader to approach the Chinese case, one can take a look at the table of contents of *Confucianism or Taoism*. While the English translation divides the material into three parts, Weber’s original table of contents looks as follows:

- I. *Sociological Foundations: A. The City, the Prince and God.*
- II. *Sociological Foundations: B. The Feudal and Prebendal State.*
- III. *Sociological Foundations: C. Administration and Agrarian Structure.*
- IV. *Sociological Foundations: D. Self-Administration, Law and Capitalism.*
- V. *The Literati Status Group.*
- VI. *Confucian Life Orientation.*
- VII. *Orthodoxy and Heterodoxy (Taoism).*
- VIII. *The Result: Confucianism and Puritanism^{vii}*

It is clear that Weber is very careful to lay “the sociological foundations” before he addresses Confucianism and Taoism. What cannot be read out from this table of contents is that Weber also approaches his topic from a profoundly historical perspective. He begins his study very early in Chinese history, just as he in *General Economic History* starts very early in his account of the rise of rational capitalism in the West. He then centers the study around religion or its equivalents, namely Confucianism and Taoism. The key question is: Why did these philosophies or religions not provide the spark that could have led to an internal generation in China of that extremely dynamic form of capitalism that would revolutionize the world, rational capitalism?

/Insert # 1 about here/²

Weber looks at two kinds of institutions in China: non-economic and economic ones. In his analysis of non-economic phenomena he quickly sketches their general nature and is especially interested in their economic dimension. The non-economic institutions and groups are: the state, including the legal system; the city; and the sib. All of these are analyzed with the three main types of capitalism in mind (political capitalism, traditional commercial capitalism and rational capitalism).

Weber’s verdict is as follows. The Chinese state was isolated from the majority of the country and in general did not want to intervene in the affairs of the general population. The legal system lacked the rational qualities that are necessary for modern capitalism. The cities lacked the economic and military power they had in the West and also their independence.

² For Insert # 1, see the end of this article.

Common people identified primarily with the sib, which was very traditional in nature and resistant to change and innovation.

The non-economic institutions and groupings failed to develop a rational approach to their activities. The same was roughly true for the economic institutions that Weber analyzes, such as money, the guilds and other economic associations, including early forms of the firm. Beyond these institutions, Weber also discusses how extremely hard the Chinese have always worked and their strong desire for wealth. While these two features have been pervasive, he also says that they were not enough in themselves to create a rational and dynamic approach of the type that characterizes modern or rational capitalism (Weber 1951:63).

This brings the reader to the point where Weber addresses what is the central issue for him: could perhaps Confucianism or Taoism have supplied the element that would have helped rational capitalism to emerge? This is also the place where Weber brings up the literati, since they were the carriers of Confucianism.

Weber categorically dismisses the idea that Taoism could have sparked rational capitalism. The reason for this is that it thoroughly embraced magic and irrationality. Confucianism, on the other hand, was different. It was rational in nature in a number of ways: it was hostile to magic; it preached moderation; and in general it espoused a rational approach to life. But it was not rational in the sense that it could ignite rational capitalism, in Weber's view, that is, a type of economy that embraced the idea of using and developing profit-opportunities in a rational and dynamic manner. The ideal in Confucianism was the gentleman, not the capitalist entrepreneur. It also accepted the existing order as well as the prevalence of magical thinking in the general population.

Weber's study ends with a confrontation between Confucianism and Puritanism reminding us of his ultimate aim with this work: not to make a study of Chinese economic history per se, but to explore if China had some equivalent to Puritanism or ascetic Protestantism. Two important points on which Confucianism and Puritanism differed were the following, according to Weber. One had to do with their attitude to existing social reality, including nature. The Puritans, Weber says, lived in "tremendous and grandiose tension" to the world, which they wanted to change in accordance with their religion (Weber 1951:227). The

second item is related to this tension as well. There existed a “mighty [religious] enthusiasm” among the Puritans that was lacking among the sober Confucians (Weber 1951:248).

What can we learn from Weber’s study of China, and how does it help us to better analyze the Chinese economic reality? It should first of all be noted that insofar as the economic realities of the past are concerned, this is a question best decided by experts on the history of China (which I am not). Secondly, what can Weber teach us about contemporary economic realities in China? The same answer applies, but now with one more reservation: the Chinese economy of today differs dramatically from the one that Weber knew.

I will however try to spell out some of the more general items we can learn from Weber’s analysis of China. First of all, note that the concepts in economic sociology that Weber presents in Chs. 1-2 of *Economy and Society* are primarily heuristic tools, that is, they are designed to help you to capture what is going on, not to mirror “reality”. The fact that there exist no explicit references to “social action”, “order” and the like in Weber’s study of China, does not mean that these concepts have not been used in the analysis, only that there exists no particular reason to highlight them in the final write-up of the research.

Note in addition that when a concrete analysis is made, some concepts may be modified as a result of the analysis. Weber’s use of the notion of ascetic Protestantism in the study of China, for example, adds to what we know about this phenomenon from *The Protestant Ethic*.

Confucianism and Taoism as well as *The Protestant Ethic* are also helpful to the student of economic sociology in that they deal with a phenomenon that Weber does not address in Ch. 2 in *Economy and Society*, namely the historical puzzle of what caused the emergence of rational capitalism. *The Protestant Ethic* introduces, as part of its analytical approach, a distinction that is innovative and very helpful in sociology, namely that between form and content in an order (or institution; Weber 1930:63-7).^{viii} The reader may recall how the European textile industry before the Reformation was typically carried out in a traditional mode, which was later replaced by a dynamic, rational approach. This idea is closely related to the idea in *The Protestant Ethic* that the content of an institution (here: religion) may also migrate to that of another (here: the economy). Both of these ideas can also be found in *Confucianism and Taoism*, where they are worked out in a somewhat different way.

If I were to attempt to draw some practical guidelines or rules from *Confucianism and Taoism* for the economic-sociological study of China, I would suggest the following.

10. Once ideal types have been used in the research – in order to get a better grip on reality – they should be discarded and replaced by more precise descriptions and better explanations.

11. Some special questions – such as the origin of rational capitalism or, say, the nature of Chinese capitalism today – may demand new and special concepts, based on interpretive sociology.

12. Orders (or institutions) can be conceptualized as having a content and a form, both of which may diffuse separately as well as together.

Concluding Remarks

So far in this article nothing has been said if Weber's economic sociology can be reconciled with the use of modern quantitative methods. This is clearly an important question, and unless it can be answered with a "yes", the value of Weber's ideas for modern sociology will be limited. My own view is that you can indeed use Weber's interpretive sociology together with quantitative methods. The main challenge is how to deal effectively with the role of meaning structures – but this is also where the big payoff comes, when you draw on Weber's approach. It is also clear that Weber himself was not only positive to quantitative methods, but at the very cutting edge when it came to their use (Lazarsfeld and Oberschall 1965).

Let me now return to the main task of this article, namely to present Weber's economic sociology in such a way that the reader can use it directly in concrete, empirical research. In Table 1, I have brought together all of the rules or steps to follow. I think that these can be formulated in several different ways; and phrasing it in this way constitutes a warning of sorts to the reader. But it should also be read as an appeal to the reader to correct them where they are wrong or poorly formulated, and in this way participate in the project of *translating Weber's ideas into practical research rules*, rather than just summarizing them or discussing them. In proceeding in this way, let us also use Weber's own criteria for how to evaluate theory and

concepts, namely to view them as *heuristic*. The social scientist should use Weber's ideas and see what new and interesting analyses can be created with their help. They are not ends, but means, as Weber once said about the role of concepts in social science (Weber 1949:106).

/Insert # 2 about here/³

³ For Insert # 2, see the end of this article.

Insert # 1. Factors that Created Rational Capitalism

1. The Rational (Permanent) Enterprise
2. Rational Accounting
3. Rational Technology
4. Rational Law
5. The Rational Spirit
6. The Rationalization of the Conduct of Life
7. A Rationalistic Economic Ethic

Comment: There exist a number of lists in Weber's work that spell out what constitutes rational capitalism which are all slightly different (see e.g. Weber 1978:161-62; 1981: 276-77, 312-14). The list above should simply be read as a general indicator of the fact that Weber viewed the confluence of a number of factors as being crucial to the emergence of rational capitalism, and that these should all be rational in nature. By rational Weber means many things, but in this case especially *predictability*.

Source: Weber, *General Economic History* (New Brunswick, NJ: Transaction Books, 1981), p. 354.

Insert # 2: Rules for How to Carry Out a Study in Economic Sociology,
Following Max Weber

1 Teach yourself as much as possible about the topic you want to analyze.

2 Begin the analysis by looking at the way that actors behave towards each other and the meanings they invest their behavior with (“social action”) as well the orders (or institutions) they orient their behavior toward.

3 Use existing ideal types as heuristic tools, in an attempt to establish the rules or norms for the actors to follow, as well as the way in which they are actually followed.

4 Use the actions, and the meaning that the actors invest these actions with, to explain the effects of their actions, including those that are unintended.

5. Decide if the phenomenon is economic, economically relevant or economically conditioned. An economic phenomenon is typically also part of an overall political, legal and (often) religious context which has unfolded through time.

6. If the phenomenon is primarily economic, decide if it is an example of householding or profitmaking (or a mixture of the two). Determine not only how householding and profit-making are expressed in the actions of the actors, but also what their accompanying meaning structures look like.

7. Decide on the type and degree of substantive rationality as well as formal rationality.

8. For markets and firms, look at the following features: their degree of regulation and rationality, their interactional patterns and meaning structures.

9. Decide on the role of the state (or the ruling political group) in economic life, especially in relation to how it is financed and how it regulates money.

10. Once ideal types have been used in the research – in order to get a better grip on reality – they should be discarded and replaced by more precise descriptions and better explanations.

11. Some special questions – such as the origin of rational capitalism or, say, the nature of Chinese capitalism today – may demand new and special concepts, based on interpretive sociology.

12. Orders (or institutions) can be conceptualized as having a content and a form, both of which may diffuse separately as well as together.

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ⁱ The three volumes of *Collected Essays* have been translated into English as three separate books and three essays. The books are entitled *The Religion of India*, *The Religion of China* and *Ancient Judaism*. The first of the three essays is the general introduction to Weber’s work, which Talcott Parsons called “Author’s Introduction” and placed at the beginning of his translation of *The Protestant Ethic*. The two other essays are known as “Religious Rejections of the World and Their Directions” and “The Social Psychology of the World Religions”, and can most easily be found in the anthology of Max Weber’s writings that was edited by Hans Gerth and C. Wright Mills (Weber 1946a, 1946b). Weber only saw the galleys of the first volume; volumes two and three were organized and seen into production by his wife. For Weber’s original plan for the whole work, see the appendix published in Schluchter 2014.

ⁱⁱ The next and remaining sentences specify some terms in the key sentence, and read: “We shall speak of ‘action’ insofar as the acting individual attaches a subjective meaning to his behavior – be it overt or covert, omission or acquiescence. Action is ‘social’ insofar as its subjective meaning takes account of the behavior of others and is thereby oriented in its course” (Weber 1978:4). - I also want to take this opportunity to state that there today exist several translations into English of many Weber texts, including Ch. 1 in *Economy and Society* (e.g. that of Keith Tribe in Whimster 2004).

ⁱⁱⁱ For a full explanation of what an ideal type is and how it can be used in a practical way in empirical sociological research, see Swedberg forthcoming.

^{iv} *General Economic History* by Weber is easier to read and draws on the same ideas as Ch. 2. It is however based on lecture notes by students that were assembled after Weber’s death, and is therefore less reliable and less conceptually precise than this chapter.

^v This and other key concepts in Weber’s economic sociology are discussed in more detail in Swedberg 2011.

^{vi} For some other places in Weber’s work where China is discussed, see e.g. Weber 1978:1047-51, 1958:264-69. For a brief comparison of China and Japan in Weber’s lectures from 1897-1898, see Schluchter 2014:13. *The Religion of China* is generally considered a poor translation.

^{vii} The content of the first version of what was to become *Confucianism and Taoism* (which appeared in 1915 in two installments called “Confucianism”) was structured as follows: I. The Sociological Foundations. II. The ‘Spirit’ of Confucian *Bildung* and the Economy. III. Orthodoxy and Heterodoxy: Their Social-Ethical Effects. IV. Summary: Confucianism and Puritanism (Schluchter 1989:87). The first translation of *Confucianism and Taoism* into Chinese was published in 1995 on the press of Commercial Publishing. The name of the translator is Wang Rongfen and the translation is done directly from the German. For a full list of translations of Weber’s work into Chinese, see <http://book.douban.com/subject/3026253/> (I thank Zhu Jinjing of Cornell University for this information).

^{viii} Weber writes in *The Protestant Ethic*: “the capitalistic form of an enterprise and the spirit in which it is run generally stand in some sort of adequate relationship to each other, but not in one of necessary interdependence”.