

Institute of Social Research

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**MAX WEBER AND RATIONAL CHOICE**

*Summary of the monograph presented for habilitation*

*Social Sciences, Sociology (05 S)*

Vilnius 2002

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**Zenonas Norkus**

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## INTRODUCTION

**Topicality.** During the Soviet time the agenda of the Lithuanian sociology was artificially narrowed down to the few topics allowed for research. The restoration of the independence was coincident with the definitive institutionalization of the sociology as autonomous academic discipline, with the establishing of the undergraduate, graduate and postgraduate studies in sociology at the Lithuanian universities, and with the opening of the book market for the classical and recent works of Western social theorists and their translations. However, the productive development of the Lithuanian sociological discourse in the future is inconceivable without its enrichment by the original research work in social theory and history of sociology. In the local context of the Lithuanian sociology, the monograph is topical as the first large-scale attempt to include into the research agenda of the Lithuanian sociologists the investigation of the classical sociological heritage, and as a contribution to the restructuring of this agenda according to international standards. In the global context of the contemporary sociology, the monograph's topicality is warranted by the stature of Max Weber (1864-1920) as one of the sociology's founding fathers and by the prominence of his legacy in the ongoing theoretical discussion. According to Lawrence A. Scaff, "Weber is thought to occupy a central terrain in the contemporary social sciences. Whoever controls the interpretation of Weber can entertain hopes of also governing scientific activity" (1989, 34).

**The subject and the goal of the investigation.** The subject of the investigation is Weber's sociological work in its relation to the rational choice approach (RCA) - interdisciplinary movement influential in the contemporary social science. The author pursues the goal to develop and to substantiate new interpretation of Weber's legacy using the vantage-point of RCA represented by the work of the social scientists working with these assumptions: (1) the explanation of the social (collective) facts must be grounded in the theory of individual behavior (the principle of methodological individualism); (2) rational choice theory (RCT) lends better microfoundations for sociological explanation than psychological theories of individual behavior (the principle of antipsychologism).

**The objectives of investigation.** The following objectives are instrumental for the pursuit of the goal described above:

- (1) To examine the reception of Weber's work in the RCA;
- (2) To provide the analysis of inner differentiation in the RCA manifesting in the divergent views of its scope and its relations with sociology and neoclassical economics;
- (3) To compare Weber's concept of rational action with the explications of the concept of rational behavior in the RCT;
- (4) To investigate the evolution of Weber's methodological views;

- (5) To find out the points of convergence and the lines of divergence between contemporary RCA and Weber's "interpretive sociology" (*verstehende Soziologie*), taking into account the evolution of Weber's views;
- (6) To analyze the relations between Weber's methodological concept of interpretive sociology and the practice of his substantive social-economic research work;
- (7) To identify the central problem of Weber's substantive research work, to find out its sources in the agenda of social scientific problematic in Weber's time and to investigate its logical structure;
- (8) To explore the ways and the limits of rational reconstruction of Weber's substantive problematic using the conceptual tools of RCA;
- (9) To compare Weber's answers to analytical, historical and prognostic questions constituting his central problematic with the related ideas of the modern RCA.

**Methods and sources.** For the solution of these problems, the standard methods for analysis of classical texts were applied: the hermeneutic (interpretation of texts) method, the comparative method, and the method of rational reconstruction. The first method was used to reconstruct Weber's views; the second one was applied for comparison of his views with those of other thinkers and for investigation of the changes in Weber's conceptions; the third one served for the assessment of the truth values of his ideas. This is a part of rational reconstruction method to pay more attention to questions of the author under discussion than to her/his<sup>1</sup> answers. The assessment of present epistemic value of the past sociological ideas is barely possible without assuming the superiority of some later theory providing the standpoint for critical evaluation of merits and deficits of the ideas under discussion. All significant interpretations of Weber's legacy, which apply the method of rational reconstruction, are proceeding in this way. Randall Collins (1986) was working within the perspective of conflict theory, Jürgen Habermas (1981) had grounded his Weber-interpretation in the theory of communicative action, early Talcott Parsons (1937/1968) - in his own "voluntaristic" theory of action, Rainer Prewo (1979) - in the critical theory (Frankfurt school), Wolfgang Schluchter (1979) had combined the perspectives of functionalism and communicative action, Johannes Weiß (1979) had found his inspiration in the phenomenological sociology. In the monograph under survey, RCA serves as the background for critical assessment of Weber's views. The methods of rational reconstruction and comparison are applied also to highlight some difficulties and problems in the RCA and RCT. This is the subject of two "Weberian meditations" included in the monograph. One of them (5.2, pp. 167-198) discusses the identity of RCA, bringing to the light the differences in views on conditions of applicability of RCT. Another one (9.2-9.3, pp.308-331) distills from Weber's texts his view of the adequacy conditions for the theory of individual behavior suitable for the tasks of social science, and applies these Weberian adequacy conditions to evaluate the individual behavior theories competing in the current theoretical discussion.

The author of monograph had learned his best lessons how to apply the analytical means of RCA to classical sociological texts from the works of Jon Elster on Karl Marx (Elster 1985) and Alexis de Tocqueville (Elster 1993). Another important source of inspiration was the work of

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<sup>1</sup> To avoid anachronisms, I'm mainly following Weber's usage to use masculine forms of pronomina and nouns.

Hartmut Esser (1991) providing the translation of Alfred Schütz's phenomenology of everyday behavior into the language of RCT. The position of monograph's author on the question what was the central problem in Weber's substantive social-economic research work was influenced in the decisive way by some observations of Arthur L. Stinchcombe (Stinchcombe 1974, Stinchcombe 1986). The author was assisted in his understanding of the significance of Weber's idea of "social economics" by the work of Richard Swedberg (1998). In the development of his conception, the author was influenced by the research of Stefan Breuer (1979), who was the first among Weber interpreters who paid attention to the transformations of Weber's concept of interpretive sociology in the course of the work on "Economy and Society". The author was helped by the work of many other researchers of Weber's legacy too (Jeffrey C. Alexander, Veit-Michael Bader, Reinhart Bendix, Artur Bogner, Roger Brubaker, Hinnerk Bruhns, H. H. Bruun, Thomas Burger, José V. Casanova, Simon Clarke, Rainer Döbert, Jurij N. Davydov, Duk-Yung Kim, Gottfried Eisermann, Sven Eliaeson, Piama P. Gaidenko, Morris Ginsberg, Wilhelm Hennis, Gudmund Hernes, Robert J. Holton, Friedrich Jaeger, Stephen Kalberg, Dirk Käsler, Jürgen Kocka, Viktor P. Makarenko, Gordon Marshall, Wolfgang J. Mommsen, Heino H. Nau, Guy Oakes, Aleksandr I. Patrušev, Birger Priddat, Fritz Ringer, Günther Roth, Lawrence A. Scoff, Thomas Schwinn, Yuichi Shionoya, Rima P. Špakova, Friedrich H. Tenbruck, Keith Tribe, Bryan S. Turner, Stephen H. Turner, Hartmann Tyrell, Gerhard Wagner, Heinz Zipprian, Johannes Winckelmann and others). In his own interpretation of Weber's legacy, the author had drawn from the work of many sociologists, economists, and political scientists working within the framework of RCA or related approaches (George Ainslie, Hans Albert, Michael Baurmann, Gary S. Becker, Raymond Boudon, James S. Coleman, Patrick G. Dunleavy, Thrainn Eggertsson, John Ferejohn, Bruno S. Frey, Eirik Furubotn, John H. Goldthorpe, Michael Hechter, Ronald Heiner, Edgar Kiser, Volker Kunz, Margaret Levi, Siegwart Lindenberg, Douglass C. North, Robert Nozick, Karl-Dieter Opp, Rudolf Richter, Hansjörg Siegenthaler, Herbert Simon, Michael Taylor, Viktor Vanberg, Erich Weede, Oliver E. Williamson and others). However, the most important sources of the monograph were the writings of Max Weber himself, including the letters, which are published for the first time in the last volumes of his *Complete Works* under edition, and early publications only rarely used by researchers.

**Originality and new results.** The monograph's originality consists in its being the first attempt in the world Weber-literature to investigate the legacy of the most enigmatic sociology's founding father from the standpoint of RCA. The most important new results follow:

- (1) The new analysis for the formation of Weber's concept of sociology is provided. In this analysis, two versions of interpretive sociology are distinguished. According to the first version, "interpretive sociology" is the explanatory method of unified social science, which was called by Weber "social economics". This method is similar to the "situation logic method" subsequently recommended by Karl R. Popper for social sciences. In the later version, which comes to the more definite shape in 1918-1920, Weber understands sociology as alternative and complement to neoclassical economics.
- (2) Weberian heuristic how to apply the interpretive sociology for explanation of social action is compared with the alternative strategies how to apply RCT (strict universalism, segmental universalism, and partial universalism) proposed by modern RCA. On the basis of this

comparison, Weber's interpretive sociology is qualified as early version of RCA, affine to its recent segmented universalist and partial universalist versions.

- (3) The gap separating Weber's microanalytic rationalist methodology from the practice of his macroanalytic comparative research is disclosed, and the determinants of their discrepancy are analyzed. According to the view exposed in the monograph, this discrepancy was unavoidable because social science in Weber's time had no analytical technique requisite for the realization of his methodological precepts (most importantly, game theory as the theory of strategic rationality was not developed yet). Another reason was Weber's own parametric understanding of instrumental rationality, which was prevalent in economic science of his time too. Weber's late efforts to close this gap have diverted the change of his methodological views in the direction of the increasing divergence between RCA and interpretive sociology.
- (4) Weber's idea of instrumentally rational action is systematically analyzed, grounding this analysis in the distinction between two dimensions of rationality: the situational one and the procedural one. This analysis discloses the basic identity of Weber's concept of "strictly rational action" with the "optimal action" in the sense of the marginal utility theory, accepted in the economic science in his time. This theory was a theory of situational rationality explicating the concept of rational choice under certainty. On the other hand, Weber's ideas of "subjectively rational" and of "formally rational action" are expressing the procedural view of practical rationality which is not explicated yet in satisfactory way even in the recent RCT.
- (5) Weber subsumes some episodes of behavior to his famous concept of "value rational action". The possibilities of reanalysis of such episodes as special cases of instrumentally rational behavior are explored in the monograph. These range of these possibilities includes the concepts of "lexicographic rationality" (Jon Elster), "rule-maximizing behavior" (Michael Baumann), and the distinction between the first-order choices of external behavior and the second-order choices (these are choices of the situation analysis heuristic and choices of the situation frames), proposed by Hartmut Esser.
- (6) The reconstruction (substruction) of Weber's complete typology of social action is accomplished. This reconstruction shows that besides the 4 famous pure action types Weber's typology includes 11 mixed types. Although Weber's late outline of sociological action theory surpasses RCT by its descriptive realism, it contains no nomological statements. Because of this reason, it lacks explanatory and prognostic power (like many other later "sociological" action theories anticipated by Weber's typology).
- (7) A new solution for the following inveterate problem in the interpretation of Weber's "substantive sociology" is proposed and substantiated: what was the central substantive problem in his research work? The monograph criticizes the "archaizing" solution of this problem by W. Hennis who argues that Weber was a cultural critic and anthropologist inheriting his agenda from the "Old European" tradition of practical philosophy. The monograph criticizes also the view dominant in the sociological literature, which identifies Weber's "rationalization" with the "modernization" in the sense of later sociological theories. Without denying the possibility to utilize Weber's ideas for the goals of modernization theory, the monograph's author considers as most accurate the following view: the central problem of Weber's substantive research was the origin of the institutional, cultural, and psychological



conditions which have determined the approximation of the neoclassical model of perfect market (considered by Weber as ideal type of “modern capitalism”) by the empirical reality of economic life.

- (8) The monograph substantiates the view that Weber was economic sociologist who had maintained that the subject matter of neoclassical economics is historically definite phenomenon, and who had set for himself the task to investigate the conditions of possibility, the historical origins of this phenomena and to forecast the trends of its future change. This view is elaborated distinguishing three aspects in the problematic of Weber’s social-economic research: the analytical, the historical, and the prognostic aspect.
- (9) Two approaches in Weberian analytics of the possibility conditions of the “strict rational” economic action are distinguished: the psychogenetic approach and the cultural-institutional one. Developing the first approach, Weber under the influence of Nietzsche’s “Genealogy of Morals” makes the rationality of economic action contingent on the education of the particular cultural psychological human type. Working within the second approach, Weber considers as the foremost condition of rational economic action the presence of certain institutional environment (“calculable” legal order and state), and the information storage and processing technologies which empower boundedly rational empirical actors to simulate successfully *homo oeconomicus* with his perfect rationality. The author advances the hypothesis that Weber’s idea of cultural conditions of rational economic action was stimulated by the influential theories of “thought economy” developed by empiriocritical philosophy at the beginning of 20<sup>th</sup> century.
- (10) The logical structure of Weber’s explanations of the rationalization of economic action is reconstructed. These explanations are genetical-historical explanations (in sense of Carl Gustav Hempel). The causes of “strictly rational” economic action, indicated by Weber in these explanations, are causes in sense of “insufficient nonredundant part in unnecessary but sufficient condition” as analyzed by John L. Mackie. At the same time, the important deficiency in Weberian analysis of possibility conditions of “strictly rational” action is identified. This is the conflation between INUS-conditions and necessary conditions of such action.
- (11) The detailed analysis of Weber’s grounds for his pessimistic prognosis of the coming bureaucratic stagnation of Western capitalism is provided. This analysis discloses that Weber’s prognosis was dependent on the Malthusian theory of limits for economic growth, dominant in classical political economy.
- (12) The thesis is substantiated that in the RCA the rationality of behavior can play not only the role of aprioristic assumption but also be treated as dependent variable. This means that Weber’s questions about the possibility conditions of rational action and those about the causes of its rationalization make sense in the framework of RCA too. Most important variables influencing the degree of the situational (objective) and of the procedural (subjective or formal) behavior rationality are the opportunity costs of suboptimal behavior and information costs (including transaction costs). The probability of “strictly rational” behavior is directly related to the opportunity costs of suboptimal behavior and inversely related to the information costs for finding “objectively” optimal decision.

- (13) The points of contact between Weberian cultural-institutional analysis of behavior rationalization on the one hand, and the ideas of new institutional economics and new institutional economic history on the another, are systematically investigated. Weber's psychogenetic analysis of behavioral rationalization is compared with contemporary economics which analyses the problem of transtemporally consistent choice and the self-control techniques for coping with "weakness of will" (akrasia).
- (14) Weber's macrosociological prognosis of "bureaucratic stagnation" is criticized, grounding this criticism in the Oliver E. Williamson's analysis of comparative merits and deficits of markets and hierarchies, and in the James S. Coleman's concept of "asymmetric society".
- (15) The reception of Weber's "Protestant ethic thesis" in the RCA is analyzed. This analysis shows that Weber's argument articulating his thesis has the logical structure peculiar for explanations in the RCA. Weber's picture how a Calvinist believer chooses his way of life is special case of "Newcomb's problem".

**Theoretical and practical importance.** RCA is interdisciplinary movement spanning several social sciences disciplines - economics, sociology, political science, cultural (social) anthropology. It was initiated by economists who have applied the RCT-based theoretical technique of neoclassical economics for the solution of problems, which were hitherto assigned to the sphere of sociology and political science. The first subjects behind the traditional area of economics where RCT was successfully applied was the behavior of electorate, politicians, and officials ("bureaucrats") and its collective outcomes (Downs 1957, Niskanen 1971), the organization of interest groups for collective action (Olson 1965), racial and ethnic discrimination (Becker 1957), marriage and reproductive behavior (Becker 1981), educational choices (Becker 1964). Eventually, RCA had found the adherents at the sociology departments and institutes too. The sociologists have applied the same principles explaining the influence of the accessibility of higher education on the social mobility (Boudon 1974), the causes of migration and the integration of migrants (Esser 1980), the differences in the group solidarity level (Hechter 1987), causes of social protest (Opp 1989) and so on. During the last decade, fundamental treatises of sociological theorists James S. Coleman (Coleman 1990) and Hartmut Esser (Esser 1996; Esser 1999-2001) were published, codifying the principles and applications of the RCA.

The spreading of RCA in sociology was opposed from the very beginning by the significant part of sociological community. Traditionally, sociology had defined itself as superior alternative to the neoclassical economics, deriving this superiority from the "deeper" antiindividualistic and antiutilitaristic assumptions; as the science which has broader scope than neoclassical economics or complements it, investigating the social phenomena which are residual for economics. The rise of RCA was considered both by many economists and by sociologists as "economic imperialism", leaving sociology without its object. In this situation, many RCA adherents in sociology departments are using for the intellectual legitimation of RCA in sociology the methodological work of Max Weber, who was a contemporary and active participant in the great process of "divorce" between sociology and economic science at the end of 19<sup>th</sup> and beginning of the 20<sup>th</sup> centuries. For the first time in the world literature, the monograph proposes the attempt at systematic analysis of relations between RCA and legacy of Max Weber. Because

the task of monograph is limited to the analysis of the legacy of only one of the sociology's founding fathers, the author tries to answer only part of the questions concerning the relationship between sociology and (neoclassical) economics. Nevertheless, the author cherishes the hope that his work will be useful for the advancement of the interdisciplinary dialogue between sociology and economics, helping to articulate in more clear and distinct way the historical and the analytical aspects of the problem situation surrounding this dialogue. All this makes out the theoretical significance of the investigation..

The author used his findings in a number of special courses on the history of sociology, different aspects of Weber's legacy, and contemporary methodological problems in social science. He has taught these courses for students in sociology B.A. and M.A. and philosophy M.A. programs at the Philosophy faculty, Vilnius University. The systematization and publication of these findings in the monograph will provide the possibility to use them to advance the level of theoretical studies at other higher schools too.

**Approbation.** The author was enabled to give for his investigations of Max Weber's legacy the shape of monograph by the fellowships provided by Alexander von Humboldt foundation and Institute for Advanced Studies Berlin (*Wissenschaftskolleg Berlin*). The main part of work was accomplished in 1996/1997 at Mannheim university and 1998/1999 at *Wissenschaftskolleg Berlin*. The financial aid provided by Alexander von Humboldt foundation had made possible the German edition of the book. Many thanks for Prof. Dr. Sven Eliaeson (Central European University), Prof. Dr. Hartmut Esser (Mannheim University), Prof. Dr. Jörn Rüsen (Institute of Cultural Sciences, Essen), Prof. Dr. Viktor Vanberg (Freiburg i. Br. University), Stephen P. Turner (University of South Florida, Tampa), who have reviewed the manuscript of the book and advised Alexander von Humboldt foundation to provide the support for its publishing.

For critical discussion and other aid the author of monograph is indebted to Hans Albert, Emil Angehrn, Christine von Arnim, Richard Biernacki, Hinnerk Bruhns, Marianne Karbe, Franz-Xaver Kaufmann, Jürgen Kocka, Wolf Lepenies, Christoph Marksches, Heinrich Heino Nau, Doris Reichel, Wolfgang Schluchter, Hansjörg Siegenthaler, Petra Sonnenberg, Walther Stocké, Richard Swedberg, Hans-Ulrich Wehler, Lutz Wingert.

The ideas exposed in the monograph were presented in the talks given by the author at the scientific conferences and other public occasions:

"Methodenstreit" and the Ideal Types of Max Weber". Paper presented to Conference "Problems of Cognition in the Social Sciences" in Kaunas, Lithuania, October 1989.

"The Making of Capitalism as the Problem in the Comparative Sociology of Religion of Max Weber". Presentation at the Conference "Interaction of the Cultures of the East and the West" in Vilnius, Lithuania, October 1989.

"The Heuristic of Suspicion". Presentation at the meeting of the Philosophical Club of the University Bielefeld. Bielefeld, Germany, June 1993.

"Max Weber's Concept of Feudalism and the History of Lithuania". Paper presented at the Conference dedicated to the Memory of Prof. Zenonas Ivinskis at the Historical Faculty, Vilnius University, May 1994.

„Nonmarxist Historiography in the 20th Century“. Paper presented at the Conference „The Soviet and Postsoviet Historiography in Lithuania“, Historical Faculty, Vilnius University, May 1995.  
 "On Historism and Modernism in Historiography". Paper presented at the International Conference "History and Open Society", Historical Faculty, Vilnius University, September 25-29, 1996.

„Narrativity, Figurativeness and Historical Sense Building“. Presentation at the Institute of Cultural Sciences, Center of Science Nordrhein-Westfalen, Essen, February 3, 1997.

“On the Thin Practical Rationality and its Thickenings.” Presentation at the Conference of Lithuanian Philosophical Society. Vilnius Pedagogical University, May 16, 1998.

“Max Weber’s Concept of Interpretive Sociology: Two Versions”. Presentation at the Institute for Advanced Studies Berlin, January 19, 1999.

“History and Economics”. Lecture at the Summer School “The State of Art in Historical Studies: Putting Theories into Practices”. Central European University, Budapest, July 27, 1999.

“Subject after Demise of Subject: Egonomics and Its Problems”, Presentation at the Conference of Lithuanian Philosophical Society. Vilnius University, May 5, 2000.

“‘Weber’s Thesis’ and Newcomb’s Problem”, Presentation at III Summer School for Theory of Knowledge 1-15 Warsaw-Madralin, August 3, 2000.

“The Problem of the Endogenization of Preferences in the Rational Choice Theory”, Lecture at The Collegium Invisible, George Soros Open Lithuania Foundation, Vilnius, April 28, 2001.

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**PART I. SOCIAL ECONOMICS AND INTERPRETIVE SOCIOLOGY OF MAX WEBER.**

In the first part, the topics discussed in the monograph are brought into connection with the current agenda of research of Weber’s legacy (Ch. 1). Next Weber’s concepts of economic science (ch 2) and that of sociology (ch. 3) are analyzed.

*Ch 1 “The Challenge of Wilhelm Hennis”* enters into polemics with the widely attended writings of German political scientist Hennis criticizing the “standard” interpretation of Weber as “classic” or “founding father” of sociology. This interpretation goes back to the famous book “The Structure of Social Action” by one of the most important sociological theorists of 20<sup>th</sup> century Talcott Parsons. According to this interpretation, Max Weber was a theorist of modern society and of social action. The exponents of this interpretation disagree about the details of Weber’s “way to sociology” and about the chronology of this way; disagreements abound also concerning the question which of the later sociological theories are mostly affine to Weber’s views. There are Weber’s interpreters who (Tenbruck and Mommsen) find in the development of Weber’s views one turning point, while Schluchter finds two such “breakthroughs”. Some researchers (Collins and C. Wright Mills) emphasize the affinities in Weber’s views to later conflict sociology, while others underline its affinity to the functionalist approach (Jeffrey C. Alexander, Parsons) or phenomenological sociology (Alfred Schütz).

Hennis urges to resign from the search of the embryos or anticipations of modern sociological theories in the work of Weber, and to read it instead as the final point of the millennial intellectual tradition which is identified by some German historians as that of “practical philosophy”. The roots of this traditions go back to the philosophy of Plato and Aristotle, and its “golden age” was “old Europe” (*Alteuropa*) including not only the Middle Ages but also the Early modern time (until 19<sup>th</sup> century). German historian Otto Brunner, the author of this very influential in the contemporary German historiography conception, maintained that practical philosophy was a form of social knowledge specific for “old Europe”, reflecting the ideas and problems of the hierarchical estate society. The central problem of practical philosophy was that of “man’s (*Mensch*) quality”. The hierarchic estate order of society was legitimated in this intellectual tradition by differences in this quality. Human beings whose reason and will are too weak to be masters (*Herr*) over themselves, cannot survive (like children) without subduing to reason and will of other men.

Practical philosophy includes three parts: ethics, economics, and politics. Ethics teaches the lessons how to become and to remain a human being of “high quality”: a noble man, in whose soul reason and will subjugates “low passions”. Economics gives advice for a man of “high quality” (master) how to rule the human beings of lesser quality in his house, manor, or family. Politics is about the conduct of public affairs (*res publica*) by men of high quality living together in one state. The topics of education and of domination (*Herrschaft*) prevail in the ethics, economics, and politics of “old Europe”. They are doctrines of education (including the self-education) and domination arts which value, moralize, and teach would-be “men of high quality” the art of living and ruling other people.

According to opinion of Hennis, all three generations of German Historical school in national economy belong to the tradition of practical philosophy too, including Bruno Hildebrand, Karl Knies, Wilhelm Roscher (Older generation), Lujo Brentano, Karl Bücher, Georg Knapp, Gustav Schmoller (Younger generation), Werner Sombart, Arthur Spiethoff, M. Weber and his younger brother Alfred Weber (Youngest generation). Hennis does his best to draw the attention of his readers to the following facts: during all his life in academic community, Weber identified himself with national economy as academic discipline and voiced doubts against the establishment of separate sociology departments. Although he was one of the founding members of German sociological society in 1909, his activities in this society continued shortly (till 1912), one of his persistent endeavors being the transformation of sociological society into the federation of sections which were conceived by Weber as unions of representatives of traditional academic disciplines in social sciences. In Hennis view, Weber was not sociologist in modern sense. Rather, he was an economist coming from economics conceived as part of practical philosophy. At the same time, he was an anthropologist in the style of Friedrich Nietzsche; a characterologist, critic of culture and educator, whose preoccupation was not “society” but “man” (*Mensch*), especially the dangers for “human quality” - "parcellization of soul" and "degeneration”.

In the monograph, Hennis is taken to task for lack of persuasive answers to the following questions: (1) why Weber from a certain time on (after 1910-13) started to designate his own work as “sociology” nevertheless? (2) how to explain Weber’s fierce criticism directed against

the founders of Historical school Roscher and Knies (1903-1906), and his conflict with the leader of the Younger generation of Historical school Schmoller, known as *Werturteilsstreit* (1909 - 1914). The only explanation provided by Hennis is psychological and psychoanalytical one. In this explanation, Hennis qualifies Weber's criticism against Roscher and Knies as "intellectual patricide", comparing it with the conflict in Weber's family in 1897 followed by the death of Weber's bodily father. The picture of Weber as "educator" continuing the tradition of "practical philosophy", is at odds with Weber's consequent fight for "value neutral" social science (*Wertfreiheit*) which reached its climax in 1909-1914 .

However, the facts of Weber's never ceased close association with national economy as academic discipline are real challenge for traditional views on Weber's way into sociology. The monograph proposes the alternative and better explanation for these facts. Hennis mistake is the over-homogenization of Historical school. On his view, the complete legacy of this tradition belongs to "old European" tradition. According to the view exposed in the monograph, the internal conflicts in the Historical school (not explained in satisfactory way by Hennis) were unleashed by efforts of Youngest generation (first of all, by Weber himself) to modernize the concept of economic science distinctive for Historical school, and to save its legacy for the modern social science.

These efforts and their fruits are discussed in *chap. 2 "Max Weber's concept of social economics*. The Youngest school had begun to acquire its scientifically original profile at the very beginning of 20<sup>th</sup> century with the publication of Sombart's „Modern capitalism“ and of Weber's methodological articles. From these articles, Weber's "Objectivity' in Social Science and Social Policy" published in 1904 as programmatic statement of the new editors team of *Archiv für Sozialwissenschaft und Sozialpolitik* is of special importance. In this text, (1) Weber insists on the strict separation between facts and valuations; forbids any attempts to deduce political or moral principles, political decisions from empirical facts or to advocate them in the name of science. All this boils down to the declaration of the modern (positivist) idea of the goals of social science, which stands in the radical opposition to the convictions of the earlier generations of the Historical school. (2) Weber articulates the idea of economic science as "social economics" which brings to expression the efforts of the Youngest generation to take independent position in the inveterate "discussion on method" (*Methodenstreit*), which had started in 1883 with the conflict between the founder of "Austrian school" Carl Menger and the leader of the Younger generation of Historical school Gustav Schmoller in the German national economy".

In 1883 Menger's book „Investigations in the method of social sciences, especially of political economy" was published. In this book, he had attacked Historical school for conflation of economics with economic history. Menger's position was that economic theory could be advanced only by deducing in consequent and systematic way the consequences from the axiomatic statements, which describe the "essence" of economic behavior in its pure form. Menger insisted on the impossibility to develop economic theory in the way of inductive generalization from the observations of the "real people" economic behavior, because this behavior is influenced by the interfering factors of all kinds (noneconomic motives). The due

course for exact economic theory is to make abstraction from these factors. Therefore, such theory is possible only as abstract, nonhistorical theory.

Schmoller had rejected Menger's reproaches to Historical school, repeatedly declaring the basic conviction of this school that economic laws can be found only by inductive inference from economic history facts. However, on his view, there are not enough facts accumulated yet. Another obstacle for the advancement of economic theory is insufficient development of psychological science, because only this science can be expected to discover the behavior laws of "real" or "full-blooded" people. These laws, not "bloodless" an "unrealistic" abstraction of *homo oeconomicus*, is the proper foundation for future economic theory in making. Another important leitmotiv in Schmoller's concept of economic science was an idea that economic laws are "historical" laws, being specific for different stages of economic development (this thesis was shared by Historical school and Marxian political economy).

"Discussion on method" was one of the manifestations of the economic science differentiation into "pure economics" and economic sociology. Classical political economy (with Marxian political economy as one of its branches) was an unitary social science encompassing the sociological and economic problematic. The situation had begun to change dramatically after the marginalist revolution in the early 1870s. The product of this revolution was neoclassical economics with "Austrian school" as one of its (rather heterodox) branches. Neoclassical economics had grounded economic analysis in the theory of marginal utility. This theory was early version of RCT analyzing the problem of rational choice under certainty. At the same time, in the wake of marginalist revolution the subject matter of economic science was restricted to the construction of abstract (later on, the mathematical only) models analyzing the logic of behavior of the perfectly rational (completely and without any information costs informed) participants of market exchange who are allocating their limited resources among the alternative goals of different importance, the collective outcome of their behavior being the partial and general market equilibrium. It was the assumption of perfect rationality that enabled neoclassical economics to eliminate from its field all questions about the institutional and cultural context of market exchange. Such "abstract" economic analysis was opposed by Historical school in Germany and by so-called institutionalist economy in U.S. (Wesley C. Mitchell, Thorstein Veblen and others), maintaining that the economic science is about "real" people and "real" markets, not mathematical abstractions. In the conflict of two ideas of economic science, the neoclassical philosophy of economic science had won. Descriptive-statistical and historical research free from aprioristic commitment to the assumption of perfect rationality, done by American institutionalists and German "historicists", was banished behind the disciplinary boundaries of economics, renamed into "economic sociology", and relegated to sociology which was under construction as separate academic discipline exactly at the time when the war between two economics was fought.

Weber's idea of "social economics" is of great interest as an attempt to find the compromise in the "discussion about method" and to prevent the disintegration of unified social science into the mathematically exact but unrealistic economics, and realistic but analytically weak sociology. Like the neoclassical economists (beginning with Lionel Robbins) Weber defines (however, not in fully consequent way) economic science not by its connection with some



specific subject area, but by the connection with certain specific problem: social economics deals with all the facts which are related to the all-pervasive phenomenon of “scarcity” (*Knappheit*) of “outer” (material) means for the satisfaction of all human needs. However, differently from neoclassical economists, Weber considers *rational* economic behavior not as an aprioristic universal but as the product of historical development. As the most important task of social economics he considers the investigation of economic institutions (e.g. banks, exchange, money) which are specialized for the solution of “outer resources” scarcity” problem. Like historical economists and the representatives of contemporary RCA (but not the neoclassical economists of Weber’s times) he defends the “broad” (encompassing) concept of economic science, maintaining that its scope includes not only the “economic phenomena” (those related to economic institutions), but also all other social phenomena which are “economically conditioned” or “economic relevant” (i.e. which have economically important consequences). Taking guidance from such conception of economic science, Weber considered his own comparative research about the impact of different forms of religion, domination, law on economy (their “economic relevance”) as the integral part of social economics.

The main device designed by Weber for resolution of the “discussion on method” was his famous theory of “ideal types”. Introducing this concept, Weber describes ideal type as “idea” of an historical phenomenon (in the Plato’s and Immanuel Kant’s sense); as „mental picture” which unifies „certain relations and processes of historical life into the consistent cosmos of connection *in thought*” (Weber (1904) 1982: 190); as „utopia “, „which is constructed by the intensification of certain elements of reality *in thought*” (ibidem). These clarifications do not provide the definition of “ideal type”, which could be considered as satisfactory from the point of view of modern logic and methodology of social sciences. The monograph shows that several different senses of “ideal type” can be distinguished. However, this is no accident that the most persuasive and most frequently cited (by Weber himself) samples of “ideal type” were the “constructions” or idealized models of “pure economic theory” which are logical structures displaying the logical implications of certain assumptions (which can be completely unrealistic).

Differently from Schmoller, it was not Weber’s opinion that in social sciences only the inductive generalizations are acceptable. From his point of view, the construction of idealized “utopias” was the element of vital importance in the cognition of social reality. According to Weber’s view, the neoclassical economic theory was an „*ideal* picture of processes in the market under conditions of exchange-based social organization (*bei tauschwirtschaftlicher Gesellschaftorganisation*), free competition, and strictly rational action” (ibidem). Clarifying the functions of ideal types of the abstract economic theory in the cognition of empirical reality, Weber compares the “dogmas” of this theory with the statute books in law. If a political scientist or political historian investigates the reality of political life of certain country, the knowledge of legal norms holding in this country is indispensable for him. Weber points out that it is necessary to make a distinction between the “ideal” holding of legal norms and their “empirical” holding. A legal norm holds “ideally” if it is set by legislation. A norm holds “empirically” if its targets respect it. Differently from “ideal” holding (a norm either holds or not), “empirical” holding is a matter of degree: the more frequently a norm is defied, the lesser degree of its “empirical” holding. On the other hand, we can describe certain episodes of behavior as “breaches of law” or “criminal

behavior” (e.g. in order to find out the causes of these episodes), only if we are measuring them with the measuring rod of the norm that holds “ideally”. So even if the norm holds only “ideally”, it performs heuristic functions, enabling the researcher to formulate certain empirical problems.

Social economist needs a measure of such kind too, if she is about to find out and to explain particular irrationalities of real individual economic behavior or its collective organization. Neoclassical models, grounded in the assumption of perfect rationality of actors, are fit to perform the role such measure. For these models, Weber applies distinction between the “ideal” and “empirical” holding too. From Weberian point of view, the “dogmas” of neoclassical economics are performing in the investigation of the precapitalist societies economic life mainly heuristic role, enabling the researchers to identify in this life the irrationalities of different kinds. However, eventually the reality of economic life approximates the neoclassical “utopia”, and its “dogmas” acquire the “empirical holding” too, transforming themselves into the pictures of “objective possibilities” present the empirical reality itself. It was this rationalized social economic reality approximating the neoclassical “utopia” of the perfect market economics, which was given by Weber the names of “rational” and “modern” capitalism (see the survey of the part 4 too).

From Weber’s point of view, the main tasks of the social economics were the investigation of economic institutions of modern capitalism, the research in causes of their emergence and in the tendencies of their evolution; the analysis of capitalism’s impact on other social and cultural phenomena and the investigation of the causal role of these phenomena in the rise and development of capitalism. Weber’s idea of the tasks of the social economic research is documented by Weber’s thematic plan of the huge encyclopedic work *Grundriss der Sozialökonomik* edited by Weber in 1910 for P. Siebeck’s publishing house (in its final form, this work included 15 volumes; the first one being published in 1914, and the last one - in 1927). This plan is most important source of information about Weber’s views on the structure of economic science. Weber’s famous work *Wirtschaft und Gesellschaft*, reputed for long time as his main work, was conceived as an integral part of this work. What place had Weber assigned for sociology in his vision of social economics?

**Ch.3. Max Weber’s concept of interpretive sociology: two versions** analyses the intricacies of Weber’s “sociological turn” or “breakthrough to sociology” (Schluchter). In the “standard” interpretation of Weber’s legacy (criticized by Hennis) this turn is dated 1909-1912 and related to Weber’s participation at the foundation of German sociological society. In the 1913 the very first Weber’s text was published containing in its title the word “sociology” (“*Über einige Kategorien der verstehenden Soziologie*”).

However, the close analysis of Weber’s use of the word “sociology” leads to conclusion that this word was at this time for Weber simply the synonym for “social science”. As for *verstehende Soziologie* (interpretive sociology), two its versions can be distinguished - the earlier one, documented by the article from 1913 “*Über einige Kategorien der verstehenden Soziologie*”, and the later one, documented by the texts from 1918-20. According to textological research by Johannes Winckelmann, Weber’s text from 1913 was written for the section of *Grundriss der Sozialökonomik* titled „The Subject and the Logical Nature of Problems” (*Objekt und logische Natur der Fragestellungen*). This section was dedicated to the discussion of general

methodological topics in social economics. Because there was no hope to achieve the consensus of all contributors to the collective work on methodological questions, this section was dropped. After some rewriting, Weber had published his text as separate article. Paradoxically, one of the classical texts in sociology (“*Über einige Kategorien der verstehenden Soziologie*”) was initially intended to discuss the methodological foundations of another science!

However, the paradox disappears if due consideration is paid to the fact that *verstehende Soziologie* in its early version designates for Weber not a separate social scientific discipline but the explanatory method of social economics as united social science or “encompassing economics”. Weber’s famous definition of sociology as “a science concerning itself with the interpretive understanding of social action and thereby with a causal explanation of its course and consequences” (Weber (1922) 1976: 1) simply describes the logical structure of this method. This definition says that the connection of two or more macrovariables must be explained by disclosing the causal micromechanism of their relation. In the simplest case (see Fig. 1), such explanation includes three steps or “logics”. “Situation logic” includes the interpretive understanding which reconstructs the subjective “definitions of situation” by the actors (or “subjective sense” of their actions) and analyses their relation to objective social situation; logic of selection means causal explanation of the “course” of action by beliefs and goals of the actors; logic of transformation includes the analysis of the collective consequences of individual actions, disclosing how these consequences (often unexpected and contradicting their explicit goals) emerge out of interaction of individual actors.

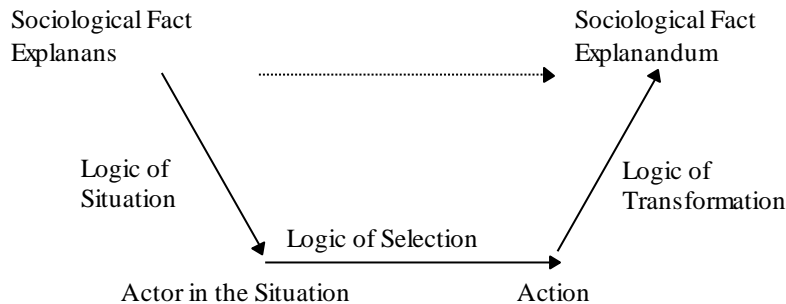


Fig. 1. Weber’s idea of interpretive sociology

According to Hartmut Esser, Weberian definition of interpretive sociology describes the individualistic ideal of social scientific explanation, recommended by Weber for explanation not only of purely economic, but also of “economically relevant” and “economically conditioned” noneconomic phenomena. Most importantly, Weber’s early idea of interpretive sociology (or simply of sociological explanation) is not only individualistic, but also a rationalistic one. According to Weber, the models constructed by “abstract economic theory” (this is Weber’s name for neoclassic economic theory), are special (and exemplary) cases of application of interpretive sociology. Weber’s beloved example of “sociological regularities” (*soziologische Regelmäßigkeiten*) is an economic law (Gresham’s law), and he recommends to start the explanation of all social phenomena (not only of economic ones) by the question about the actions

of perfectly rational actors in the situation under consideration (for details see the survey of ch. 5).

These Weberian ideas are congenial to pronouncements of one of the most influential philosopher's of science Karl Raimund Popper where he describes the method of "logic of situation" or "rational construction": "I refer to the possibility of adopting, in the social sciences, what may be called the method of logical or rational construction, or perhaps the "zero method". By this I mean the method of constructing a model on the assumption of complete rationality (and perhaps also on the assumption of the possession of complete information) on the part of all the individuals concerned, and of estimating the deviation of the actual behavior of people from the model behavior, using the latter as a kind of zero co-ordinate. An example of this method is the comparison between actual behavior (under the influence of, say, traditional prejudice, etc.) and model behavior to be expected on the basis of the "pure logic of choice", as described by the equations of economics" (Popper (1944-45) 1957: 141). This method is recommended by Popper to all social scientific disciplines for its merit to warrant the autonomy for social science from psychology with its changing theoretical fashions.

These Popperian statements about the method of "logic of situation" as an generalization the method of neoclassical economics are remembered by the adherents of contemporary RCA when they are seeking after legitimization for their principled standpoint that the explanation of social phenomena must be grounded in the theory of individual behavior, and at the same time are pleading for the independence of such explanation from psychology. As a matter of fact, Weber's early version of interpretive sociology, which is another generalization of the individualistic, rationalistic, and antipsychologistic method of neoclassical economics, can be considered as an anticipation both of Popperian "logic of situation" and of contemporary RCA which rejects the assumption that RCT can be applied only for explanation of the behavior under conditions of competitive market environment.

On the other hand, there are important differences between Weber's interpretive sociology and most popular versions of RCA. For this reason, the comparison of RCA with Weber's interpretive sociology is extended and detailed in the second part of the monograph. The first part closes with the discussion of its later version, where Weber begins to diverge from RCA. The shape of this version is already visible in the series of investigations "The Economic Ethic of the World Religions" (especially in the section "Intermediate Reflections: Religious Rejections of the World and Their Directions"), published during the World War I; it comes to greater determinateness in the new part of "Economy and Society". Immediately before the outbreak of the World War I, Weber had already almost finished his contribution to *Grundriss der Sozialökonomik* (the remaining part of work included writing the "Introduction", the elaboration and rewriting of some chapters). The war stopped the publishing of *Grundriss*, and when it was continued, Weber had decided not to publish almost complete text, but had started to rewrite it completely. Because of untimely death, he had managed to finish only the first 4 chapters. As the research in Weber's texts had discovered recently, the first superintendents of Weber's literary legacy have failed to grasp the relation between the prewar and postwar texts, and have published all them under the "same cover". In their edition of "Economy and Society", postwar texts constitute the first part of "Economy and Society" (according to editors, it was Weber's "general

sociology" or the theory of "sociological categories"), and the prewar texts belong to the second one (according to publishers, it was Weber's "concrete" or "historical" sociology). Because of this reason, some chapters from the first part (namely, those on the sociology of domination, status groups and classes) examine the same topic as the chapters from the second part.

In the postwar years, Weber struggled with the huge load of work (he was engaged in politics and resumed the academic teaching at Munich university after long pause). How Weber's decision to rewrite completely the almost finished text can be explained? The author of monograph advances the hypothesis that the reason was the change in Weber's idea of sociology and of architectonic of its categories. Late Weber renounces the attempts to preserve the social economics as unified social science, and subscribes to neoclassical definition of economics which identifies economics with "abstract theory" that in consistent way the assumption of "perfect rationality"; according to his new conception, sociology is the science, providing the alternative for economics, concretizing and complementing it. These changes are brought to expression, firstly, by Weber's macrosociological model articulated in Weber's "Intermediate Reflections". In this model, the "economy" loses its privileged central position, which it had in social economics. Weber describes now several autonomous spheres of social life with their "autonomous" logics of social action.

Secondly, in the new part of "Economy and Society" a new chapter on "economic sociology" (*Wirtschaftssoziologie*) is found, which was not foreseen in the prewar plan. Of course, the concept of "economic sociology" was used by Weber in his earlier work too. However, in this work this expression was used to designate the "social economic" investigation of noneconomic phenomena from the side of their "economic relevance", i.e. their influence on the economic life (Weber's famous "The Protestant Ethic and the Spirit of Capitalism", and the chapters of "Economy and Society" discussing the impact of the law, state, and religion on economy belong to economic sociology defined in this way). In the new part of "Economy and Society", "economic sociology" means the investigation of purely economic phenomena (first of all, market relations) from the specifically sociological standpoint distinguished by the merit of greater realism. Such investigation discloses those aspects of market economy, which prescind from "pure" economic theory (e.g. the role of power in the relations between wage labor and capital, the influence of producers on consumer's wants, and so on).

Thirdly, Weber sees now the peculiarity of this sociological point of view in the application of the specifically sociological theory of individual action for the description and explanation of social action. Namely, in the new part of "Economy and Society" Weber elaborates his famous typology of social action where the pure types of instrumentally rational, value rational, traditional and affectual behavior are distinguished. This typology is Weber's foundation for the reworking of the problematic of the sociology of domination, which was already analyzed in the prewar work.

If sociology is understood as the science which pretends to be the alternative or the complement to neoclassical economics, to encompass it as a special case or to provide for economics "deeper" foundations, then Weber makes his sociological turn only in his later work. In Weber's own work, the idea of such sociology is not completely articulated: he preserves his commitment to methodological individualism and pleads for the heuristic primacy of

instrumentally rational action. However, Weber's thinking had already gained momentum in the direction which was later followed by Parsons in his "voluntaristic" theory of social action (interestingly, the pathway of Parsons' own way from economics to sociology repeats some turns of Weber's pathway).

## **PART 2. MAX WEBER - THEORIST OF RATIONAL CHOICE APPROACH?**

In the second part of the monograph, the analysis of transformations of Weber's interpretive sociology is continued, and its comparison with the methodological ideas of modern theorists of RCA is deepened (ch. 5). But first of all, the author exposes and substantiates his point of view on the inveterate question still under discussion: what is the relation between Weber's methodological conception (expressed by his idea of interpretive sociology), and his substantive research?

Chapter 4 - "**Max Weber's concept of interpretive sociology and his substantive work**" - is the attempt to answer this question which was raised many interpreters of Weber's work (Stanislav Andreski, Mary Fullbrock, Bryan S. Turner and many others). They have pointed out that Weber in his "substantive" research had not always stuck to his own methodological principles formulated in his methodological writings. In other words, his research practice is different from his methodological precepts, the *reconstructed logic* of his work - from his *logic-in-use*. In his methodological or programmatic writings, he advocates methodological individualism and rationalism, but in his substantive research works mainly with the ideal typifying descriptions and comparisons of macrostructures. The problem of difference between Weber's words and his deeds is called in the monograph "Ginsberg's dilemma", paying tribute to the author who was the first to formulate it: if Weber's substantive research is sociological classics, then his definition of sociology is inadequate. If we accept Weberian definition of sociology, then we have no right to designate his empirical research as "sociology".

The majority among Weber's interpreters prefer the first alternative from Ginsberg's dilemma. They bypass Weber's methodological texts and try to reconstruct the theoretical core of true "Weberian sociology" directly from his substantive research. Depending on their opinion, which Weber's texts are most important ones and on their theoretical sympathies in sociology, they discover in his substantive research the draft of this or that macrosociological theory (e.g., theory of social order or theory of social conflict). There are others, who consider him simply as an historian or historical sociologist, who had broadly applied the comparative method and had no theoretical commitments, using in the eclectic (or "creative") way most different ideas for the analysis of concrete cases.

The author of monograph begins his own analysis of this problem from the statement that "collectivist" or "holistic" macrosociology confronts very similar problem which is called "Lindenberg's dilemma" (honoring the researcher, who was the first to formulate it). The most consequent "collectivist" program of sociology can be found in Emil Durkheim's "The Rules of Sociological Method", where the sociologists are exhorted to explain the sociological facts only by other sociological facts and to avoid every "psychologism". Traditionally, the famous work of Durkheim "Suicide" is considered as exemplary application case of this program. According to

Siegwart Lindenberg, Durkheim in his explanation of suicide cannot dispense without certain psychological assumptions about the motives of human behavior. If Lindenberg's analysis is correct, then we have the dilemma again: if Durkheim's explanation of suicide is masterpiece of sociological research, then his concept of sociology is inadequate. If this concept is adequate, then "Suicide" is not a sociological investigation.

However, it cannot be questioned that in Weber's case the divergence between methodology and substantive work is greater and happens more frequently, than in Durkheim's case. This does not mean that this divergence is complete. Authors shows in the "Appendix" ("Weber's "Protestant Ethic Thesis: Reception, Criticism, and Rational Reconstruction in the Rational Choice Approach") that Weber's argumentation in his famous work "The Protestant Ethic and the Spirit of Capitalism" satisfies his professed canons of interpretive sociology. The same can be said about his work "The Protestant Sects and the Spirit of Capitalism" which supplements the former work. Accordingly, the idea of interpretive sociology generalizes not only the practice of model-construction in the "abstract economic theory", but also the methodological practice of Weber's own work considered by Weber himself as his best. The author of monograph advances the proposal to consider the idea of interpretive sociology (*verstehende Soziologie*) as the description of some specific ideal of sociological explanation. In some cases, Weber himself was unable to realize this ideal because of the reasons, which are discussed in the chap. 6; in other ones, he considered this realization as inexpedient.

As Esser (1991) had pointed out, the microfoundation of macrostructural sociological explanations is fruitful (helps to increase the explained variation of dependent variable), only if the variables at the microlevel (the beliefs and the goals of actors; in Weber's terms - "subjective sense") vary in the relatively independent way from the variables of the macrolevel. On sociologically significant scale, such phenomenon is characteristic only for the "late modern" functionally differentiated societies. The characteristic feature of such societies is the "criss-crossing" of social spheres which was already described by Georg Simmel. For an individual actor, this "criss-crossing" opens more or less broad spaces of individual choice. This means that "classical" sociological variables like class membership, gender, age and so on are losing here their power to predict the wants, mentality and behavior. However, the predictive power of these variables is very high in the traditional "segmentally differentiated" societies, because in the societies of this kind the class or status group membership had determined in an unambiguous way the mentality, wants and actions of the actors. If social phenomena under explanation belong to the societies of the last type (this is the case of the topics in Weber's substantial research), it is inexpedient to implement the ideal of interpretive sociology on the full scale: the changes in dependent macrovariables can be explained by the changes in other macrovariables skipping an analysis of micromechanisms of determination of individual behavior.

After disclosing the discrepancies between Weber's substantive research and his methodological ideal, the author advances the following explanation of changes in Weber's idea of interpretive sociology. These changes were the effect of Weber's efforts to find "reflective equilibrium" (John Rawls) between his methodology and substantive research. On the one hand, Weber had made corrections in his methodological views, taking as point of reference for his

second version of interpretive sociology not the pieces of explanation provided by “abstract economic theory”, but the masterpieces of his own. On the second hand, he had tried in the new part of “Economy and Society” to realize his principle of methodological individualism in the more consequent way. He did this, scrupulously trying to define all “sociological categories” in terms of individual action and its orientations. At the same time, the meaning of this principle itself had changed visibly. In the first version of interpretive sociology, this principle requires first of all to realize in the practice of explanation some specific ideal of explanation; in the second version, this principle means the requirement to define all “collective concepts” in terms of individual action. In the monograph, this interpretation of the principle of methodological individualism is considered as much less fruitful.

**Ch. 5. Max Weber’s interpretive sociology in the family of the Rational Choice Approaches** extends the analysis of transformations of Weber’s *verstehende Soziologie*, enriching with new details its preliminary characterization provided in the chap. 3. This analysis erects the foundation for its more thorough comparison with the modern methodology of RCA. The core of Weber’s interpretive sociology (first of all, its first version) includes the following ideas: (1) the principle of methodological individualism, describing the shape of ideal sociological explanation (explanation as macro-micro-macro transition); (2) the thesis of unified social science which says that the ideal of explanation described by (1) is for application in all social sciences; (3) The principle of methodical (or paradigmatic) primacy of rational behavior which prescribes to begin the explanation of the social action “course” from the hypothesis that this “course” is the outcome of instrumentally rational behavior; (4) antipsychologism - the requirement to dispense in the explanation of social action with psychological theories; (5) the evaluation of the neoclassical explanation of market processes as exemplary.

Jointly with this core, Weber’s interpretive sociology includes heuristic prescriptions (advices and recommendations) concerning the order for advancement and control of the hypotheses about the “subjective sense” of behavior. Following the example set by neoclassic economics, he gives the advice to start with the following question: what kind of behavior is to be expected from a hypothetical actor who has the same goals as the real actor (whose behavior must be explained), but is perfectly informed? If the data about the “course” of observed behavior are inconsistent with this “zero hypothesis” (Popper’s term), then Weber proposes to advance and to check another one: the actor’s behavior was only subjectively, but not objectively rational (*subjektiv zweckrational*, not *richtigkeitsrational*). This means that although the actor had weighed his future actions, had collected and processed the information about the situation, he has the false picture of situation. The hypothesis of subjective rationality is commended preeminently for the unsuccessful actions. Objectively rational action is always a successful action; however, subjective rationality gives no warrant for success of action. The objective rationality of an action means simply its rationality in the situation of a certain kind. The actor can have the luck to choose or pick the optimal action, even if he had made nothing to explore the situation. If the actor makes his choices in the standard recurrent situations, repeating the habitual actions, he can be lucky to do precisely the objectively rational action. However, the subjective rationality of choice (purposeful analysis of situation and deliberation on alternatives) increases the probability of successful choice. This is Weber’s reason for his proposal to advance the



hypothesis of the subjective rationality for the explanation of successful actions. However, this hypothesis can be accepted only if there is evidence that the deliberation on alternatives really took the place.

When the action is explained by the subjectively and objectively or only subjectively rational choice of an actor, it is interpreted "pragmatically". If the deviations of the course of action from its objectively rational "course" cannot be explained by the faults in the subjectively rational decision-making, Weber advises to resort to the "psychological" explanation of behavior. In its own turn, this explanation can be "interpretive psychological" (e.g. psychoanalytical) or "causal analytical". The former searches for the causes of "irrationalities" in the subconscious psychical "depths" of an actor, the latter explains them by the dysfunctions of his "psychophysical apparatus" (fatigue, the consumption of alcohol and so on).

Because of recognition by Weber himself that conscious and deliberate choice is no frequent phenomenon (the primacy of instrumentally rational action is "heuristic", but not empirical), there is no broad space in the first version of interpretive sociology for its independence from psychology. This consideration supposedly was one of Weber's reasons to ground the second version of interpretive sociology in the typology of social action. In this way, the menu of hypotheses, which can be used by interpretive sociology for the explanation of the discrepancies between the factual and counterfactual ("zero hypothetical") courses of behavior, is expanded considerably. The distinctive feature of instrumentally rational behavior is its flexibility: if situation changes, then the behavior changes too, - the actor is adapting to the changes in the situation. If the situation changes, but the behavior remains unchanged, then such inflexible behavior can be conscious and deliberate, or not. In the first case, we have to do with the value rational action - the actor disregards certain consequences of his behavior as a matter of principle, because he is concerned not with the success of his actions, but with the fidelity to certain values and rules. In the second case, we have to do with the habitual action - the actor overlooks certain changes in situation or does not give to them duly consideration. Of course, "mixed" intermediate cases are possible too - the adherence to habit can be the matter of principle (on mixed cases, see for more details the survey of ch. 9). If the behavior is value rational, then the actor has no *post factum* regrets because of his ("unsuccessful") choices. However, the retrospective regret is peculiar to affectual action, which is similar to instrumentally rational behavior by its "flexibility". However, this is "flexibility" within quotation marks, because the changes in behavior are influenced in greater degree by the instability of the actor's internal state than by the changes in the objective situation.

Does all this provide sufficient reason for the statement that Weber was a pioneer of RCA in sociology? According to monograph's author's point of view, no unqualified answer is possible to this question, because RCA is not a homogeneous phenomenon. He prefers to speak about the family of Rational Choice Approaches whose members differ depending on (1) what strategy for application of RCA do they accept, and (2) how do they understand the relation between RCA and neoclassical economics. Comparing the conceptions of RCA in the first respect, the author of monograph follows Donald P. Green and Ian Shapiro (Green and Shapiro 1994), accepting their classification where three versions of RCA are distinguished. The advocates of these versions

differ in question on the scope of RCA applicability. These versions are pure universalism, partial universalism and segmental universalism.

From the standpoint of pure universalism, RCT is an universal theory of human and eventually of every behavior, and all social phenomena can be explained with its means. According to partial universalism, RCT can be applied to all social phenomena, but for many of them it can provide only partial explanation. For its complete explanation, the RCT explanations must be complemented by the explanations of different types. Jon Elster and John Ferejohn advocate this standpoint. Ferejohn emphasizes that in the so-called situations of strategical interaction (analyzed by the branch of RCT known as game theory) an actor has more than one best reply to the actions of other actors who are anticipating her/his actions. The situations of such kind are modeled by games with more than one equilibrium point. In such cases, the conceptual resources of standard RCT are insufficient neither for explanation, nor for prediction of the rational actors choices. In the cases of this kind, Ferejohn proposes to supplement the RCT explanations with explanations of other kinds.

Finally, segmental universalism is the standpoint that RCT can be applied successfully only for explanation of human behavior in the situations of certain type. It is exemplified e.g. by the opinions of Erich Weede (1996) and Zeev Maoz (1990) that RCT is unsuitable for the explanation of human behavior in the so-called low-cost situations. According to their opinion, people are searching after the new information, processing it and weighing possible consequences of their actions, only if they risk losing much in the case of suboptimal choice. Otherwise, they are acting habitually or obeying “heart’s voice”, i.e. emotions. Altruistic action or actions motivated by “ideal motives” can be expected where they do not charge the actor with significant costs. Because of this reason, RCT performance is better explaining the choices of businessmen and political leaders than, say, those of electorate.

From the standpoint of pure universalists, people are behaving themselves rationally always and everywhere. The appearance of irrationality arises because of insufficiently close analysis of the situation logic. Popper had urged never retreat from the assumption of rationality. Weber’s contemporary Ludwig Mises was pure universalist too. According to his view, “rationality” is part of definition of “action”, so “irrational action” is logical impossibility. To act rationally means to act from the strongest want. However, there is no possibility to act in some other way, because we can infer actor’s strongest want only from his choices. Mises’ version of pure universalism never had many partisans, because it transforms RCT into the hollow (unfalsifiable) tautology. Mises’ permission to explain the changes in the behavior of actors by changes in the tastes or wants of actors was at odds with the common opinion of neoclassical economists that the assumption of invariability of actor’s wants (their “utility function”) is necessary condition to imbue RCT with empirical content.

Apart from extremists of Mises’ kind, before 1970s neoclassical economists shared the notion that RCT is empirically applicable only where the assumption of invariability of preferences is realistic enough. Situation had changed, after American economist Gary S. Becker proposed new version of the theory of consumer’s choice, where this choice is analyzed in terms of neoclassical production theory (in this theory, consumption is considered as “domestic production”). Beckerian “universal productionism” requires to postulate the invariability and

universality of some “ultimate” preferences (or utility function). It demonstrates how the changes in behavior which were traditionally explained by differences and changes of “tastes” can be redescribed and explained by differences in the technology (production functions) of domestic production, by the particularities and accumulation dynamics of “human capital”, “consumption capital”, and “social capital”.

Some years later (in 1980s) German sociologists Esser and Lindenberg launched a sociologized version of universal productionism, where neoclassical concept of production function was generalized as “social production function”. Differently from Becker, they conceive RCA not as the universalized neoclassical economics, but as synthetic social theory, which incorporates into the body of RCT some ideas from sociological theory building tradition. For the empirical application of RCT, they recommend the strategy called “the method of decreasing abstraction”. The central idea in this strategy can be expressed by the following principle: “build models as simple as possible and only as much realistic as necessary”. Like Weber’s interpretive sociology, this method recommends to begin with the models which assume perfect rationality. The method of decreasing abstraction allows to complicate them (to make them more “realistic”) only if their predictive power is insufficient. However, differently from Weberian method of interpretive sociology, Esser’s and Lindenberg’s version of the method of decreasing abstraction forbids to retreat from the assumption of instrumental rationality. For all discrepancies between the counterfactual “perfectly rational” and observed courses of action, they advance the proposal to explain them by the closer analysis of the “logic of situation”. As a conceptual tool for this analysis, Esser proposes the “bridge theory” - the theory of situation definition. This theory shows how because of actor’s bounded rationality, the scarcity of time and other resources which are absorbed by subjectively rational (well-considered) choice (warranting the objective rationality of behavior), the suboptimal (with respect to objective situation) decision can be optimal with respect to subjectively defined situation nevertheless.

Because Weber considers the instrumental rationality of action not as apriori assumption for explanation of behavior but as empirical hypothesis which has not the absolute but only the heuristic primacy with respect to other hypotheses, his interpretive sociology stands closer to segmental universalistic and partial universalistic versions of RCA. Weber shares with segmental universalism the view that subjectively rational choice of behavior is the mechanism of behavior determination, which uses to be activated only under certain conditions. With the partial universalism, Weber shares the view that explanation of behavior by rational choice can and must be supplemented by behavior mechanisms of other kinds. The author of monograph advances the observation that the Weberian strategy how to apply the hypothesis of instrumental rationality has particular affinity to the strategy professed by Norwegian sociologist Jon Elster. He recommends to reject the assumption of the homogeneity of motivation usual in neoclassical economics, and to explain collective outcomes of social behavior by interaction of actors whose behavior is determined by the psychological mechanisms of different kinds. According to Elster, the assumption of homogeneity is inappropriate for the explanation of individual behavior: this behavior can be the outcome of interaction between several different mechanisms. At the same time, Elster (like Weber) emphasizes the heuristic priority of rational choice with respect to other

mechanisms of behavior determination. In this way, he proposes an alternative version of the method of “decreasing abstraction” which is very close to Weber’s interpretive sociology.

### **PART 3. RATIONAL ACTION IN THE RATIONAL CHOICE THEORY AND IN THE INTERPRETIVE SOCIOLOGY OF MAX WEBER**

The third part of monograph compares the core of RCA - RCT - with Max Weber’s concept of practical rationality (i.e., the concept of rational action). In this comparison, two perspectives are applied. On the one hand, the results of contemporary RCT are applied for criticism and explication of Weber’s statements. On the other hand, these statements are used as the background to detect and highlight the shortcomings of formal explication of rational action concept in different versions of RCT. At the very beginning (ch. 6) Weber’s concept of objectively (or “materially”) instrumental rational action is analyzed. Ch. 7 discusses in detail the concept of subjectively rational action, which is the complement for the first. Weber’s problematic concept of value rational action is analyzed from the standpoint from RCT in the ch. 8. Part 3 closes with the reconstruction of Weberian late outline for sociological action theory out of his famous typology of action, and with “Weberian meditation” which discusses the methodological dilemmas of the action-theoretical foundation of social science. These dilemmas, encountered by social sciences in Weber time, remain with them till our days.

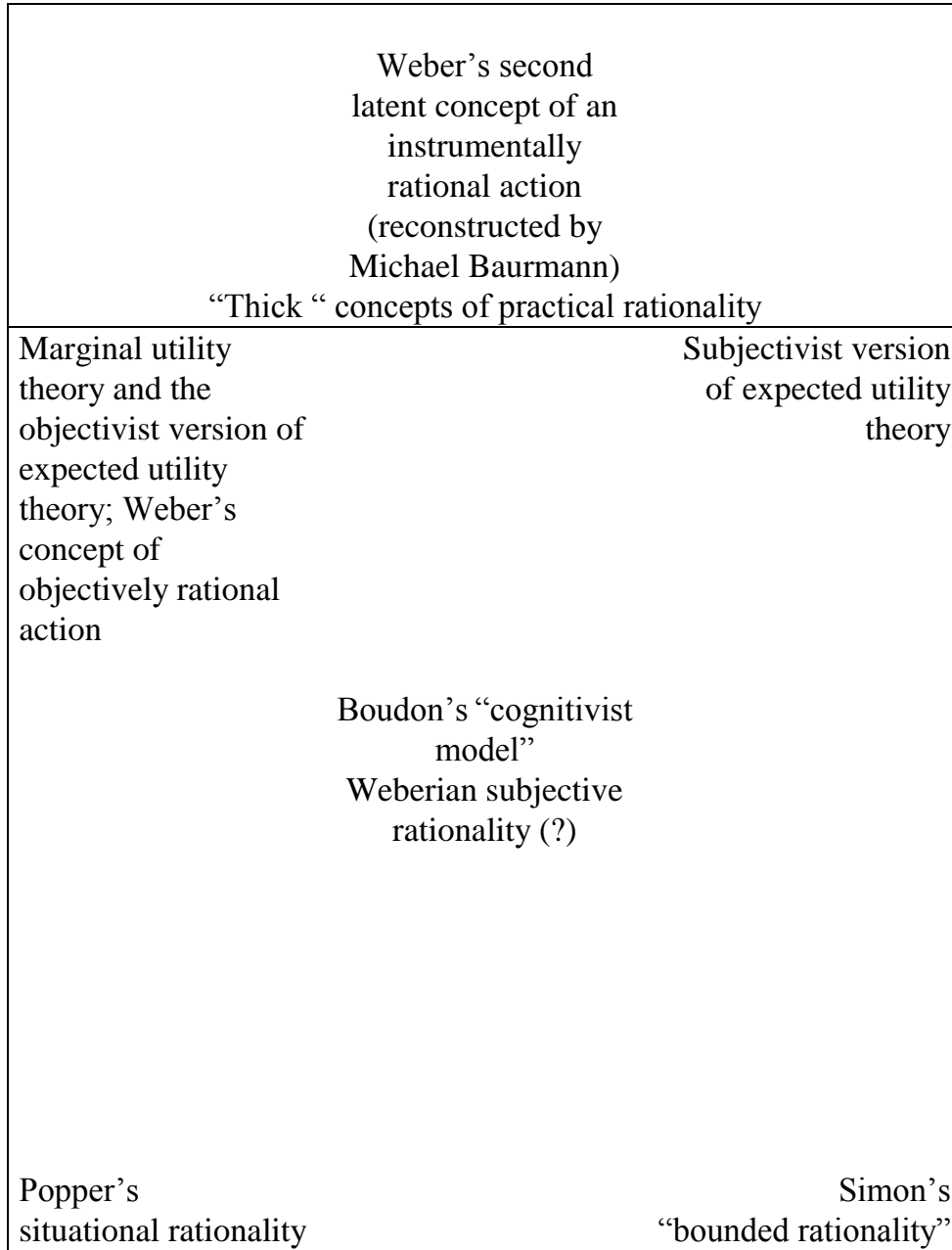
***Ch. 6 Max Weber’s idea of substantive (objective) rationality of action and analytical (formal) theory of rational choice*** X-rays by the retrospective light of RCT Weber’s sayings where the expressions *richtigkeitsrational* and *streng rational* are used. This conceptual radiography is prepared by the sounding of construction principles of the analytical tool itself (RCT). The versions of RCA which were discussed in the 2<sup>nd</sup> part, diverged in the strategies of RCT empirical application and in their conceptions of applicability condition of RCT. The versions of RCT itself differ in their definitions of the concept of rational action, i.e. in their answers to the following question: what features distinguish the rational from the nonrational behavior?

The available definitions of rational actions differ in two respects: (1) depending on whether the distinctive feature of rational behavior is found in its specific relation to situation, or in some specific properties of causal process producing the rational behavior. The definitions of the first kind are situative or substantive, and those of second kind are procedural. The difference between the situational and the procedural rationality can be described in preliminary way as follows: an action is situatively rational if it is appropriate in situation (no matter why and how it was chosen). An action is procedurally rational if the way of its selection satisfy certain conditions (an actor had investigated the situation, collected the information, processed it analytically and so on). The definitions of rational actions differ depending on the explication details of the concepts referred above.

(2) The definitions of rational actions differ depending on the strictness of conditions, which must be satisfied by behavior to be qualified as “rational behavior”. In this respect, “weak” and “strong” definitions of rationality can be distinguished. Some “strong” definitions of rationality are, in addition, “thick” ones. “Thin” definitions say nothing about the content of

actor's goals (preferences) and about the way of their formation. "Thick" definitions of rationality forbid to predicate the rationality to actions which are serving to satisfy "inappropriate" wants or wants which were formed in an inappropriate way (ethical theorists have especially strong predilection for the definitions of rationality of this kind). The logical space of possible rationality definitions is portrayed by Fig. 2. According to this figure, there are two independent dimensions of variation in definitions of rationality. Both situative and procedural definitions of rationality can be weak or strong. "Thick" definitions can be oriented either to procedural, or to situational perspective too. In the first case, the properties of want or goal formation process matter. In the second case, only their content is important.

Strong



Weak

Situational

Procedural

Fig. 2. Definitions of practical rationality

"Weak" definition of situative rationality, advocated by Mises and Popper, licenses to classify actions as rational, if this action is the best one with respect to subjectively defined situation. The paradoxical implication of this definition is the permission to designate as "rational" the behavior of paranoiac or of an actor engaged in magical practices. Its procedural double is the concept of bounded rationality advanced by the famous American economist and artificial intellect scientist Herbert Simon. According to Simon, every procedure of choice, describable by an algorithm (computer program), can qualify as rational, if it enables actor to

achieve “satisficing” outcome (“satisficing” means not “optimal”, i.e. “best possible”, but “good enough”).

In the “strong” situational definitions of the rational behavior, the behavior is rational if it is optimal with respect to objective situation. If this situation is deterministic one (actor predicts the outcomes of his alternative choices, i.e. makes his choice under certainty), then the “best behavior” means the behavior maximizing actor’s utility function. If this situation is stochastic one (actor knows only the frequencies of the conditions determining the outcomes of his choices, i.e. makes his choice under risk), “optimal behavior” means the behavior maximizing the expected utility function of actor. In both cases, the definition of rational behavior is formulated in axiomatic way: conditions are listed which must be satisfied by actor’s preferences. In the case of the choice under certainty, these conditions are expressed by the axioms of reflexivity, completeness, transitivity, and continuity; in the case of the choice under risk, they are supplemented by the conditions of monotonicity and independence.

RCT in its axiomatic formulation is analytical (formal) theory, which gives the exact definition of rational behavior. In such definition, preanalytical intuitions from ordinary language are systematized and purified. We follow these intuitions classifying our own and other people actions into “rational” and “irrational” in everyday contexts of language use. The body of such intuitions is part of our everyday stock of common knowledge, which can be called “folk” or “vulgar” psychology. Differently from scientific (empirical) psychology, which works to outbid this psychology, RCT is simply its formalizing explication. In Weber’s time, only the concept of rational choice under certainty was explicated in this way. The product of this explication was “marginal utility theory”. This was the theory of rational choice under certainty, adapted for the needs of neoclassical economics by augmenting (“thickening”) it with certain substantive assumptions about the content of actor’s preferences. These assumption are (a) self-interest (rational actor pays no heed to consequences of his choices for welfare of other people; (b) diminishing marginal utility (this assumption is used to explain the consumer’s choice; in the explanation of producer’s behavior, the assumption of diminishing marginal utility is used instead). With these supplementing additions, RCT acquires the power to formulate the criterion of rational allocation of resources for different needs: the resources are used in efficient way or optimally (an actor maximizes his utility), if marginal utility from their alternative uses is the same.

Weber had participated in the methodological discussions about the status of marginal utility theory. In his article “Marginal Utility Theory and the Principal Law of Psychophysics”, he analyzed its roots in the “vulgar psychology” and demonstrated its complete independence from the scientific (experimental) psychology. The author of monograph criticizes the opinion occurring in the Weber-literature that Weber had identified “instrumentally rational” action with the technologically rational action (in this case, an actor solves not the problem how to allocate scarce resources among alternative goals, but looks after the most efficient mean for the realization of one goal. The monograph's author substantiates the thesis that the optimal action as defined by marginal utility theory was Weber’s paradigmatic case of the objectively rational (*richtigkeitsrational*) action.

Besides that, the author of monograph shows that Weber uses the predicate "objectively rational action") in another one sense which is explicated in the book of John von Neumann and Oscar Morgenstern "Theory of Games and Economic Behavior" (1944). In this version, the rational choice under risk is possible only if the actor knows "true" probabilities (mathematical limits of the observed frequencies) of circumstances determining the outcomes of her/his choices. This theory classifies the choices grounded in the subjective estimations of probabilities as cases of choice under uncertainty. For these cases, the criterion of rational choice formulated in the expected utility theory (Bayes rule) is inappropriate. Conceivable alternatives to this rule include maximin rule, the rule of insufficient reason and so on. The monograph discloses the following assumption hidden in Weber's definitions of fundamental sociological categories (in these definitions, the permanent element is the concept of "chance") and in his classification of the forms of capitalist economic action (in this classification, "rational" capitalist action is distinguished from its "irrational" species): according to Weber, necessary condition of the objectively rational choice under risk is reliable calculation of risk. In Weber's terminology, "capitalist economic action" means the action striving after monetary profit and using the "chances" provided by market exchange. Weber considered as "irrational" not only "speculative" capitalists who are relying on the calculation of things which are incalculable as a matter of principle, but "traditional" capitalists too, who are risk averse and make their choices according to the maximin rule. Author concludes, that differently from the modern expected utility theory Weber considered risk neutrality of preferences as defining feature of the behavior under risk (from the standpoint of the modern expected utility theory, the rationality of action under risk is compatible with whatever attitudes to risk).

The close analysis of contexts in Weber's writings where the "objective rationality" is predicated to actions, allows to identify another essential feature in his situative conception of rationality. From the contemporary perspective, this feature can be assessed as its limitation or shortcoming (Jon Elster was the first who had spotted it). Modern analytic RCT consists of two branches: decision theory, represented by expected utility theory, and game theory that explicates the concept of rational choice in the strategic situation. Strategic situations are species of social situations. In the social situations, the actions of other actors are conditions determining the outcomes of the actions of given actor. The strategic situations are defined by the standard axioms of expected utility theory supplemented by the axiom of symmetric knowledge: (a) every participant in the situation knows the preferences and the options of other participant, and (b) every of them knows (a). The strategic situations must be distinguished from parametric situations. In these situations, the circumstances determining the outcomes of actor's choices are natural forces or human behavior, which is indistinguishable from natural forces. The marginal utility theory and expected utility theory analyze the choice in the parametric situations.

Almost unexceptionally, in Weber's remarks on rational social action he refers to actor's choices in the parameterized social situations. In these situations, mutual expectations of actors are already stabilized by shared definition of situation and normative commitments. For this reason, Weber almost never takes notice of the analytical problems implied by the rational choice in strategic situations. On the other hand, Weber's prescription to begin the sociological explanation from the counterfactual model built under assumption of complete information and



perfect rationality cannot be implemented practically without the analytical technique of game theory, which was nonexistent in Weber's time. This was one of the causes of divergence between Weber's methodological precepts and his substantive work. The emergence of the game theory made it possible to apply RCT behind the confines of the perfectly competitive market which was the only subject of the early neoclassical economics; and if the RCA sometimes is identified with the modeling of social phenomena by the means of game theory, this is done with solid reasons.

**Ch. 7. Max Weber's concept of subjectively (procedurally) rational action as a problem for theory of action** continues the explication of Weber's contextual definitions of rational action by the means of RCT. In this chapter, the subject of analysis is Weber's statements where he uses the predicates of "subjective" and "formal" rationality. As the main tool (roentgen device) of explication the subjectivist version of expected utility theory is used, which was developed by Frank P. Ramsey and Leonard Savage. Both concepts - "subjective rationality" and "formal rationality" - give expression to procedural view on rationality. As "subjectively rational" Weber designates the action, which is the outcome of well-reasoned choice. Deliberating on his choice, an actor articulates clearly and distinctly in *foro interno* of his mental life the alternatives of choice and weighs all *pro et contra*; he concentrates his attention and exerts himself mentally ("ransacks his brains"). If Weberian concept of "objectively rational" action was oriented to neoclassical economics, his concept of "subjectively rational" action was borrowed from the usage in jurisprudence and psychology, and especially - in psychiatry. Weber's "subjective rationality" is stronger than Popper's weak situative and Simon's weak procedural concepts of rationality, because Weber refuses to predicate "subjective rationality" to protractedly premeditated actions of mental patients (e.g. paranoiacs); however, he accepts its application to the behavior of sorcerers and their clients.

The opposition of subjective and objective rationality is dominant in the first version of interpretive sociology. In the second version, the opposition between formal and value rationality replaces it. The degree of action's subjective rationality is directly related to the degree of actor's subjectively experienced intellectual effort and to the degree of the clarity achieved by this effort. The degree of action's formal rationality depends on what and how many technologies for collecting, preserving, and processing information are applied to the analysis of situation and framing of the choice. Writing, systems of accountancy, calculus, and computation devices (from abacus till PC) - are the tools of the formal rationalization of action. Replacing the "subjective" rationality of action by "formal" rationality, Weber disposes of disorienting connotations of the word "subjective" ("subjectivity" means not only "conscious" activity, but also "falsity" and "narrowness", "partiality"). At the same time, by this replacement he depsychologizes his procedural view of rationality, sociologizing it to a certain degree. This sociologization means the conceiving the rationality as action's property whose presence/absence and degree depends on actor's cultural environment to the greater extent than on actor's individual efforts. Namely, it depends on the quality and quantity of cultural resources, semiotic and mental technologies available for actor. "Formal" rationality, differently from "subjective" rationality, is the historical magnitude. At all times and in all places, people were under pressure to "ransack their brains" (to be "subjectively rational"). However, the degree of "formal" rationality, attainable for actors in

the society which has already invented writing, is different from the degree which can be achieved in the society where this invention was not yet been made.

From all versions of RCT, which are applied in the modern RCA, the subjectivist version of expected utility theory enjoys uppermost popularity. At least three peculiarities of this version can be pointed out, which qualify it for the explication of the concept of “subjective rationality”. Firstly, differently from the objectivist version of expected utility theory, the theory of subjective expected utility doesn’t consider the knowledge of “true” probabilities as the necessary condition for choice’s rationality. It is grounded in the subjectivist interpretation of probability, where probability is understood as degree of belief. Therefore, this theory allows ascribing probabilities to single events. In the objectivist conception of probability, where probability is defined as the mathematical limit of the observed frequency of events of certain kind, such ascription makes no sense. The situations of choice, which are classified by the proponents of objectivist version as cases of choice under uncertainty, are reclassified by subjectivists as cases of choice under risk, because even the actors who know next to nothing about the circumstances determining the outcomes of their choices have subjective probabilistic expectations about the outcomes of their alternative choices.

Secondly, the subjectivist version of expected utility theory makes the rationality of choice dependent not on its appropriateness with respect to objective situation (it allows to predicate rationality to choices which were grounded in the false expectations), but on the application of certain procedures of learning from experience. This procedure is defined by Bayesian theorem. This theorem prescribes how rational actor would react to new information, updating his probabilistic beliefs. Thus the subjectivist version of expected utility theory considers the rationality or irrationality of behavior as its property which depends on the way (procedure) in which the expectations of an actor were formed and have changed. Therefore, it brings to expression not the situational, but the procedural view of rationality.

Why the learning from experience according to procedure prescribed by Bayesian the theorem is rational? Among its implications, the subjectivist version of expected utility theory has the following one: if different actors will learn from their experience according to Bayesian theorem, then whatever were their initial probabilistic expectations, they will converge, approximating at the same time “true” probabilities. At the same time (this is third peculiarity of this theory qualifying it for the title of the theory of “subjective” rationality), theory predicts the absence of such convergence, if zero probabilities were ascribed to true hypotheses or if actors used systems of classification where the partition of phenomena doesn’t corresponds to natural kinds. Therefore, this theory can be used to explicate the famous thesis of Weber on the fateful role of “switchmen” which the worldviews have played in history: “not ideas, but material and ideal interests, directly govern men’s conduct. Yet very frequently the ‘world images’ that have been created by ‘ideas’ have, like switchmen, determined the tracks along which action has been pushed by the dynamic of interest” (Weber (1915) 1946: 280).

The peculiarity of a world image depends on its fundamental concepts used for the interpretation and classification of experience, and on the initial probabilities which were ascribed in it to certain hypotheses. World images are the conceptual structures, which (as antecedent frameworks) at the same time enable actors to learn from experience and limit the

space of possible outcomes of this learning. Weber associated different trajectories of the historical development of the West and East with the differences in the world images. This Weber's insight can be given the following expression in the terms of subjective expected utility theory: if the conceptual structure of the world image is misguided, if true hypotheses have zero probability-ascriptions and false hypotheses have high probability-ascriptions, then the intellectual activity within this world image is moving along the false railing (independently from the degree of subjective tension of this activity). This is the case of the thinking, which is confined in the cage of the mythological or magical world image.

However, not all Weberian intuitions, expressed by his uses of the predicate „subjectively rational“, pass into an explication of the concept of rationality by the expected utility theory. This theory abstracts from these important (from Weber's point of view) features of subjective rationality: deliberation or conscious weighing of alternatives, linguistic communicability and intersubjectivity (these connotations of „subjective rationality“ are summarized by Weber's thesis that the distinctive feature of human behavior is its „meaningfulness“). “Bayesian automaton” or “zombie”, whose behavior has no these features, can learn rationally from the experience too. Because of these connotations, Weber's concept of “subjective rationality” is not purely procedural; it has a situational aspect (this is the reason why in the Fig.2 it is placed not at the right side of rectangular, but in its middle). Weber attributes subjective rationality to action only if its subjective sense is communicable (linguistically expressible) and may evoke the acceptance by other actors, being transformed into the definition of situation accepted by at least two actors. In other words, an action is subjectively rational, only if its subjective sense can play the role of the meaningful content in a social relation. Besides that, to be “subjectively rational”, an action must be best with respect to intersubjectively defined situation. These features are lacking in the case of psychopathological behavior - such behavior means the “fall” of actor out of social relations into the total and “inexpressible” solitude. A maniac or paranoiac is always alone with his understanding of world. “Delirious ideas”, which can be understood and accepted by more than one actor, are no “delirious ideas” anymore, but a new “life world” (in the sense of Edmund Husserl and Alfred Schütz) or “subculture”.

The second connotation of “subjective rationality” (communicability and intersubjectivity) plays most important role in the definition of this concept proposed by contemporary French sociologist Raymond Boudon. He names this definition “cognitivist” model of rationality and considers it as the explication of Weber's concept of subjective rationality. For Boudon, an action is rational, if actor has “good” reasons to do it. “Good” reasons are acceptable reasons (at least, by the people sharing the same culture with actor). This concept of rationality is weaker than the strong concepts of rationality, which requires from an actor objectively valid reasons, and it is stronger than Popper's and Mises' concept of rationality which allows qualifying action as rational, if an actor has some reasons. The author of monograph acknowledges that Boudon's cognitivist model is very close to Weber's idea of subjective rationality indeed. However, it is no more exact than Weber's idea (therefore, it cannot be considered as its explication); it has no analytical structure comparable with the structure of the expected utility theory (therefore, it cannot serve as a tool for mathematical model building); and cannot be operationalized (therefore,

though it is philosophically interesting, it is not applicable for the explanation and prediction of empirical behavior).

In the late Weber's texts, the concept of value rational action raises to prominence and plays important role. This concept is discussed in *Ch. 8. Dual rationality of action? Weber's "value rational action" and analytical theory of rational choice*. Weber makes distinction between two varieties of such actions: conviction-ethical (*gesinnungsethisch*) and responsibility-ethical (*verantwortungsethisch*). The action of second type is oriented to consequences and differs from the economic rational action only in following respect: an actor is not self-interested (indifferent to the impact of his action on the welfare of other people) when he evaluates the consequences of his actions: he measures them by moral and other values and norms. Both assumptions - self-interest and motivation by values - are "thickenings" of the formal (axiomatically explicated) concept of instrumentally rational action, which are transforming it into the "thick" concept of rationality (see Fig. 2). As a formal (logical-mathematical) theory of practical rationality, the expected utility theory (like other "thin" concepts of instrumental rationality) is compatible with every assumption about the content of preferences. Therefore, Weberian "responsibility-ethical" action is not interesting or problematic from the standpoint of contemporary RCT: not only neoclassical economics, but also contemporary consequentialist ethical theories (first of all, the utilitarian ethics) are grounded in RCT.

Things are somewhat different in the case of conviction-ethical action, which is identified by Weber with "pure" value rational action (as its hypothetical example, consistent behavior conforming to Kant's "categorical imperative" could serve). As it was already mentioned in the survey of chap. 5, such action is distinguished by its rigidity - principled indifference to its "price": not the consequences of his choices, but the feeling of accomplished duty are important for actor. Basing on the work of Jon Elster, the author of monograph shows how the behavior of this kind can be accommodated within the framework of formal analytical RCT. Namely, the features described above are characteristic for the behavior of an actor whose preferences have lexicographic structure. Such preferences satisfy the axioms of reflexivity, completeness, and transitivity, but they violate the axiom of continuity (the principle of Archimedes). Actor's preferences are continuous, if he can be induced (e.g., by offers of exchange) to exchange the pair of items  $(x_1, y_1)$  preferred by her/him to another pair  $(x_2, y_2)$  for the pair  $(x_2, y)$  differing from  $(x_2, y_2)$  by greater number or magnitude of  $y$  ( $y > y_2$ ). If there is no  $y > y_2$  such that  $(x_2, y)$  is better than  $(x_1, y_1)$ , then the order of actor's preferences is not continuous.

Therefore, the behavior of an actor with lexicographic preferences can be explained as the maximization of utility function too. However, this function is not cardinal, but only ordinal. The structure of lexicographic preferences is analogous to the order in which the words in lexicon are placed. The words beginning with the letter "A" precede the words beginning with the letter "B". Respectively, the actors with lexicographic preferences never sacrifice e.g. quality for quantity, speed for security, career for love (or *vice versa*), - whatever the exchange rate is offered. For such actors, some things have "infinite value": she/he is ready to pay for them whatever price and to make whatever sacrifices.

The author of monograph makes two points overlooked by many Weber-interpreters: (1) the disjunction between situational and procedural rationality is valid for value rational actions

too. According to Weber's view, for value rational actions only the concept of subjective or procedural rationality is applicable. The concept of "objectively" value rational action is empty, because the discussions on "ultimate values" cannot be solved by rational arguments. Besides that, the conformity of behavior to certain norms and principles is insufficient condition to name it "value rational action". This predicate can be applied only to actions motivated by protractedly considered reasons and consciously chosen principles.

(2) The analytical question - can Weber's pure "value rational" action be subsumed under the concept of rational action explicated in the contemporary RCT (first of all, in the expected utility theory)? - must be distinguished from the empirical question, whether this concept is empty or not (has empirical referents), and from the further question, which arises if second question is answered affirmatively: is value rational action only an ethically or psychologically interesting idiosyncrasy, or it has sociologically significant consequences too. Weber answers both questions affirmatively, relating these sociologically significant consequences to the activities of "religious virtuoso" and charismatic movements. However, value rational motivation acquires such significance only in exclusive, "not everyday" circumstances, which happen as seldom as ball lightnings, but can have very important consequences. According to Weber's view, dominant motive of human behavior under mundane circumstances is the satisfaction of material interests. Under conditions of this kind, value rational motives play important role as stabilizers of equilibrium states arising out of this-worldly material interests; however, they are neither most important driving engine of human behavior, nor the source of social order.

Value rational action is only one of the four "pure" types of action distinguished by Weber in his late work. Weber makes remark, that this typology is not complete. Taking guidance from this tip, the author of monograph applies in the *Ch. 9. The outline of sociological action theory in the late work of Max Weber* the method of substruction (as described by Allen H. Barton) for reconstruction of the full Weberian typology of action which includes not only the pure types of action, but also the mixed ones. Value commitments (V), habits (T), and affects (A) can determine the course of action not only operating alone, but interacting in different combinations (e.g., an action can be affectual and value rational at the same time). Besides that, under all circumstances an actor can make his choice only from the opportunities (Weber's German term is *Chance*), which are left open for him by the restrictions separating real possibilities of choice from the logical possibilities. In the case of pure instrumental action, actor's choice from his feasible set is determined only by his expectations (E) and goals (G).

Thusly, Weber's late action theory regards the action (H) as the function of actor's opportunities (chances), expectations, goals, value commitments, habits, and affects  $H=h(O,E,G,V,T,A)$ . Provided that the meanings of the variables in the argument concerning the function vary independently (except the variable O: as far as an actor is alive, he has more or less opportunities of choice), and can also have the meaning 0 (in this case the variable has no influence on behavior), the borderline cases are the pure types of instrumentally rational action (1) ( $H=h(O,E,G)$ ), value rational or „conviction-ethical“ action (2) ( $H=h(O,V)$ ), (3) traditional action ( $H=h(O,T)$ ) and (4) affectual action ( $H=h(O,A)$ ).

Besides these pure types, eleven „mixed types“ are also possible from the purely combinatory point of view. In total, Weber's action typology includes 15 action types: (5)

$H=h(O,E,G,V,T,A)$ ; (6)  $H=h(O,E,G,V,T)$ ; (7)  $H=h(O,E,G,V,A)$ ; (8)  $H=h(O,E,G,V)$ ; (9)  $H=h(O,E,G,T,A)$ ; (10)  $H=h(O,E,G,T)$ ; (11)  $H=h(O,E,G,A)$ ; (12)  $H=h(O,V,T,A)$ ; (13)  $H=h(O,V,T)$ ; (14)  $H=h(O,V,A)$ ; (15)  $H=h(O,T,A)$ . In the combinatory possible (16) type, the values of all variables would equal zero ("no"); so the action itself would be nonexistent. The analysis of Weber's texts shows that he works at many places with these mixed types, and some of them are playing in his theories important role. The *verantwortungsethisch* or responsibility-ethical action ((8)  $H=h(O,E,G,V)$ ) is most paramount case.

The reconstruction of Weber's complete typology of action shows that it is no mere typology but the outline of the explanatory theory of action. Because Weber in his later texts continues to defend the autonomy of sociology with respect to psychology, this theory can be qualified as outline of specifically sociological theory of action. In the framework of such theory, the instrumentally rational action and its theory (RCT) would be special case of more general theory. In the later attempts to construct such theory, the relationship between RCT and sociological theory of action is understood in the same way (e.g. in Parsons's "voluntaristic" action theory, Habermas' "communicative" action theory, Hans Joas' "creative" action theory, and the theories of phenomenological sociologists and symbolic interactionists). Therefore, Weber's late outline of action theory can be considered as the origin of the theory building tradition, pursuing the goal to construct specifically sociological theory of action.

If explanatory power is considered as necessary merit for such theory, then there is no sufficient reason to admit that these efforts were successful. To possess the explanatory power, theory should contain at least one nomological statement (in RCT, the role of such statement is performed by the principle of utility or expected utility maximization). Weber's theory of action is only an outline of such theory, because it specifies the variables, which would contain the statements of such theory, but it doesn't specify the shape of functional dependency between the dependent and independent variables. Let us make a comparison: If we know that the attraction force  $F$  stands in functional dependency  $F=f(r, m_1, m_2)$  from the distance  $r$  and the masses  $m_1$  and  $m_2$ , we still do not have the attraction law. The shape of this functional dependency must be specified too (in this case  $F=q \cdot (m_1 \cdot m_2)/r^2$ ). The same applies for all later efforts to construct a sociological action theory, from Parsons to Jürgen Habermas. They merely contain classification schemata and are not explanatory theories.

Weber's sociological theory of action confronts the following dilemma: if sociology is grounded in the sociological theory of action which is broader and more realistic than RCT, than such theory is merely classification schema unable to formulate any nomological hypotheses and lacking explanatory power. If sociology looks after an action theory which would not only be broader and more realistic than RCT, then psychology is only possible provider of such theory. However, this would mean to abandon the antipsychologistic ideal of autonomous sociology or social science generally.

This dilemma is confronted by *every* individual behavior theory, endeavoring to satisfy the following conditions of adequacy:

- (1) To be independent of psychology.
- (2) To be linked to everyday experience or „folk psychology“.

(3) To be more realistic (or descriptively accurate), have a broader explanatory scope and analytical power than the theory of instrumental rational action, which is regarded as a special borderline case.

These conditions of adequacy define the problem situation of the contemporary attempts to provide an “action theoretical” foundation (by means of theory of individual behavior) for social science. Either we must abandon the ideal of explanatory and predictive social science, or to conclude that the program of specifically sociological theory of action has failed (its conceptual means are useful only for “thick descriptions” advocated by Clifford Geertz, but not for explanations). Would we remain faithful to this ideal, then following the failure of the project of sociological action theory the only viable options are psychological theories and RCT. The first alternative has following unattractive aspects: (a) there is no consensus among psychologists themselves yet, which theory is the best one; (b) Not nearly all psychological theories satisfy the condition (2) - many psychologists had associated (e.g. behaviorists) or associate now (e.g. many “cognitive scientists”) the progress of their discipline with the radical conceptual break with “folk psychology”; (c) the theory of individual behavior can require for its application the data about the initial conditions which can be collected only under the conditions of laboratory experiment. Therefore, it can be unsuitable for use in sociology. In his characteristic of the method of “decreasing abstraction” (see also the survey of ch. 5), Lindenberg emphasizes that sociologist is interested (differently from psychologist) not in the individual behavior as such, but only in so far as its analysis helps to explain better and predict more exactly the “sociological facts” (in the sense of Durkheim). Being collective outcomes of individual behavior, these facts vary in part independently from the changes in the individual behavior; therefore, a complex and delicate psychological theory of individual behavior in some cases can be of no use for social sciences (all depends on what precisely a sociologist is about to explain and predict).

The choice of RCT involves a sociologist in other perplexities. First of all, there are so-called “anomalies of rationality” - manifestations of human behavior which are really or seemingly inconsistent with this theory. The episodes of human behavior that were described by Weber as traditional, affectual, and value rational behavior, are some of them. Because of these anomalies, many adherents of RCT prefer to apply it in the sense of partial or segmental universalism. The proponents of pure universalism struggle to show that the “anomalies of rationality” pinpointed by the critics of RCT, are only apparent ones and can be surmounted by the proper application of RCT or by the more exact definition of the concept of rational behavior. However, the “anomalies of rationality” can be surmounted only by trespassing against the (2) adequacy condition of the explanation of individual behavior. This condition is violated by the redefinitions of the concept of “rational behavior” if they skip over too many preanalytical intuitions which guide our language use of the word “rational” and its derivatives in the ordinary language (e.g., this is the case with those versions of RCT which eliminate anthropocentric connotations from the concept of “rationality” and allow to attribute the rationality to animal behavior too).

Of special interest is the consequent universalistic strategy of epistemic dissolution of the “anomalies of rationality” developed by Hartmut Esser. Among other things, Esser tries to show how the subjectivist version of expected utility theory can be used to explain the episodes of

behavior which were classified by Weber as value rational, traditional, and affective behavior. For this goal, he uses his theory of “definition of situation” where the decisions of the first-order from those of the second-order are distinguished. The objects of the first-order decisions are the alternative courses of the outer behavior. An actor makes second-order decisions, defining the situation. The definition of situation includes the choice of the heuristics for information processing and the choice of the “frame” (cp. Erving Goffman), or the criteria for an evaluation of the outer consequences of behavior. According to Esser, Weberian types of action are types of situation definitions. The second-order choices, differently from the first-order choices, are always utility maximizing choices; therefore, the expected utility theory is the universal theory of behavior in the last count. However, Esser succeeds to rescue the expected utility theory only by eliminating from it the theory of belief formation with its core part - Bayesian theorem. In its complete form, the subjective utility theory is not only about the choice of “outer behavior”, but about the (rational) definition of situation or cognition too. Therefore, it barely can be applied in the way proposed by Esser.

#### **PART IV. THE CENTRAL PROBLEM OF MAX WEBER, “ABSTRACT ECONOMIC THEORY”, AND HISTORICAL NATIONAL ECONOMY**

In the fourth part of monograph, Weber’s substantive social-economic research work is discussed; in the fifth the results of this work are subjected to critical evaluation. In the beginning of the fourth part the question is raised, what was the main or “central” problem in Weber’s substantive research (Ch. 10)? In the subsequent chapters, the following answer to this question is substantiated: the central Weberian problem was that of the possibility conditions of the “rational capitalism”, of the historical origins of these conditions, and of their future. For each of these three aspects in Weber’s central problematic, a separate chapter is assigned: Ch.11 discusses Weberian analytic of the possibility conditions of “rational capitalism”, ch. 12 - his analysis of the historical genesis of these conditions, and the ch. 13 examines Weberian prognostic.

The question referred to by the title of *Ch. 10. The question of Weber’s central problem in Weber-literature*” is one of inveterate questions in the discussions on the legacy of German sociologist (in German, the locution *zentrale Fragestellung* is typically used). The author of monograph proposes to draw clear distinction between this question and another one, which was intensively discussed too and was examined in the preceding parts of the monograph: what was the theoretical core in Weber’s views and which Weber’s texts represent it in the most distinctive way? In the question about Weber’s central problematic, the following topic is in the focus: is it possible to identify in Weber’s substantive work the problem, which had for him most significance, attracting most attention and efforts? Differently from this question about Weber’s explanandum, the question of theoretical core is about theoretical assumptions and the methodology of his substantive research.



In the monograph, three typical answers to the question of *zentrale Fragestellung* are distinguished: (a) Weber had analyzed many specific empirical problems, and all or many of them were equally important (Stephen Kalberg); (b) Weber was mostly interested in the historical origin of certain (“Western”) “human type” and his future (Wilhelm Hennis); (c) Weber was a theorist and historian of the first (endogenous) modernization (the view, predominant in the textbooks of the history of sociology). In the opinion of the monograph’s author, (a) disregards the inner interconnectedness of the problems analyzed by Weber and his own references to this interconnectedness; (b) archaizes Weber’s problematic, interpreting in misleading way some of his statements and paying no due regard for the evolution of Weber’s views; on the contrary, (c) over-modernizes his problematic by identifying Weber’s “rationalization” with the “modernization” in post-Weberian sociological theory.

The monograph’s author acknowledges that Weber’s work (especially the late one) can be considered as one of the sources of modernization theory. However, he maintains that the following description of Weber’s central problematic can pretend both greater historical accuracy and fruitfulness: this is the question about the possibility conditions, about the historical causes of these conditions, and about their future.

**Ch. 11. Weber’s concept of “rational capitalism”** argues that this answer is more historically accurate, because it takes into consideration the origins of Weber’s problematic in the German national economic science of his time. In the monograph, these origins are traced back to the discussion between Eduard Meyer (most prominent authority in subdiscipline of Ancient history in these times) and Karl Bücher (coming from the Historical school in German national economy) which had begun in the 1890s. The discussion had following question in its focus: is capitalism modern phenomenon? Meyer criticized Bücher’s scheme of the economical evolution, where the “domestic economy” (*Hauswirtschaft*; this is natural economy, whose participants are producing for their own consumption), “city economy” (*Stadtwirtschaft* - local market economy), and “national economy” (*Volkswirtschaft*) were distinguished. Bücher associated domestic economy with antiquity, city economy - with Middle Ages, and the national economy - with modern time. Meyer had argued that the economic life of antiquity (especially during late Hellenist and Roman time) already was distinguished by the features of capitalist *Volkswirtschaft*. According to Meyer, Greek and Roman ancient history is not the stage in the process of historical development, encompassing Middle Ages and modern time as consequent stages, but an autonomous cycle, whose main features were repeatedly displayed by the medieval and modern European history. The discussion had already approached its climax, as the widely read and translated book of Werner Sombart “Modern capitalism” was published in 1902. Along with other topics, this book examined the historical origin of modern capitalism. In this examination, Sombart blended the ideas of Karl Marx with those of Bücher and other representatives of the Historical school (incidentally, Bücher’s schema was only one of the many stage models discussed by historical economists).

From Weber’s point of view, only “rational capitalism” is specifically modern. He urged to distinguish it from the historically universal forms of “irrational” capitalism (see the survey of ch. 6). The monograph substantiates the thesis that Weber’s concept of “rational capitalism” is peculiar by its orientation to neoclassical economics, which was called by Weber “abstract

economic theory” and considered by him as the “ideal type” of rational capitalism (see the survey of ch. 2). Weber had identified this theory with one of its applications - general equilibrium model. In this model, grounded in a set of idealizing assumptions (first of all, perfect rationality), the allocation of resources in the system of interconnected markets (i.e., in the hypothetical perfect market economy) was analyzed.

Weber used the term “rational capitalism”, firstly, to denote economic macrosystems (“national economies”; *Volkswirtschaft*), which were sufficiently similar to this neoclassical utopia. For the assessment of the degree of this similarity, the level of development of market exchange plays paramount role: the more and more different resources are allocated by market exchange, the more capitalist is the national economy under consideration. Some specific national economy can be designated as “rational capitalist”, if it distinguished by the following features: (1) the interlocal markets for the goods of mass demand and the mass production of such goods are developed in this economy. In such economy, the consumers satisfy all or almost all their daily needs through the mediation of market exchange. In the premodern times, the interlocal markets existed mainly for luxury goods, and the exchange at the local markets served to satisfy comparatively insignificant part of daily needs (the remaining part of daily consumption goods was produced in domestic production). (2) In the “rational capitalist” national economy, the markets for means of production, land, and labor are developed. For comparison: there is no market for means of production in the centrally planned national economy, and there was no land market in the feudal Medieval Europe, where ownership of land was bounded with political power. (3) In such economy, markets for capital (with banks as main supply-side actors) and for futures (*Zukunftsgüter*) are developed. Futures are goods that are not produced yet at the time moment, when market transactions on fixed-date delivery of these goods (*Termingeschäfte*) are concluded. Outpacing the economic theory of his time, Weber considered transactions in futures and markets for futures as the essential feature of rational capitalism, because these markets enable a producer to calculate in advance his income and expenditures and to take “objectively rational” economic decisions. The development of the markets for futures allows “domesticating” or subduing for capitalist economic system “irrational”, risk-prone capitalist speculators by “imprisoning” them in the exchanges. By reselling for each other the goods not produced yet (i.e., speculating), they are creating more stable (calculable) environment for “rational” capitalists - the capitalist economic actors with risk-neutral preferences (on the peculiarities of Weber’s concept of “(objectively) rational economic action” see the survey of the ch. 6).

Rational capitalist economic action is the second denotation of Weber’s “rational capitalism” concept. In this case, rational capitalism is microlevel or agency-related concept. Weber considered as the most important substantive feature of “rational capitalist” economic action the organization of mass production, and as its most important procedural feature - the rational accounting of capital. The capitalism of this kind had arisen for the first time in the modern Western Europe. Other (older and more universal ones) forms of capitalism are operating traditionally in the trade and credit sphere. The actions of entrepreneurs or managers who are organizing the production in the market environment can be called “rational capitalist”, if they are sufficiently similar to the “ideal type” constructed by the neoclassical production theory (or theory of firm behavior). This theory portrays the behavior of perfectly rational producers acting

in the perfectly competitive market (i.e. in the market, where the single producer cannot influence the prices and is “price-taker”). The producer in such environment can survive (not to go bankrupt) only if she/he makes optimal decisions. This is the environment of “ruthlessly efficient market” (Faulhaber and Baumol 1988: 578), punishing for suboptimal decisions. The question that was of paramount interest for Weber, was the following one: how real human actors who are only boundedly rational can act like the perfectly rational characters of the neoclassical “perfect market”? Under what conditions can the neoclassical models grounded in the assumption of perfect rationality hold “empirically” (see the survey of ch. 2)? What are the determinants of actors’ ability to make “objectively rational” decisions?

Weber’s answers to these questions are discussed in the *ch. 12 The analytic of possibility conditions of rational capitalism*. In this chapter, two Weberian strategies for the solution of this problem are distinguished: the psychogenetical and the cultural-institutional one. The first strategy makes the rationalization of economic life dependent on the education of a specific psychological human type. Following the example set by Friedrich Nietzsche in his “On the Genealogy of Morality”, Weber tries to retrace the historical-psychology genealogy of *homo oeconomicus*. This genealogy is based on the anthropological assumption that habitual or traditional behavior is “natural” human behavior. The concept of the search after “good enough” (satisficing) alternative (provided by Herbert Simon) gives nice description for this style of decision-making: “traditional” actor is satisfied by what he already has, and looks after new (better, but not necessarily best one) alternative only if because of environment's change he cannot satisfy his traditional wants. By contrast, the wants of *homo oeconomicus* are insatiable, he always seeks after the best alternative, he takes every chance to profit, and he is able to bear the strain of such “maximizing” way of life. His other features are autonomy - he never changes his wants (preferences) under the pressure of public opinion, and his only guide is his own head (he never passes the control over his behavior to “guru” or any other “soul director”); emotion control, which in the language of “abstract economic theory” means simply the stability of preferences; the systematic organization and consistency of the behavior. This last feature of *homo oeconomicus* Weber describes by his most beloved catchword - “rational way of life” (*rationale Lebensführung*).

The famous Weber’s work “The Protestant Ethic and the Spirit of Capitalism” can be read as investigation of the historical-psychological genealogy of such “unnatural” maximizing actor. This state of affairs is exploited by Hennis in his interpretation of Weber’s legacy, where German sociologist is represented as “characterologist” (continuing the “old European” tradition of practical philosophy), concerned with the problems of human education. However, as a matter of fact, the psychogenetic problematic is not uncongenial neither to modern science nor to postmodern scholarship: “The Protestant Ethic and the Spirit of Capitalism” (in psychogenetic interpretation) can be considered as the anticipation both of the Norbert Elias’ analysis of historical psychogenesis of “civilized man” and of Michel Foucault’s history of disciplinatio..

However, the identification of “spirit of capitalism” with certain human psychological type is only one possible interpretation of this concept. Weber himself identifies it with certain “economic ethic” which not necessarily must be internalized to be operative (the pressure of public opinion can suffice to make it effective). This ethic includes informal rules which

prescribe proper attitude to work (as “professional vocation”), to wealth, to innovative behavior, to the poor and so on. Such depsychologized conception of the “spirit of capitalism” is more typical for Weber’s writings written after 1910. In these texts, Weber answers the question about the possibility conditions of rational capitalist economic action, applying another - cultural-institutional strategy. Most probably under Georg Simmel influence, Weber formulated the paradox that is called in the monograph the “paradox of the superior ignorance of the modern man”. This paradox says that “modern man” attributes to himself the superior rationality with respect to the “wild man”, although he “knows less” about his life world than the “wild man”. “Modern man” can transform only insignificant part of the surrounding “objective culture” into his “subjective culture”, whereas the “wild man” must know all or almost all “objective culture” of his tribe to survive.

According to Weber’s later view, the higher level of objective rationality characteristic for the actions of “rational capitalists”, is warranted not so much by the peculiarities of their psychological *habitus* (Weber’s term), - the propensity for subjective rationality (ability and willingness to think much and intensively). Rather, this higher level is warranted by the increased formal rationality in the processes of the decision making, social organization of knowledge and by certain peculiarities of the institutional environment (including certain informal “economic ethic” as its integral part) of their actions. In short, this level is enhanced by all factors making possible and facilitating “rational capital accounting” (Weber (1923) 1927: 276-278), which was considered by Weber as the most important procedural feature of rational capitalist economic action. If the situation of choice outbids by its complexity the competence and the natural capacities of actor’s psychophysical information-processing apparatus, then even the most intensive subjective efforts and strain (i.e. the uppermost “subjective” rationality of the actor) is not sufficient to find optimal decision. On the other hand, the task to find the optimal decision in the same situation can be quite easy for the competent actor armed with powerful “artificial” hardware and software for information collecting and processing. The higher level of “formal” rationality allows to economize at the expense of emaciating “subjective” rationality and to find “objectively” rational (successful) decisions more frequently. The level of formal rationality of economic action depends on the progress in the development of the tools for information processing and storing, and on the development of communication means (see also the survey of ch. 7). The social organization of knowledge enables an actor to think using other people brains (employing the experts).

The author of monograph advances the hypothesis that Weber in his turn from the psychological to formal (cultural-semiotic) view of the economic action's procedural rationality was probably stimulated by the deeper acquaintance with the naturalistic theories of the “thought economy”, influential at the juncture of 19<sup>th</sup>-20<sup>th</sup> centuries. The builders of these theories (first of all, Ernst Mach) considered as the main determinant in human cognition the invention and development of ever new “semiotic technologies” (writing, computation systems and algorithms). In this development, the more "economical" semiotic technologies are replacing unhandy systems of writing and computation. Such technologies make it possible to transcend the psychophysical limitations of human rationality. These limitations are exemplified by the field of consciousness limits (at every given moment of time, we can be in clear and distinct consciousness only of the

few objects and their relations), by the limitations of human memory, time-span of the attention concentration and so on.

Weber pays most consideration to the institutional possibility conditions of “rational capital accounting”, providing several lists of different length with these conditions. Most frequently, he includes in these lists free ownership (*freies Eigentum* in German) for all material (*sachlichen*) means of production, the freedom of market exchange, the “calculable” (mechanized) technique, “calculable” law, “free” labor, commercialization of economy (the emission and the trade in stock) and so on. These conditions enable an “rational capitalist” to ground his decisions in the calculation of factors influencing their success. The mechanized technique is more easily calculable and predictable than organic animal “technique”, like the “free” labor power is more calculable in comparison with the unfree labor power. The plague can annihilate all slaveholder’s wealth; however, a “rational” capitalist can simply hire new workers, and he doesn’t need to bother what to do with the crippled or lazy workers (he can fire them). The trade in stock enables the owner of capital to disperse his risk, and by the same thing, to enhance its calculability. The freedom of market exchange means freedom from the arbitrary and incalculable intervention of the state - the institution, which effectively claims the monopoly of the legitimate use of force in certain territory. The “free ownership” for all material means of production implies that all of them are for market exchange and have calculable market value. Even more importantly, the property of this kind creates strongest incentives to make well-reasoned (subjectively rational) choices; i.e. to exploit maximally the possibilities of the rational calculation provided by the cultural and institutional environment.

One of the elements in the aggregate institutional and cultural possibility conditions of the “rational” capitalist economic action is the “spirit” of capitalism, understood as a certain economic ethic (first of all, business ethic). However, Weber considered as the most important element in this aggregate the calculable (and therefore, “rational”) law, regulating the relations between the subjects of market transactions (civil law) and the motions of state machinery (public law). The rationality of law means, firstly, its logical consistency. To count as “rational”, a code of civil law must provide for the subjects of the market transactions a clear and exact language for formulation of their mutual obligations. Next, Weber regards as the element of civil law, necessary for “rational” capitalist economic action, the distinction between physical and juridical persons and the institution of joint-stock company, which makes possible the separation the owner’s “household” (*Haushalt*) budget and obligations from those of the “enterprise” (*Betrieb*). Secondly, the rationality of law means the predictability (matching the predictability of the machine’s motions) of the decision made by the state law enforcement agencies. Rational law stabilizes mutual expectations of actors, parameterizes the situations of choice (neutralizing their strategic potential) and simplifies them. In this way, it creates the conditions for formally and “materially” (objectively) rational choice.

Weberian possibility conditions for the rational economic action describe necessary cultural and institutional conditions for the empirical realization of the perfect market economy portrayed by the neoclassical general equilibrium model. Some of these conditions are mentioned in the neoclassical models too. However, as far as these models are grounded in the standard assumptions of the perfect rationality and complete information, they only play the role of

rhetorical adornments. Omniscient actors in these models have (thanks to assumption of complete information) all necessary information and have no problems of calculation and prediction. For this reason, there is neither the possibility nor the necessity in these models to say something relevant about the institutions. However, Weber uses the perfect market's "neoclassic utopia" as an "ideal type" for generation of research problems and hypotheses, and treats the above-described "economic relevant" institutional and cultural factors as the substitutes for the perfect rationality which cannot be attributed to empirical actors. These actors, having at their disposition such substitutes or compensators, are empowered to simulate successfully the behavior of perfect rational actors, i.e. to act successfully - to make the same decisions which at their place would be made by the fictive characters of "abstract economic theory" - the actors disposing over complete information and unencumbered by any limitations of the field of consciousness, concentration of attention and so on.

*Ch. 13 Weberian historical-genetical explanations of the rise of rational capitalism* has the objective to discuss the historical aspect in Weber's central problematic. As historical sociologist and economic historian, Weber had raised the question why the rational capitalism (as economic macrosystem and type of economic action) had arisen in the West (not e.g. in China), and why this happened in 17-19 centuries (not, say, in 1-2 centuries A.D. in ancient Rome). On these questions, Weber had written most abundantly. In the monograph, the attention is concentrated on the logical structure of Weber's historical explanations and on their relations with his analytic of possibility conditions of the rational capitalism. Weber's contribution to economic history is discussed in the more detailed way, because the central place of this contribution in Weber's problematic is frequently overlooked in the abundant literature on his historical sociological work on religion, domination, and law. This omission is deplorable, because all Weber's historical investigations have the "social-economic" problem formulation (see the survey of ch. 2) in common: Weber asks which historical forms of law and domination hindered the rise of rational capitalism, and which of them were favorable for this event?

Weber answers these questions by presenting the bundle of historical-genetical explanations, each of them analyzing the genesis of some particular condition of rational capitalist action: of the methodical nondualist economic ethic (in his comparative historical sociology of religion), of the rational law (in comparative historical sociology of law), of rational domination (in the comparative historical sociology of domination and city): see Fig. 3 (adapted from (Collins 1986: 28)). Weber retraces into the most distant past the chain of causes and consequences in the process of religious transformation that had eventuated in the Reformation. However, this doesn't mean that Weber had considered religious change as the most important or only cause of the rise of rational capitalism in the West. From Weber's point of view, the first approximation of neoclassical utopia by empirical reality was determined by many causes, whereby each of these causes was the final link in a relatively autonomous causal process interacting with other causal processes.

Components of  
rationalized capitalism

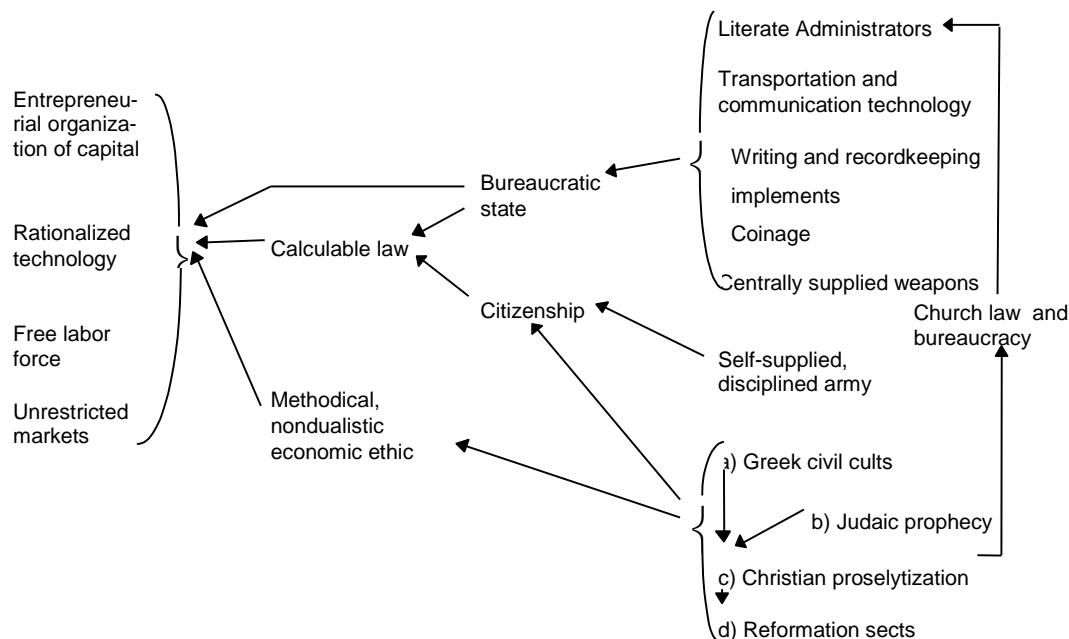


Fig. 3. Max Weber's explanation of the origin of rational capitalism

Weber is not quite clear in his causal claims. So, during the discussion about the exact content of his "Protestant ethic thesis" (shortly after its publication), he had declared that in his opinion the Protestant ethic is neither the sufficient, nor necessary condition for the rise of rational capitalism. Weber explicated the causal sense of this hypothesis, using the term "adequate cause" borrowed from the writings of jurisprudence theorists Johannes Kries and Gustav Radbruch: A is adequate cause of B, if A rises the probability of B. Unhappily, this explication has its problematic aspect: the thesis "A is adequate cause of B" can be validated only using the methods of statistical analysis, which can be applied only for large N populations. However, Weber himself can substantiate his "Protestant ethic thesis" (like his other causal claims on "economic relevance" of certain law and domination forms) only by comparisons where only very small numbers of cases are taken into consideration. Therefore, the concept of "adequate cause" only poorly suits for the explication of exact sense of Weber's causal statements.

The author of monograph shows that for this task the concept of cause as "an insufficient but non-redundant part of an unnecessary but sufficient condition" (analyzed by British philosopher John Mackie) can do better job. In ordinary contexts, such concept of cause is used, for example, when the lightning strike or the cigarette-end is called a cause of bushfire. The lightning strike or cigarette-end is not sufficient condition of bushfire because not every lightning strike or cigarette-end causes a bushfire. Each of these events can cause the bushfire only together with other conditions (the cigarette-end drops on the dry grass; no vigilant conservationists are watching around and so on). A minimal set of conditions of such kind together with cigarette-end is sufficient condition of bushfire. In this set, cigarette-end or lightning strike is non-redundant

part, because in their absence the remaining parts of the set would not be sufficient for bushfire. At the same time, this set of conditions is not necessary condition for bushfire, because the bushfire can be caused by several different minimal sets of conditions (one of them includes lightning strike, another one - cigarette-end, the third one - nonextinguished picnic fire and so on).

Accordingly, the statement that Protestant ethic was INUS condition for the rise of capitalism in the 17-19<sup>th</sup> centuries Europe has the following meaning: although the Protestant ethic was non-redundant part in the historically concrete conjuncture (complex) of conditions which was sufficient for the emergence of the markets system and for the rationalization of economic action, some other complex of conditions (without Protestant ethic) could be sufficient for the same outcome. This logical analysis of Weber's causal statements reveals an important shortcoming in Weber's explanation of the very first emergence of rational capitalism. This shortcoming is the insufficiently clear distinction between the historical causes (INUS conditions) of the rise of rational capitalism and the necessary conditions of its existence, i.e. the conflation between the history and analytic (theoretical construction of the concept of rational capitalism). The best symptom of this conflation is Weber's synonymous use of the terms "Western capitalism", "modern capitalism", and "rational capitalism". This use has a number of absurd implications, namely: although the question about the causes of rational capitalism's rise in the Western Europe during the modern time is completely meaningful, the same cannot be said about these questions: "Why Western capitalism arose in the West?" or "Why modern capitalism arose in the modern time?"

These implications can be avoided by the consequent distinction between the concept of rational capitalism as theoretical concept (or abstract "ideal type") which would be defined without the reference to the circumstances of the place and time, and the historical concepts of "Western capitalism" and "modern capitalism" referring to certain "historical individuals". Conflating these concepts, Weber defines the concept of "rational capitalism" in insufficiently abstract way, including into its content concrete historical phenomena. For example, Weber identifies rational (calculable) law with the continental law in the Western legal tradition. In this way, he creates for himself "England's problem", because this mother-country of rational capitalism had the legal tradition of his own, marked by the essential difference from the continental tradition. Analogous problem arises because of Weber's inclination to identify "rational state" with the strictly centralized bureaucratic state (like the Prussia and France in Weber's time). Therefore, Weber cannot subsume to his over-concretized concept of the rational state the developments in the boom country of the 19<sup>th</sup> century capitalism - the USA, because American state apparatus in this time was neither strictly centralized, nor bureaucratically organized. Similar doubts can be addressed to some other institutional conditions of economic rationalization listed by Weber. These difficulties arise because he pieces these lists together relying on his historical intuition, not basing on the theoretical analysis. Such analysis alone can explain how because of the "bounded rationality" of human beings certain institutional forms of human action coordination are necessary for achievement of certain collective outcomes (some analytical tools for this task are provided by new institutional economy; see the survey of ch. 15).



To disclose the connections between Weber's central problematic and the agenda of German historical school (although very close, these connections are not always clearly seen by the investigators of Weber's legacy), the author of the monograph presents in somewhat more detailed way Weber's analysis of the one of genealogical lines in the genesis of the "Western capitalism": the developmental history of market exchange. In his analysis, Karl Bücher and Karl Marx influenced Weber in most significant way. According to Weber, the oldest form of market exchange was the interlocal trade in luxury goods that were wanted by the seniors of the most powerful households (units of domestic economy) as prestige symbols. Differently from Bücher, Weber distinguishes not one but two alternative directions of the domestic economy transformation. One of these directions leads to Bücher's "city economy". For this economy type, the local markets are characteristic, where direct producers are meeting for the exchange of daily consumption goods. Another direction (on Weber's view, it was more historically universal) leads to "oikos" - big household (estate, manor). In such household, the needs of the ruler or master are satisfied by the natural tributes and services of the artisans and peasants, which stand to him in the relation of personal dependence and are masters of small domestic economy units (households) themselves. From the economic vantagepoint, the premodern states were the conglomerates of such oikoi. In some cases (e.g., Egypt in Ptolemaic times) a big state could be organized as huge oikos (estate where all subordinates were the serfs of the state)

Apart from such exclusive cases, when because of very special natural conditions the enduring political unity of the state was viable on the basis of natural economy, the stability condition of the big centralized states is the developed money circulation, which is also the living space of all capitalism's forms. Premodern (and at the same time, - irrational) forms of capitalism gain the broadest movement space during the external and internal wars, when the rulers and the would-be rulers need creditors, tax farmers, the shoppers of the spoils of war and so on. Like the interlocal trade in the luxury goods, the activities of this kind was so risky business that only reckless adventurers could engage in them. For this reason, Weber classified such forms of capitalist activity as "irrational" capitalism.

The spaces for capitalist activities are contracting and vanishing, if the wars come to end with the formation of universal empires (classical examples - ancient Rome and China). However, after capitalism's death by "suffocation", they disintegrate themselves after more or less long time. Weber's explanation: as far as commercial economy is only the superstructure on the natural basis (everyday needs are satisfied by the natural production, and the greater part of state's needs - by natural services), the monetary circulation is not sufficiently intensive to collect monetary taxes for the maintenance of state machinery. When the local agents of central government instead of monetary salaries get the rights to collect part of natural tax tributes for themselves, they appropriate shortly ever more political powers. The growing centrifugal forces pull the universal empire apart, and it falls prey to conquerors. The "patrimonial cycle" starts afresh.

Weber portrays the development of West from the Middle Ages on as the improbable (and therefore crying for explanation) deviation from the cycle of historical development as described above. The beginning of this deviation Weber connects with the phenomenon of "city economy" represented by the "continental handicraft city" (*gewerbliche Binnenstadt*) of the High Middle

Ages (11-14 centuries). This city type Weber opposes to the “coast cities” or city-states of antiquity and medieval South Europe, which were the fortified settlements where the warrior and consumers, not the producers lived. According to Weber, continental handicraft cities were the seedbeds of rational capitalism. In similar way, Karl Marx in "Capital" portrayed the origins of the industrial capitalism. In this work, Marx derived industrial capitalism from the simple commodity production, which is equivalent to Bücher's “city economy”. According to Marx, industrial capitalism was produced by the differentiation of small producers, which had progressed because of their competition. Marx called this differentiation “primitive accumulation” of capital, which was accelerated in the 16-17 centuries by the great geographic discoveries and state's coercion. In Weber's view, Marx underestimated the causal role of the traditionalist economic ethic protected by the authority of Catholic Church. This ethic condemned the “greed”, and the economic policy of the politically autonomous medieval cities corresponded to the precepts of this ethic. Both factors inhibited and limited the market competition. Most importantly, Marx gives no explanation where the motive of profit reinvestment came from. This motive was distinctively characteristic for the rich craftsmen and merchants from the Protestant Northern Western Europe, but not for those from catholic Italy. The Italians used their profits for the purchase of the estates, retreated from business and transformed themselves into the nobilitated rentiers.

According to Weber's view, the ascetic Protestantism played the significant role in the rise of rational capitalism by inducing to reinvest the profits and providing the economic ethic, which anticipated its functional needs. However, it was able to play this role only because of coincidence of the religious change with the changes in the political sphere. After the rise of the centralized states in the 15-16<sup>th</sup> centuries, the cities had already lost their political autonomy. No more the local city authorities, but the rulers of such states were the subjects of economic policy. For this reason, nontraditional economic behavior could avoid judicial prosecution by city authorities. Centralized states created, on the one hand, the preconditions for the agglomeration of local markets into interlocal (national) ones. These market were sufficiently broad for the large-scale production by the “new” capitalists (during the Middle Ages, capitalism existed only in the sphere of interlocal trade and credit as “political” and adventurous capitalism). On the other hand, the centralized states were the sources of imminent danger for capitalism. Why the nascent capitalism had not fell prey to confiscatory taxation and political expropriation? Weber finds the explanation in the circumstances of the European early modern political history. The attempts of some monarchies (at first - Habsburgs, then Bourbons) to build a universal empire failed. Therefore, several competing great powers coexisted permanently. The rulers who waged incessant wars were compelled to compete for capital. In the Europe, the capital had permanently "exit" option: to emigrate to the states providing more favorable conditions (first of all, where the vital public goods - calculable law and order and the effective protection of the property rights - were provided). These conditions were most favorable in the states where the rulers had no absolute power anymore. After the economic and military superiority of such states (first of all, England) became apparent, for other states nothing else was left but to follow the example of their more successful competitors.

However, from Weber's point of view, the approximation of the real economic life to the neoclassical utopia of free and "ruthlessly efficient" markets was only a short-lived historical anomaly. For the future, he had predicted the triumph of bureaucratic hierarchies. It was this forecast of the "iron cage" of bureaucracy domination, which had brought for Weber the fame of social theorist superior to Marx by his powers of sociological insight. Weber's prediction seemed credible enough up to last decades of the 20<sup>th</sup> century. However, it has any more credibility in our days. In the *ch. 14 Weberian prognostic of the future of rational capitalism* Weber's reasons for his predictions are reconstructed (without these reasons, Weber's prediction would be mere prophecy). This reconstruction is preliminary for identification of the sources of Weber's errors.

The author of monograph shows that Weber had built on the model of the long-term economical dynamics broadly accepted in the political economy of 19<sup>th</sup> century which had predicted the stationary state of economy (neoclassical economics in Weber's time had no theory of the long-term economic dynamics, focusing on the market static). Most important assumptions of this model were the famous law of population growth formulated by Thomas Robert Malthus and the fact of the limited supply of the land as one of the production factors (other factors being labor and capital). This model says that the economy can grow only so far as the capitalists gain the profit, because profit is only source for investments. As the population grows, the land of ever worse quality is cultivated. Therefore, in the distribution of the product the part appropriated by the land owners (land rent) grows, and the shares of the owners of capital and of the workers (profits and wages) diminish. The profit decreases till zero, and the wages sink till the limit of the biological minimum. So economy gets into stationary state. Only the catastrophes annihilating surplus population can lead it out of this state.

The analysis of Weber's texts (especially the earlier ones) reveals that he had accepted main assumptions of this model. He had explained the triumph of rational capitalism in the 19<sup>th</sup> century by the utilization of the hitherto unused possibilities of the outer expansion - opening of the new markets in the Asia and the abundance of the land suitable for the European colonization (in USA, Australia, Argentina). Weber had considered the contemporary struggles of the great powers for the partition of the world into colonies and spheres of influence, and the general turn towards protectionist tariff policy as symptomatic for the approaching the limits of growth.

The second pillar of Weber's prognostic were the phenomena of capital concentration and centralization that he had observed during his life-time. In his view, the main cause of these phenomena were the advantages of the large-scale production in comparison with the small-scale production. For this reason, free competitive market begets its antipode - bureaucratic hierarchies. The entrepreneurs, who prevail in the competition, can administrate their growing firms only by hiring managers and employing bureaucratic administration machinery. In this way, the perfect competitive markets are superseded by the monopolistic markets and markets, where small firms have no chances of success because of the asymmetries of power. These self-destructive tendencies characteristic for modern capitalism, are only extended and completed by the state regulation and the interventionist economic policy.

The third pillar of Weberian prognostic is historical analogies, which were used by Weber for the concretization of his vision of coming bureaucratic transformation of the modern capitalism. According to Weber's view, the future social-economic order that will succeed free

market capitalism, will be similar to giant oikoi of older times administrated by patrimonial bureaucracies, where all subordinates were the state's tributaries and serfs. Weber's name for this new social order was "new Egypt" or new Egyptian serfdom, and for its inhabitants - "new fellahs". This order will differ from the oikoi of older times by greater stability. The former could persist only as long as the naturalization of economy had not annihilated yet monetary circulation, which was necessary for the maintenance of the bureaucratic apparatus. The stability of coming new serfdom will be warranted by the rationality of the new bureaucracy. This rationality means, firstly, the application of the scientific knowledge, and, secondly, formal rationality (predictability) of the functioning of the bureaucracy. These features will warrant the objective rationality (effectiveness and success) for the functionings of the separate parts of bureaucratic machinery. However, one thing will be absent in the "iron cage" of bureaucracy - the personal "freedom of movement", which Weber attributes to the activities of the capitalist entrepreneur.

Differently from the autonomous agents of capitalist market, the functionaries of bureaucratic apparatus can be rational only searching after the best means for the ends that are given as unquestionable premises for their decisions. This is rationality in search of the best means for the realization of the partial or intermediate goals. This rationality doesn't mean that these intermediate goals are well-integrated, and that the ultimate ends subordinating these intermediate goals are achievable or sensible. In the future societies, frozen in the grip of bureaucratic dictatorships, the social stratification into status groups will revive again after it was shaded by the class-division at the time of capitalist expansion and the related rapid social-economic change.

Weber believed that this future is inescapable. However, he had considered the resistance against this future as duty for the people of liberal set of mind (with personal autonomy and "freedom of movement" as superior values). This duty must be obeyed even knowing that this resistance is doomed to lose. This spirit of heroic pessimism is particularly typical for Weber's late texts written during the time of revolutions that had overwhelmed Europe in 1918-20. Weber maintained that the triumph of "socialist revolutions" would only accelerate the coming of "bureaucratic dictatorship" (synonymous for Weber with "socialism") which is inevitable in every case.

Weber's political views were grounded in his diagnostic of his lived present as described above and in these expectations of the coming future. Weber was national liberal in his political views. According to Weber, nationalist liberalism is simply realistic liberalism. Nationalism is the idea, which would accept realistically thinking liberal belonging to one of great nations competing for living space in the world "according Malthus" (incidentally, Weber was not interested in the problematic of nationalism of small nations). Every nation of this kind is rent-seeking interest group (in monograph's author's opinion, Weber in his understanding of nationalism intuitively works with this concept of contemporary public choice theory). Every such community, which monopolizes scarce resources of certain kind, can appropriate rent. Rent is surplus, which equals the difference between monopolist nation's income, and the income that the nation would appropriate under the conditions of free competition in the world market.

The appropriation of this monopolist rent is objective "material" interest common to workers and capitalist belonging to the same "provision community" (*Versorgungsgemeinschaft*).

Nation, which succeeds in monopolizing the broadest living space, appropriates collectively the rent which enables it to stave off the prospect of “stationary economy”. For the workers, this brings the wage levels exceeding the biological minimum implied by Malthus’ law. Weber tried to engage social-democratically minded German workers in this prospect explaining for them that the struggle for the status of “world power” (*Weltmacht*) is Germany’s fate which must be accepted by everybody concerned by the future and anxious to earn the gratitude of offspring for the anticipatory care about their welfare. In Weber’s view, the survival of nation states and their power struggle was also the only safeguard against the ultimate bureaucratic and estate stagnation imminent in the “world state” which he had managed to visualize only taking older universal empires as prototypical example.

## **PART V. THE CENTRAL PROBLEM OF MAX WEBER AND RATIONAL CHOICE APPROACH**

The last part of the book is designated to evaluate Weber's historical economical sociology from the standpoint of contemporary RCA. All three aspects of Weber's central problematic - the analytical (in the ch. 15), the historical (ch. 16), and the prognostic one (ch. 17) - are subject to this evaluation. Both Weber's questions and his answers are evaluated. In the second case, the object of evaluation is truth value of Weber's statements; in the first case, the question is asked about the meaningfulness of Weber's questions in the framework of RCA: are Weber's and RCA problematic comparable (commensurable)? These question are of special interest in the case of Weber's analytic which is discussed in the *ch. 15. “How instrumental rationality of action can be dependent variable in the rational choice approach?”*

The problem referred to by chapter's title arises because of the following reason: in every research work grounded in the methodology of RCA, the instrumental rationality is a priori assumption. However, from Weber's point of view, this rationality is ordinal scale concept, and he seeks to identify the conditions determining the degree of behavior’s rationality and the frequency of the behavior distinguished by certain degree of rationality. Another problem arises because of the complete unacceptability of Weber's attempts to historicize the sphere of application of the neoclassical economics for absolute majority of contemporary economists. According to prevailing mainstream view, this theory is "toolkit" applicable for the explanation of human behavior in all historical epochs.

For the solution of the second problem, the author of monograph proposes to draw a clear distinction between the theoretical core of neoclassical economics (which is not necessarily identical with the core of RCA) and its applications in the form of many different models. Weber's definition of "abstract economic theory" - as "an ideal picture of processes in the market under conditions of exchange-based social organization (*bei tauschwirtschaftlicher Gesellschaftorganisation*), free competition, and strictly rational action” (Weber (1904) 1982: 190) testifies that Weber (like many economists in his time) had identified this theory with the model of general equilibrium. Of course, the historical relativization of the application sphere of the neoclassical economics can be considered as very dubious undertaking (at least, from the standpoint of pure universalism). However, such relativization is not so much dubious with

respect to concrete models. The general equilibrium model can claim empirical validity or "holding" (in Weber's sense; see the survey of ch. 2), only where the markets are sufficiently developed.

Solving the first problem, both versions of Weberian analytic of possibility conditions of rational economic action must be separately discussed - the psychogenetic and the cultural-institutional one. In both cases, the possibility space for endogenization (i.e. the reformulation and the answering of Weber's questions in terms RCA) is unlocked, if the concept of rationality assumed for this undertaking is a weaker and "thinner" (see the survey of ch. 6) one, than the concept which is used in the descriptions of the explanation object (explanandum). In such case, the explanandum is the behavior described by certain strong or "thick" concept of rationality, and the weaker and thinner concept of rationality is used for the definition of scope conditions of empirical applicability of the "strongly" and "thickly" rational behavior concept.

Such explanatory strategy is used in the new institutional economics (Oliver Williamson) and the new institutional economic history (Douglass C. North), where the analytical tools for the endogenization of the cultural institutionalist version of Weber's analytic can be found. Differently from standard models of neoclassical economics, grounded on the assumptions of full information and perfect rationality, new institutional economics works with the weaker concept of rationality which posits the bounded rationality of actors and takes into consideration the fact that the actors cannot find optimal decisions without information collection and proceeding costs. These costs are first of all the so-called "transaction costs" which are related to the organization of the production and market exchange (the search after exchange partners, the evaluation of their reliability, contract making and enforcement).

In the neoclassical economic theory, actors have no information costs and always make decisions which are optimal with respect to objective situation. The boundedly rational actors of the new institutional economics are not of this kind. The probability of the objective rational decision making depends, firstly, on the opportunity cost of the suboptimal choice (what loss the actors bears if he makes a suboptimal choice), and, secondly, on the magnitude of information costs which depend in its turn on the complexity of situation and the actor's competence. The larger the potential loss from mistaken decision is, and the smaller the information costs are, the more the probability is that the actor will behave in subjectively rational (will do her/his best to find the optimal decision) and objectively rational (will find this decision as a matter of fact) ways.

The reading of Weber's cultural-institutional analytic in the retrospective of the new institutional economics shows that Weber intuitively includes into his lists of the possibility conditions of rational action the factors which decrease the information costs (first of all, transaction costs) or increase opportunity costs for the actors making suboptimal decisions. The example of the first kind factor is calculable law, and private property is the example of the second kind factor. In this way, new institutional economics as one of the booming branches of RCA, helps to examine Weber's insights grounded in the historical intuition, and provide for them theoretical foundations.

For the psychogenetic version of Weberian analytic, the monograph's author suggests to search the endogenization tools in the interdisciplinary field known under the exotic names of

egonomics or piceoeconomics (George Ainslie, Jon Elster, Thomas Schelling). This field had arose as interface between RCT and psychology, where the researchers from different disciplines joined their efforts to analyze the anomaly of practical rationality which was discussed for the first time by ancient philosophers. This is the phenomenon of weakness of will (akrasia): an actor chooses the action which he considers as the best one, but doesn't act according to his choice. In the egonomics, this phenomenon is described as the intertemporally inconsistent choice and is brought into the connection with the feature of time-preference, which is called hyperbolic discounting of the present value of future goods. The utility discounting means that present goods have greater subjective value than the exactly similar goods, which will be accessible in the future (100 USD today is better than 100 USD tomorrow). The discounting of the present utility of future goods is compatible with the rationality of behavior, if actor discounts present value of future goods in the way analytically described by the exponential function. This function displays the dependence of the present value of future goods from the remaining waiting time. In the case of exponential discounting, only the magnitudes of the present values of future goods depend on the remaining waiting time, but not the preference order between them. However, if these magnitudes are discounted in the way analytically described by the hyperbolic function, then the preference order is dependent on the remaining waiting time too. The temptation which looks small and insignificant from afar, becoming present dwarfs for akratic person the greater future good.

For the more detailed analysis of akrasia problem, the analytical tools of game theory are used in the egonomics too. For this task, the assumption is made that the subject of action can be decomposed into the "subsubjects" (e.g. the temporally subsequent states of "I" can be considered as separate subjects), which are players in the prisoner's dilemma game that plays in the analysis of cooperation problem in the RCT the role analogous to that of drosophila fly or guinea-pig in the biology. In this perspective, the temporally inconsistent behavior of the subject is represented as collectively suboptimal outcome of the rational behavior of his/her subsubjective parts, analogous to collectively irrational consequences of individually rational behavior in the standard prisoner's dilemma situations (with the participation of the "real" actors). All this can be considered as the endogenization of akrasia - the explanation of this rationality anomaly by the means of RCT. Both in its merits and shortcomings this endogenization strategy is similar to the methodology of "homuncular functionalism" (Daniel C. Dennett's term) applied in the cognitive science.

According to George Ainslie and Richard Herrnstein, hyperbolic discounting is natural tendency of human behavior shared by *homo sapiens* and his "big brothers" - animals. Egonomics analyses in systematical way the means of self-control ("technologies of self") which can be used to overcome these tendencies securing the transtemporally consistent behavior which was attributed by Weber to rational way of life (see the survey of ch. 12). These technologies include anticipatory preemption of the physically possible alternatives of choice (classical example: Ulysses bounded to the ship's apparel), the control over attention and emotions, the private rules of behavior (the actor chooses not to choose according to the situation, but following the rules of behavior set once forever), and the self-education of the appropriate habits and character traits.

The author of monograph shows that very similar problematic was analyzed in Weber's writings discussing the role of salvation religions in the formation of rational way of life and education of autonomous actor. Weber distinguishes several systems of "technologies of self" used by religious virtuosi. He pays special consideration to the so-called "worldly asceticism" - way of life, propagated by Calvinism and related varieties of Protestantism. The distinctive feature of this way of life is organization of the course of individual life according to united plan of life. Implementing this plan, the ascetic Protestant strives after the significant professional achievements which are considered in ascetic Protestantism as symptomatic for election for salvation. The behavior of actor who enacts the plan of this kind has the feature which was ascribed by neoclassical economics to perfectly rational actor - transtemporal consistency.

The problematic of the historical origins of the rational way of life, which was discovered by Weber, is presently investigated by the so-called "sociology of biography" which has in its focus the mechanisms of the institutionalization of the individual life course. The biographies are institutionalized by bestowing to certain typical sequences of events (what things in what age is "normal" to do) in the course of individual life the power of authoritative pattern. In the premodern times, an individual had considerably less freedom and opportunities to "construct" his biography on his own (her/his biography was predetermined by the traditions and the membership in the status group). On the other hand, significantly lesser numbers of people managed to attain the old age - death was the event, which was faced with more equal probability by the people of all age groups. Because of this difference in the "modern" and "premodern" biography, emphasized by modern German "biography sociologist" Martin Kohli, this-worldly incentives for the long-term planning of the life were significantly less than in our days. These findings of the "biography sociology" and the theoretical framework of economics provide further grounds for Weberian thesis that the religions of salvation and their doctrine of the postmortem retribution by extending the perspective of life-planning and neutralizing the tendency of the hyperbolic discounting the present value of the future goods had played essential role in the rationalization of human behavior in the sense of securing its transtemporal consistency.

New institutional economics and egnomics aren't only fields of RCT and RCA, where the conceptual tools for the endogenization of Weberian problematic of behavior rationalization can be found. Another important source for these resources is the theory of "definition of situation" of Esser (see the survey of ch. 9), where the first-order and second-order choices are distinguished. Similar distinctions are made by several contemporary RCT theorists (Michael Baumann, David Gauthier, Nicholas Rowe, Viktor Vanberg). By these distinctions, they are modifying the "thick" version of RCT which considers as defining feature of rationality not only the consistency but also the self-interest. In its unmodified form, this theory has the difficulty to explain why people are observing the moral rules even in the situations where they don't risk punishment for their violation. Another difficulty is the fact (emphasized by egnomics) that people regularly are deciding according to the rules and disregarding the peculiarities of concrete situation.

The theorists of RCT referred above are solving these problems by drawing distinction between the first-order (or level) choices of the behavior in some specific situation, and those of second-order. In second-order choices, actor decides which rules and which character traits



(warranting the keeping with chosen rules) to choose. In their opinion, a self-interested actor takes guidance from the utility maximization principle only choosing the behavior rules and virtues, but not choosing particular actions. In other words, she/he is "rule egoist", but not "act egoist" or "opportunist". In the long-time perspective, the virtue "pays" more than opportunism because only an "virtuous" actor is desirable cooperation partner and can profit from it. However, the actor's self-bounding with the rules is not an unconditional one, and these rules aren't unchangeable. The actor repudiates the rules which doesn't dovetail anymore with the changed conditions of action.

The author of monograph pays special consideration for the theory of practical rationality as "rule egoism" presented by German sociologist Michael Baurmann. In his analysis of famous Weberian typology of action, Baurmann points out that in this a "thick" concept of practical rationality is latently present, corresponding to the "rule egoism" model, which is different from the concepts of subjectively and objectively instrumental action already discussed (see the upper part in the Fig. 2). Analyzing the features used for Weber in his distinction between instrumentally rational and value rational actions, Baurmann finds that there are two features of this kind (see Fig. 4). Firstly (1), this is the character of criteria used by actor for the evaluation of alternatives. The criterion of this kind can be either actors personal utility (1a) or "ideal values" of some kind (1b). Secondly (2), this is the kind of the procedure for decision-making. In this case, the actor can decide either (2 $\alpha$ ) „case by case" (making balance calculation of the good and bad consequences for each concrete decision situation and choosing according to outcome of this calculation), or (2 $\beta$ ) following the norm which prescribes proper behavior for the situation of a given kind.

		(2) Procedure of decision-making	
		Situational calculation of the consequences ( $\alpha$ )	Norm ( $\beta$ )
(1) Reasons of action	Personal utility (a)	(1a; 2 $\alpha$ ) Homo oeconomicus (act egoist)	(1a; 2 $\beta$ ) Homo sapiens (rule egoist)
	Ideal values (b)	(1b; 2 $\alpha$ ) Homo politicus (act utilitarian)	(1b; 2 $\beta$ ) Homo sociologicus (Kantian)

Fig. 4. The reconstruction of the second Weberian concept of the instrumentally rational action

With good reasons, Baurmann identifies Weber's "pure" instrumentally rational action with *homo oeconomicus* - actor's model used by neoclassical economic theory (1a; 2 $\alpha$ ). He identifies (1b; 1 $\beta$ ) with *homo sociologicus*, - actor who grounds his actions in ideal reasons and follows norms in her/his decision-making. (1b; 2 $\beta$ ) corresponds to politician led by "responsibility ethic" described by Weber in his political writings. (1a; 2 $\beta$ ) is the actor who grounds his actions in the pursuit of self-interest, but discards the utility calculation for each concrete decision-making situation and makes his decisions according the norms. Baurmann baptizes this type of actor *homo sapiens*.

The theorists referred above are applying the idea of rationality as “rule egoism” for the solution of “Hobbesian problem” that owes its special prominence in sociological theory-building to Parsons (Parsons (1937) 1968). In his criticism of the “utilitarian” behavior theories, the American sociologist maintained that these theories are unable to explain how the hypothetical presocial state composed of “rational egoists” can engender the social order where the actors are successfully cooperating and observe certain rules of behavior even in the situations when they can profit by violating them and avoid punishment. This is real problem, if the assumption is made that actors are “act egoists”. However, the possibility of cooperation between “rule egoists” is not problematic at all.

Weber left no analysis of “Hobbesian problem” of his own. However, this problem is not real sociological problem (related to explanation of empirical sociological facts), but protosociological (abstract theoretical) one, which is analyzed in the framework of thought experiment. Nevertheless, the “historicized” and “sociologized” version of this problem can be found in Weberian characteristic of modernity. Weber considers the expansion of the instrumentally rational action as the most important feature of the modern or “rationalized” societies. Hence even if he doesn't raise the protosociological question how presocial “rational egoists” can create the social order, he confronts the following problem of sociological explanation: why the social order in modern capitalist society where the “rational egoism” is paramount feature doesn't disintegrate? Baumann's analysis suggests that “rationalism” of modern social life described by Weber must be understood in the sense not of the “act egoism”, but in the sense of “rule egoism”.

***Ch. 16. Weberian explanation of the rise of the West and new institutional economic history*** evaluates Weber's historical explanations of the origin of rational capitalism from the standpoint of RCA. For this goal, they are compared with the work of the most distinguished (Nobel prize in economics for 1993) representative of the new institutional economic history Douglass C. North who works on the very similar research problem: why the outcomes of the economic development in particular world regions and countries differ so markedly? Working on this problem, the American historian develops so-called institutional theory of economic growth, where the ideas of neoclassical growth theory are elaborated.

The neoclassical growth theory was created only in post-Weberian times (in Weber's time, neoclassical economic theory confined itself to the problems of the economic static, i.e. to the analysis of the market equilibrium conditions). From the standpoint of the neoclassical growth theory, the Malthusian model of the long-term economical dynamics (prevailing in the classical political economy) is applicable only to the economies with the unchanging (or only negligibly changing) production technology. These are the economies, where only extensive economic growth is possible. The source of the intensive economic growth is technological progress based on the application of the scientific knowledge. In the terms of neoclassical production theory, this progress means the changes in the trajectories of production functions. Besides that, it opens new substitution possibilities: namely, to substitute depleted and increasingly expensive resources by cheaper alternatives. In North's opinion, the intensive growth of this kind had become the dominant form of growth only in the second half of 19<sup>th</sup> century. North asks, why intensive

economical growth is comparatively late phenomena, and even in modern time - not universal one?

Answering this question, North points out that the economic advantages of the new science-based technologies can be realized only increasing the scale of production and deepening its specialization. Both the deepening of specialization and the growth of production and exchange scale is accompanied by the increasing transaction costs in the total production costs (North reports that in the contemporary USA economy transaction costs make out circa 55% of total production costs). The exact magnitude of these costs depends not only on the advances in specialization and production technology, but also on the character of institutional environment. Depending on the character of the institutional "rules of game", and on the reliability of their enforcement, the cost of the same transaction can differ significantly. The bloated transaction costs can prevent deeper specialization and the realization of the economic growth's possibilities opened by technological progress. This happens where state and its law-enforcing agencies do not warrant for business secure and reliable environment and the protection of the property rights.

North's theory provides the specification and theoretical foundations for Weberian institutional analysis how the rational capitalist action is possible: the lesser transaction costs are, the more favorable are the conditions for the activity of this kind. Besides that, North's theory provides conceptual tools to explicate the concept of "economic relevance", which plays essential role in Weber's concept of "social economics". As was already indicated in the survey of ch. 2, Weber pleaded for the broad concept of economics - broad enough to include the problematic of the economic sociology in present sense. According to Weber, the subject-matter of economics includes not only "purely economic", but also "economically relevant" phenomena. The concept of transaction costs enables to tell in precise way what makes a "noneconomic phenomenon" economically relevant: this is its impact on the transaction costs. Such impact has not only the law, but also the informal rules of economic behavior called by Weber "economic ethic", and by North - "informal institutions". In the society with effective universalistic norms of "vocational ethic" (considered by Weber as legacy of ascetic Protestantism), the transaction costs are lesser than in the societies where there is no ethic of this kind; where the laws are confused and erratic; where the law-enforcement agencies and other parts of state machinery are corrupt.

Weber and North are elucidating in similar ways the conditions of empirical "holding" (see the survey of ch. 2) of the neoclassical models grounded in the assumption of perfect rationality. According to North, where transaction costs are low, the neoclassical models are sufficiently realistic: „the modern Western world provides abundant evidence of markets that work and even approximate the neoclassical ideal" (North 1990: 110). However, Weber in his research on the historical causes of this "approximation" doesn't apply the rationality assumption of the actors in consistent way. North struggles to bring the neoclassical theory closer to the reality itself, by replacing the "unrealistic" assumption of the perfect rationality with the more realistic assumption of the "bounded rationality". Differently from Weber, he tries to explain this assimilation of reality by neoclassical ideal within the framework of the RCA itself, i.e. to endogenize this process. Hence, North pursues two objectives at the same time: he not only explains how and why the institutional environment influences the economic growth determining

different outcomes of the economic development; he tries to explain the changes in the institutional environment themselves as collective outcomes of the rational behavior.

The assumption of rationality grounds two "auxiliary" theories of North used by him to explain the differences and the change in the institutional environment of economic behavior. Firstly, this is the theory of state developed by the public choice theory (this is the branch of RCA specialized in the analysis of political processes). According to this theory, the state is based on the exchange relationship between rulers and the ruled framed by the explicit or implicit contract. In this theory, taxes are considered as the price paid by taxpayers for the provision of certain public goods (first of all, these are the maintenance of public order, the protection of the property rights, and enforcement of the contracts). The taxpayers are interested to get these and other services of the possibly highest quality at the lowest possible price; the rulers are interested to get as high revenue as it is possible. The outcome of this conflict of interests depends on the relative bargaining power of the conflicting sides. The possibilities of the rulers to increase the taxes are limited, firstly, by the competition of the rival would-be rulers in the countries under their rule, and secondly - by the competition of other rulers for the subordinates. The subordinates can resist the oppression not only by "voice", but by "exit" too - simply fleeing one ruler for the protection by another one.

In this interest conflict, the greater bargaining power was possessed by the rulers who governed huge states covering entire geographical regions - empires. In these states, the ruled have no "exit" option. In the empires, only the interests of those subordinates are taken into consideration by rulers, whose department is pivotal for rulers' power to suppress the revolts; and normally these are not the interests of economically productive groups. If it looks like that strong, big, centralized state is the institutional environment with the lowest transaction costs, this is most frequently the false impression. The rulers of empires have so great advantage in the relative bargaining power, that they can enact confiscatory fiscal policy.

In comparison with other world regions and other epochs, the Medieval and Early Modern Europe was particular by its dualism of Catholic Church and worldly authorities and by permanent power struggle of many states. In the Europe, the "exit" option remained permanent possibility and secured for economically productive groups comparatively strong bargaining position in their relations with rulers. Therefore, in the Western Europe the institutional environment with the comparatively lesser transaction costs had formed. Only in the environment of this kind new type of economy could arise, where the economic potential of mass production and - thanks to technological application of natural science - of intensive growth was realized. In this way, the research of North confirms Weber's insights about the significance of Europe's political fragmentation in the genesis of rational capitalism.

Answering the question why different countries in the Europe itself have developed with differing success (compare Great Britain and South European countries), North applies the "path dependence" theory which was developed for the first time by American economic historian Paul David, who had presented the classical (by now) example of "path dependence": why in the typewriters and PC keyboards the letter configuration QWERTY is used, which is suboptimal from the ergonomic point of view? David's answer: after having learned the typing with QWERTY keyboard, we reap increasing returns by upgrading the acquired skills. The temporary

loss of these returns is sufficient disincentive to resign from abandoning the accustomed technology, even if the increasing returns were significantly greater provided another path of technological advancement were chosen. According to North, the same effect is characteristic for the institutional change too. Operating in the institutional environment of certain kind, both individual and collective actors (organizations) develop the skills, which would lose their value in the institutional environment of different kind. This different environment would enable the actors in the long-term perspective to decrease their transaction costs and to increase the economic productivity. However, there is no possibility of painless transition to other “rules of game”. Avoiding these costs, individual and collective actors are maximizing their utility by upgrading their traditional institutional *know how*, which is appropriate in the environment with high transaction costs that prevent the actors from the realization of the technologically possible economic advantages of labor division and specialization. The institutions are changing, but this change proceeds along the pathway which is determined in its direction by “fateful” (constitutional) choices made once in the past.

North points out that there is another important cause for the differences in the institutional environment of economic activity (and by the same thing - in its outcomes), which cannot be endogenized in the framework of RCA. This cause are differences in ideology. The word “ideology” in North’s usage means approximately the same what Weber’s “world images” mean. Both North’s “ideologies” and Weber’s “world images” are determining, firstly, the ways of interpretation by the individuals and the groups of their experience, the modes of attribution by them of the responsibility for their condition, successes and misfortunes. Because of differences in ideology (or world images) the actors can make contrary conclusions from the same economic facts and propose different reforms of institutional environment. Secondly, ideologies are influencing the behavior of actors under uncertainty. These theses of North are corroborating and clarifying Weber’s insight that most durable and fateful differences in the pathways of historical development (“path-dependent” trajectories are determined by the differences in the world images (first of all, religious world images; see also the survey of ch. 7).

Thus the results of Weber’s historical research were rather corrected and concretized than refuted by the later research. However, this cannot be said about Weber’s prediction of unavoidable bureaucracy’s triumph, showdown wars of great powers for shrinking life space, and new “Egyptian serfdom”. This prediction is contradicted by the recent facts of the socialist experiment’s failure, liberalization and globalization of the markets, emergence and development of the new markets. On the global scale, the reality of economic life rather has approached than moved away from the neoclassic utopia of “ruthlessly efficient” markets imposing on their participants the maximizing (rational) behavior. In the last *ch. 17 Markets, hierarchies and asymmetric society: Weberian prognostics in the retrospective of the rational choice approach* the author of monograph uses analytical tools of RCA for identification of mistakes in the premises of Weber’s predictions.

First of all, Weber assumed erroneously that the Malthusian model of the limits of growth holds not only for the premodern agrarian, but also for the modern industrial economies. As a matter of fact, Weber considered “rational capitalism” as the economic growth machine ensuring the development of economy at the pace hitherto unseen. However, he had assumed that the rate

of economic growth only temporarily outpaces the population growth, because the economic growth has the limits determined by the fixed supply of land and raw materials needed by industry. The possibility of stagnating and decreasing population growth had left behind his powers of imagination. It was evident for Weber, that the modern industry is based on the mechanized technique designed with the application of the natural science. However, for Weber the most important consequence of science's technological application was not the opening of the possibilities to use new natural resources, but the creation of the "calculable" technologies (i.e. the technologies enabling the producer to precalculate in the exact way the inputs for the given output). Therefore he had announced his firm conviction (which is disputable nevertheless) that modern capitalism will not survive the day when "the last ton of fossilized coal is burnt" (Weber (1905) 1958: 181). Neoclassical and institutional growth theories, focusing themselves on the phenomenon of intensive economic growth, provide more exact analysis of the determinants of market economy growth in comparison with the classical model of the limited growth (however, this model preserves analytic value for the analysis of premodern agrarian economies).

Observing the phenomena of capital concentration and centralization characteristic for capitalism in his times, Weber failed (like Marx) to take into account the immanent limits of this process. These limits are disclosed by theoretical analysis provided by the modern ("new") institutional economics. The foundations for this analysis were laid down by American economist Ronald H. Coase, and it was developed in the detailed way by Oliver Williamson. Coase raised the question, what are the economic causes for the existence of firm (organization with hierarchical structure) as the main institution of the modern capitalist economy? (this is so-called "Coase's riddle"). Traditional (neoclassical) economic theory answers this question by referring to technologically conditioned "economy of scale", peculiar to large scale production. In Coase's view, this explanation is unsatisfactory: a businessman who had decided to produce some product for market, can choose to buy all components in the market and to assemble his product from them. As a matter of fact, the firms exist which produce components and provide other services themselves.

According to Coase, the explanation for the existence of firms are transaction costs inherent in the market exchange. The participants in the market exchange can save part of these costs by self-production of components or self-provision of services in the hierarchically organized firm. Williamson explains by the savings in transaction costs not only the existence of the firms as such, but also the variation of their internal organizational structures in different branches of economy and their change. Namely, these differences are explained by the structure of transaction costs in different branches. The change in the organizational structures is determined by market competition which lets to survive and to succeed the economic units which have the organizational structure and scale optimal from the transaction costs minimization point of view.

Williamson raises another question which is of crucial importance for the assessment of Weber's prediction that market competition begets in the inescapable way the hierarchies, which destroy the market competition: why big enterprise cannot produce itself all components needed for the production of end-products (in the way of *oikoi* of rulers in the older times)? This is so-called "Williamson's riddle", which can be unriddled in the following way: enlargement of the

firm decreases its external transaction costs, but increases the internal transaction costs, related to the construction of organizational structures, monitoring of their functioning (the costs of workers supervision and information processing), and changing them. When the marginal internal transaction costs are equal to marginal external transaction costs, the economic limit of firm's enlargement is reached (further enlargement doesn't increase, but decrease its competitive advantage). Therefore, there is no purely economical logic of market's self-liquidation.

By changes in firm's environment of certain kinds, its efficiency can be increased not by its enlargement and administration centralization, but, to the contrary, by decreasing its size and decentralization. Weber disregards this eventuality too, by holding the false opinion that "pyramid-shaped" organizational structure is superior under all conditions. Exactly like in the cases discussed above (see the survey of ch. 13), he makes no sufficiently clear distinction between the necessary conditions of firm's efficiency and its INUS-conditions. Historical analogies, used by Weber for substantiation of his predictions, hindered him in many cases to notice essential differences between the phenomena specific for the reality of modern capitalism, and the superficially similar phenomena from other epochs. So, investigating the consequences of monopolization, Weber had made no distinction between the "political" monopolies characteristic for the traditional societies, and transient monopolies engendered by free market competition. As Weber's junior contemporary and admirer Joseph A. Schumpeter had shown, the monopolies of the second kind do not necessarily act impede technological progress (on the contrary: only big-sized firms enjoying the monopoly in the market can engage in risky technological innovations).

At the same time, Weber's fears of perils for individual freedom engendered by bureaucratic hierarchies are well-founded. For more clear and precise (in comparison with Weber's metaphors of "iron cage" and "Egyptian serfdom") description of these dangers the author of monograph uses the concept of "asymmetric society" coined by one of the most distinguished representatives of RCA James Samuel Coleman. This conception is considered by Coleman himself as the concretization of Weber's rationalization thesis. "Rationalization" in Coleman's interpretation means the replacement of the "natural" social environments by artificial or "constructed" one. Natural social environment consists of the naturally grown social structures. The elements of these structures are physical persons dependent ("unfree") on other physical persons. Constructed social structure consists of positions which are occupied by the free and that's why dispensable persons. These structures are purposefully constructed and changeable. The structures of this kind are used to build corporate actors. Coleman considers the distinction between the "juridical person" and "physical person" as both the symptom and the precondition for their emergence (according to Coleman, this distinction is the greatest social invention of all times).

From Coleman's point of view, the growing number and significance of corporate actors is sociologically most important phenomenon in the 20<sup>th</sup> century. To satisfy the increasing part of his needs, modern man enters into the relations not with natural persons, but with giant corporate actors. The characteristic feature of these relations (and at the same time - feature of modern societies) is the chronic asymmetry of power between the "natural" and corporate actors. The corporate actors almost always surpass by their resources natural persons (except the richest ones).

Besides that, they frequently enjoy the of oligopolist and monopolist standing. Because of this asymmetry in power, the physical person's "freedom of movement" so endearing to Weber can have no real content in the market society too (the relations between the "Telecom Lithuania" and its customers can serve as an example).

## **APPENDIX: WEBER'S "PROTESTANT ETHIC THESIS: RECEPTION, CRITICISM, AND RATIONAL RECONSTRUCTION IN THE RATIONAL CHOICE APPROACH**

The monograph closes with the survey of the reception of Weber's famous "Protestant ethic thesis" (next: PET) in the RCA. This survey is extended by the contribution of monograph's author himself to this reception: the logical reconstruction of the most important part in Weber's famous argument. This survey is appended to the main text not only because of the reason that this part of Weber's legacy attracted most close attention by the representatives of RCA (including Boudon and Coleman). In the second part of the monograph, the thesis of the divergence between Weber's proclaimed methodology and his substantive work was qualified by the clause that some of Weber's works are implementing this methodology in consequent way. First of all, this thesis refers to PET, which was considered as an exemplary application of interpretive sociology by Weber himself. Detailed analysis of PET is instrumental for the substantiation of this clause. Besides that, the analysis of reception of PET by so many representatives of RCA provides the evidence for another monograph's thesis: namely, that Weber's interpretive sociology can be considered as a version of RCA.

However, in the appendix the problem is not considered, which is discussed most intensely in the abundant literature on PET: is Weber's thesis substantiated by empirical evidence? The main reason is that the authors coming from RCA were mostly interested in the logical structure of PET. Coleman had shown that Weber's argument, which articulates PET, consists of three links or steps (situation logic, selection logic, and logic of transformation) commended for sociological explanation by individualistic methodology. According to Coleman's view, the third link is most weakly elaborated: Weber had not explained how the changes in the individual behavior could create new worldly economic ethic. On this question, Gudmund Hernes and Richard Swedberg have disputed with Coleman, offering their suggestions how to emend the argumentation of German sociologist. The author of monograph shows that these emendations are sufficient only for demonstration that ascetic Protestantism could destroy the old (traditionalist) economic ethic; however, they are insufficient to explain the emergence of new economic ethic.

Boudon pointed out that PET consists, strictly speaking, not of one thesis, but of two. First of them is exposed in Weber's famous work "The Protestant Ethic and the Spirit of Capitalism", and the second one - in the article written at the nearly same time - "The Protestant Sects and the Spirit of Capitalism". Only in the first work, the belief in predestination plays essential role. In the second, which Boudon considers as one of the best examples of the RCA-style sociological analysis, the peculiarities of Protestant economic behavior are explained by specific features of the social situation of this behavior described in social structural terms. In the first thesis, Boudon misses more detailed analysis of situation logic and tries to supplement Weber's argumentation



by the results of the Reformation historian Hugh Trevor-Roper. The author of monograph shows that this attempt cannot be considered as successful, because Boudon simply replaces Weber's explanatory problem (the origin of certain economic ethic or psychological human type) by another one - why in the European business elites of 17<sup>th</sup> century the Calvinists were represented most numerously?

In the appendix the hypothesis is advanced that Weber in his PET (to put it in more exact way: in the PET as exposed in "The Protestant Ethic and the Spirit of Capitalism") had consciously provided only very fragmentary analysis of the actor's situation logic. Like the neoclassical economic models grounded in the assumption of limited rationality and the "internalist" history of science applying the method of "rational reconstruction", Weber makes "heroical" assumption that the faith of rank-and-file Calvinist believers was not *fides implicita* (acceptance of the church authority), but *fides explicita* - including the knowledge of theological dogmatic and understanding its internal logical consequence. The assumption of perfect rationality in theological thinking does the same job, which this assumption performs in the internalist history of science and in the neoclassical economics: it allows to skip over the detailed analysis of social context. On the other hand, Weber understands quite well the problematic aspect of this assumption, repeatedly pointing out that *fides explicita* as mass phenomenon occurs only under the exceptional conditions defined by mass literacy (rarely occurring in the premodern times), so-called "plebeian intellectualism" and intensification of apocalyptic expectations.

The author of monograph concentrates his attention on the question neglected by the RCA authors who have examined PET: What theory of individual behavior Weber applies in his explanation of the behavior of Calvinists. Weber attributes to them the anxiety for assurance that they belong to elected for salvation. The problem arises because of Weber's statement that the choice of worldly ascetic way of life motivated by this anxiety was "irrational" one, and can be explained only "psychologically". Weber considers as "logical" behavior the fatalist acquiescence with habitual way of life. The author of monograph shows that Weber confronts in "selection logical" part of famous argument the conceptual problem, which was analyzed in satisfactory way only in the contemporary discussions related to so-called Newcomb's problem. This problem arises because of the conflict between two fundamental principles of rational choice - the expected utility maximization principle and dominance principle (the last principle is fundamental for the game theory). In these discussions, two versions of RCT - "causalist" and "evidentialist" - had arisen. The "causalists" give the precedence to the principle of domination, and the "evidentialists" - to the principle of expected utility maximization. From the causalist point of view, in the situation analyzed by Weber, fatalist clinging to the habitual way of life is the rational choice; from the evidentialist standpoint - the change in behavior (the choice of the worldly ascetic way of life). According to monograph's analysis, Weber in his preanalytical intuitions gave the precedence to dominance principle.

The discussion between the causalists and evidentialists is not finished yet, although the prevailing part of its participants hold the causalist standpoint. American philosopher Robert Nozick who was the first to draw the attention of RCT theorists to Newcomb's problem, proposes in his latest work the synthetic version of RCT called "decision value theory". In this theory, the value of an alternative is calculated as the sum of its "causal expected utility", "evidential

expected utility”, and “symbolic utility”. In this sum, each of the components is weighted by weight coefficient. Nozick’s theory envisages that these coefficients can vary both individually and historically. Nozick’s new version of RCT is interesting by its provision of the conceptual tools for elaboration of Weberian behavior’s rationalization thesis. Namely, the rationalization of behavior can be interpreted as the increasing of the relative weight of causal component in the decision value at the cost of its symbolic and evidential components.

## CONCLUSIONS

1. Contemporary RCA endeavors to restore unified social science and to overcome the dualism (which had become well-entrenched tradition since Weber’s times) of individualist, rationalist, deductivist, “pure economics” and collectivist, arationalist, inductivist sociology. In the retrospect of this current problem situation, Weber’s ideas of social economics and its unitary explanatory method are topical again.
2. Weber’s interpretive sociology and RCA can be segregated only if RCA is reduced to its pure universalist version. Since not all researchers identifying themselves with RCA accept this version, Weber’s interpretive sociology can be considered as a member in the family of the Rational Choice Approaches or (at the very least) its close relative.
3. Internal problems inherent in the first version of interpretive sociology had moved Weber to look after the nonpsychological alternative to RCT. However, neither Weber’s own, nor the later attempts to build specifically sociological theory of the individual behavior equaling RCT by explanatory power and surpassing it by explanatory power weren’t successful. For theorists, aspiring to ground social theory in the theory of individual behavior, the choice between the psychological theories and RCT is left.
4. The discrepancy between the rationalist microanalytical individualist methodology advocated by Weber and his structuralist macrocomparativist research practice was predetermined by the lack of analytical technique (game theory), indispensable for the fruitful realization of Weber’s methodological principles in his life time, and by the insufficient formality and abstractedness of his concept of instrumentally rational action.
5. Differently from other members of Historical school in the German national economy, Weber had not discarded RCT-based “abstract economic theory” for historical economical sociology, but had used it heuristically (as generator of research problems) for the agenda formation of historical research in economic sociology, choosing as the main problem for his own substantive research the institutional and cultural possibility conditions of the rational producer’s behavior and the history of formation of these conditions.
6. The work of RCA researchers, first of all, the investigations of new institutional economists, grounded in the assumption of “bounded rationality, provides sufficient conceptual resources for the substantiation and correction of Weberian descriptions of possibility conditions of rational economic behavior. The results of contemporary RCA validate many Weberian insights on the causes of the economic rise of the West and enable to find the sources of his prognostic errors.
7. The analysis of Weber’s argumentation in his “Protestant ethic thesis” by the means of contemporary RCT shows that this argumentation refers to analytically intricate and interesting

problem, presently known under the name of Newcomb's problem. For this reason, the famous Weber's contribution preserves its epistemic value independently from the outcome of the ongoing discussion on the empirical validity of "Protestant ethic thesis".

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<sup>2</sup> This list of references includes only the sources referred in the survey. For the complete list of references and critical apparatus see the monograph itself.

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Max Weber. First published Fri Aug 24, 2007; substantive revision Mon Nov 27, 2017. Arguably the foremost social theorist of the twentieth century, Max Weber is known as a principal architect of modern social science along with Karl Marx and Emil Durkheim. Weber's wide-ranging contributions gave critical impetus to the birth of new academic disciplines such as sociology as well as to the significant reorientation in law, economics, political science, and religious studies. Turning irrational reality into rational concept, it does not simply paint (abbilden) a picture of reality but transforms (umbilden) it. Occupying the gray area between irrational reality and rational concept, then, its question became twofold for the Neo-Kantians.