

# The Modernity of Max Weber's Economic Ideas

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## Abstract

*Karl Emil Maximilian Weber is well-known for his works in the fields of economics, sociology, epistemology, law, economic history, theology and philosophy. One of Marx's great intellectual rivals, Weber was among the first to understand that human society has lost the religious dimension it once had and that it cannot progress without values, without faith in God. This is in fact the pillar of the modernity and contemporaneity of Weber's writings.*

**Key words:** capitalism, protestantism, legitimate rule

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## 1. Introduction

Karl Emil Maximilian Weber was born on April 21, 1864 in Erfurt, in Thuringia, the city where Martin Luther had gone to university in. He studied law and economics in Heidelberg and Berlin. After getting his PhD in law, he became a professor of economics and finance in Freiburg and in Heidelberg, where one of the oldest and most renowned universities in Europe existed: Ruperto Carola. In 1919 he had tenure at the Sociology Department within the University of Munich. Together with E. Jaffe and W. Sombart he set up the Archives of Social Science and Social Politics (1904), and in 1910, with a group of researchers including G. Simmel and F. Tonnies, he took part in the setup of the German Sociological Association. In fact, Max Weber, along V. Pareto, Le Play and A. Comte are considered co-founders of sociology as a science. He got involved in politics and became a member of Germany's delegation to the Versailles Treaty. He died of pneumonia on June 18, 1920, aged 56.

In his fundamental paper *The Protestant Ethic and the Spirit of Capitalism*, Max Weber analyzed two major problems: the emergence of European capitalism and the importance of politics in government.

As far as the emergence of the European capitalism is concerned, he relates it to the Calvinist viewpoint on the world. Puritanism forbids Man to learn about God's decisions, but forces him to praise his kingdom. Labor is what confirms the faith of the predestined. Symbolically, Labor is Prayer. The rational organization of labor and the capital accumulation enrich man's life, not material wise, money wise, but because they prove to him that he was chosen by God. The origins of capitalism did not necessarily mean capital accumulation, technological revolution and the emergence of a class aware of its economic destiny; Weber set the emergence of a new ethic which set into motion the entire economic and social mechanism and determined the historic development of the Western civilization in opposition to the Marxist perspective.

As far as the importance of politics in government is concerned, Weber imagined two types of society. The first one, in which individuals are socially integrated in an intense way and act in accordance with religious traditions and norms. The second one, to which individuals adhere based on mutual interest evaluations in order to obtain some advantageous regulations. Thus, any political order is based either on the tendency towards integration, or the tendency towards conflict.

As a result there appears domination (as a form of exercising power), through which those who are dominated and those who dominate make up in political groups. As J.K. Galbraith pointed out, for Weber power is „the possibility to impose one's will on behavior of other people” (Galbraith, 2007, p. 28)

## 2. Theoretical background - The religious fundamentals of European capitalism

*The Protestant Ethic and the Spirit of Capitalism* is made up of two distinct parts, published in the in the Archives of Social Science and Social Politics: the first one in 1904 titled *The Problem*, and the second one in 1905 titled *The Practical Ethics of the Ascetic Branches of Protestantism*. The book is the result of research made by the author on the history of the national economy.

Protestantism, as a doctrine, evolved in two main directions: to the *left*, that is towards socialist influences and to the *right*, that is towards liberalism. In Charles Gide's opinion, "Protestantism goes with the liberal bourgeoisie, and this leads to the conclusion that if its place is, generally speaking, to the left in politics, on the contrary, in economics it has to be placed to the right extreme" (Gide, Ch., Rist, Ch., 1926, p. 696-697). Weber's works fall under the perspective of the liberal Protestantism. The German author rejects the Marxist economic determinism, postulating at the very beginning of his book that "The impulse to acquisition, pursuit of gain, (the gold rush, as Sombart called it), of money, of the greatest amount of money, has in itself nothing to do with capitalism. This impulse exists and has existed among waiters, physicians, coachmen, artists, prostitutes, dishonest officials, soldiers, nobles, crusaders, gamblers, beggars") (Weber, 1993, p. 8).

*The Protestant Ethic and the Spirit of Capitalism* is dedicated to studying the new realities of the economic and social life, characterized by the impetus of economic activity and of religious pursuits. Weber reached the conclusion that the foundation stone of the capitalist spirit is the Protestant ethics, whose central dogma stipulates that God's chosen one (who therefore is successful in business) has to permanently work, be moderate and not spend his earnings on entertainment or on luxury goods, only on increasing his own capital and, implicitly, on expanding his business.

Weber's starting point in his analysis of the emergence of western capitalism is the following observation: "A glance at the occupational statistics of any country of mixed religious composition brings to light with remarkable frequency a situation which has several times provoked discussion in the Catholic press and literature, and in Catholic congresses in Germany, namely, the fact that business leaders and owners of capital, as well as the higher grades of skilled labour, and even more the higher technically and commercially trained personnel of modern enterprises, are overwhelmingly Protestant" (Weber, 1993, p. 23). The development of capitalism took its sap from a new moral economy that he had the inspiration to call "capitalist spirit". This "spirit" of capitalism had already been noticed and mentioned by Werner Sombart in his paper *Der moderne Kapitalismus* (1900): "Sombart saw two main leit-motifs between which economic history evolved: satisfying one's needs and earning, according to the extent to which the volume of personal needs or the aspiration – independent on their limits – towards profit and the possibility to get profit become decisive for the type and the direction of the economic activity". Modern capitalism cannot be explained only by the rules of the classical economic liberalism: in this respect, traditionalism means to consider that "the opportunity to earn more is less attractive than the opportunity work less" (Badescu, 2016, p. 624).

## 3. The Theory of the Legitimate Rule

An important representative of the Young German Historical School, Max Weber was active and wrote in the period when the German centralized state was created, and when the neoclassical doctrine started to impose itself in the theoretical field. Homo economicus is replaced by homo socialis, an individual guided not only by petty material interests, but also by a constellation of moral values. The individual's actions rest upon a plurality of reasons. Selfishness stops being regarded exclusively as a virtue, since it does not generate a fair society; social morals and national values have to prevail in opposition to individualist morals. The state has to play an essential role in the economy, to guarantee economic order and success. It has to regulate working conditions, to create new and modern institutions.

The state is the institution that uses domination in space and time, having the monopoly of legitimate physical violence. Weber's analysis on domination starts by instating the concept of *legitimate rule*, which implies a number of beliefs and mental representations on the conditions that the political authority has to meet in order to be accepted, since it corresponds to the aspirations of

the decision makers.

Domination/governing can be one of the following types:

- charismatic (its legitimacy is insured by transcendence, by absolute submission to heroism or to the exemplary value of a leader possessing extraordinary qualities); Weber shifts the meaning of the word charisma from the religious zone (charisma understood as a gift given by God to a person so that they can act for the benefit of the Church) to the social and political one (charisma understood as transcendental power that someone exercises upon their subjects, who trust the leader and worships him); as a result of a process of routine, this type of domination has the tendency to shift towards the next two types either on the hereditary principle (charisma is an innate quality, so it is genetically inherited, it becomes transmissible and takes the form of a tradition), or on the principle that it is a quality that derives from the very function a person has, a function that can be transmitted through rituals;
- traditional (its legitimacy is insured by the rebirth of the past and of its importance, by observing the unwritten laws); it is the characteristic of those societies dominated by faith in sacred character of the values transmitted from immemorial times, that people are used to respecting;
- legal, rational (its legitimacy is given by the existence and functioning of certain law rules); it is the characteristic of those societies in which labour division manifests itself to the fullest, having as an effect the formation of a bureaucratic class that issues impersonal written laws or norms.

Alongside the concept of domination (as probability of an order to be obeyed by a group of individuals), Weber correlatively uses two other important terms: power (*Macht*) as probability for an individual to impose his own will without coming across resistance and discipline (*Disziplin*), as probability for an order to be immediately and automatically carried out of force of habit.

Max Weber developed his viewpoint on the structure and organization of the modern European society using as a methodological principle a *comparative historical approach* that was wide in time and space. He undertakes a deep analysis of the modern capitalist society, emphasizing two major factors of influence on it: religion and institutions.

Weber adds to and extends the Marxist analysis of social stratification (based exclusively on the economic factor, respectively on material wealth) by pointing out two new decisive factors for it: social prestige (the distribution of honors among social classes) and social power (the capacity to influence other people's behavior). He noticed that in most situations, the repartition of the social prestige does not coincide with that of the material wealth. Moreover, he was among the first sociologists to note a fundamental fact: especially in wartime, during great economical transformations (for example, the change of the social order in Romania in 1989) there takes place a significant modification of the ration between material goods repartition, that of the social prestige and that of the social power.

In *Objectivity in Social Science and Social Policy* (1904), Weber showed that a clear distinction must be made between the empirical knowledge of the scholar (whose arguments address the intellect) and the judgment of the man of will (whose arguments se address the feelings). In social sciences, objectivity does not derive from the empiric material, which is valorized only by the existence of certain valuable ideas. The social and economic concept means an event or an economic institution, alongside what is economically important (the economic consequences of the religious behaviour) and what is economically conditioned (the nature of the social environment determines artistic taste). History must be economically interpreted. Weber firmly rejected the existence of certain objective economic laws, universal and everlasting and considered that certain general tendencies take shape in the economic evolution. For instance, there are several types of capitalism, but all of them rest upon the capitalist enterprise, upon the permanent pursuit of profit, upon the tendency to accumulate and to increase one's capital. He agreed with the classical economists when he was convinced that the mere description of economic phenomena can insure their deep understanding. After collecting statistical data and facts, these are to be systemized, analyzed and interpreted. The historical method must be an addition to the inductive method of the classical economists.

In *Science as a Vocation* (1917), Max Weber recalled the ageless condition of the scientist: "Youngsters nowadays share the idea that science has become a calculus operation, that takes place in laboratories or in statistics offices only with the help of cold reasoning, and not with the entire *soul*, like *in a factory*. (...) man has got to have an idea – and that is the right idea– to be able to produce something valuable. (...) Passion is a preliminary condition of the decisive factor: inspiration. (...). Inspiration does not replace labour. But labour, on the other hand, can replace or force neither inspiration, nor passion" (Weber, 2011, p. 45-46)

#### 4. Conclusions

Max Weber strongly believed that value norms and judgments must not be used in scientific research, as any valorization is the result of our attitude towards the world and depends on the way we relate to it.

The nature of capitalism rests upon a distinctive type of rationality. It is not the need to make money that makes the distinction between modern capitalism and other economic systems, but the fact that money is multiplied in a rational way (calculus is used, predictions are made and science and technology are systematically used).

The most important part of Weber's theoretical inheritance is the comparative and historical analysis of the capitalist society. Analyzing the evolution over the last 3 decades and the current structure of the Romanian society from Weber's perspective, we can conclude that after 1989 there was a remarkable change of balance between the 3 repartitions (that of the material wealth, that of the social prestige, and that of the social power). The communist regime prior to 1989 had led to a rather balanced repartition of the material wealth (based on egalitarian principles) and of the social prestige (higher education counted, but in the last period the role of the intellectuals had begun to diminish especially because their opposition to the totalitarian regime); social power was an exclusivist attribute of the minority ruling class, whose members were recruited almost exclusively on political, clientage and relation oriented criteria. After 1989 there was a polarization of the repartition of material wealth, as its owners benefited in general, in a direct or indirect way, of the political power as well. The importance of the social prestige has continuously diminished and many times it was formal or only honorific.

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