ROBERT J. HOLTON & BRYAN S. TURNER

MAX WEBER ON ECONOMY AND SOCIETY

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Robert Holton
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INTRODUCTION

There is a definite revival of liberalism under way within western thought. This revival is in one sense rather surprising since much academic opinion had supposed liberalism to be in retreat if not vanquished and discredited. Political economy, it seemed, had been intellectually if not institutionally triumphant over neo-classical economics, critical legal studies were taken to have undermined the liberal theory of law, while Marxism had demolished liberal-democratic political theory, and Frankfurt School critical theory had rendered obsolete Enlightenment notions of liberal rationalism, and exposed the shallow repressiveness of consumer society, leaving radical sociology for its part to destroy the theoretical pretension of liberal Parsonian sociology. While liberalism remained institutionally entrenched in many of the core institutions of academia, its ideologues could be regarded for the most part as a discredited and largely atavistic bunch of cold-war warriors living out a curious sort of decaying intellectual half-life on the margins of intellectual progress. From today's viewpoint, however, this set of putative victories seems increasingly precarious and in some cases illusory.

There are a number of indicators of the scope of the liberal revival. In the first place, many of the influential stars in the post-war Marxist firmament such as Althusser and Poulantzas, Lukács and Gramsci, are on the wane, while names like J. S. Mill, T. H. Marshall, Talcott Parsons, and Robert Dahl are increasingly to be found as intellectual reference points. Second, many of the weaknesses and residual problems in political economy, critical theory, and Marxism have by now achieved an intolerable scale, prompting interest in alternative social-theoretical paradigms. Many of these difficulties stem from the growing realization that the period from 1950 to 1986 has been

characterized not by a crisis of capitalism, but by a crisis of communism and those forms of socialism based on a *Gemeinschaft* model of social organization. Many of the critical positions advanced against the liberal world-view effectively asserted the superiority of *Gemeinschaft* over *Gesellschaft*. This superiority was claimed by asserting the merits of community over individualism, public collectivism over private self-interest, and an organic theory of political participation and consent over representative democracy and individual citizenship rights.

It now seems that *Gemeinschaft* is dead in the western world and world communist movement, though not within the resurgent Islamic world. Crises of communism as a system of government are reflected in economic mismanagement and the inability to satisfy consumer demands on the one hand, and in political repression and totalitarianism on the other. The difficulties of economic planning by command mechanisms are reflected in the shift of some eastern European societies like Hungary, and more recently China, towards a greater element of market-based resource allocation. This in turn has engendered a loss of confidence in many circles in social planning strategies based solely on state initiative. The overall record of communist societies has helped to erode any a priori claims as to the moral superiority of communism over capitalism and liberal individualism that once may have existed.

The death of *Gemeinschaft* within the west is reflected in the decline of class-based politics. Within the climate of effective individual autonomy and value pluralism engendered by the secularization process and the dynamic economic performance of the capitalist economy, there is little attraction for *Gemeinschaft*-based conceptions of class — except in a few declining occupational communities. The rationale for collectivist strategies such as nationalization and the welfare state has also wilted in the face of electoral support for privatization projects such as sale of publicly owned industries through access to share-ownership, sale of public housing to tenants, and the expansion of private medical care systems.

These developments do not signify a complete collapse of support for public service provision, but they do reflect a characteristically modern *Gesellschaftlich* commitment to the autonomy of personal choice. Although the balance of public to private provision varies considerably between western nation-states, making sweeping generalizations difficult, even the much-vaunted Scandinavian

welfare-state systems appear to have reached the limits of electoral support for social-democratic interventionism. All this does not represent a return to a mythical free market minimal state system, since levels of public intervention remain high, and certain public schemes popular, especially where choice is encouraged. But it does signify the inauspicious context in which class-based socialist movements seek to build successful electoral coalitions of support.

One of the fundamental residual problems left unanswered by Marxist thought, radical sociology, and political economy was the robustness of the market model of social exchange as a means of co-ordinating relations between producers and consumers. While it is very clear that markets are not self-regulating, that markets sometimes fail to deliver a just distribution of goods, and that markets are prone to problems of monopolistic control, it remains the case that the market-place has been seriously underestimated as a social institution by opponents of liberal-democratic thought.

This underestimation has developed in part because the problem of producer domination has been taken to be so fundamental as to reduce consumers to alienated purchasers of fetishized commodities or simple dupes of advertising and public relations. The net effect was to deny the authenticity of consumers' choices and searches for use-values, or, when faced with effective consumer resistance, to resort to the charge of sectional middle-class self-interest — distinct from the universalistic, organic *Gemeinschaftlich* interest of the working class as potential free producers.

Along with this neglect of individual autonomy and consumption went a hostility to the spatial organization of consumers within suburbia. The patrician disdain for the plebeian semi-detached with its back yard and washing line was typified in the dismissive comment on the suburban home as 'Heaven and a Hills Hoist'. (The Hills Hoist is a form of Australian washing line exported around the western world.) There is still comparatively little research into the instrumental and symbolic significance of the suburban home, though what there is testifies to its popularity as a form of housing. Exchange of 'private' housing through the market may well be mediated through financial institutions like banks and building societies. Yet it has proved both a more flexible means of allowing individual access to preferred locations than bureaucratic public housing mechanisms, and a way for home-owners to accumulate capital, thereby enhancing life chances. In the housing market as in

other markets, autonomous individuals and individual households can make choices under constraints of resource scarcity within an impersonal system relatively free of ascriptive discriminatory elements.

One of the interesting general features of the current liberal revival is the emergence of a post-Marxist form of democratic liberalism, with origins distinct from the older classical liberal schools. This post-Marxist position, more evident in sociology than economics or history, appears to have learnt from both the strengths and weaknesses of the Marxist tradition, such that its post-Marxism cannot be regarded as some simplistic conversion to unreconstructed liberalism. In other words, Marxist-influenced alertness to problems of private capitalist power or of the use of liberal rhetoric to justify illiberal practices are blended with a growing post-Marxist respect for 'democracy', 'the individual', and 'the market-place'. Democracy is seen as an unambiguous good, the very foundation of effective citizenship, not something to be tolerated at best as the terrain for 'reformism', pending some fundamental social change. The individual and individual household meanwhile are seen as a basic unit of social action. Individual freedom, whether from ascriptive discrimination or bureaucratic domination, is a major social and political point of reference for mass society. Although 'liberal' freedoms to privacy, private property ownership, and egalitarian citizenship rights do not exhaust current social definitions of freedom, they have turned out remarkably robust, enduring to confound their previous opponents.

One of the interesting questions in the current liberal revival is whether post-Marxist liberal-democratic theory will merge with classical liberalism. Another way of putting this is to ask whether post-Marxist liberal democratic theory, aware of the residual problems facing *both* Marxism *and* liberalism, will be able to find much common ground with classic liberals. One of the major problems of this kind concerns the place of the public sector and public interventionist strategies in a liberal-democratic social order.

The project of a minimalist state may at times be little more than a caricature of the classical position, in the sense that there always was plenty of scope for liberals to approve public initiatives in such areas as foreign policy and defence, public utilities unable to generate adequate private profit potential and social services for those without the resources to operate within private, market-based systems. Public

choice theorists also justify public provision where negative private externalities cannot be otherwise offset. In addition, the liberal premium on education as a positional good, for which maximum social access should be encouraged, offers a special justification for optimum and not merely minimum standards of public provision. Even those most committed to current privatization of public services call for relatively modest cuts in the scale of government spending on the whole (for example, from 40 to 35 per cent of GDP in Australia). This reflects not merely major residual public functions within liberal political philosophy, but also an awareness of electoral support for certain services. In other words, the climate of privatization and liberal revival does not signify a wholesale abandonment of the idea of a public sector.

This situation may then make it easier for post-Marxist liberal democrats to find some kind of accommodation with more general liberal traditions, including classical liberalism. One such *rapprochement* is evident in Peter Saunders' courageous essay 'The New Right is half right' in a collection of essays published by Economic and Literary Books under the title *The New Right Enlightenment*.

Saunders' argument is that many instances of public provision of goods and services in Britain have tended to be bureaucratic and inefficient, undermining individual or class autonomy and leaving the population in a greater state of dependency on the administrative apparatus (for instance, housing, education, and medicine). He also points to the hidden history of working-class attempts at private provision through the market-place (such as in medical care) and their conflict with and eventual domination by the state. These data justify the view that the 'New Right' is at least 'Half Right'. The major residual difficulty with the liberalistic version of New Rightism is the existence of large numbers of the population too poor to express their preferences within the market-place and too powerless to influence the democratic polity. Saunders' view is that rectification of these problems would require a massive level of state intervention to redistribute resources in such a way as to redress the balance. Yet this conflicts with the New Right commitment to privatization. Here we find a classic statement of the liberal-democratic dilemma in relation to the unreconstructed liberalism of *laissez-faire* economics.

There may of course be no dilemma here if it can be demonstrated that there exist 'liberal' ways of handling the redistribution required — such as by means of a guaranteed minimum income secured in

part through negative income tax benefits to the poor, or through voucher systems of access to private services. It is in this kind of policy area that the possibility of some greater degree of accommodation between classic liberalism and post-Marxist liberal-democratic theory may exist. However, the policy options required to redress other structural imbalances, such as that between the corporate power of big business and the workforce, or even more between big business and consumers, or big business and small business, seem to imply even more draconian inroads into private property rights than those requiring fiscal redistribution through the taxation system. In this sense the scope for *rapprochement* with the New Right may turn out to be rather limited.

One of the most interesting intellectual challenges to the post-Marxist liberal-democratic position is that provided by what might be called the public sector theory of communicative rationality. Drawing on Habermas' theories of moral learning and communicative rationality, and/or feminist theorizing on the conditions for discursive freedom, there is a view extant that sees the core analytical units in liberalism as epistemologically disprivileged forms of possessive individualism. Habermas has argued that inter-personally negotiated models of rational communication oriented to truth, authenticity, and rightness represent a higher form of 'learning' than monologic strategies of individually based purposive or instrumental rationality. This distinction has been taken by some as coterminous with the divisions between public and private domains and hence to divisions between state and civil society. It is but a short step from here to locate communicative rationality within the social programmes of the public sector where communicative inter-personal competence is required — for example, by welfare professionals — and to identify this sector as the locus of the emerging new class (though this latter inference goes beyond Habermas). It only remains, from this point, to universalize the relations engendered in this context within social life generally.

The problem with this challenge is that it does not give sufficient attention to the continuing functioning of those impersonal relations of social co-ordination, such as markets and bureaucracies characteristic of modern society. Markets, as a mode of resource allocation, remain the most intractable problem for collectivist thought since they show no sign of diminishing in importance. The collectivist strategy is to rely on public planning strategies as a means of bringing collective solutions to the privatized networks of possessive

individualism that link producers and consumers. What has not been shown as yet is the capacity for large-scale planning organizations to find a democratic manner in which to ascertain human needs and deliver appropriate services. Such mechanisms can at best do little more than provide their own interpretation of such needs, mediated by interest-group pressure from the more powerful clients. This is scarcely a communicatively rational process, and it certainly violates the liberal conception of the integrity of individual knowledge. Beyond the market, it is also unclear as to how far bureaucracies may be democratized with respect to their internal functioning and interface with clients. Although it is true that work groups of professionals may well shift to a communicatively rational basis for action, it is not clear where else this model could be applied, and whether it would entirely subordinate the possessive individual model or the conventional bureaucratic line-management model. In this respect, it is not at all clear that communicative rationality is coterminous either with the actually existing public sector or with any recognizable potential public sector. Reviewing this challenge overall, it may be seen, in Weberian terms, as yet one more instance of conflict between an enduring model of formal rationality — that is impersonal, calculative, and yet efficacious and enabling — and the substantive rationality of those committed to a value-position stressing the transcendental importance of participatory decision making through inter-personal consensus. Like all transcendental moral theories, the difficulty here from a liberal viewpoint is the claim to have grounded a substantive ethics in social scientific knowledge of immanent social trends.

WEBER AND LIBERALISM

We can also approach the issue of liberalism in Weber's sociology via a commentary on his methodological presuppositions. It is well known that Weber's methodological perspective was heavily influenced by neo-Kantianism, especially in the work of Windelband, Rickert, and Lask. In this tradition, reality is perceived to be a complex flux of events and processes which can never be reproduced in knowledge. We can only know a slice of reality through the intellectual process of concept formation (especially the ideal-type construct). Knowledge is an approximation to the manifold nature of real phenomena. Furthermore, this conceptual apparatus is not

simply offered to us as a determinate, coherent mental map of the world. We are inevitably forced to choose between competing intellectual frameworks. These choices are determined by issues of value relevance; our intellectual equipment will inevitably reflect our own values, our political commitments, and the purpose of our research. At the same time, a scientist attempts to maintain value neutrality by exposing his or her own values to dispute, criticism, and empirical evaluation. It is through this uncertain and unreliable process that a sociologist aims at causal adequacy by causal attribution and counterfactual theory (Wagner and Zipprian 1986).

The point about Weber's methodology is that it cannot guarantee truth or validity, because it does not aim at absolute or exhaustive knowledge. It suggests or promises an approximation to reality within certain limits. Furthermore, we cannot as sociologists hope to achieve any knowledge of social laws. History is merely a contingent collection of processes; our knowledge of the future can at best be stated in terms of certain possibilities and probabilities. The sociologist proceeds somewhat like a courtroom judge in the face of contradictory evidence, conflicting advice, and incomplete information. Both sociologist and judge are forced to make reasonable guesses and to justify their conclusions by reference to moral traditions, concepts of individual responsibility, and legal precedent.

Weber's methodological stance was thus far removed from the positivism of Comte and Spencer, and from the historical materialism of Marx and Engels. Rather than searching for social laws and moral conviction, Weber offers us a realistic statement of the limitations of social scientific knowledge. Furthermore, his attempt to maintain a division between factual knowledge and moral evaluation (between 'is' and 'ought') removed his formal sociology from the world of political campaigns and moral debate. Of course, he thought that sociology might be relevant to politics, but he was convinced that ultimately a vocation in politics was an alternative to a vocation in science. These methodological assumptions explain much of the intellectual conflict between Marxism and Weberian sociology. Whereas Marxists have regarded historical materialism as a science which, in displaying the underlying logic of history, provides tools of analysis relevant to the working class, Weberian sociology is characteristically anxious about the status of scientific knowledge and reluctant to engage in political guidance of any special group. In Weberian sociological discourse there is no analytical space for a privileged

epistemology. While in Weber's Protestant ethic thesis the Calvinistic bourgeois was the carrier of rational values, he was highly ambiguous as to the human value of the capitalist world and western rationality. He admired the heroic values of the Calvinist entrepreneur, but described the world they helped to create as an 'iron cage'.

Weber does not, therefore, provide us with a clear moral message by which we could guide ourselves through social reality. He does not provide us with a clear calling in the world. Whereas Marxism saw the working class (as the bearer of universal reason) as an ontologically privileged class in capitalism, Weber saw historical change as the unintended effect of endless social processes and contingent circumstances. The difference here is partly explained by the fact that Marxism is a secular version of Hegelian philosophy of history, whereas the principal influences on Weber's world-view came from Kant, Rickert, and Nietzsche. We have suggested that this world-view is a social liberalism which asks us, given the complexity and uncertainty of knowledge, to behave responsibly — that is, as agents with 'personality' who are forced to make choices in conditions of unreliable knowledge.

Weber's neo-Kantian view of knowledge has an interesting relationship to the contemporary debate over 'the condition of knowledge' between J-F. Lyotard and Jürgen Habermas. In the tradition of Hegelian Marxism, Habermas has argued (in *Knowledge and Human Interests* and *The Theory of Communicative Action*) that objective knowledge of social reality is possible. Objective understanding of reality can only emerge out of situations which permit open, endless, and free discourse. The role of critical theory is to expose those features of social life (such as unequal power and economic exploitation) which make communicative competence unlikely and which distort communication (by ideological mystification). Discursive freedom is both the normative standard by which to evaluate social relations and the descriptive statement of how valid truth claims emerge. Within this epistemological tradition of enlightenment, Habermas has become increasingly associated with the defence of the project of modernity as a project of substantive reason.

Against Habermas, Lyotard in *The Postmodern Condition* (1984) has argued (by adopting aspects of Bell's notion of post-industrial society) that contemporary social change has rendered Habermas' world of unfettered, open discourse obsolete. We live in a fragmented world where the establishment of unambiguous truths about a unified reality

is not possible. Technological changes (especially information storage and processing), a global consumer culture, the social role of universities, the complexity of knowledge and social differentiation have made the quest for a coherent, unified truth sociologically meaningless. Modern societies are too diverse, too complex, and fragmented to permit the emergence of a legitimate, single, reasonable world-picture. Lyotard argues that Habermas' philosophy has to assume the possibility of a 'noise-free' environment where truth messages would not be disturbed by outside interference or by channels on the wrong frequency. By contrast, Lyotard argues that we live in an age of noise. We have to come to terms with informational complexity and incommensurability of different knowledges.

Lyotard also detects a contradiction in Habermas' position which, although Lyotard does not make the point, bears closely on our view of the possibilities of a modernized version of liberalism. Lyotard claims that there is in fact a disguised but real authoritarian aspect of Habermas' emphasis on discursive consensus as the outcome of free debates. Lyotard sees no reason to assume that any real or lasting consensus is possible or desirable in contemporary society. Why should we seek agreements rather than creating conditions which permit the tolerance of necessary and permanent dissensus? Permanent dispute appears to be a more likely outcome of modern systems of communication and exchange. These problems are in fact the heart of the liberal dilemma: how to cope with illiberal opposition? Lyotard wants to suggest that (at least implicitly) Habermas' model may preclude the noise of dissent behind a monotone quest for discursive agreement over a normative consensus. In short, Lyotard claims that Habermas' modern project is no longer viable or desirable in a post-modern world.

These contemporary debates have been conducted in the context of a contrast between modernism and post-modernism, but they also bear a close relationship to earlier debates between Weber and his contemporaries. Weber was forced to digest a good deal of Nietzsche's message: the security which had been provided by an absolute authority (God) had disappeared, leaving behind a world of endless value conflict, and no new absolute basis for knowledge (the working class, society, or history) could fill the gap which had been opened up by God's death. The result is that we are compelled to live in a world of perspectivism. Weber's epistemological (as much as his political) liberalism was developed to respond to this world of

competitive values. Liberalism recognizes diversity and dissent as inevitable features of a social reality without ontologically privileged entities — God, the working class, or universal history. In short, Weber's sociology both points to and anticipates the post-modern condition.

This study of Max Weber's sociology in relation to problems of economy and society should be seen as a direct sequel to an earlier study, namely, *Talcott Parsons on Economy and Society* (Holton and Turner 1986). Our study portrayed Talcott Parsons as the quintessential sociologist of modernity. This portrayal involved three main exercises. The first defended Parsons' sociology against erroneous and often wilfully misguided criticism. The second demonstrated the empirical relevance, scope, and comprehensive theoretical dynamic of Parsons' work as a whole, rather than focusing on any one single dimension or element. Our final intention was to move beyond exegesis to attempt an application of Parsonian sociology to certain empirical features of contemporary social life. These included the relationships between economy and society, sickness and medical institutions, and value pluralism and social structure.

This study of the work of Max Weber follows a similar trajectory. We do not attempt to provide an over-arching interpretation of Weber's sociology. Such interpretations are in plentiful supply. Readers who wish to find contemporary and sophisticated interpretations of Weber's work should look elsewhere (Hennis 1988; Whimster and Lash 1987). In line with our previous analysis of Parsons, we take a very broad perspective on the work of Weber, looking in particular at his relevance to the analysis of economic relations, the law, religious systems, social class, and social stratification. These themes are linked by a common interest in the robustness of liberalism as an enduring world-view.

In exploring various dimensions of Weber's liberalism we have found it necessary to defend Weber against many artificial and misguided criticisms from Marxism and Marxist sociology. Against the Marxist critique, we seek to show Weber's ongoing relevance to many major issues of contemporary political, economic, and social life. These include the place of the market in modern society, and the possibility of individual moral responsibility in a secularized bureaucratic world. These interests have emerged both from our sense of the exhaustion and collapse of the intellectual and moral credentials of Marxism and state socialism, and from the interesting revival of