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"Interpretive Economic Sociology:

On the Relationship between Max Weber's Basic Sociological Terms

and his Economic Sociology"

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**Interpretive Economic Sociology/*Verstehende Wirtschaftssociologie*:
On the Relationship between Max Weber's "Basic Sociological Terms"
and His Economic Sociology**
by

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In this paper I will suggest a different way of looking at Weber's economic sociology. In doing so, I would like to start out by relating his ideas on this topic to today's economic sociology; and the reason for proceeding in this manner is that I think that they are deeply relevant to the current theoretical impasse in economic sociology. Weber's general approach to the project of an economic sociology, as I shall try to show, is also quite different from what is commonly thought – and it is precisely this quality that makes it of great interest to today's economic sociology.

While there exist several theoretical platforms in contemporary economic sociology, there is also a widespread sense that much remains to be done on a theoretical level. Mark Granovetter has famously suggested that the notion of embeddedness, combined with the idea of networks, should constitute the foundation for economic sociology, while Pierre Bourdieu's project for economic sociology is based on his concepts of habitus, field and different types of capital (e.g. Granovetter 1985, Bourdieu 2005). There is also Michel Callon's argument that an economy is always, as he puts it, performed, and that much of economic life can be viewed as an attempt to perform economic theory in particular ("*performativity*"; Callon 1998). While all of these approaches have very positive sides to them, there is also a widespread feeling among economic sociologists today that they are not strong enough to carry the weight of a fully developed economic sociology – and this is where Weber comes into the picture.

One way to begin the discussion of Weber's economic sociology is to raise the question if the mainstream interpretation of Weber's economic sociology as a historical-comparative approach is correct – or if it needs to be changed, once we relate it to Weber's general theoretical sociology as this is to be found in Chapter 1 of *Economy and Society*, "Basic Sociological Terms" ("*Soziologische Grundbegriffe*"). By the mainstream interpretation of Weber's economic sociology, I mean the view that focuses on its historical and comparative nature, typically to the exclusion of the major theoretical and methodological concerns in Weber's sociology. One example of what I have in mind is Reinhard Bendix's *Max Weber: An Intellectual Portrait* (1960). In this knowledgeable and still very readable study, all references to Weber's *Wissenschaftslehre*, including "Basic Sociological Terms", have been excluded. We are presented with a version of

Weber's work that includes an advocacy that the best way to do sociology is to be comparative and historical.

While history and the comparative approach no doubt are central to Weber's sociology, there is also considerably more to it; and in this paper I will try to explore the extent to which we are justified in casting Weber's economic sociology as *an interpretive economic sociology* or a *verstehende Wirtschaftssoziologie*. This term is incidentally nowhere to be found in Weber's work; it is also a term that gives associations to Werner Sombart's phrase *verstehende Nationalökonomie* (Sombart 1930). The main thrust of Sombart's argument about an interpretive economics, however, was that economics belonged to the cultural sciences and should be replaced by sociology. The main emphasis in my paper, in contrast, can be described as an attempt to decide if Weber's chapter on "Basic Sociological Concepts" in *Economy and Society* should or should not be more closely related to his economic sociology.

On the Possible Relevance of Ch. 1 ("*Grundbegriffe*") to Weber's Economic Sociology

Weber's project of an interpretive sociology (*verstehende Soziologie*) is famously discussed and presented in the first chapter of *Economy and Society*, "Basic Sociological Terms". In order to see if Weber also thought in terms of an interpretive economic sociology, one clearly has to look at Ch. 1 itself. An exercise of this type will constitute the main body of this paper; and I will try to establish exactly what Ch. 1 (as I will refer to "*Grundbegriffe*" as from now on) says on using the sociological approach to economic topics; how this differs from the economic approach; how often Weber refers to economic topics throughout Ch. 1; if any of his basic sociological concepts are economic; and so on. After having done this, I will also look at the relationship between Ch. 1 in *Economy and Society* and Ch. 2, which contains Weber's main attempt to lay a theoretical foundation for economic sociology. To what extent, for example, are Chs. 1 and 2 related to each other? Is there a clearly identifiable focus on the interpretive dimension of economic phenomena in Ch. 2? In the concluding remarks I will also say something brief about the relationship of Weber's project of an interpretive sociology from 1919-1920 and his earlier works in economic sociology.

Before beginning the analysis of Ch. 1, however, something needs to be said about an early version of this text, which appeared in 1913 in *Logos* under the title “Some Categories of Interpretive Sociology”, and how it is related to Weber’s economic sociology. This article is divided into a small number of sections, two of which discuss the relationship of interpretive sociology to psychology and law. The relationship to economic theory does not constitute the topic of a separate section, but is touched on now and then in the article. The text also contains references to various economic phenomena here and there, typically in the form of an example, such as money, the stock exchange, office workers and so on.

The closest that Weber comes in the *Logos* article to discussing issues in economic sociology, or issues of direct relevance to economic sociology, is perhaps in his discussion of economic theory and how it is related to interpretive sociology. We read, for example, that interpretive sociology, just like economic theory, begins the analysis by constructing what is to be analyzed as rational. What would it be like if the actors took a rational stance, and how can we explain possible deviations in reality from the rational course of action? The point that Weber is making here is a general point, not restricted to economic sociology but nonetheless applicable to economic sociology.

Only in one place in the *Logos* article, as I see it, does Weber give us a hint of what an interpretive economic sociology may look like. This is in the following interesting passage where Weber discusses the many different types of social action that can be found in one and the same economic action:

In one and the same act, the individual can naturally, therefore, participate in a number of kinds of social action. A business deal that someone executes with X, who has power of attorney from Y, who may in turn be an ‘agent’ of a voluntary association, includes (1) a verbal and (2) a written association, (3) an exchange association with X personally, (4) another with Y personally, (5) another with the action of those participating in that voluntary association; (6) and the business deal is, in its conditions, co-oriented toward expectations of the potential action of other exchange partners (competitors from both sides) and toward the corresponding consensuses on legality, etc. (Weber 1981:171-72)

While the example just cited is exemplary in its own way as a guide to how you disentangle an economic action from Weber's social action-perspective, it shares with the *Logos* article more generally that it does not tell us what an interpretive economic sociology would be like. A quick look at Ch. 1 in *Economy and Society* gives on the whole the same result: there are many references to economic theory and to economic examples – but the reader does not get the impression that Weber is contemplating or leading up to an interpretive economic sociology.

This, of course, does not mean that Ch. 1 lacks interest for economic sociology. It may be true that Weber nowhere even refers to a *Wirtschaftssoziologie* (while he does refer to “Sociology of Law” and “Sociology of Religion”), but there is nonetheless much to be learned from this chapter for an economic sociologist. While none of the seventeen paragraphs introduces distinctly economic-sociological concepts, some of the concepts do include an economic meaning among their multiple meanings. This economic meaning may even be *the* major meaning. As examples of this, one can e.g. refer to concepts of competition and enterprise (Weber 1978:38-40, 52-3). Competition is defined as peaceful conflict over the control of opportunities, and enterprise as continuous rational activity.

Several of the points made in the *Logos* article can also be found in Ch. 1, such as the idea that the element of orientation is what differentiates economic action (as used in economic theory) from economic social action (as used in sociology); and that the analysis should preferably start with a rational model for what has taken place. Both of these are important points in Weber's economic sociology and they are also better explained as well as better explicated more fully in Ch. 1 than in the *Logos* article. We find, for example, the following unambiguous statement in Ch. 1: “the economic activity of an individual is social only if it takes account of the behavior of someone else” (Weber 1978:22). The notion that you begin the analysis with rational action in mind is also illustrated by the case of panic on the stock exchange – the same as in the *Logos* article, but this time the reader is given a much better chance to fully understand the case that Weber is arguing (Weber 1978:6, 1981:154).

Weber also uses many examples in Ch. 1, just as in the *Logos* article, to illustrate more general points. The attentive reader, for example, will note references to socialist economics, a topic of obvious concerns in 1919-1920 when the text was written. There

are also Weber's frequent and somewhat odd use of the term marginal utility to characterize the way a person may arrange his or her wants. Price statistics is cited as an example of sociological statistics, and so on.

Many of these references are meaningful to those who take Weber's economic sociology seriously, even if they may fail to engage the average reader. But there also are some exceptions to this statement and I would like to highlight two of these, one of which is the example of empirical uniformities in the market and the other the notion of property. The first of these two examples can be found in the paragraph on usage, tradition and self-interest; and it has as its focus empirical uniformities of social action (Weber 1978:29-31). Weber's argument is that self-interest may produce a kind of regularities that are very sturdy, indeed, often stronger than those types of uniformities that are produced by norms. A special type of deliberate consciousness accompanies this type of action, driven by *Interessenlage*. Weber also writes very interestingly how interest-driven actors in a rational market expect other actors to behave in a rational manner, and will punish them if they don't.

The discussion of property in Ch. 1 is exceptional, as I see it, because it presents a purely sociological definition of property, which habitually is given a legal definition. As opposed to starting from the notion of legal rights, as property rights theoreticians do, Weber begins instead from the idea of so-called closed social relationships. When this type of relationship guarantees a monopoly over appropriated advantages to some parties, these have equivalent "rights"; and when these can be inherited, there is "property" (Weber 1978:44). Property that can be freely bought and sold (as in the modern usage of this term) Weber terms "'free' property".

Reading Ch. 1 ("Grundbegriffe") in Relation to Economic Sociology from Another Perspective

This is about as far, I suggest, that a reading of Ch. 1 from the perspective of mainstream economic sociology takes us. I say "mainstream" because from this perspective Weber's economic sociology is little else than conventional sociology as applied to economic phenomenon, albeit in a very clever way and backed up by Weber's formidable knowledge of history.

But there also exists a way to go beyond this point, I argue, and that is to try to distill Weber's model for interpretive sociology in Ch. 1, and see what happens when it is applied to economic phenomena. It is by proceeding in this way, I suggest, that we will be able to extract from Ch. 1 what is the most precious and valuable to economic sociology.

By Weber's model for interpretive sociology I roughly mean what he says on this topic in the first paragraph and its explication in Ch. 1. Just as sociology (though a "highly ambiguous word"!) can be defined as the interpretive study of social action, in order to causally account for its course and consequences, economic sociology (an equally ambiguous word!) can be defined as the interpretive study of social *economic* action, in order to causally account for its course and consequences. Or to paraphrase the formulation of Paragraph 1 in Ch. 1:

Economic sociology is a science concerning itself with the interpretive understanding of social economic action and thereby with a causal explanation of its course and consequences. We shall speak of 'economic action' insofar as the acting individual attaches a subjective meaning that involves the economy to his behavior – be it overt or covert, omission or acquiescence. Economic 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)

After having presented his definition of sociology in paragraph 1 in Ch. 1, Weber carefully goes through all its key elements and explicates these in some twenty pages. Similarly, one would try to explicate the elements that add up to an interpretive economic sociology. What I have in mind here would be to explicate each of the four "steps" that together make up what according to Ch. 1 constitutes sociological analysis. One first approaches what is going on from the perspective of interpretive understanding (*Step 1*); then turns to the economic (social) action in question (*Step 2*); proceeds to a causal explanation of this (*Step 3*); in order to account for its impact and unintended consequences (*Step 4*).

For each of these "steps", there are distinct questions that need to be asked and answered. For Step 1 ("interpretive understanding"), we need e.g. to know how you get

into the head of actors in a reliable manner. Step 2 (“social action”) means that the researcher has to address the issue of meaning (including meaning context) as well as what makes the action social (orientation to other actors). Step 3 (“causal explanation”) raises the difficult problem of deciding what Weber means by adequacy at the level of meaning and that something is causally adequate. And Step 4 (determine the course and consequences of the action) means that one needs to deal with intended results, secondary results and unintended consequences (see Fig. 1).

/Fig. 1 about here/¹

Up till this point in this paper, I have only summarized what I call Weber’s model for interpretive sociology, but the argument will hopefully become more interesting if we apply it to *economic* social action – and thereby get a sense for what a truly interpretive economic sociology along Weberian lines might look like. Ideally, then, we would start out with a discussion of Step 1 or how to get into the head of an economic actor and how this can be done. We would then proceed to the next step, till the whole exercise was finished.

Step 1 has to do with interpretive understanding: the sociologist – the economic sociologist! – must approach his or her subject with the intention of wanting to understand the meaning with which economic actors invest their actions. This may start with what Weber calls “direct observational understanding” or, to use a famous example, how the researcher sees how the woodcutter brings down the ax on the block of wood in order to split it (Weber 1978:8). This early phase of the investigation would not seem to present any special difficulty. Or, to phrase it differently, there is no reason to believe that this way of approaching the topic would raise problems that are specific to the task of economic sociology, as opposed to that of sociology more generally.

It becomes more complex when the economic sociologist attempts to go further in penetrating empirical reality and proceeds to what Weber calls “explanatory understanding” (Weber 1978:8). That this process is crucial to the economic sociologist is obvious from Weber’s example with the woodcutter. According to Ch. 1, the woodcutter can be working for a wage; he can be involved in building up a supply for his own use; or he can be chopping wood as a form of recreation. Depending on the motive,

¹ For Fig. 1, see the end of this paper.

in brief, we have three different forms of activities that are all relevant to the economy: wage labor, provision for one's household and recreation from work. Weber ends by adding a further probable motive, namely that the woodcutter may be working off a fit of rage. The rationale for this last example is that the motive is irrational, something that draws our attention to the fact that the earlier three examples are rational in one way or another.

The process of explanatory understanding also raises an important question that Weber seemingly avoids in Ch. 1 in *Economy and Society*, namely what social baggage the economic actor brings to his or her action. I shall call this "the habitus question", since this label captures what is at issue: the meaning that actors ascribe to what they do is to some extent always dependent on their background. I say that Weber "seemingly avoids" this question because while Weber does not address this issue anywhere in Ch. 1, neither does he formulate himself in such a manner that one can say that he excludes it. This is unsatisfactory and leaves the reader of Ch. 1, as I see it, in the position to fall back on the position on this issue that Weber takes elsewhere. This is of course to take the actor's background into account, when determining what meaning the actor will assign to his or her action. In the words of *The Protestant Ethic*, for example, the actor is "born into" the "immense cosmos" of "present-day capitalism" (*hineingeboren*; Weber 1958:54; Weber 1988:37).

Interpretive understanding must be carried out in a dependable and reliable manner, according to Ch. 1. This is a process that involves what Weber calls *Evidenz*, and which is translated in *Economy and Society* (by Talcott Parsons) as "clarity and verifiable accuracy of insight and comprehension" (Weber 1978:3). For the activity of the economic sociologist to have the appropriate quality of "evidence" (as Keith Tribe translates the term) there appears to be two or perhaps three ways of proceeding: rational thought, empathy and (or?) by being "artistically appreciative" (Weber 2004a:313, Weber 1978:5).

To use rational evidence should be common in economic matters since these involve money and therefore quantification (or what Weber calls formal rationality) in many cases, if by no means all. Empathy would in contrast have to be used, say in cases of substantive rationality, when the economic actor casts his or her action in terms of

values. Workers may, for example, engage in a slow-down because they feel that they have been treated in an unfair manner. Whether there is any room for artistically appreciative evidence when it comes to economic affairs (on the assumption that this constitutes a separate way of proceeding), is something I find hard to answer. Perhaps some ingenious maneuver of, say, a financial player, is only understandable if an economic sociologist approaches it in a similar ingenious-artistic manner.

Weber also outlines three different ways in which we may decide in a reliable manner on the meaning of the actor. We can, first of all, try to determine the empirical meaning that the actors invest their actions with (“the actually intended meaning”). There is also what roughly can be called the average meaning (“the average of, or an approximation to, the actually intended meaning”; Weber 1978:9, 20-1). And, finally, there is the “ideal type” or an ascribed hypothetical meaning (Weber 1978:9)². Using an ideal type of rational action may also be helpful in an early stage of the research, since it will highlight the existence of deviations from rational action (Weber 1978:21).

To sum up Step 1, in so far as it casts the economic sociologist in something of a new role. Doing interpretive economic sociology would mean that the economic sociologist has to be trained in various techniques for how to approach economic phenomena, how to get into the meaning that economic actors invest their behavior with, and to do so in a way that is scientifically reliable (“evidence”). Translated into modern sociology, it means for example that all economic sociologists have to receive some training in “qualitative methods”. While there is no reason to believe that one has to use different methods when one analyzes economic topics from a sociological viewpoint, as opposed to all other topics, it is also clear that all types of human activities have their own different profiles. Businessmen are, for example, secretive about certain aspects of what they do; brokers will try to repress certain emotions when they trade; and so on – and a competent training for economic sociologists would raise issues of this type.

In Step 2 of the economic-sociological analysis the emphasis shifts to the element of social action. “Action”, according to Weber, consists of behavior invested with meaning; and “social” means that this action is oriented to the behavior of other actors.

² In Ch. 1 Weber also makes an explicit reference what he has said on the use of the ideal type in his essay from 1904 on objectivity (Weber 1978:9).

What separates what Weber calls action from non-action is not, however, as clear as one might have wished, even if there is no difference on this point between the problems that face the economic sociologist and the sociologist in general. But again: in the economy, as in any area of society, things tend to be done in its own way. Weber says that behavior can be “overt” as well as “covert”, and that “omission” and “acquiescence” are to be included as well (Weber 1978:4). All of these may take on a special meaning in the factory, office board room and so on – and the economic sociologist should be ready for this.

Behavior only becomes action, Weber argues, when it is invested with meaning by the actor; and this brings us again to the problem of meaning. The focus here, in contrast to earlier, is not on the economic sociologist getting into the head of the economic actor, but how the economic actor invests his or her behavior with a meaning in the first place. The economic actor has to make sense of what is going on, and in this sense create a meaning out of some situation, a process that is subtle and difficult to theorize as well as to investigate empirically.

It nonetheless has to be done, and the economic sociologist therefore needs some minimum of philosophical and linguistic background to handle problems of meaning and language. It is quite rare today, for example, to find references in economic sociology to Wittgenstein’s philosophy of language, but we would probably be correct that in assuming that if Weber taught economic sociology today, he would expect his students to know the argument in *Philosophical Investigations*.

It is also important to point out that by “meaning” Weber not only means what can perhaps be called the individual meaning or the specific meaning that an individual invests his or her own behavior with. There is also the broader set of meaning that Weber refers to as meaning complex (*Sinnzusammenhang*). A typical meaning complex that is discussed in Weber’s later production would be what he calls world religion, say, Hinduism or Buddhism.

For the economic sociologist the individual meaning is of much importance. Local knowledge in economic matters, as especially Hayek has pointed out, is crucial to the businessman, and it represents not only its own type of knowledge but is usually also ignored by the economists and in economic theory (Hayek 1945). The economic

sociologist, in contrast, is in a good position to deal with precisely this type of information, trained as he or she is in various ways of getting into the mind of various economic actors, including businessmen.

But there is also the broader meaning complex, within which the economic actor exists and finds his or her general bearing. This complex does not have to be in singular since it is easy to conceive of situations in which, say, some businessmen simultaneously operate in a number of meaning contexts. He or she may, for example, function within a local as well as national and international context. To this may be added economic traditions of various kinds; and the word tradition also reminds us of what Weber says about the element of meaning being very weak or fading in traditional acts (which constitute the bulk of everyday actions). Another example of economic complexes of meaning would be economic ideologies, such as Keynesianism and neo-liberalism. To lay bare the networks of meaning in all of these cases, and try to see how the economic actors operate within them as well as are embedded within them, represents a challenging task for the economic sociologist.

For action to be of interest to the sociologist, according to Ch. 1, it also has to be “social”, and it is to this part of Weber’s argument that I now shall turn. “Social” is defined as “orientation to”, and we know from Paragraph 1 that sociology deals with action that “takes into account the behavior of others and is thereby oriented in its course” (Weber 1978:4). To orient your behavior to others, you have to intend to do so; and colliding by accident with another bicyclist, for example, consequently does not qualify as “social”.

The concept of “orientation to” has received little attention in the secondary literature on Ch. 1 and is more complex than it might at first appear. There is, for example, a mental quality to the act of orienting yourself to others that is not easily captured. As to economic actors, does for example thinking of a competitor when you do something else, qualify as orienting your actions to this person? I would say ‘yes’ and also add that it may be a specific competitor or an average competitor or a typical competitor – all being a bit different from one another. Does “orientation to” mean that the businessman treats men and women differently and perhaps even avoids doing business with people that he or she dislikes (say some minority)? The correct answer is

obviously empirical in nature – but also affected by the fact that businessmen not only have prejudices but also want to make money.

When one looks at how Weber uses the term “orientation to”, it soon becomes clear that he at times expands its use well beyond its legitimate range according to Paragraph 1 in Ch. 1. In his definition of sociology Weber explicitly restricts its use to individuals, but later in the same chapter he also uses it in connection with what he calls an order (*Ordnung*). Actions, in brief, cannot only be oriented to individuals but also to orders.

An order is defined by Weber as a prescription for how to act with some kind of consistency; and it includes many different phenomena, such as norms (“convention”), laws and organizations. For the economic sociologist, this means that an action may, for example, be oriented to an economic norm, some type of economic regulation and economic organizations. Another example of an order that is of relevance to economic sociology would be an “economic ethic” of the type that Weber discusses in his sociology of religion.

Step 3 in carrying out a Weberian type of explanation has to do with causality, and the first point here is that there is more to what happens when somebody acts than that the actor just does what he or she intends to do. What happens in reality is not necessarily what the actor wants. One reason for this is that there has to be what Weber calls “adequacy at the level of meaning” in the action; the explanation also has to be “causally adequate” (Weber 1978:11-2, 20).

These are two difficult terms in Weber’s interpretive sociology and my understanding of them may well be superficial and mistaken. Nonetheless, by adequacy at the level of meaning I understand that the action and the meaning invested into the action have to go together in some sense. If X wants to kill Y, adequacy at the level of meaning means that X will, for example, pick up a gun, aim it at the head of Y and fire. He could, however, also intend to kill Y, aim at the sky and fire – and then there would be no adequacy at the level of meaning.

That the action has to be “causally adequate” I interpret as meaning that the way of acting should *typically* have the intended effect, as opposed to having this effect only rarely. Where the limit between the two should be drawn may, for example, be decided

by a court in determining what constitutes culpa. If our X fires his gun into the air in a snowy mountain passage and an avalanche is immediately unleashed, as one would expect in the particular case, and if this avalanche also kills Y, it would be a case of adequate causality. Firing in the air from somewhere else, with the purpose of having the bullet kill Y when it comes back to earth, would in contrast *not* be a case of adequate causality.

How is all this related to economic sociology? Well, first of all it is clear that Weber's view of causality, central as it is to his interpretive sociology, represents a difficult topic; it would also seem to take the researcher into quite a bit of uncharted territory. As to the economic sociologist, it seems similarly clear that he or she would have to travel in directions that are unknown to the economists since they currently do not discuss the concept of meaning and its role in economic life.

There was a time when mainstream economists operated with a concept of meaning that is covered by Weber in Paragraph 1 in Ch. 1, namely with a hypothetical and assigned meaning of action, as outlined in the theory of *homo economicus*; and this is a way of proceeding that Weber argues is very valuable in some situations. Much of modern economics, in contrast, has switched over to the notion of revealed preference, something which means that the meaning of an action is read from the behavior rather than from the actor's mind. From the perspective of revealed preference theory, in short, it is impossible to know why the woodcutter is cutting the wood; all that can be said is that the person apparently wants to cut wood. In Weberian terms, this means that the economists cannot use "explanatory understanding".

I will now leave Weber's theory of causality and what consequences its use could possibly have for the economic sociologist, not because I think that I have said what needs to be said on the topic but because I find Weber's ideas on causality hard to penetrate. The course and consequences of social action represent the last part of the process of making a sociological analysis according to Weber (Step 4), and I shall say a few words on it as well. Weber, first of all, draws a distinction between intended effect and secondary effect, for example in his discussion of the four major types of social action. While actors who engage in value-rational action do what they do regardless of the possibility of success, actors who engage in instrumentally rational actions typically

also look to secondary results since these operate as means to what they want to accomplish (Weber 1978:25-6).

It would appear that value-rational action cannot be economic by definition – who, for example, has ever heard of economic martyrs? – and that results in the narrow sense thereby would be ruled out from the type of actions investigated by the economic sociologist. I am however not so sure that this is the case, since economic sociology sometimes deals with religious and political behavior, which can be value-rational. In any case, since taking secondary consequences into account is characteristic of instrumental action, and since economic action is often instrumentally rational, this type of consequences deserves special attention in economic sociology. A businessman must, for example, learn to read the minds of his or her customers, a bit like a lover learns to read the mind of his lover, according to a famous formulation by Simmel (1955:62). Customers, in their turn, develop a view of the businessman they buy from that is also takes secondary consequences into account, even if this is decidedly less so than the businessmen. If few people buy from, say, a shop owner, they will realize that they are important to him or her (“I buy from X and X depends on me”). If there are numerous buyers, in contrast, this will not be the case (“I buy from X and so do thousands of others”).

Actions also have truly unintended consequences, something that economists have been aware of for a long time. The paradoxical results of capitalism made Mandeville smile and Adam Smith reassure his readers that self-interested actions in the final round end up by creating wealth for all. Weber’s work, and especially his sociology of religion, abounds with examples of unintended consequences: you confess a sin, and this increases your likelihood to commit another one (Catholicism); you try to live according to the words of God, and you end up by undermining religion and unleashing modern capitalism (ascetic Protestantism); and so on.

The economic sociologist, as part of his or her education, will also need to take this last effect of action into account. How to do this represents a much discussed question in sociology and social science more generally, and some explanations from this literature may come in handy for economic sociologists. The reader may, for example, think of James Coleman’s macro-micro-macro model, which he also applied to Weber’s

argument in *The Protestant Ethic* (Coleman 1990). Thomas Schelling's many examples of how micro motives translate into macro behavior could also be a source of inspiration for economic sociology in this respect (Schelling 1978).

The Relationship of Chapter 2 ("Sociological Categories of Economic Action") to Ch. 1

Before proceeding any further in discussing what an interpretive economic sociology may look like, based on Ch. 1, it has of course to be realized that around the time that Weber wrote this chapter on the basic categories of sociology for *Economy and Society*, he also wrote a chapter on economic sociology for the same work. This is "Sociological Categories of Economic Action", written in 1919-1920, and just like Ch. 1 sent off to the printer and also corrected in galley proofs by Weber before his death in June 1920. Ch. 1 as well as Ch. 2 were supposed to be part of a textbook, according to Weber, and we would therefore expect them to contain what can perhaps be called basic knowledge, as opposed to cutting edge knowledge of the type that is the landmark of a research monograph.

Ch. 2 is some 150 pages long and can best be described as a small book. It contains long sections especially on money and the division of labor; it also covers such topics as different types of capitalism, trade and economic organizations. While Ch. 1 consists of seventeen paragraphs, Ch. 2 has nearly three times this number. Nonetheless, just as Ch. 1, it begins with social action (economic social action), continuous to organizations (economic organizations), to end up with a discussion of large types of orders (such as economic systems).

Much can be said about the individual economic phenomena that Weber discusses in Ch. 2, but since my focus in this paper is on interpretive economic sociology, I will not engage in this type of discussion (see on this point e.g. Swedberg 1998). Instead I will ask and try to answer questions such as the following: Can Ch. 2 be read independently of Ch. 1? Were Chs. 1 and 2 intended by Weber to be read in direct succession? How closely related to each other are Chs. 1 and 2?

Yes, Ch. 2 can be read independently of Ch. 1 and has also been read in this way. One reason for this is that Ch. 2 has typically been neglected in the secondary literature on Weber, which has perhaps led to a counterreaction to focus exclusively on it. Doing

so, however, increases the risk, as I see it, for (mis)casting Weber's economic sociology in the mainstream model or exclusively as a form of historical and comparative sociology. Many of the most precious parts of Weber's economic sociology, in other words, risk to be passed over, if one proceeds in this manner.

What then about the question if Ch. 1 and Ch. 2 were intended to be read in direct succession, one after the other? Well, we know little about Weber's intention of how *Economy and Society* was to be read in general because, to my knowledge, he nowhere addresses this particular issue. Textbooks, on the other hand, are supposed to be read from the first to the last page, with a pen in hand. Since *Economy and Society* was part of a general handbook in *economics*, we may also assume that Ch. 2 was not inserted after Ch. 1 by accident; furthermore, without a chapter on the economy, it can be argued that Weber's contribution to the *Grundriss der Sozialökonomik* would have been incomplete. Nonetheless, it is very difficult to do economic sociology without knowing what sociology is; and from this observation, we may again draw the conclusion that Chs. 1 and 2 should indeed be read together.

We may then want to start from the assumption that Weber intended Chs. 1 and 2 to be read as *one* text from the perspective of economic sociology, rather than as two separate texts, one on general sociology and one on economic sociology. One conclusion to be drawn from this argument is that if it is true, Ch. 2 is unlikely to contain repetitions of what has already been said in Ch. 1. We would also expect the general vocabulary to be the same in the two chapters; and we would expect the author of Ch. 2 to now and then to refer back to Ch. 1 in the text.

My general impression is that these assumptions are indeed born out by a close reading of Ch. 2. We do not find summaries in Ch. 2 of what is discussed in Ch. 1, say of the four types of social actions or the three types of uniformities of action. The general vocabulary is furthermore the same, as indicated by the use in both chapters of terms such as social action, order, organization and so on. Weber also refers the reader of Ch. 2 on a series of minor points to Ch. 1. I have located a handful of such references, several of which refer back to the discussion of closed social relationships in Ch. 1 (Weber 1978:63 [twice], 112, 126, 194).

Does this mean that the current reading of Ch. 2 as another example of Weber's historical-comparative sociology is wrong, and that a reading that instead sees it as an exercise in interpretive economic sociology is correct? On the whole, I would argue that this is right. But in rereading Ch. 2 from the perspective that Weber's economic sociology should be understood as an interpretive type of economic sociology, I have also come to feel that the references to such a project are not as full as I would have expected (and wished).

Let me try to show why this is the case by confronting Ch. 2 with what we may say constitutes the four steps in Weber's interpretive economic sociology. You begin, according to this view (which has already been presented) with interpretive understanding (*Step 1*); you then turn to social economic action (*Step 2*); you proceed to causal explanation (*Step 3*); and you finally account for intended results, secondary results and truly unintended consequences (*Step 4*; see Table 1; cf. Fig. 1).

/Table 1 about here/³

Looking for information in Ch. 2 relating to the first step, which involves questions relating to interpretive understanding, yields nothing. Nowhere in Ch. 2 are there references to how the economic sociologist should proceed in order to get into the heads of his or her actors. Terms such as direct observational understanding, explanatory understanding, evidence and empathy are not to be found in its pages. While it is true that Ch. 2 grew into a long enough chapter as it currently stands (about 150 pages), and would have become even longer if Weber had included a discussion of these concepts, the total absence of such a discussion is nonetheless somewhat disquieting.

When it comes to Step 2 – the focus on social action – Ch. 2 has considerably more to say. The fact that the economic sociologist in principle only deals with behavior that is invested with meaning, and that meaning represents a difficult topic, is something that is well acknowledged in Ch. 2, in my opinion. In a few places, for example, Weber explicitly notes that a specific type of economic phenomena can only be properly identified if the meaning of the actors, whose actions constitute the phenomenon in question, is taken into account. One of these examples has to do with distinguishing between householding and profit-making, another with the question if something should

³ For Table 1, see the end of this paper.

be seen as falling into the category of the economy or technology (Weber 1978:64-5, 78). Meaning is also crucial to money, Weber argues, when (following Knapp) he states that modern money becomes money when the state puts its mark upon it (Weber 1978:76, 177; cf. 336).

More important than these scattered references, however, is a statement at the very beginning of Ch. 2, where Weber in a few dense sentences discusses the role of meaning in economic sociology. He here writes:

The definition of economic action must be as general as possible and must bring out the fact that all ‘economic’ processes and objects are characterized as such entirely by the *meaning* they have for human action in such roles as ends, means, obstacles, and by products. (Weber 1978:64)

He then goes on to criticize the idea that meaning is the same as what is “subjective” and that the concept of meaning, as a consequence of this, should fall in the area of psychology:

It is a fact that these [economic] phenomena have a peculiar type of subjective *meaning*. This alone defines the unity of the corresponding processes, and this alone makes them accessible to [in sociology] subjective interpretation. (Weber 1978:64)

Ch. 2 also contains many references to the concept of “orientation to”, something that is a further indication that Weber uses the same terms in Chs. 1 and 2. While Ch. 1 contains an attempt to state what “orientation to” means, and what action can be oriented to (persons and orders), Ch. 2 however rather adds confusion. What Weber calls “economically oriented action’, for example, is not an economic action that is oriented to a person or an order, but an economic action that either uses violence or has a primary goal that is not economic (Weber 1978:64-5). And what is termed “politically oriented capitalism” is a type of capitalism in which the state has a central role (Weber 1978:164-66). Weber also states that economic action can be oriented to “profit possibilities”, “market advantages” – also this disorienting for someone who attempts to understand Weber’s terminology, unless an explanation is added, which is not the case (e.g. Weber 1978:164, 192, 203).

As to Steps 3 and 4 – which deal with issues of causality and the results of economic social actions – Ch. 2 has little or nothing to say. More precisely, it has nothing to say about causality, something I think constitutes a misjudgment from Weber’s side since his ideas on causality are difficult for the reader and presumably vary a bit, depending on if the phenomenon in question is religious, economic and so on. As to effects, we know from Ch. 1 that an actor who engages in (formally) rational economic action will typically take secondary results into account when planning his or her action. This issue is not discussed in Ch. 2 and neither are truly unintended consequences.

Related to the issue of the results of economic actions, however, is Weber’s insistence at one point in Ch. 2 that the effect of economic ideas, as propagated by the state, is typically not strong enough to override the interests of individual actors. The passage I am referring to reads as follows: “in the future as in the past it will be the ‘interests’ of individuals rather than the ‘ideas’ of an economic administration which will rule the world” (Weber 1978:184).

What is the most important with this passage, however, is perhaps not so much that it cautions the economic sociologist to be skeptical about attempts by the state to direct market activities, but that it broaches a topic that tends to be forgotten in discussions of Ch. 1 as well as Ch. 2, namely the role of *interests* in driving people’s actions. Weber himself seems to think precisely this since towards the end of Ch. 2 he says that the role of interests in driving people’s actions tends to be forgotten.⁴ The exact formulation reads as follows:

All economic activity in a market economy is undertaken and carried through by individuals acting to provide for their own ideal or material interests. This is naturally just as true when economic activity is oriented to the patterns of order of organizations, whether they themselves are partly engaged in economic activity, are primarily economic in character, or merely regulate economic activity. Strangely enough, this fact is often not taken account of. (Weber 1978:202)

⁴ The reader may recall Weber’s famous statement that not ideas, but ideal and material interests drive people’s actions - which was inserted in 1919-1920 when Weber revised the introduction to *The Economic Ethics of the World Religions* (Weber 1946:280).

Concluding Remarks

In this paper I have tried to discuss Weber's famous Ch. 1 in relation to his economic sociology, and as a result come up with the idea that we may want to explore the extent to which Weber intended his economic sociology to be an interpretive economic sociology, with all that this would entail. The reader may want to note that there is a certain generality to this idea – and that we consequently may also want to ask what a Weberian interpretive sociology of law, interpretive sociology of religion, and so on would look like.

In this paper I have also primarily equated his economic sociology with Ch. 2 in *Economy and Society*, “ Sociological Categories of Economic Action”, but it is of course also true that there are many other writings by Weber that qualify as “economic sociology”; and it is to this issue that I shall devote some of these concluding remarks.

First of all, should all of these other writings be seen as examples of interpretive economic sociology? The answer to this is probably ‘no’ since Weber himself did not decide to develop a distinctive sociology of his own till he was in his forties. Exactly when this occurred is not clear. Sometimes the date 1908-1909 is mentioned, but we can at least say that it was under no circumstances *after* 1913 since the *Logos* article appeared this year (Käsler 1988:15).

This means that Weber's production in “economic sociology” before something like 1908 needs to be looked at from the perspective of interpretive economic sociology, but in a somewhat different way than his production after this date. It needs, for one thing, to be investigated for clues as to when the idea of an interpretive sociology was developed as well as early versions of the concepts and thoughts that make up this project. The reader may for example recall Weber's discussion of how “little metal discs” become “money” in *Critique of Stammler* (Weber 1977:102).

But we can also read these early works from the perspective of Weber's fully developed interpretive economic sociology, and see where this takes us. Will we for example, by proceeding in this way, be able to better understand the logic that underlies various early works, including *The Protestant Ethic*? There is much that we still do not

understand about this famous study, and perhaps we would be helped by confronting it with the four steps of interpretive economic sociology.

As to Weber's production after 1908-1913, there are first and foremost the studies that make up *The Economic Ethics of the World Religions* and which Weber himself considered as relevant to his economic sociology (Weber 2004b:55). These were mainly written after Weber had formulated the project of an interpretive economic sociology and, if you accept the argument of this paper, perhaps also after he had formulated the idea of an interpretive economic sociology. They may, in other words, provide us with some further clues about what an economic sociologist should do to get into the heads of the economic actors that he or she is studying in a reliable manner; how the actions of economic actors are to be understood; how to construct the causality involved; and, finally, how their results are to be analyzed.

Since I started this paper with references to today's economic sociology – and I did this because I believe that Weber's ideas should be confronted with what sociologists are doing today – I would also like to end by saying something about Weber's interpretive economic sociology from this perspective. Today's economic sociology has set itself several different tasks, from trying to supply the business schools with a more empirical type of analysis than what mainstream economics can do, to a more general attempt to break with the old notion that economic topics are best left to the economists. It has not, however, up till today asked the really fundamental questions that any social science discipline must do in order to be truly first rate. Instead it has simply taken over a number of fundamental ideas and methods from various branches of sociology, including mainstream sociology, networks theory, rational choice sociology and so on. Weber's economic sociology, based as it is on a close connection between Chs. 1 and 2 in *Economy and Society*, invites however to a discussion of precisely these basic questions. It also offers a sophisticated answer to them in the form, I suggest, of an *interpretive economic sociology*.

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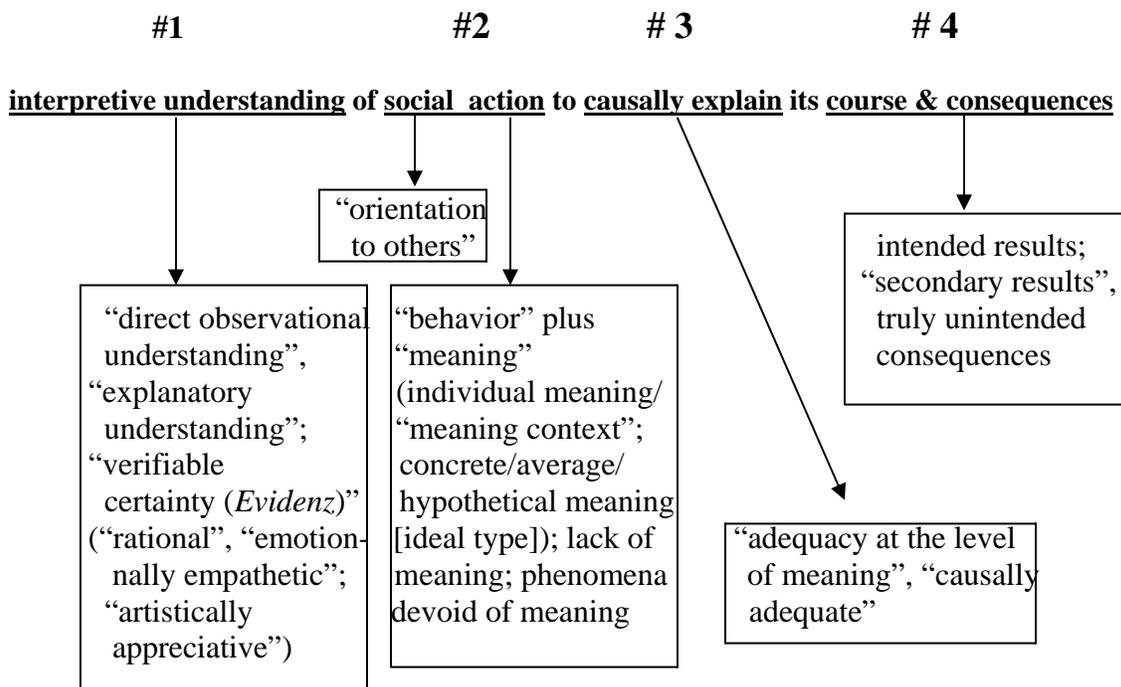
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Fig. 1: Four Steps to Making a Sociological Analysis according to Weber in Paragraph 1 in Ch. 1 in *Economy and Society*



Comment: One may portray the four major “steps” in the sociological analysis that we can find in Ch. 1 in *Economy and Society* as follows: (1) approach the topic to be studied from an interpretive perspective; (2) delineate the social action in question; (3) figure out the causality involved; and (4) establish effect, secondary results and unintended consequences. - Words within quotation marks are those of Weber in the current translation of *Economy and Society*, while words without quotation marks represent my rendition of terms or ideas in Weber. The quote marks around “steps” (as in “the Four ‘Steps’”) indicate distance; what is involved are processes that merge into one another.

Source: Max Weber, “The Definition of Sociology and of Social Action”, pp. 4-24 in *Economy and Society*; cf. Sam Whimster (ed.), *The Essential Weber*, pp. 312-27 and *Wirtschaft und Gesellschaft* ([1922] 1972), pp. 1-12.

Table 1: Interpretive Economic Sociology: A Preliminary Guide

1. Begin with Interpretive Understanding

Establish the motives of the actors with the help of direct observational understanding and explanatory understanding; use ideal type (and rational scheme) if needed. Verifiable certainty or evidence is established through rational understanding and empathetic and/or artistically appreciative empathy in getting to the meaning of the actors.

2. Then Turn to the Social Economic Action

Research the meaning invested in the behavior that constitutes the action, remembering that not only the individual meaning but also the more general meaning contexts have to be taken into account. There is similarly a need to look at the element of orientation to others, as well as to orders, since this is what makes action social.

3. Proceed to the Causal Explanation

What happens as a result of the social action depends on whether intention and action fit together (adequacy at the level of meaning); there also has to be a certain likelihood, that needs to be established in each case, that the intended action in question typically has the wished for effect (adequate causality).

4. Account for Intended Results, Secondary Results and Truly Unintended Consequences

Besides the intended result of the social action, construed in a narrow sense, there are also often secondary results – as well as truly unintended consequences, including on the macro level – to be taken into account.

Comment: In *Economy and Society* Weber outlines the general contours of what we may term an *interpretive economic sociology* (*verstehende Wirtschaftssoziologie*); and the table above attempts to summarize his argument in this regard. Many of the special terms that are used come from Ch. 1 in *Economy and Society*, which contains Weber's theoretical sociology. Ch. 2 in the same work is devoted to economic sociology.

Source: Max Weber, *Economy and Society*, pp. 3-62, 63-211.