

The background of the cover is a complex, abstract fractal pattern. It features a dark blue, almost black, upper section that transitions into a golden-yellow and brownish-gold lower section. The fractal consists of numerous overlapping, circular and organic shapes, creating a sense of depth and complexity. The overall effect is reminiscent of a microscopic view of a biological structure or a highly detailed mathematical fractal.

The Legacy of Max Weber

Ludwig Lachmann

THE LEGACY OF
Max Weber

THREE ESSAYS BY

L.M. LACHMANN

*Professor of Economics and Economic History
in the University of the Witwatersrand, Johannesburg*



The Glendessary Press – Berkeley

Copyright © 1971 by
The Glendessary Press
2512 Grove, Berkeley, California 94704

*All rights reserved. No part of this book
may be reproduced in any form, by
mimeograph or any other means,
without permission in writing
from the publisher.*

*Printed in the United States of America
Library of Congress Catalog Card Number: 76-133386*

*Published in Great Britain by
Heinemann Educational Books Ltd.*

Contents

<i>Preface</i>	vii
<i>Introduction</i>	i
The Method of Interpretation	17
On Institutions	49
On Political Institutions	92
<i>Biographical Note</i>	143
<i>Bibliographical Note</i>	145
<i>Index</i>	149

Preface

THERE ARE various ways in which, in any discipline, we might look upon its history of thought. According to one view the contributions of past thought are given to us, like sculptures in a museum, as objects of interest and study but as something which has assumed a permanent form. Such a view would perhaps be difficult to sustain in cases where certain ideas of a thinker of the past are found to be inconsistent with others of his ideas, or where, as in the case of Weber, a good deal of his work has been left to us in a fragmentary form. But in principle it is a possible and consistent view of the present-day function of the history of thought. It means that the present tasks of a discipline are one thing, and its history of thought is another. This will be a view congenial to all those who like to know for certain what data they confront before they start their work.

It is possible, however, to take a different view of the present role of the history of thought. According to this other view the ideas contributed in the past do not at present necessarily exist in their final form. The answers which have been given are all possible answers to recurring questions, but there may be other answers. The problems which thinkers of the past have attempted to solve may have solutions other than those they proposed, but which still elude us. A thinker may have dealt with a complex of facts and problems some of which are linked by threads of which he may have been unaware. From time to

time therefore at least the major contributions must be subjected to re-examination.

It is obvious that all those who take this latter view are compelled to adopt a critical attitude towards their intellectual forebears. However great their admiration and reverence for a thinker of the past, they must be ever ready to re-examine his starting point and his final point, his assumptions and his conclusions, the structure of his models and the significance of the facts from which he has abstracted.

It is in this spirit that in the present book we reassess some of Weber's contributions which have remained relatively neglected. In the first essay an attempt is made to replace the ideal type as the central concept of the theory of action. The second essay is essentially an endeavour to make explicit those problems of institutional structure which appear to be implicit in much of Weber's work. The subject of the third essay calls perhaps for a special word of explanation.

The subject-matter of Weber's political writings, largely devoted to criticism of the social and political structure of Hohenzollern Germany, is no longer of interest to us and, as such, does not belong to the history of thought. But the conceptual apparatus he used in these writings is a different matter. Weber, even when writing as a politician, could not help thinking in sociological terms. We therefore have good reason to be interested in the concepts he used in his political writings, in particular where they bear some relation to a theory of institutional structure.

Weber's critique of Hohenzollern Germany was mainly based on the postulate that parliamentary democracy is the political form required by modern industrial society. The postulate evidently rests on a

notion of the necessarily unitary character of institutional structures.

On the other hand, Weber repeatedly stressed the need for the daily compromises of political life and insisted that all political arrangements ultimately rest on such compromises. But in his political model there appears to be no place for those more durable compromises between powerful social groups which, being more than ephemeral, often shape the course of events for a long period, but do not require, and often would not be compatible with, a unitary institutional structure. Weber, we might say, was not a thorough pluralist. It seems to us, however, that Hohenzollern Germany did offer some instructive examples of precisely this type. If we are right, some of his political judgments of fifty years ago may be accounted for by certain peculiar features of his conceptual apparatus.

The history of thought is a critical enterprise. Every idea contributed in the past stands in need of frequent re-examination and reinterpretation. The more important we think an idea, the more often we shall have to do that. This certainly was Max Weber's own view. It is to be hoped that this book, which has been written to honour his memory, will be regarded as no less a tribute to his name for being part of this critical enterprise.

I have to thank Mrs Heather Karolyi who compiled the biographical and bibliographical notes and Mrs Jacqueline Schöneberg who typed various versions of the script.

L. M. LACHMANN
Paris. March/April 1970

Introduction

IN THE English-speaking world of the social sciences Max Weber is today no longer a stranger. For over thirty years now, ever since 1937 when Professor Parsons devoted a part of his *Structure of Social Action* to an interpretation of his ideas,¹ there has been a steady stream of books and articles, translations and commentaries, all concerned with Weber's work. The time has thus arrived when students of Weber find themselves in the happy position of being able to consider 'the next step'. But what precisely is this to be? There can, of course, be no general answer. The situation is different in each social science. Every student of Weber will have his own views, not necessarily shared by others, on those problems in the social science with which he happens to be most familiar that are most likely to yield fruitful solutions when treated by Weberian methods. To carry forward Weber's ideas in the circumstances of today is therefore a task about the precise nature of which, as well as the directions in which it is to be pursued, there is unlikely to be any general agreement. Nor is there any need for it.

What we shall attempt to do in this introduction is to outline a programme for rendering certain ideas of Weber fruitful in fields either as yet untilled, or not as yet fertilized by such ideas. This programme naturally reflects a certain view on the relative

¹ Talcott Parsons, *The Structure of Social Action* (McGraw-Hill, 1937), Part III, chs. XIII-XVIII.

importance of Weber's different ideas, as well as on the requirements of progress in different social sciences, in the circumstances which each finds itself in today. These are of course matters of value judgement on which there can be little useful discussion. All we can do is to present the reasons that have prompted us to choose this particular programme as necessary and feasible. This we shall do in this Introduction, and then attempt to carry out the programme in the three essays which follow.

Others would choose other programmes. Today we all know the general character of the legacy which Weber has left us. More or less every item of the inventory has been carefully recorded. The question before us is how it is to be utilized. It would not be surprising if views on investment opportunities were to differ among heirs.

It is a curious fact that, while Weber's ideas have made their impact on almost every social science, and many branches of historical study have been influenced by him, the one discipline he was mainly concerned with when, in the early years of this century, he began to take an interest in questions of methodology, viz. the science of economics, today bears almost no trace of his influence. Weber espoused the method of *interpretation* (*Verstehen*) for the social sciences. In economics today the prevailing style of thought is a neoclassical formalism which is quite untouched by Weber's methodology and inclined to take it for granted that the methods of the natural sciences are the only scientific methods known to man. We shall try to show why in our view this is a field in which the dissemination of Weberian ideas promises to yield a rich harvest.

In the three essays which follow we propose to make

use of the legacy of Max Weber in three directions:

In the first place, it seems to us that a re-examination of Weber's starting-point is now called for. In the history of human thought it is a matter of common observation that a thinker's actual starting-point is often arbitrarily chosen. Once a train of thought has been completed we are often able to see, looking back, that a different starting-point would have served us better. In the case of Weber, however, we have to remember that our legacy really consists of a mass of fragments. His main work, *Wirtschaft und Gesellschaft*, was not completed at the time of his death. In attempting to assess his work as a whole we are thus deprived of the benefit enjoyed by those who are able to assess an author's starting-point from a firm point of arrival chosen by the author himself.

Weber's starting-point, the fundamental concept of his methodology, is of course the *Idealtypus*. He chose it in 1904, at the very outset of his career as a student of the methods of the social sciences and before he ever came to think of himself as a sociologist, even as a future sociologist. As subsequent discussion has shown, its meaning is by no means unambiguous. It is also not a concept the scope and relevance of which is in any way confined to the social world. Hence its qualification for service as *the* fundamental concept of social science remains in doubt. We shall have to consider whether it might not be better to substitute for it something more closely akin to human action and society.

The second way in which we might make use of our legacy is by trying to bring some order into the mass of fragments left to us. In particular, in fields where Weber himself, partly for reasons of intellectual background and partly perhaps for lack of inclination,

was reluctant to establish generalizations of a level high enough to warrant their use in a general analytical scheme, some attempt in this direction seems to us to be called for. Thus we find in his work a number of generalizations about institutions of various kinds, generalizations at different levels of abstraction, but no general theory of institutions. It seems to us that the time has come for his heirs to endeavour to fill this gap. Accordingly, in our second essay, we shall present an outline of such a general theory of institutions which is, in keeping with the spirit of Weber, dynamic rather than static in that our emphasis is on processes of change rather than on the state of affairs within a given social system. We shall of course have to construct our analytical scheme largely on a foundation to be found in Weber's work.

The third direction in which we might seek to exploit our legacy concerns Weber's political thought. In the years of the First World War and its aftermath Weber took an active interest in German politics. It is fairly easy to distil from his political writings certain fundamental ideas, e.g. on modern parliamentary democracy and the political requisites of an industrial society. It is less easy, as we shall see, to reconcile some of these ideas with certain generalizations about the nature of the institutional order that emerge as elements of a general theory of institutions based on his work. In the third essay we shall deal with Max Weber's political thought. In so far as we there examine the links between his ideas on political institutions and other generalizations on institutions, the third essay is a continuation of the second. In both, our aim is to conduct tests of coherence between the various parts of our legacy, to see which of the fragments will fit together.

Two developments which have of late taken place in different fields of social thought prompt us to think that the present time may offer a suitable juncture for an endeavour to exploit the legacy of Weber in the three directions indicated. Each of these two developments marks a kind of crisis, or at least a serious setback in the progress of a social science. The first concerns the growing disenchantment of economists with those 'growth models' which members of their profession have produced in some profusion during the past two decades. Economic growth is of course a subject still very much in fashion. But it is gradually coming to be recognized that growth processes are processes of historical change, that they are prompted by many forces, not all of them economic, and that, whatever may be the best way of studying them, it is impossible to reduce the rich variety of forces in operation to one simple analytical model. In particular, the notion of equilibrium, which economists have long been used to regard as the pivot of their analytical apparatus, can find no application here.

One result of the discussion which has led to this sceptical conclusion is of particular interest to us. In a world of uncertainty in which the outcome of every human action can only be guessed with more or less confidence, the various economic agents (e.g. farmers, merchants and industrial entrepreneurs) will each pursue plans prompted by certain expectations about future events. These expectations will diverge, hence so will the plans prompted by them. But if different men hold different expectations about a future event, at best only one can be right, and the others must be wrong. This means that some of the plans which implement their expectations must miscarry, and that some of the capital invested in accordance with these

plans will turn out to have been malinvested. Hence, there can be no such thing as 'equilibrium growth', which is of course incompatible with malinvestment.¹

The recognition of these facts means discomfiture to the neoclassical formalism which has dominated economic thought in recent decades. Following the example of the natural sciences, it has sought to represent economic life as a system of interacting 'forces', i.e. formal entities which can be regarded as variables, the complex of relationships between which can be denoted as a system of simultaneous equations. There is, in fact there has to be, a niche in such a formal system for human dispositions, i.e. for human preferences. Everybody has a scale of preferences for goods and services. But there is not, in fact there cannot be, any place whatever for genuine human action as distinct from mere reaction to events.

For precisely the same reasons for which this development has caused dismay to the formalists, students of Weber will welcome it. In what for many decades looked an unpromising field, 'methodological individualism' as espoused by Weber now appears vindicated. If the course of economic processes can

¹ A similar development has taken place of late in monetary theory, a part of economics which often provides pointers to future developments in other parts of the discipline. 'Money is not a mechanism, it is a human institution, one of the most remarkable of human institutions. Even the simplest forms of money, even metallic coinage, even the use of metals as money that preceded coinage, none can function without some minimum of trust . . . At the earlier and cruder stages, mechanical theories (such as the Quantity Theory) give a reasonably good approximation to the working of money, but the subtlety of the monetary facts have [*sic*] gone on increasing, and theory has had a hard job to keep up.' John Hicks, *Critical Essays in Monetary Theory* (Oxford University Press, 1967), p. 59.

be shown to depend on certain qualities of individual plans, e.g. the degree of their divergence or convergence, then these plans and the meaning the planners attach to them are things that matter, and must be included in every attempted explanation of such processes. There are thus good reasons, in the study of human action, to give careful attention to the plan which guides and directs action.

The second of the two developments mentioned is the somewhat inconclusive outcome of the long discussion on the merits of 'structural functionalism' in sociology. On the one hand, it is clearly impossible to regard every society presented to us by history as a 'social system' in any strict sense of this word. The successes of some planned actions of individuals will always be found to be incompatible with one another. While, if by a social system we mean no more than a complex of social relationships, the notion becomes so wide as to be useless.

Weber was certainly opposed to all those schools of thought which were in his own day the predecessors of today's functionalists. He took the view that all biological and similar analogies in the social sciences had at best to be regarded as interesting hypotheses, heuristic devices of stronger or weaker suggestive power, which in each case required independent verification of their *modus operandi*. A praxeological theory of society constructed on the firm basis of purpose and plan, such as emerges from Weber's work, is evidently not compatible with a functionalist view of life in society.

On the other hand, forms of complementarity do exist in social life and are conspicuous in particular as regards institutions. One of Weber's main concerns was, after all, to unravel the intricate network of

relationships between institutions of various types, religious, political, economic, legal, etc., in different societies, even though his concern was mostly of a comparative historical nature. It may be rash to speak of a social system in the sense of a complex of social forces functioning indefinitely in such a manner as to maintain themselves permanently in operation, or even more modestly of an *institutional order* in the sense of complete complementarity of the institutions of various types. But neither do the institutions of society offer a picture of chaos. The pattern of relationships they exhibit is not completely unintelligible, even though it may be intricate. It is possible for our minds to discern some intelligible order among institutions even where there are many rents in the pattern of the relationships existing between them.

The first task that emerges from the confusion and perplexity which have thus far accompanied the discussion on structural functionalism is thus to construct a theory of institutions which does not take their complete complementarity for granted, but which examines carefully those features of the institutions of the real world that appear to display some degree of complementarity. The second task will then consist in welding together the results obtained, with a view to the possibility that enough elements of complementarity may have been assembled to warrant our use of the notion of an *institutional order*, and to construct a theory on this basis.

Finally, and this will constitute a third task, we have to see how such an order, if it can be shown to exist, stands up to processes of change; how it can combine coherence with flexibility in a world of uncertainty.

It seems to us that here again, as in the case of the

discomfiture of equilibrium economics mentioned above, students of Weber hold the key which may unlock the door that has barred progress. Institutions are very important, but their *modus operandi* must be examined from a firmly founded praxeological basis rather than taken for granted on the strength of some dubious biological analogy.

We have mentioned these two developments in different fields of social thought in order to show that from the first we are able to gain a new starting-point, based on the method of interpretation, for a theory of action, namely *the plan*, while the second provides us with an indication of the direction in which a general theory of institutions erected on Weberian foundations will have to be sought.

The first essay, 'The Method of Interpretation', is an attempt to find a new starting-point for a theory of action inspired by the Weberian notion that action derives its meaning from the mind of the actor. We have to start by dispelling a misunderstanding about the intellectual ancestry of the method of *Verstehen*. Professor Parsons has linked it to the tendency of idealistic philosophy to see in events observable in time and space concrete 'emanations' of permanent forces which are regarded as the 'real' agents of all change.¹ However strong such a connection may have been in the case of some German nineteenth-century thinkers, we doubt whether it is useful to see Weber and his method of interpretation against this background. Firstly, Weber was strongly opposed to all forms of 'emanationism' as methods of social science. Secondly, the method of interpretation (*Verstehen*) is one the origins of which have nothing whatever to do

¹ Talcott Parsons, *The Structure of Social Action* (1937), Part III, ch. XIII, 'The Idealistic Tradition'.

with any philosophy. It is nothing less than the traditional method of scholarship which scholars have used throughout the ages whenever they were concerned with the interpretation of texts. Whenever one is in doubt about the meaning of a passage one tries to establish what the author 'meant by it', i.e. to what ideas he attempted to give expression when he wrote it. This, and not an axiom of the philosophy of idealism, is the true origin of the method of interpretation. It is evidently possible to extend this classical method of scholarship to human acts other than writings. This is what all historians, whether philosophically minded or not, have always done. It is this 'positive' method of the German Historical School that Weber took over and adapted to his purpose.

The question now arises whether it would be wise to discard this method of cognition in favour of the method of modern natural sciences. We learn from Sir Karl Popper that scientific explanation of events runs in terms of universal laws, and the impact of the forces described by the laws on an 'initial situation' A which is transformed by them into a subsequent situation B. Scientific activity consists in the attempts to formulate hypotheses of laws which are then to be tested by making predictions about the transformation of initial situations.

Our choice of method must depend on whether the phenomena in which we are interested, those of human conduct towards other human beings, lend themselves readily to treatment in terms of these categories.

As regards universal laws, nobody doubts that human beings are subject to them. The question we face is not whether such laws exist, but whether those which do ('All men must eat in order to live') are of

much help in enabling us to understand how social situations change. As regards initial situations, a human situation can never be defined exclusively in observable terms because all human action is also concerned with an unknown and unknowable future. Two business-men, say, partners in a firm, may well look at the same 'objective' situation with different eyes, and may desire to take different actions. Human action cannot be regarded as mere reaction to stimulus. To understand it we have to understand what image of the future the actors are bearing in their minds. Hence, any initial situation, however much care we may take to define it precisely and objectively, may suddenly, without any impact of external forces such as may operate under a universal law, turn into another different situation merely because the individuals acting have 'changed their minds'.¹ The applicability of the vaunted one-and-only method of science to human action must therefore remain in doubt. It seems wiser to leave other avenues open.

We mentioned above that the status of Weber's *ideal type* as the fundamental concept of a theory of action which seeks to interpret meaningful action is rather dubious. Discussion devoted to the task of clarifying the ambiguity surrounding this term has been rather inconclusive, except that everybody agrees that the term is much too wide to be useful. The ideal type was really meant by Weber as a measuring-rod, a device to bring order into a mass of

¹ It does not help at all to speak here of 'dispositions' and to include them among the data of the initial situation. One of the two business-men may, of course, be an optimist and the other a pessimist. But they need not be. They may at first take identical views and subsequently change their minds, or at least one of them may do so.

facts. As such it has nothing to do with the intelligibility of human action.

We propose to replace it by the notion of *plan*. All human action, if it is to be successful, requires a plan to guide it. To understand an action means to understand the plan which is being carried out here and now. A phenomenon of human action is an observable event; so, in principle, is the making of plans. Hence the application of the method of interpretation to action does not mean, as some have thought, that we have to regard action as the unfolding of a meaning the source of which remains hidden from us: the external manifestation of an otherwise unknowable entity. Plans, strategic, economic or otherwise, are observable events. At least wherever a number of individuals have to agree on a common plan, there should be no difficulty in establishing its character.

The correspondence between plan and action which thus provides an almost 'natural' conceptual basis for the study of human action has no counterpart in nature. A claim for the methodological autonomy of the social sciences, such as Weber endeavoured to establish, is thus most strongly substantiated when we base it on the existence of this correspondence.

The frequent failure of plans we observe in reality says nothing against this correspondence. It remains true that all action derives its meaning from the plan which guides it. On the contrary, we should be unable even to speak of success or failure of an action without the notion of a plan in our minds.

Our second essay is concerned with *institutions* and their order. Its theme follows from that of the first essay. Human action in society is interaction. Each plan must take account of, among many other facts, favourable and unfavourable, the plans of other

actors. But these cannot all be known to the planner. Institutions serve as orientation maps concerning future actions of the anonymous mass of other actors. They help the planner by making the social world a little less uncertain than it would be otherwise. But in reality institutions always change, some faster than others.

The second essay is thus a continuation of the first, and it also draws upon the legacy of Weber. In his work we find a number of generalizations about institutions at various levels of abstraction, but no general analytical scheme. Various possible explanations of this fact are discussed. The outline of the scheme we present in this essay goes back to an earlier scheme by Menger which Weber, in our interpretation, endorsed in his *Sociology of Law*. An institutional order must always exist, though in a much looser form than the exponents of the 'social systems' theories currently in fashion would be ready to grant. In our view the central problem of the institutional order hinges on the contrast between coherence and flexibility, between the necessarily durable nature of the institutional order as a whole and the requisite flexibility of the individual institution. In other words, this central problem does not become apparent until we come to view the institutional order in the perspective of time, which was also Weber's perspective. In order to elucidate various aspects of this problem we introduce in this essay various distinctions, e.g. that between *fundamental* and *secondary* institutions. We also find that Menger's distinction between *designed* and *undesigned* institutions still has a deserved place in such an analytical scheme, though often in history we observe that institutions originally undesigned were later on given a design by their being cast in a legal

form. Our main conclusion is that it is impossible for all institutions to change at the same rate, and that the relative immutability of some institutions is always a necessary prerequisite for the relative flexibility of the rest.

Our third essay deals with the rôle of political institutions within the institutional order. Its theme is a continuation of one of the themes explored in the second essay, in that we make a closer study of certain fundamental institutions. We again draw upon Weber's legacy by relating some of our conclusions to his political thought. Weber was a vigorous political thinker who took a close interest in the politics of Wilhelminian Germany and its immediate aftermath. As was mentioned above, while it is fairly easy to distil from his political writings certain fundamental ideas, empirical generalizations about the political institutions of modern industrial society, it is not always obvious how well these would fit into a general analytical scheme, a theory of institutions based on his work. In fact, it is sometimes possible to criticize the former in terms of the latter.

Much of what Weber said in his political writings now belongs to past history. But he saw very clearly at least one problem of modern democracy which has by no means lost its significance: how to co-ordinate group interests with the wider interests of the nation as a whole. As we shall see in this essay, Weber's answer was that the democratic process, the struggle of parties for political power, will give rise to leaders who as party leaders learn how to co-ordinate group interests and as national leaders bring about co-ordination on a wider scale. It is a conception which does not lack subtlety in that one kind of pluralism, that of interest groups, is here offset by another kind

of pluralism, that of political parties. In fact a party is here regarded as an intermediate co-ordinating mechanism for group interests. The national leader, product of the democratic process which is a continuous struggle for power, reigns supreme as the co-ordinator-in-chief.

His discussion of these matters raises three questions which we regard as central to the legacy of Weber as a political sociologist.

In the first place, what happens if no leader of the requisite qualities and status emerges from the democratic process, but only men of mediocre talents and without the gift to subjugate group interests to the wider aims they pursue? Or perhaps even men who simply do not pursue such aims? In the light of much that has happened in the fifty years since Weber died such a question cannot be ignored.

Secondly, may not the struggle for power among political leaders, even irrespective of their personal qualities, gradually lead to an erosion of those fundamental institutions which circumscribe and limit the exercise of political power? Will not the leaders in the course of the political struggle have to make promises to the electorate which cannot be redeemed without whittling away some of the very institutions on which the democratic process rests? This is a question to which Weber did not address himself. In the Germany of his last years such institutions were only just coming into existence. Actually he helped to create them. But it is a question which arises at once from the scheme of institutional change we present in our second essay and which owes much to the legacy he left us.

We may raise a final question which flows from a combination of the first two. Every political system,

whether democratic or not, ultimately rests for its stability on the broad consensus of certain major social groups in the society which supports it. It may well be that for the protection of our fundamental institutions against such erosion as we referred to in our second question we have to look to the actual, but of course unwritten, terms of the compromise of major social forces on which our political order rests. If so, a good deal will depend, for the stability of the political structure, on whether such a compromise is freely accepted by the parties to the bargain as an integral part of their way of life from now onwards, or regarded by them as a merely temporary arrangement which leaves the future in a dark void. We shall exemplify this distinction, which we regard as vital, with respect to Hohenzollern Germany and the Weimar Republic. It is not a distinction we should expect to find in Weber's work. In his political thought struggle always occupies a more prominent place than compromise, which to him in any case is always temporary. We hope to show, however, that it is a distinction not unconnected with a subjectivist interpretation of political form, and one which appears to flow naturally from a view of institutions which, in the spirit of Weber, looks at them as instruments of intelligible human action.

The Method of Interpretation

IT HAS often been said that Max Weber, in propounding the method of *Verstehen* as the method of study appropriate to human action, was essentially defending the heritage of German idealism against the onslaught of positivism.¹ This view, though there is some truth in it, fails to do justice to the complex nature of the situation in which Weber found himself no less than to the subtlety of his mind. It is quite true that in some important respects he remained very much the heir of the German Historical School all his life. But, though a disciple, he was by no means an uncritical admirer of this school of thought, and did not hesitate to criticize its protagonists, as well as some of its major articles of faith, where he thought it necessary. Moreover, the beginnings of his interest in questions of methodology fall into a period when, after a long illness, he came to feel the need to re-examine his own position as well as that of the school in which he had grown up.

But, whatever Weber's own attitude towards it, the method of *Verstehen*, the interpretation of human utterance in order to make it intelligible, is much older than German idealism and the Historical School which, partly, sprang from it. We might even perhaps say that it is the 'natural' method of rendering an intelligible account of the manifestations of the

¹ See, for example, Talcott Parsons, *The Structure of Social Action* (McGraw-Hill, 1937), ch. XIII, 'The Idealistic Tradition'.

human mind. It is nothing less than the traditional method of classical scholarship.

Whenever we wish to 'understand' a text, be it of a religious, literary, legal or other nature, we have to employ a number of procedures all of which aim at our greatest possible certainty as to what the author 'wanted to say' in the first place. Where the text studied contains a generalization, e.g. a religious precept or a legal norm, we also have to decide to what kind of concrete situation our text may apply. Textual interpretation is therefore the prototype of *Verstehen*. Until the rise of modern natural science this was the commonly accepted method of all scholars, whether they studied the Bible or the *Corpus Juris Civilis*, read Homer or translated Avicenna or Averroës from the Arabic. It will be readily appreciated how little all this has to do with 'intuition'. The procedure is a rational procedure of discursive study.

In interpreting a text, what essentially we are trying to do is to identify a 'meaning', an idea, to which the text in question is designed to give expression. In other words, interpretation is a method of comparative study by means of which we are attempting to establish a relation between an observable event (a readable text) and an idea which existed in a human mind prior to the writing of the text, and to which the latter is designed to lend expression. The object of our study is therefore to establish a degree of correspondence between a phenomenon and an idea.

The method of study to be employed for such a purpose must largely take the form of coherence tests. In interpreting a text of uncertain meaning we have to ask for each possible meaning, whether and how far it would be consistent with what the same author says in other passages of the same work, or in

other works of his, with what we know about his life and views in general, and about such other matters as are dealt with in the text in question.

When the writing of history became more than the mere recording of *res gestae*, when historiography emerged from the stage of chronicle and evolved into a scholarly discipline, it was only natural that historians should adopt this method. But they took it one stage further. Not content merely to study ancient chronicles, they had, at some stage, to ask 'why' people acted as they did. But once the explanation of human action had come to be regarded as the major task of historiography, it seemed only natural to pursue the quest for the actor's purposes and plans by the same means as those by which scholars for centuries had attempted to ascertain the 'author's intention'. The old method of classical study thus became the method of historiography—'the historical method'.

How was a transformation such as this, the adaptation of an existing method of study to a new discipline, possible?

This is perhaps most readily understood if at first we only look at those parts of history which most clearly appear to us in the form of *res gestae*, actions of individuals. Here the task of the historian evidently consists in identifying the purposes of the individuals acting. For causal explanation in history is hardly conceivable otherwise than in terms of purposes. There is thus a parallel between the activities of philologists and historians; both are trying to establish relationships between ideas and subsequent events. But the historian faces a more complex task, partly of course because he has to deal with a large number of texts and not only with one text, but partly also for another

reason. He must ask how far the variety of purposes pursued by the individual whose action he studies (as by any other individual) 'fitted together'. He has to ascertain 'The Plan', the coherent design behind the observable action in which the various purposes as well as the means employed are bound together. He thus has to conduct coherence tests on two levels. In each case he has to ascertain:

- (1) whether the purposes he ascribes to the individual acting are in fact consistent with one another and fit into the framework of a general plan, the execution of which would account for the known facts;
- (2) whether the design and execution of such a plan are in fact consistent with whatever else is known about the intentions, circumstances, etc. of the individual whose action is the subject under study.

Once we have realized that the historical method is really nothing more or less than the classical method of interpretation applied to overt action instead of to texts, a method aiming at identifying a human design, a 'meaning' behind observable events, we shall have no difficulty in accepting that it can be just as well applied to human interaction as to individual actors. From this point of view all history is interaction, which has to be interpreted in terms of the rival plans of various actors. All historiography has in fact proceeded in this manner.

The question we now have to face is whether group action lends itself to treatment in the same terms. Is it amenable to study in terms of purpose and plan in the same way as individual action? Or does our method of interpretation here encounter an insurmountable obstacle?

In answering this question we have to distinguish between organized and unorganized group action. Where a group is organized in such a way that the task of acting for it, of planning action and carrying out such plans, is entrusted to certain individuals designated for such purposes, there is of course no problem for us. Everything said so far about historical explanation of individual action here applies to the action of these officials. This is, in fact, how most political and diplomatic history has been written. Historians have regarded it as their main task to explain the action of political leaders in terms of their 'policies', i.e. in terms of consistent plans. Even when historians speak of 'the foreign policy' of a country over a period exceeding any individual's span of life, what is meant is of course the continuous execution of a coherent plan over a long period.

Economic and social history can hardly be written in these terms except perhaps in such cases where, for instance, the growth of a business enterprise is described. But our method of interpretation need not fail us even in this field. The task of historical explanation consists here in accounting for a recurrent pattern of action, and such an account, if it is to be an intelligible account, again requires interpretation in terms of the typical elements of plans to be found in 'anonymous mass action'. The only difference consists in the fact that here the plan elements which interest us are not the millions of individual purposes pursued, but the common elements of norms, institutions, and of the general environment in which all these plans have to be carried out. It is these common elements, which millions of plans have to contain and to which all individual action in a given society has to be oriented, which it is here the task of the historian

to explain. His task, no longer primarily concerned with purposes, which are here taken for granted rather than ignored, is still the interpretation of action in terms of plans and their elements. The method of interpretation that aims at linking observable events to types of design existing in the minds of people acting still holds good, and should enable us to present an intelligible account of what is happening.

On the other hand, we have to admit that in cases where we have to deal with group action which is completely unorganized, neither organized and directed by leaders nor oriented to common norms, rules or institutions, our method will fail. A completely spontaneous riot (if there is such a thing) is best treated as a 'natural event'. We should be unable to give an intelligible account of it; there can be no question here of coherence of plans.

Finally we come to the question whether the method of interpretation may be employed beyond the borders of history, namely in the analytical social sciences.

The answer to this question is in the affirmative. There seems to be no reason why a method which is useful in the explanation of individual action should be less so in the explanation of classes of such actions. The case is exactly parallel to the one discussed above, when we were concerned with economic and social history. It is true that in explaining recurrent patterns of action, the essential subject-matter of all social sciences, we cannot provide such explanation in terms of purposes, as elements of plans, because the purposes pursued by millions of people are of course numbered in millions. But often we are none the less able to provide explanations in terms of the elements common to all these plans, such as norms, institutions, and sometimes institutionalized behaviour, the maximiza-

tion of profits, or the avoidance of the risk of insolvency. As long as we are able to account for the recurrence of patterns of action in terms of such elements of plans, we are successfully employing the classical method of interpretation. We are still explaining subsequent events in terms of ideas. Moreover, the line that divides concrete historical phenomena from permanent social structures is notoriously thin. To which of these two classes should we assign, for instance, the medieval town economy, the political system of the Republic of Venice, or the public finances of Frederician Prussia? The plain fact is that every recurrent pattern of events, anything we should feel at all entitled to call a 'structure', requires explanation in terms of permanent forces as well as in terms of concrete historical circumstances. Interpretation is needed in the former as well as the latter type of explanation.

Weber found merit in this method, which the procedure adopted by the natural sciences lacks. He felt that in the study of human action we should not dispense with a method which enables us to ascertain 'the meaning' of action, individual or collective, while the natural sciences are, in any case, unable to do more than bring a large number of observable phenomena within the bounds of an analytical scheme. Natural phenomena can have no 'meaning'. In espousing the method of *Verstehen* Weber went far beyond defending the heritage of the German Historical School.

We must now give a brief account of the particular situation in which Weber found himself compelled to confront this crucial issue in the methodology of the Social Sciences.

When in 1902 he gradually recovered from his

illness, the *Methodenstreit*, that is to say the controversy on the merits of abstract analytical schemes for the study of social, and in particular economic, events which had divided Austrian and German economists into two hostile camps, had lasted twenty years, and signs of weariness were becoming apparent on both sides. This controversy started in 1883 when Carl Menger, Professor of Economics in the University of Vienna, published a book on the methods of the social sciences in which he defended classical economic theory and criticized the Historical School, then dominant in Germany.¹ Schmoller, the head of that school, wrote an acrimonious review of the book to which Menger replied the following year, 1884, with a tract on 'The Errors of the Historical School' which, as Schumpeter has said, 'fairly steamed with wrath' and contained a number of personal attacks on Schmoller. After that friendly relations between economists of the two Empires became rather strained.

It is noteworthy that in this controversy Menger and the Austrians were throughout on the defensive. They did not deny the justification for historical studies in the economic and social field, but strove to uphold the right of, indeed the need for, abstract analysis of economic phenomena.

Weber, who at the start of his career had been a disciple of Schmoller and whose first economic studies had been of a historical nature, was eager to bring the controversy to an end. In the years of his illness he had moved far away from his early moorings.

¹ Carl Menger, *Untersuchungen über die Methode der Sozialwissenschaften und der Politischen Oekonomie insbesondere* (Leipzig 1883), translated as *Problems of Economics and Sociology*, edited with an introduction by Louis Schneider (University of Illinois Press 1963).

He was quite willing to agree with the Austrians that all historical explanation requires causal schemes which are of a general nature. He recognized that there is a need for economic theory. But there were certain aspects of Menger's methodology which he was unable to accept.

Menger regarded it as the main task of all the sciences to find and formulate 'exact laws'. But he never stressed the distinction between empirical regularity and logical necessity, between what Leibniz called *vérités de fait* and *vérités de raison*. He seems to have regarded the 'law' of diminishing marginal utility as an empirical law of nature based on psychological 'drives'.

Weber denied Menger's contention that the 'laws' governing economic conduct (among which was Menger's own creation, the law of marginal utility) are 'exact laws' in the same sense as those found in nature. He regarded this as a 'naturalistic fallacy'. He insisted that the observable uniformity of human conduct in economics, profit maximization in business etc. is essentially of a 'pragmatic' nature and has nothing whatever to do with 'psychology' of any kind. Once a man decided to conduct his business with the aim to maximize his profits, certain necessary consequences followed, but such necessity was of a strictly conditional nature, and its source was 'pragmatic' in the sense that it lay in the 'logic of the situation' the business-man confronted.¹ In fact, abstract economic theory consisted essentially of rational schemes in which the conditions of successful action were defined in such a way as to require certain kinds of action. This is something very different from the way in which

¹ *Gesammelte Aufsätze zur Wissenschaftslehre* (Second Edition, 1951), p. 396.

natural events are 'determined' by their causes. The naturalistic fallacy consists in confusing the two.

Weber remained very much the heir of the Historical School also in other respects. Adherents of this school had always objected to what they regarded as the 'artificial separation' of economic from other social activity, of which they held the classical economists guilty. Weber saw no reason why the abstract schemes, the need for which he acknowledged, should have to be confined to schemes of rational economic conduct. To this end he devised the famous notion of the *Idealtypus*, which has given rise to so much criticism.

We shall choose a different starting-point. But we first have to explain why the 'Ideal Type' does not appear to us to offer an ideal starting-ground for a journey into the theory of social action.¹

For Weber the ideal type was the chief instrument of causal analysis in society, the fundamental concept of all social sciences. Like the concepts of all generalizing sciences, it is obtained by a process of abstraction and must therefore be relatively empty of content when compared to reality. But in our case abstraction is not completely arbitrary. What we get in exchange for relative emptiness of content is a 'higher degree of unambiguity' (*gesteigerte Eindeutigkeit*) of our concepts. This enables us to go beyond the rational schemes of classical economics and to grasp the meaning of irrational action, for instance that of mystics, or of the action of a crowd in a state of mass emotion.

The ideal type is essentially a measuring rod. When

¹ Weber discusses his notion at length in *The Methodology of the Social Sciences*, translated by Edward A. Shils and Henry A. Finch (Free Press of Glencoe, New York, 1949), pp. 89-111.

we use an ideal type we stand at a distance from reality, but for precisely this reason are able to gain knowledge of it: 'By indicating the magnitude of approximation of an historical phenomenon to one or several of our concepts we can order these phenomena.' In other words, the ideal type serves the purpose of ordering concrete phenomena in terms of their distance from it. It is readily seen how different is Weber's ideal type from the model, a methodological device currently in fashion in many of the social sciences. Both are 'mental constructs', both are gained by abstraction. But the virtue of models rests in their being 'testable'. They must serve the purpose of predicting concrete events. In choosing between different models we must choose the one which enables us to make predictions which come nearest to events actually observed. With ideal types this is not so. With models, however remote from reality their elements may be, any distance between the predictions derivable from them and reality is a serious defect. With our ideal types, by contrast, such distance is a positive virtue since it offers us 'space' in which to display the ordering of our observed events.

As already mentioned, what Weber wanted as chief conceptual tool of the social sciences was a concept sufficiently wide to comprehend both rational schemes and all kinds of historical generalizations. How wide in fact was the scheme he envisaged is seen from the 'sample card' of ideal types he presented when he first set forth the notion in his 'Essay on Methodology' in 1904.

Class or generic concepts (*Gattungsbegriffe*)—ideal types—ideal—typical generic concepts—ideas in the sense of thought—patterns which actually exist in the minds of human beings—ideal types of such ideas—ideals which

govern human beings—ideal types of such ideals—ideals with which the historian approaches historical facts—*theoretical* constructs using empirical data illustratively—*historical* investigations which utilize theoretical concepts as ideal limiting cases.¹

The Ideal Type has become the centre of a fierce controversy, which it is neither possible nor necessary to concern ourselves with here. To deal with it at all adequately would by itself require a long essay, and it is doubtful whether the result would justify the effort. It is noteworthy, however, that in this controversy some of Weber's most ardent admirers turned into his most severe critics. For example, Sombart, his comrade-in-arms in the early days of the *Werturteil* discussion, severely criticized Weber² for having confused the true ideal type, which does not permit of more than a modicum of abstraction, with the purely formal generic concepts of all sciences. All the critics, however different their points of view, agreed that Weber's concept was much too wide to be useful, while each wanted to see it narrowed down in one direction or another. On the scope and direction of this narrowing-down process, and in particular on the question what segment of reality it should cover, no agreement was reached. The conclusion emerged pretty clearly in the end, however, that different conceptual tools are required to deal with rational schemes of action on the one hand, and historical generalizations on the other.³

¹ *ibid.*, p. 103.

² Werner Sombart *Die drei Nationalökonomien* (Munich 1930), pp. 245–6.

³ For an interesting survey of the controversy see Fritz Machlup 'Idealtypus, Wirklichkeit und Konstruktion', in *Ordo*, vol. XII (1960–61). See also Walter Eucken, *The Foundations of Economics* (1950), p. 348, n. 66.

But whatever view we may adopt on these controversies, there is one (to us overwhelming) reason why we are unable to accept the ideal type as our fundamental concept. This reason lies in the simple fact that Weber's ideal type lacks any specific reference to human action and seems to be as readily applicable to the animal kingdom or the plant world as to the human sphere.¹ It seems better to start our journey on more promising ground and adopt as our fundamental concept a notion germane to human action, a notion, that is, in which the meaning of action is pre-conceived even before the very moment at which the course of action begins to unfold.

We propose therefore to proceed by an altogether different path. We shall start from a notion at once simpler and more comprehensive than the controversial *Idealtypus* and its many different variants. We shall attempt to show that this notion constitutes the natural centre of the method of interpretation and that most of the other concepts we need in order to give an account of human action and its results can be derived from it. This notion is *the plan*. Phenomena of human action are without doubt observable events, and may be treated as such. We may, precisely as in the study of nature, put forward various hypotheses about the way in which these events are related to each other, and then proceed to judge their rival merits by the criterion of falsifiability of prediction. Nothing said in what follows must be taken to imply denial of this possibility. But in the field of culture it is not at all a rewarding one.

¹ In 1913 Weber admitted as much. 'Logically it makes no difference whether an ideal type is formed from meaningful and intelligible or from specifically meaningless relationships.' *Gesammelte Aufsätze zur Wissenschaftslehre* (our translation), p. 438.

One trait distinguishes all cultural phenomena from natural ones. When men act they carry in their minds an image of what they want to achieve. All human action can be regarded as the carrying out of projects that are designed to give effect to imagined ends. But every man pursues a multiplicity of ends, the achievement of at least some of which precludes that of other ends. Moreover, the scarcity of the means at the disposal of each actor imposes further restraints upon his choice. In other words, men have to choose the purposes they wish to achieve, and they have to make such choice within the constraints of a given 'situation'. To act at all, men have to make plans, comprehensive surveys of the means at their disposal and the ways in which they might be used, and let their actions be guided by them.

Nature offers no parallel to this possibility. Natural phenomena exist in time and space only, and observability is the only criterion of their existence. The fact, on the other hand, that human action exists in the form of plans, i.e. mental design, before it is carried out in time and space, permits us to study the relationships between human action and the plans which guide it. The method of interpretation in the social sciences ultimately rests on the possibility of, and the need for, such comparative study. In this sense, then, we may say that we are able to give an 'intelligible account' of human action by revealing the plans which guide it, a task beyond the grasp of the natural sciences. The mere fact that this possibility exists is the foundation of the method of interpretation and thus offers a vindication of the plea for the methodological autonomy of the social sciences.¹

¹ Cf. Alfred Schutz, 'Choosing among projects of action', *Collected Papers*, vol. I (The Hague, 1962), pp. 67-96.

This method of comparative study, as we saw above, is applicable in the historical as well as the theoretical, field. Historical explanation was seen to be the explanation of human action, individual or group, in terms of plans. As a matter of fact, those parts of history most closely concerned with *res gestae*, diplomatic, military, and naval history, have never been written otherwise. It is perhaps only a little less obvious that at the other end of the scale, in the history of thought and ideas (*Geistesgeschichte*), the chief matters to be unravelled are the changes in shape and design which successive thinkers gave to the varying content of similar ideas.

In social theory our main task is to explain observable social phenomena by reducing them to the individual plans (their elements, their shape and design) that typically give rise to them. This is what Weber meant by the explanation of action 'in terms of the meaning attached to it by the actor'. It is not to be denied that social phenomena may be studied by other methods, for instance by correlating series of events observed in time. We shall try to show why such efforts are unlikely to be rewarding.

It may be held against us that few men achieve their aims, or even a gratifying part of them, and that in reality no action ever goes entirely according to plan. Our provisional answer to this charge has to be that it merely serves to emphasize the complexity of the relationships between plan and action, and that the fact that no course of action is ever a full replica of the plan which guides it does not enable us to dispense with the plan as our prime tool. In fact we might ourselves take the charge a step farther and say that the unintended consequences of action are probably more important than those intended, and that they

indeed constitute the most interesting problem of the analytical social sciences. All this merely goes to show what an interesting field the comparative study of plan and action is, and how wide a range of important problems presents itself to us once we have entered it.

There can be no doubt that the whole problem of the need for flexibility of plans, the expectations of the future and interpretations of past experience embodied in a plan, and the question of how success or failure of one plan will affect the drawing up of another, will have to be discussed in detail. Before doing this, however, we have to justify our proposal to use the concept of 'plan' as the fundamental concept of the method of interpretation, by attempting to show that in this way Weber's chief aim can be achieved. We shall also have to show why the methods commonly employed in the natural sciences will not help us in our endeavour.

In substantiating our claim that by making the concept of 'plan' the cornerstone of our analysis of human action we are drawing legitimate usufruct from Weber's legacy, we have to show of course that the main elements of our approach are already to be found in his work. In what has to be regarded as his central thesis on the methodology of cultural studies and what distinguishes them from the natural sciences, in the middle of his first methodological essay, we find three passages which, when taken together, seem to us to bear out such an interpretation. He first points out that causal explanation is just as necessary in culture as in nature.¹ But in the former case 'its specific significance rests only in that we are able, and want, not merely to *state* but to *understand*

¹ *Gesammelte Aufsätze zur Wissenschaftslehre*, p. 182.

human action' (his italics)¹. The possibility of such understanding is warranted by the purposive character of human action. But 'purpose', he says, 'is for us an imagined end which becomes the cause of an action; we take account of it in the same way as we have to take account of any other cause which does, or may, contribute to a significant effect'.²

We hold these passages to mean that the distinguishing characteristic of the causal explanation of human action lies in the fact that the 'effect' of action in its imagined form, i.e. as 'purpose', precedes the actual course of action, and thus has to be regarded as a cause. In human action, as in nature, cause precedes effect. But while the effect of human action has many causes other than human purpose, and while all these must of course be given a place in an intelligible account of action, purpose as a cause of action must not be neglected. The essence of the matter is that the end sought, in its mental form, must precede the end achieved as an observable event.

It is readily seen (with the benefit of hindsight) that this conception of the nature of casual explanation of human action in terms of purpose would have provided a firmer and more convenient starting point for the methodology of the social sciences than the controversial notion of the Ideal Type. It is also easy to see how it is naturally linked to our concept of Plan. In fact, 'plan' is but a generalization of purpose. In reality actors, individuals as well as groups, pursue many purposes simultaneously and have to establish an order of priority among them. Moreover, the manifold constraints imposed upon the pursuit of our ends by the scarcity of means as well as by the ubiquitous presence of obstacles, actual or

¹ *ibid.*, p. 183 (our translation).

² *ibid.*

potential (negative means), compels all of us to bring all our means and ends within the framework of a comprehensive computation before we set out on our course of action. In this mental framework the actions of other actors, as we shall learn, play a most important part. They may be either means or obstacles to the pursuit of our own ends. But in any case we are unable to judge whether a particular purpose can be pursued with the means at our disposal, or even whether it is worth pursuing at all, until we have established a comprehensive framework, a plan.

In this way we hope to have established our claim that in grouping the phenomena of action around the central concept of plan we are making legitimate use of the legacy of Weber.

Our next task consists in having to show why the 'scientific method' of the natural sciences can do little to help us in our endeavour. Since Weber wrote, natural science has had many triumphs. Almost inevitably, as one of the consequences of these triumphs, there have been attempts in the social sciences to borrow these methods the application of which, in whatever new fields, appeared to vouchsafe success. As a result we see the rise of new social sciences whose methods are borrowed from their sisters in the field of nature, such as econometrics and sociometry.

On the other hand, a good deal has also been learnt, in the last sixty years or so, on the logic and methodology, and this means on the limitations, of science. When Weber wrote, in the early years of the century, Mach and Poincaré dominated the field with their ideas. It is today possible to look at some aspects of these problems from a point of view which

was beyond Weber's reach, and to vindicate the autonomy of the social sciences by the use of weapons which the successors of Mach and Poincaré have made available to us.

Natural science aims at establishing universal laws which will 'explain', i.e. predict, a maximum number of observable events. On the question whether any 'explanation' beyond successful prediction of observable events is at all called for, opinions differ. The 'instrumentalists' deny it. But even those who do not share this view would, in general, be satisfied if the observed event, which must be a change of an identifiable object in time and space, can be shown to be 'determined' within a closed 'system', defined in terms of a universal law and the 'initial situation', i.e. the observable events obtaining at a particular point of time and space.

About the instrumentalist view of scientific method¹ we have nothing to add to what Weber said. No 'explanation' which has nothing to offer beyond successful prediction of observable events can satisfy the student of action who wishes to *understand* it. The non-instrumentalist view on the other hand we may (provisionally) accept, precisely because it enables us to specify with some degree of precision why we are unable to make use of it for our purposes.

The sequence of events which is to confirm or refute a hypothesis can be regarded as determinate only if the 'initial situation', in which the train of events is set in motion, is known and can be described in detail. The scientist who proposes an experiment to test his hypothesis must pay close attention to speci-

¹ For a succinct account of this view as applied to a social science see Milton Friedman, *Essays in Positive Economics* (Chicago, 1953), Part I.

ying the conditions in which the experiment is to take place. But in the case of human action, even were we to grant the existence of 'universal laws', it is impossible to specify such an initial situation for the simple reason that it is impossible to specify knowledge. Evidently the knowledge of the actor is an important element of his action. Were we to test hypotheses concerning action, the canon of scientific method would require us to describe in detail all the knowledge possessed by the actors—an evident impossibility. We see thus that while 'description of the initial situation' is a fairly innocuous requirement in nature, where all we have to do is enumerate objects in time and space, for human action this requirement cannot be met because we should have to include something unspecifiable—knowledge! A human situation without specific knowledge makes no sense. It follows that the 'scientific method' of the natural sciences will be of little use to the student of action because he is unable to use the testing procedure this method prescribes. It is impossible to account for human action without taking account of the state of knowledge of the individuals acting. Any such endeavour would be open to all the familiar arguments against behaviourism. Human action is not 'determinate' in any sense akin to the one in which natural science has to strive for the 'determinacy' of the events it studies. A mechanistic interpretation of action, couched, say, in terms of 'response to stimulus', would have to explain away such simple facts as that different men in identical situations may act differently because of their different expectations of the future. We all know that men who share a common experience may give it widely differing interpretations. The human mind, a receptacle of the past as well as a screen on which our

imagination projects images of the future, defies all those generalizations on which the methodological canon of the natural sciences must rest.

In these circumstances, then, it is clear that the cultural studies, concerned as they are with human action, require a different method of approach to their objects. We shall now try to give a brief outline of the scope and nature of this method which in what follows we shall call the *praxeological* method. Human action is not determinate, but neither is it arbitrary. It is bounded, firstly, by the scarcity of means at the disposal of actors. This circumstance imposes a constraint on the freedom of action. It is bounded, secondly, by the circumstance that, while men are free to choose ends to pursue, once they have made their choice they must adhere to it if consistent action with a chance of success is to be possible at all. In other words, human action is free within an area bounded by constraints. Obstacles of various kinds further limit the area of freedom.

The praxeological method has to take these circumstances into account. Causal explanation in the field of action cannot hope to attain determinateness, but this does not mean that we must give up all hope of explanation. What we may hope to accomplish here is to be able to show to what ends, means, and obstacles human action is oriented. *Orientation* thus emerges as a concept as fundamental to praxeological study as determinateness is to natural science. As the latter requires a 'closed' analytical system, consisting of functions like independent and dependent variables as well as constants, to warrant the determinate character of its results, so praxeology requires a more flexible form of thought, an 'open' analytical framework which will nevertheless permit us to ascertain

the boundaries of action. Orientation is the pivotal concept within this framework.

In praxeological theory we are concerned with the typical *points of orientation* of typical courses of action. In concrete historical study we endeavour to ascertain the actual ends, means, and obstacles to which a concrete course of action of an individual or a group was oriented. Orientation was of course also the fundamental concept of Weber's theory of action. Travelling by a somewhat different route, we have reached the same conclusion as he did. It can now also be seen, moreover, that orientation entails plan. A plan has to contain a comprehensive account of ends, means, and obstacles to which a course of action is oriented. It provides the systematic framework of all points of orientation relevant to a given course of action. But of course this 'orientation map' is only one necessary ingredient of a plan. Beyond this the plan must *inter alia* contain directives for action in space and time.

Something has now to be said about the element of knowledge in the making of plans. In making plans, tying means to ends and prescribing action in time and space, men evidently bring their existing fund of knowledge to bear upon a present situation. But how precisely this is done is difficult to describe with any precision. Evidently only part of a man's total knowledge will be relevant to a given plan. Which part? This will depend on his subjective interpretation of the past and his equally subjective expectation of the future. In other words, each plan contains subjective elements of more than one kind. Not merely do the purposes sought in it reflect the subjective choice of ends, but what purposes are regarded as attainable in a given situation depend on

subjective expectations of an uncertain future as well as on subjective judgement of the relevance of past experience, subjectively interpreted, to this future.

The several layers of subjectivity just encountered in our attempt to lay bare the element of knowledge in plan-making not merely defy any behaviouristic or mechanistic interpretation of human action. They provide not merely a reason, as we already saw earlier on, why an 'initial situation' as required by the naturalistic methodology cannot even be defined in human action. They also provide some useful hints for our later work.

In the first place, they strongly suggest that we should be liable to make great mistakes were we to regard men as equal. For our purposes, in praxeological analysis, we had better treat them as unequal. It is only too clear that different men with the same knowledge, acquired perhaps in schools to which all men had equal access, in a society dedicated to the ideal of 'equal opportunity for all', will nevertheless apply different parts of their common knowledge to a given situation, because their judgement on what is relevant to it will differ. Different men's action is in reality oriented to different knowledge drawn from different sources of experience, but different knowledge may flow even from the same experience.

These circumstances make a case against what we may call 'methodological egalitarianism'. Secondly, they suggest the existence of certain problems which arise in the case of the simultaneous pursuit of plans by different actors, where these plans have some means or ends in common. In such cases each plan becomes a point of orientation for the other plans, and problems of interaction (friction) or co-operation may arise. The *raison d'être* of the praxeological method

rests in the fact that human action exists in mental form, as plan, before it takes place in space and time. Hence we may regard action as the unfolding of a mental scheme, and make a comparative study of action and scheme. In such a study crucial significance attaches to the degree of correspondence between the conditions of action met in reality by the actor and the points of orientation (means, obstacles) which, in advance, reflected them within the plan.

Every plan of course has to be flexible to some extent if it is to succeed. The need for flexibility partly stems from the fact that some of the knowledge relevant to the action will only be acquired *in agendo*, i.e. after the plan has been drawn up and the course of action started. To this extent the planner will have to leave certain blank spaces in his scheme, details to be filled in later as new knowledge accrues in action. It is of course impossible to plan everything in advance, down to the most minute detail.

But the new knowledge acquired during the course of action will not only be of this kind, i.e. merely additional to the knowledge the actor possessed at the outset. In the more important cases such new knowledge will correct and replace prior knowledge. To this extent, then, the plan will have to be partly revised since the points of orientation it contains are affected by the new knowledge acquired in action. In an extreme case such new knowledge may suggest that the purpose of the plan is altogether unattainable, and then the whole plan will have to be discontinued.

We thus see that the relationship between plan and action is not the simple one of cause and effect, but the complex one of interaction between mental acts and observable events. Even to think here of independent and dependent variables would be misleading. When

new knowledge is acquired, what happens is that from the broad stream of experience certain elements are selected by our mind, which then transforms them into a new structure of knowledge, modifying and partly replacing a prior structure. In this as in other respects men are unequal, and no two minds will perform this task in identical fashion. The mental acts by which we transform experience into knowledge, and by which our 'world image' is constituted, are coloured by all the traits of our personality. It is impossible to 'predict' what knowledge an actor will derive from a given experience, since he must interpret it in terms of his existing 'situation image' before it can become knowledge.

It is quite instructive to turn for a moment to the naturalistic method and see how it attempts to cope with these problems. It will hardly surprise us to learn that those whose behaviouristic premises compel them to regard all human action as 'response to stimulus' should be hard put to it to explain the interpretation of experience and its transformation into knowledge. The easy way out of this dilemma is to assume, in effect, that nothing new ever happens under the sun, and that a comprehensive set of alternative plans, sufficiently comprehensive to cover every possible contingency, is in existence from the beginning. The 'response' to changing circumstances thus consists in nothing more arduous than pulling out of a drawer that new plan which corresponds to the new circumstances and which, if our set is comprehensive, *must already exist!* The question as to how this comprehensive set of alternative plans, which only a true supermind could possibly have devised, came into existence, is then politely ignored.

We can distinguish an older and a more recent version of this device. The older version we find in the

economic system of Pareto¹ in the form of the so-called indifference curve analysis. Here it is assumed that consumers and producers each have a comprehensive set of alternative plans (graphically depicted in the form of two-dimensional indifference curves for any pair of goods) which enables them always to find the 'optimal response' to any change of market price or other market conditions. By employing the 'static method', which in effect postulates that actors react to present circumstances only and that nobody ever gives a thought to a future which may be different from the present, this solution is then given the appearance of determinateness.

The more recent version of the device takes the form of looking at human action by analogy to a feedback system. The deeds of man, acting in a world in which relevant facts became known to him only gradually in the course of his action, are here regarded as analogous to the 'action' of, for example, those interplanetary vehicles which are supposed to 'steer themselves' by a number of technical devices described as 'translating information into appropriate action'. Similar instances are to be found in biology whenever organisms are capable of resisting forces hostile to their survival.

The example shows how the mechanistic approach is confined, in the range of analogy on which it is able to draw, as in the choice of other conceptual tools at its disposal, to the forms of thought appropriate to problems encountered in nature and technology. Biology long ago omitted 'purpose' from its vocabulary and confined itself to the description and ordering of its objects. Technology, to be sure, is concerned with purposes, but with the purposes of the men who

¹ V. Pareto, *Manuel d'Economie Politique*, Second Edition (1927).

devise the feedback systems. But in any case, whether organism or artifact, a feedback system can 'deal' with a finite number of occurrences because it is equipped to do so. The question why it is so equipped does not arise. Moreover, the 'information' it uses requires no act of interpretation. Wherever, on the other hand, experience requires interpretation, that is, acts of the mind which no two minds perform in identical fashion and which transform it into knowledge that only men can have, the mechanistic analogy cannot be applied.

In the light of this brief and inevitably rather inadequate outline of the praxeological method we must now attempt to answer three questions which will probably have arisen in the mind of the reader.

1. Plans often fail. Will not such failure invalidate that correspondence between plan and action, between mental scheme and observable events, on which our method rests? Does this not mean that only *successful* action lends itself to our method of treatment?

2. Can we say anything about relations between plans of different actors? In reality, it seems, such relations may be of very different character. Sometimes we find co-operation, where the actions of different actors all contribute towards achieving the same end. But sometimes we find rivalry, where different men act at cross purposes. What have we to say about these possibilities?

3. Every plan is geared to certain concrete purposes the actor sets out to achieve. But it has often been said that the *unintended consequences of action* are among the most important problems of the social sciences. If so, how can an analytical scheme such as ours, in which purpose and plan are the fundamental concepts, cope with phenomena which were not intended or planned

by any actor and which thus appear to transcend the categories of our scheme of thought?

In answering the first question we need do no more than refer to what was said above about the element of knowledge in planning and the rôle of points of orientation. Failure of a plan must be due to inadequate knowledge of the circumstances in which action has to be taken. We pointed out above that new knowledge acquired during the course of action may invalidate and replace the knowledge on which the plan was based. We mentioned the possibility that as a result the whole plan may have to be abandoned.

We may even go a step further. Mere observation of external events can tell us nothing about success and failure. It is only in terms of the degree of correspondence between plan and outcome of action that we can meaningfully speak of success and failure at all. Correspondence between plan and action, so far from being invalidated by failure, thus, on the contrary, proves itself an indispensable conceptual tool for the study of failure.

The second question raises issues of fundamental importance that we shall have to deal with throughout the rest of this book.

Certainly the analysis of the individual plan can be no more than the first step in constructing a theory of action. But it is also an indispensable step. Having taken it, we shall not find it altogether too difficult to accommodate the plans and actions of other actors within the framework of our analytical scheme. For our actor they are simply points of orientation in no way different from other circumstances of action. The other actors, be they allies or rivals, widen or restrict our own freedom of action. In the former case their

co-operation provides us with means; in the latter case their rivalry offers an obstacle. In either case their projected action constitutes points of orientation for us.

The real difficulty lies here in a circumstance to which we have already drawn attention. At the moment of planning the future actions of others, like so many other future conditions of success, are uncertain and unknown. We can only form expectations about them and use them for our orientation. But of course expectations may be disappointed with consequences we already know. Since human action is more volatile than the conditions of nature, we have here a source of danger to successful action, the importance of which grows as society grows more complex. At the same time all societies have evolved institutions which are calculated to reduce this uncertainty. To them most of our second essay will be devoted.

The subject of the third question, the unintended consequences of action, will also occupy us on later pages. For the moment we shall confine ourselves to drawing a distinction for the purpose of which we are able to make use of our reply to the first question. Here we have to distinguish between cases in which the unplanned consequences flow from the success of individual plans, and those where they flow from failure. The best-known example of the former case is a market economy in which the pursuit of their own purposes by consumers and producers, individual want-satisfaction and the maximization of profits, leads to the optimal allocation of resources and the highest possible satisfaction of wants. An 'equilibrium position for the economic system as a whole' is thus reached and maintained owing to the repeated

success of all individual plans. The success of these plans here entails the stability of the economic system.

But where the unintended consequence flow from failure, such stability will obviously not exist. Whether the plan revisions thus made necessary and the subsequent concatenation of events are ever likely to generate stability in a new system, or whether they will lead to chronic instability, possibly even progressively weakening the forces tending to integrate the social system, is an interesting question which we shall turn to in a moment.

The ordinary effect of the coexistence of a number of divergent plans which concern, partly at least, the same means and ends will of course be that some plans fail and have to be revised. Unsuccessful planning thus prompts the need for more, and possibly better, planning. It in no way invalidates the need for our analysis of action in terms of plans.

It is impossible to show that, as a result of repeated failures and revisions, the various divergent plans will tend to grow closer together and in the end converge. This would be so only in a stationary world in which it might be legitimate to expect that actors, like men shooting at a fixed target, will as a result of a process of trial and error gradually come to learn more and more about the circumstances in which they have to act and thus be able progressively to correct their mistakes. But the real world is a world of continuous unexpected change in which targets are moving rather than fixed. This means that even while men are gaining additional knowledge by learning from earlier mistakes, at the very same time some of their existing knowledge is continuously becoming obsolete. A situation is even possible, which we might call 'the tragedy of the premature pioneer', in which an actor's

sole mistake consists in anticipating a future event at too early a date, so that, were he here to 'learn' from his mistake, he would actually nullify valid knowledge which, if retained to a later date, would probably prove to be useful. We have to conclude that in a world in motion forces reducing the divergence of plans and other forces tending to widen such divergence will both be in operation, and that it is impossible to say which set of forces will prevail in any concrete situation.

Finally, there is one aspect of the complex of problems caused by the unintended consequences of action to which we wish to call attention here, though several of its manifestations will occupy us in subsequent parts of this book. The problem is one we might call the problem of the *intergenerational succession of plans*. The world in which we are planning today with its houses, streets, parks, means of communications, etc. is largely the cumulative result of plans made by our ancestors. Some of these permanent resources were of course planned to be used by future generations, but some were not. In old towns, for instance, we find many buildings which throughout the centuries have served a succession of uses that were never dreamt of by their original architects, mansions which are now hotels, stables which have been turned into garages, assembly halls which have become post offices, and so on. Two interpretations of these facts in terms of our analytical scheme are possible of which one is unfavourable, the other favourable, to the analysis of action in terms of plans such as we are advocating. On the one hand we might say that these facts go to show the ubiquitous nature of the unintended, and hence unplanned, consequences of action, and that the lesson we should learn from them is that the

sphere of planned action is after all only a small part of the whole realm of human action. This is the view unfavourable to the type of analysis for which we are pleading.

But another interpretation of these facts appears to us to be more subtle and more compelling. We might call such plans as leave us, when completed, with permanent artifacts such as those mentioned above for use by future generations, 'open-ended' plans, and distinguish them from all other plans. This interpretation raises the difficult question as to when exactly we are entitled to speak of the completion of a plan.

In an important sense acting man is at every moment of time engaged in carrying out some incomplete plan. No man ever lives to see the day when he has carried out all his plans. These plans form something like an echelon, one starting and one ending every day, so that the later are still incomplete when the earlier are completed. To speak of an intergenerational succession of plans might be actually misleading if by doing so we were to convey the notion that one plan must be completed before another can start. This of course is quite wrong, and it might be better to speak of the intertemporal network of plans to give expression to the intricate nature of the forms of integration by means of which planning and action are welded into a whole. Within this network the artifacts mentioned above, relics of open-ended plans of the past, but at the same time present resources available for planning the future, occupy nodal points, the continuous existence of which underlines the permanent significance of the unintended consequences of intentional human action.

On Institutions

I

TO UNDERSTAND human action means to understand the plan which guides the observable acts to which it gives rise. The praxeological method, which aims at enabling us to understand action, rests on the parallelism between action and plan, a fact which has no counterpart in nature. The plan which gradually unfolds in space and time contains, we saw, an orientation scheme which must comprehend purpose, means, and obstacles. Action is thus oriented to them.

We must now return to the second question which we raised at the end of our first essay, that is, the interrelationship between the actions of various actors. We said there that *formally* for the actor there is no difference between the action of others and any other circumstances affecting the constraints bounding his freedom of action. But we also pointed out that *materially* a significant difference lies in the fact that, since human action is more volatile than the conditions of nature, it is far less easy to predict. In a complex society such as our own, in which the success of our plans indirectly depends on the actions of millions of other people, how can our orientation scheme provide us with firm guidance? The answer has to be sought in the existence, nature, and functions of *institutions*.

An institution provides means of orientation to a large number of actors. It enables them to co-ordinate their

actions by means of orientation to a common signpost. If the plan is a mental scheme in which the conditions of action are co-ordinated, we may regard institutions, as it were, as orientation schemes of the second order, to which planners orientate their plans as actors orientate their actions to a plan. To investigate the nature, functions, and structural relationships between institutions is the main task of this essay.

Whether we post a letter, wait for a train, or draw a cheque, our action is in each case orientated towards a complex network of human action of which we know enough to make it serve our ends, though we may know next to nothing about the internal working-order of these institutions. We know of course that such an internal working-order exists, but in our everyday life take no interest whatever in its details. We know very well that the Post Office works according to a general plan, but such knowledge as we have about it is usually quite irrelevant to the achievement of our purpose in posting a letter. Only a few aspects of this general plan, perhaps the times of collection and delivery of mail, need be of concern to us.

The existence of such institutions is fundamental to civilized society. They enable each of us to rely on the actions of thousands of anonymous others about whose individual purposes and plans we can know nothing. They are nodal points of society, co-ordinating the actions of millions whom they relieve of the need to acquire and digest detailed knowledge about others and form detailed expectations about their future action. But even what knowledge of society they do provide in highly condensed form may not all be relevant to the achievement of our immediate purposes. Economy of effort may induce us to ignore most of the time a good deal of the knowledge available to us.

Most banks proudly display their balance sheets in their branch offices, but a normal customer hardly ever looks at them.

The existence of institutions raises a large number of problems, only a few of which we are able to consider here. But three of them appear to occupy such a prominent place that we shall have to examine them in detail.

There is, in the first place, the problem of institutional change. If institutions are to serve us as firm points of orientation their position in the social firmament must be fixed. Signposts must not be shifted. On the other hand, it is hardly possible to imagine that banks, railways, and other institutions are totally exempt from change. It appears that such change need not interfere with the plans of users of institutions provided it is known in advance. But some changes will not comply with this condition. What happens then? Are situations possible in which institutions mislead rather than guide planned action?

There is, secondly, the problem of the *institutional order* and its unity. If institutions are to serve as instruments of co-ordination, do they not themselves have to be co-ordinated? If so, that is, if each institution forms part of a comprehensive structure, what is the nature of the forces which integrate it? And what would be the character of circumstances in which these forces ceased to work? In other words, what are the conditions of integration and disintegration?

From the confluence of these two problems there arises, thirdly, the question whether the forces of integration, supposing they do operate, would operate in all conditions of change. It goes without saying that the rise of new institutions, partly to replace older ones, but partly to fill 'gaps' in the institutional

structure, raises questions which belong to this third category.

What is the general nature of the conditions in which such new institutions would 'fit' into the existing structure? And where these conditions do not exist, is it impossible for new institutions to arise? If not, does it mean that the existing institutional structure would have to change in such a way as to accommodate the new accretions, or that it will be undermined by them?

To enumerate these questions is only to give a very rough outline of the tasks confronting us. But before coming to grips with them we shall first have to turn aside and examine what Weber thought about them. In scrutinizing Weber's legacy, however, we shall soon have to learn that the construction of a theory of institutions designed to answer our questions on the basis of this legacy is anything but easy.

II

No general theory of institutions is to be found anywhere in Weber's work. To be sure, he has much to say about institutions and their modes of change. Even today his work is one of our richest mines of information on institutions and their changes throughout history. Certainly we are entitled to say that the whole range of institutions, religious, political, economic, legal, and educational which his powerful mind encompassed, and their modes of change under the impact of various social forces, were always in the forefront of his interests. For all this it remains true that he never formulated a General Theory of Institutions. Fragments of such a theory can be found and we shall of course have to examine them carefully.

But a coherent general framework within which these fragments would find their places is not part of Weber's legacy. It is possible to find reasons for this absence of a general framework which look superficially plausible but provide no real explanation. Three such reasons suggest themselves readily to the student of Weber's work.

The first is a linguistic one. Modern German has no word which corresponds exactly to the meaning of the English word 'institution'. The German word *Institution* has a narrower meaning, confined to organized institutions. In modern German usage the family is, but language is not, an *Institution*. Weber usually avoids the term altogether and speaks of *Anstalt*, a legal term denoting an organized association. Modern German sociologists, on the other hand, have adopted the term *Gebilde* precisely in order to render the meaning of the wider term, and Weber knew the word. Moreover, Menger in his *Untersuchungen* used the word *Institution* in exactly the same sense which it has in current English. The suggestion therefore that Weber, even had he wished to formulate a general theory of institutions, would have lacked the linguistic mould in which to cast his thought, fails to carry much conviction.

A second, and stronger, reason we might find in Weber's repeatedly expressed view that theory, while a necessary tool in the kit-bag of the historian, must never be allowed to become an end in itself. He certainly deprecated all theory for its own sake. In general he saw no reason for a higher level of abstraction than the nature of the concrete object of enquiry warranted. Thus he may have thought a general theory of institutions unnecessary.

But are we really to believe that a mind as powerful

as his, having mastered a well-nigh incredible number of detailed facts about institutions of the most diverse kind, from ancient Judaism to Tsarist Russia, from China to modern America, never felt the need for a framework of generalizations to be drawn from these facts? How, indeed, is it possible even to order this vast store of facts without establishing a certain number of generalizations at some level?

Weber was not opposed to theory as such, but only to unnecessary theory or, what is the same thing, theory at a higher level of abstraction than the object of enquiry warrants. We have attempted to show in the first section of this essay why a general theory of action such as Weber envisaged not merely warrants, but actually requires, a general theory of institutions. Moreover, the facts show that on occasion, especially when the (usually polemical) context of the discourse appeared to require it, Weber was by no means averse to establishing generalizations of a fairly high order of abstraction. We shall have to devote attention to some of these. What remains a puzzle is thus not the absence of generalizations in Weber's work, but his failure to integrate what generalizations there are into a coherent framework.

A third reason, which some will regard as a variant of the second, might be found in the circumstances surrounding Weber's early training in the Historical School. Abstract theory, one might say, Weber did not feel to be his *métier*. He did not deny the need for it, but in general, except in cases of (polemical) emergency, was inclined to leave it to others better equipped than he to supply. Not for him the long chains of deductive reasoning proceeding from a few aptly, but always arbitrarily, chosen axioms. He felt he could do his best work tilling other fields.

The trouble with this explanation is that, as we already know, Weber *did* take an interest in the place of abstract theory in social thought. How can one be interested in methodology without being interested in all the methods, however abstract some of them may be, which might be used in a discipline? To this question the reply may be that it is one thing to be a critic of methods, yet quite another thing to practise them.

The fact remains, however, that, especially in polemical argument, Weber did not shun levels of abstraction of which, were this explanation valid, he should have been wary. In any case we may feel sure that, if he had thought a General Theory of Institutions called for, neither the limitations of his training in economic theory nor anything else would have prevented him from creating it. In proffering our own hypothesis why he did not do so we therefore have to explain, in the first place, why he may not have thought it called for.

In the *Methodenstreit*, an interest in which, as we saw earlier, sparked off Weber's methodological studies, the origin, nature, and functions of institutions had occupied a prominent place. The German Historical School had taxed classical economists with ignoring the effects of the institutional environment on human action. Pointing to the variety and diversity of economic institutions in different societies and centuries, adherents of this school asked how one analytical model could possibly account for all the varieties of economic action in circumstances so diverse. It seemed to them that this diversity of institutions by itself invalidated that universal theory of the market economy which lies at the heart of classical economics.

Facing this challenge, Menger decided to turn the flank of his enemy's position by a bold move.¹ He admitted the importance of institutions for economic action but distinguished between those which are the product of legislation ('the common will') and those which are not. He then raised the famous question 'How can it be that institutions which serve the common welfare and are extremely significant for its development come into being without a *common will* directed towards establishing them?', which he described as 'perhaps the most noteworthy problem of the social sciences' (p. 146).

His answer was, briefly, that 'those social structures which are the unintended result of social development' are all, more or less, like market prices and wage-rates in that in a long historical process they have come into existence as a result of men pursuing their interests. 'They present themselves to us as the unintended result of individual efforts of members of society, i.e. of efforts in pursuit of individual interests . . . they are . . . the unintended social result of individually teleological factors'. (p. 158) In the Marshallian idiom we might say that, while in the short run economic phenomena are indeed shaped by existing institutions, in the long run these institutions themselves are shaped by the very forces whose ubiquity and universal power the Historical School had denied. In this way Menger claimed to have wrested a most powerful weapon from the hands of his opponents. For they had failed to understand the true nature of institutions, 'a nature which has up to now been characterized merely by vague analogies or by meaningless phrases' (p. 158),

¹ Carl Menger, *Problems of Economics and Sociology*, edited with an introduction by Louis Schneider (University of Illinois Press 1963).

while he had shown that this nature is identical with that of such strictly economic phenomena as market prices, wage-rates, etc.

We have here, then, what we may call a *praxeological* theory of institutions, admittedly in rough outline, in which the existence of certain institutions is explained as the unintended result of the pursuit of individual plans by large numbers of actors—as a ‘resultant of social forces’, not a product of social design. In Menger’s terminology, they are the institutions of *organic*, not *pragmatic* origin. We may note that in this part of his book Menger says nothing about what determines the human actions which have such undesigned social effects. The pursuit of individual interests is here a wide notion without any deterministic connotation. Within the constraints of the given situation men are presumed free to pursue their ends.

Alas, this voluntaristic trait of Menger’s thesis was marred by his Appendix VI which bears the title ‘The Starting Point and the Goal of all Human Economy are Strictly Determined’ (pp. 216–19). Here Menger argues that all economic action is strictly determined by human needs and the resources available to satisfy them: ‘Our direct need and the immediately available goods are in respect to any present moment given facts that are not within our discretion’ (p. 217). He admits that human action as such, ‘the way which can really be taken or actually will be taken by human agents . . . is by no means strictly determined *a priori* . . .’. But the reasons for this are ‘Arbitrary, error and other influences’. Without such influences therefore all human action would be determinate.

It is possible, to be sure, to see in this Appendix VI

a relapse into an earlier period of Menger's thought, a more rigid determinism oriented to the ideals of nineteenth-century natural science, to which Weber, as we know, objected. But a reader must be forgiven if he is baffled by the contrast between the two passages.

What was Weber's attitude towards this issue? As we see it, he disagreed with the Historical School and was quite willing to give Menger his carefully qualified blessing, but one can sense that he felt uneasy nevertheless about Menger's rather ambiguous position on determinism and found it possible to convince himself that Menger did not have the whole answer either. In these circumstances he may have thought it wise to leave the whole question open—an attitude which in any case would come naturally to a disciple of the Historical School. To Weber, with his aversion to 'unnecessary' theory, no general theory seemed to be called for in this situation.

Weber's rejection of the *Volksgeist* theory of institutions, espoused by some, though not all, adherents of the Historical School, is emphatic. In 'Roscher's Historical Method', the first paper he wrote after recovering from his illness,¹ he explicitly endorses Menger's criticism that Roscher and his followers, the Historical School of economists, had misunderstood the method of Savigny and the Historical Law School, by making far more of the *Volksgeist* than the latter intended. Weber points out that this notion, at best 'an auxiliary concept for the preliminary denotation of a multitude of concrete phenomena not yet logically worked out' and a 'resultant of innumerable cultural

¹ *Gesammelte Aufsätze zur Wissenschaftslehre* (Second Edition, 1951), pp. 1-42. All translations from the German text of these essays are ours.

effects' had been endowed by Roscher with a 'metaphysical character' and regarded as 'the *real cause* of the individual cultural manifestations of a people which *emanate* from it.'¹ Such metaphysics was distasteful to him.

Otherwise, however, his attitude to Menger and his theory of institutions is rather ambiguous. It is a curious fact that in his greatest paper on methodology, the Essay on the 'Objectivity of the Social Sciences' of 1904, Menger's name is not mentioned once,² though the whole essay is clearly directed against 'naturalism', i.e. the dogmatic belief that there is and can be only one truly scientific method. Menger's view on determinism in human action is here evidently relevant. Later on, however, in his *Sociology of Law*, Weber took over, with some qualifications, most of Menger's thesis on the origin of 'organic' institutions as the unintended results of individual action in the pursuit of interests, as a 'resultant of social forces'—at least in the field of legal institutions. On the other hand he was careful to point out that he did not regard this thesis as a complete explanation.

It seems legitimate to infer that Weber's ambiguous

¹ *ibid.*, p. 10.

² There is a reference to Menger, though not by name. 'In spite of the fundamental methodological distinction between historical knowledge and the knowledge of "laws" which the creator of the theory drew as the first and only one, he now claims empirical validity, in the sense of the deducibility of reality from "laws", for the propositions of abstract theory.' (*The Methodology of the Social Sciences*, p. 87).

This is rather odd. Menger, while a strong defender of the abstract method of classical economics, can hardly be regarded as its 'creator' nor as the 'first and only one' to draw this particular distinction. In our view this strange passage confirms the extent to which Weber's mind was preoccupied with Menger's work.

attitude towards Menger was due to Menger's ambiguous attitude on the freedom of human action. Weber, uncertain to what extent Menger's praxeological theory of institutions, towards which he was quite sympathetic, rested ultimately on a deterministic premise, wanted to avoid a 'confrontation' with him. But had he tried his hand at a general theory of institutions, such a confrontation could not have been avoided. In this situation he did not feel the time was ripe for generalizations on such a precarious matter.

III

Whether or not our explanation is accepted, the fact remains that no general theory of institutions is to be found in Weber's writings. But we need such a theory, as without it the theory of action which is to give expression to the praxeological method would be incomplete. We thus face the arduous task of piecing together what generalizations on institutions, of a sufficiently high order of abstraction, we are able to lay our hands on in Weber's work, in order to see whether they can serve as a foundation for the building we have to erect.

Taking Weber's utterances in order of time, the first is one we already know: his rejection of the 'emanationist' interpretation of the origin of institutions in the 1903 paper on Roscher mentioned above. We may here perhaps note that when Weber describes the *Volksggeist* as nothing but a 'resultant of innumerable cultural influences' this expression is similar to one sometimes found in Menger, for example when institutions are described as 'resultants of social forces'.

The second statement by Weber which is of interest to us we find in the context of his criticism of the work of the legal philosopher Stammler in 1907, in the 'Paradigm of the Skat game'¹ (a German card game). Stammler, not given to a very careful use of terms, held that the outstanding characteristic of social life was its being governed by rules, and had spoken of the analogy of 'rules of the game'. Since a game may be regarded as an institution, what Weber says in the context of his polemic against Stammler throws some light on his general view on institutions.

His main point against Stammler is that though the players' action is of course oriented towards the rules of the game they are playing, and though we might therefore call the rules a 'presupposition' of any concrete game, this tells us nothing about the actual happenings in a concrete game. In our terminology, the rules of the game constitute a set of orientation points, limiting the range of action of each player but also permitting him, because his rivals' actions are equally subject to limitation, to guess with greater confidence what they will do. Within these limits human action here as elsewhere remains free. Weber's argument thus follows the general line of anti-determinism. Norms as such cannot determine a concrete outcome. But nothing has as yet been said about the origin of the rules of the game.

In 1913 Weber published an essay in which he elucidated the meaning of some of the fundamental concepts to be used in his *magnum opus* *Wirtschaft und Gesellschaft*, which at that time was still in its early stages. The last part of this essay is devoted to the *Anstalt*, the organized institution. Here he makes three points which are of special interest to us.

¹ *Ibid.*, pp. 337-40.

Firstly, on the origin of such institutions, he stresses that the norms which govern them arise 'only in the rarest cases by autonomous agreement of all those participating in future action from whom . . . loyalty towards the norms is expected'.¹ Almost always some people proclaim such norms and the others then submit to them. Institutional norms, then, have their usual origin in *Oktroierung*, in the few imposing their will upon the many. We find here, in rough outline, an élite theory of the origin of institutions, and Weber close to the position of Mosca and Pareto of whom, so far as we know, he knew nothing.

Secondly, he points out that the same institution often comes to mean different things to different people, and why this is so. It is created by a first group who impose it upon, or 'suggest' it to, others. It is 'run' by a second group, namely of executives, who may interpret its purpose differently from the first. It is then used 'for their private purposes' by a third group for whose members it is 'a means of orientation of their (legal or illegal) acts because certain expectations concerning the conduct of others attach to them' (p. 472). A fourth group, 'and these are the masses', simply learns by tradition certain modes of conduct in respect of the institution 'mostly without any knowledge of purpose and meaning, or even awareness of the existence of the norms' (p. 473). He shows that the same principle applies to money, which is not an 'organized' institution, an *Anstalt*. 'How this has actually acquired its peculiar qualities the money-user does not know—since even the experts quarrel about it so violently.'

At the end of the essay he stresses once more the significant function of institutions, which lies in the

¹ *Gesamelte Aufsätze zur Wissenschaftslehre*, p. 468.

fact that they enable us to orientate our action towards 'unambiguous expectations to which they give rise. And here rests the specific interest of rational capitalistic "enterprise" in "rational" norms whose practical functioning, in terms of chances, can be just as well calculated as that of a machine' (p. 474). We shall have to return later on to this significant point.

The most important generalizations, from our point of view, are to be found in the Sociology of Law.¹ To be sure, what is said here applies, strictly speaking, only to legal institutions. But the generalizations we encounter here are of such a fundamental nature that they are readily extended beyond the legal sphere.

It is hardly surprising that in this part of his work Weber was at his very best, if we remember that his original training was in law and legal history, and that it embodies a lifetime's experience. Weber himself must have felt this when he told his wife that it was the most 'complete' part of his work.

In the Sociology of Law we find certain themes, by now familiar, with a number of interesting variations added. Weber asks 'How do new legal norms originate?' and answers that, while today this largely happens by legislation, it has not always been so and need not be so. He again rejects the metaphysical explanation of institutions: 'Scientifically, however, this conception leads nowhere' (p. 67). He also rejects the view that changes in 'external conditions of existence' by themselves are causes of legal change. 'The really decisive element has always been a *new line of conduct* which then results either in a change

¹ *Max Weber on Law in Economy and Society*, edited by Max Rheinstein (Harvard University Press, 1954). Here referred to as: Sociology of Law.

of the meaning of the existing rules of law or in the creation of new rules of law' (p. 68).

He then cautiously adopts what is in essence Menger's praxeological theory of the origin of un-designed institutions. New institutional forms are most frequently created by individuals through 'invention' and then disseminated by imitation and selection: 'Not merely in modern times has this latter situation been of significance as a source of economic reorientation, but in all systems in which the mode of life has reached at least a measure of rationalization' (p. 68).

On the other hand, the systematic character of law, the postulate that all legal norms constitute a coherent system, the legal system, is a late product of our civilization. Weber, who in this whole chapter is, perhaps inevitably, more the legal historian than the sociologist, ascribes its evolution primarily to the mental habits of the academically trained continental lawyers who were naturally inclined to interpret the legal order as a 'closed' system (just as modern science does). He is aware that: 'Among the conditions for the development of a market economy, the calculability of the functioning of the coercive machinery constitutes the technical prerequisite as well as one of the incentives for the inventive genius of the cautelary jurists' (p. 72). But it does not seem to have occurred to him to link this development of 'calculability' to the necessarily formal character of a coherent legal system. On the contrary, he stresses several times the conflicts which are apt to arise between the 'formalism' of the logical thought of the lawyers and the needs of their clients and the public at large:

It is by no means the peculiar foolishness of modern jurisprudence which leads to such conflicts. To a large

extent such conflicts rather are the inevitable consequence of the incompatibility that exists between the intrinsic necessities of logically consistent formal legal thinking and the fact that the legally relevant agreements and activities of private parties are aimed at economic results and oriented towards economically determined expectations. (p. 308)

To us this discrepancy merely reflects a more deep-seated problem of society.

To Weber, then, the systematic character of the legal order is a late product of modern history, like other manifestations of 'rationalization'.

To a youthful law, it is unknown. According to present modes of thought it represents an integration of all analytically derived legal propositions in such a way that they constitute a logically clear, internally consistent, and, at least in theory, gapless system of rules, under which, it is implied, all conceivable fact situations must be capable of being logically subsumed lest their order lack an effective guaranty . . . In the main, the 'system' has predominantly been an external scheme for the ordering of legal data and has been of only minor significance in the analytical derivation of legal propositions and in the construction of legal relationships. The specifically modern form of systematization, which developed out of Roman Law, has its point of departure in the logical analysis of the meaning of the legal propositions as well as of the social actions. (p. 62)

On the other hand,

The increased need for specialized legal knowledge created the professional lawyer. This growing demand for experience and specialized knowledge and the consequent stimulus for increasing rationalization of the law have almost always come from increasing significance of commerce and those participating in it. For the solution

of the new problems thus created, specialized, i.e. rational, training is an indispensable requirement.

However,

a body of law can be 'rationalized' in various ways and by no means necessarily in the direction of the development of its 'juristic' qualities. The direction in which these formal qualities develop is, however, conditioned directly by 'intra-juristic' conditions: the particular character of the individuals who are in a position to influence 'professionally' the ways in which the law is shaped, and only indirectly by general economic and social conditions. (p. 97)

Weber also noted by what social forces the systematic character of the modern legal order is threatened:

New demands for a 'social law' to be based upon such emotionally coloured ethical postulates as justice or human dignity, and thus directed against the very dominance of a mere business morality, have arisen in modern times with the emergence of the modern class problem. (p. 308)

IV

We must now turn to our task of constructing a theory of institutions which fits into our conceptual scheme. In examining the legacy which Max Weber left us we have come across a number of generalizations which may serve us well as building blocks, but we shall also have to look for other building material. If we are to conduct ourselves like wise and responsible heirs, drawing our rightful usufruct but also adding to our legacy by our own efforts, we cannot rest content with Weber's generalizations as they are. We have to fit them into the edifice we are about to construct, a theory of institutions which can be linked to the

theory of action set forth in the first essay. We shall find that, as is often the case, as soon as we try to fit a number of hitherto isolated generalizations into a coherent framework, they begin to reveal certain problematical features, which without this test would probably have gone unnoticed.

In turning to our task we shall not have to spend much time in examining the needs theory of institutions to be found in Menger's Appendix VI. We must reject it. To be sure, no institution can exist for long unless it satisfies some need. But not every need generates an institution. The weakness of this theory lies in its failure to provide us with any criterion by which to distinguish between those needs which will find their satisfaction through appropriate institutions and those which will not. Menger was, here as elsewhere, too readily inclined to draw on the analogy of the market. In a market economy of course the price system acts as a 'centralized agency' for the distribution of goods and services. We have here a simple criterion by which to determine which needs will in fact be satisfied. In the market, in this sense, all needs are brought into harmony, provided we regard prices as objective indices of the needs which the goods bought at these prices are to satisfy. Where this provision does not hold, no comparison of needs is possible. Outside the sphere of the market not even such a unifying agency as the price system is to be found. We must therefore conclude that the needs theory of institutions fails to satisfy our need for a coherent theory of the origin and functions of institutions.

On the other hand, Menger's praxeological theory of the origin of undesigned ('organic') institutions is much better suited to our analytical needs. Here we

have a theory which explains the origin of such institutions in the same way as other innovations. Some men realize that it is possible to pursue their interests more effectively than they have done so far and that an existing situation offers opportunities not so far exploited. In concert with others they do exploit them. If they are successful their example will find ready imitators, at first a few, later on many.

Successful plans thus gradually crystallize into institutions. Within the sphere of freedom of action new institutions arise as additional orientation points, which may take the place of older institutions that became obsolete. Imitation of the successful is, here as elsewhere, the most important form by which the ways of the élite become the property of the masses. Once an idea originally grasped by an eager mind has been 'tested' and found successful, it can be safely employed as a means to success by minds less eager and lacking originality. Institutions are the relics of the pioneering efforts of former generations from which we are still drawing benefit. Drawing once more on the analogy of the market, we may say that the theory of institutions is the sociological counterpart of the theory of competition in economics. In both cases innovation and imitation are the complementary elements of what is virtually the same social process.

But even if we were to regard the answer just outlined as, by and large, a satisfactory answer to the question about the origin and functions of undesigned institutions, a new host of intricate questions would make its appearance on the horizon. Most of these cluster around the problem of the nature and permanence of the institutional order, a problem which will have to remain at the centre of our stage until the end of the book.

When different men, successfully pursuing different interests, shape types of action which, by multifarious imitation, gradually crystallize into institutions, how can we know that these undesigned products of individual pursuit will all be compatible with one another? Will they all come to form a coherent system? What problems will arise if this is not the case?

In trying to answer these questions we shall get as little help from invoking the analogy of the market mechanism as we did in the case of the needs theory of institutions. In a market economy a 'tendency towards a general equilibrium' of prices and quantities produced and exchanged can be shown to exist, subject to a number of conditions, which include absence of unexpected change that would disrupt plans. Outside the market sphere no such predominant tendency towards a general equilibrium can be meaningfully asserted to operate. In every conceivable situation there are 'destabilizing' as well as 'stabilizing' forces at work. Moreover, it is hard to imagine any kind of institutional change which would not upset at least some existing plans. To invoke the analogy of the market forces will not therefore help us much.

We also have to remember that besides the undesigned institutions so far discussed there are those of the designed variety, the products of legislation and other manifestations of the 'social will'. What reasons have we to believe that all institutions, designed and undesigned, will easily fit into a coherent whole, when already the undesigned by themselves leave us in some doubt?

In these circumstances we must clearly establish, as our next step, whether the coherence of the institutional structure as a whole is of great importance to us in our

task of constructing a theory of institutions. For if this were not so, if, for example, this coherence were to us a feature of secondary importance to the task at hand, we might perhaps safely ignore the difficulties which now appear on our horizon.

Unfortunately this easy way out is not open to us. The coherence and permanence of the institutional order are of paramount importance to those engaged, as we are, in tracing all the major conditions of rational action. In reducing the uncertainty of the future which enshrouds all human action, and helping us overcome the limitations of our ignorance of the present, such coherence and permanence are indeed of primary importance.

That this is so is most readily seen if we at first consider only legal institutions. Here it is indeed obvious that any act by which somebody commits himself for a period of significant length, if for example he grants a loan repayable after twenty years, involves the coherence and permanence of the whole legal order. That in any agreement between creditor and debtor coherence and permanence of the legal rules is involved is obvious enough, but it might be thought at first that this requirement applies only to the rules concerning loan contracts. Of course this is a fallacy. In the first place, there can be no permanence of a set of norms unless they are coherent. Secondly, it is impossible to separate the legal provisions governing loans from the rest of the legal order. Every concrete business transaction involves such a large number of legal rules that it would be impossible to enumerate them all and, hence, separate them from the rest of the legal order. That in our everyday lives we remain unaware of this fact is of course due to the relatively infrequent occurrence of legal disputes in the lives of

non-lawyers, since it is as a rule only in the case of legal dispute that these matters are called to our attention, and even in such a dispute only a few rules become the subject of litigation. Finally, in a legal system that lacked coherence it would be impossible to predict the outcome of a single case, as it would be impossible to determine the scope and nature of the 'gaps' in the system as well as of all the conceivable contradictions in it.

It is therefore wrong to see, with Weber, in the coherence and permanence of modern legal systems nothing but the sediment of a certain type of legal education, the product of lawyers whose minds, trained to logic and order, demanded an orderly arrangement of their tool-box. These features of our legal order are typically undesigned features of our type of civilization.

This is not to deny that there is solid merit in Weber's way of looking at this development. In tracing the history of an institution there is always a good deal to be said for stressing the intellectual propensity, the 'spirit', of the élite which has created it. Successful institutions often bear the unmistakable imprint of the spirit of their creators even after centuries of change. But the tendency to stress such spiritual origins is a virtue which, like other virtues, can be practised to excess. In this case the lawyers clearly also had to take their orientation from the needs of their clients for a coherent legal order.

The discrepancy, stressed by Weber and mentioned above (p. 64), between the need of business-men for simple rules and the complex characteristics of legal logic, does of course exist and often leads to conflict between the lawyers and the public. But the real conflict exists here rather between the short-term need

of the individual businessman for simplicity and the long-term need of the business community as a whole for a coherent legal order, which entails complex logical rules. In this situation the lawyers merely act as intermediaries.

The question now arises as to how the coherence and permanence of the legal order can be reconciled with the facts of annual legislation. How can we speak of the uniformity and continuous existence of a body of norms if every one of these norms can be changed every year? The answer has to be that this is precisely how the lawyer has to regard the legal system, very much as the merchant looks upon his stock as a whole, as it appears in his balance sheet, as consisting entirely of easily replaceable parts. It is a legal fiction necessary to lend coherence to the framework of legal thought.

But we have to look at the matter from the praxeological, as distinct from the legal, point of view, and must disregard legal fictions. In the light of what has been said above about the social function of institutions as signposts, it must be clear that the more often the legal order is subjected to change, by legislation or judicial interpretation, the more it loses its capacity to serve as a means of orientation in relation to the action of others. This fact has some bearing on the whole question of the status of designed institutions within our conceptual edifice. There must clearly be a limit to the amount of annual designing and re-designing of institutions which society can stand. The legal order can absorb some changes, but not too many of them, and they must not be of a fundamental kind.

If we are now to extend our perspective from the legal sphere to the institutions of society as a whole we have to establish, first of all, the existence of

coherence and permanence in this wider sphere. We are no doubt entitled to speak of a legal order, but with what right may we claim to speak of an institutional order in general? Even if we succeeded in establishing the existence of such an order, it is likely that it would have to be a much looser and less coherent order than that of the legal sphere.

V

In our situation it might be tempting to invoke the support of one of the many 'social system' theories which now abound in the field of the social sciences. It would seem that if the network of social relationships is to lend itself to description in terms of a 'system' at all, institutions will largely have to provide its structure and thus have an important part to play in it. And since institutions have an important function in guiding social action, do they not thus lend themselves readily to treatment in terms of the 'structural-functional' variety of social-system theories?

There are a number of reasons why we should not rely on such support, and why we are compelled to seek to establish the existence of an institutional order by our own efforts. In the first place, there are substantial differences between these various theories, in particular as regards their level of abstraction. Some authors do not seem to mean by 'system' anything more than the existence of a set of social relationships. Others rely largely on functional specialization. The status of institutions within the context of these theories would require a considerable effort at clarification. It is clear that a good deal of 'structure' rests on them. Unfortunately, however,

most of these theories proceed on such a high level of abstraction that one never knows when the institutions referred to are meant to be concrete institutions, and when they are elements of an abstract system.

There is another reason, even more important to us, why we should not invoke the support of the social-system theories currently in fashion to help us in our endeavour. We are concerned with the legacy of Max Weber. As we pointed out in the Introduction, Weber's approach to social action is something very different from that of the structural-functional theories.¹ Weber was concerned with the meaning the actor attributes to his action. Most social-system theories ignore this aspect of action. As regards institutions in particular, when we speak of the 'function' of institutions in guiding and co-ordinating the actions of millions of individuals we are following Weber in using this word in a sense very different from the one it has in the words 'structural-functional'. The theory we are attempting to establish aims at the reduction of certain social phenomena to human mental acts as manifested in plans. Most of the theories mentioned, by contrast, aim at establishing their 'systems' in terms of recurrent patterns of action *without* reference to the meaning such action has to the individuals acting. We believe we are making legitimate usufruct of Weber's legacy. It follows that we can hardly hope to draw benefit from social-system theories of the type characterized.

We also have to remember that Weber, as he

¹ For a detailed critique of 'functionalism' in social theory from a point of view very close to Weber's see John Rex, *Key Problems of Sociological Theory* (Routledge and Kegan Paul, 1961), ch. IV. See also W. G. Runciman, *Social Science and Political Theory* (1963), CUP, pp. 110-22.

explained at length in his famous critique of Stammler,¹ attributed great importance to the distinction between legal norms and human conduct oriented to such norms, and emphasized that the former in no way 'determine' the latter. We thus have good reason to distinguish carefully between legal norms and those recurrent patterns of conduct which we call institutions. Are we, then, entitled to speak of an institutional order?

First of all, the mere fact that each institution denotes a recurrent pattern of conduct does not by itself entail the existence of an over-all institutional order. As was the case with the legal order, the criterion of existence of the wider institutional order, if such can be shown to exist, would have to be sought in its capacity to outlast its individual elements. The forms and character of its existence have therefore to be established separately from that of its component elements. In comparing the legal system with the wider institutional order we have to remember that the unity of the former lies in its character as a system of norms, while the unity of the latter will have to be sought elsewhere.

We shall now compare the legal system and the institutional order with respect to their degrees of coherence, and we shall do so by comparing them with regard to four of their characteristics: permanence, consistency, unity, and over-all complementarity ('gaplessness').

The first characteristic is evidently shared by both the legal system and the institutional order as a whole. We simply cannot speak of an aggregate as a 'whole' unless it outlasts its component elements. The importance of the permanence of the institutional order

¹ *Gesammelte Aufsätze zur Wissenschaftslehre* (1951), pp. 291-359.

in general, as well as for a theory of action such as ours, requires no comment.

As regards consistency, our second characteristic, the matter is already more complicated. In the case of legal institutions the range of required compatibility comprehends them all. No two legal institutions can be incompatible. With other institutions the requirement of compatibility is less strict since not all institutions are used by the same actors or figure in the same plans. The existence of military institutions based on absolute obedience to superior authority does not preclude the existence of other institutions in which orders may well and are expected to be questioned, even though the two principles are incompatible. But there must indeed always be some fundamental institutions with which all others are compatible.

The unity of the legal system rests on the logical character of its norms. It stems from the comprehensive nature of the range of required compatibility just discussed. Though we find no exact counterpart of this in the wider institutional sphere, nevertheless institutions here also display an 'order', they are not an aggregate of random composition. The Post Office could hardly take over the functions of the police, the clergy scarcely act as a Fire Brigade. The basis of this order, the characteristic property which bestows upon it what unity it has, is here evidently functional specialization.

The greatest difference exists with respect to our fourth characteristic: over-all complementarity. The legal system is a seamless web. It has no 'gaps'. A judge before whom a legal case is brought can never refuse to give a decision on the grounds that he knows of no legal norm to apply to it. He has to find

one. The legal order abhors a vacuum no less than nature does. In the wider institutional sphere we find no parallel to this characteristic. Some institutions will be complementary to one another in that they require each other's services, like Post Office and railways or airlines. In fact, such group complementarity is the inevitable result of the functional specialization of individual institutions. But here no inter-group complementarity need exist. 'Gaps' are ubiquitous.

As a result of our comparison we have to conclude that the legal system and the wider institutional order share the first characteristic of permanence, while the fourth, 'gapless' complementarity, is absent from the latter. As regards compatibility of institutions, the range is less comprehensive in the wider sphere than in the legal sector. Both display enough unity to claim the character of a structured whole, but in the case of the institutions of society this unity rests on functional specialization and is not of a logical nature. All in all we have to realize that the coherence of the wider institutional order, while it certainly exists, is weaker than that of that part of it which is formed by the legal institutions.

From the fact that the two spheres, the wider and the narrower, share the property of permanence it follows that they also share the noteworthy characteristic that the permanence of the whole does not entail the permanence of each of its parts. It is as true of the institutional order as of its legal part that the order as a whole lasts while each individual institution may change. We shall see that this coincidence of permanence of the whole with flexibility of its parts gives rise to a number of intricate problems.

Institutions rise and fall, they move and change. An

institution may last a long time, but during this time assume new functions or discard old ones. We shall find later on that these facts are likely to have particularly far-reaching effects in the sphere of political institutions.

These institutional changes no doubt often take place in response to changing needs, but also often for other reasons. An institution may cease to exist, for example, because the services required for it are no longer available, perhaps because, owing to a change in the moral and intellectual climate of society, the qualities of will and mind needed from those responsible for it have become an object of contempt or derision, or perhaps because those whose skills are required are now attracted into other avenues. The importance of factors such as these on the 'supply side' provides further illustration of the inadequacy of the needs theory of institutions that we rejected earlier. To bring a new institution into existence requires not merely the existence of certain needs but also the specific 'entrepreneurial' skill of the innovator, as well as that of his successful imitators. But even to adjust an existing institution to new uses requires specific skills.

In every society we shall therefore at any moment find institutions belonging to different historical 'strata', some of which were originally devised for purposes very different from those for which they are presently used, and which nevertheless together form a coherent pattern—a pattern which, however, will not last. As the present lay-out of an old town (in which we find buildings erected over many centuries and built in many different styles) owes no less to the ingenuity of its present users than to the genius of the original architects who had probably designed its

buildings for entirely different purposes, so the present pattern of the institutional order owes no less to the ingenuity of present users of these institutions than to that of their originators. Institutions change less as a result of 'changing circumstances' than as a result of human action designed to meet change.

But how much change of individual institutions is compatible with the permanence of our structure? The whole problem of 'flexibility versus coherence' now appears on the horizon. There must be some flexibility, some room for manoeuvre if men are to pursue their various interests. But how much of it can we concede before the whole institutional structure is impaired?

Confronted with this dilemma we must remember that it is not change as such, but unexpected change, which jeopardises planned action. The position of each institution on the social firmament must be given, or be at least knowable. It need not be fixed, to be sure, but then its orbit at least must be known. Not movement as such, but irregular movement disqualifies an institution from serving as a point of orientation. The crucial requirement is for actors to be able to take their bearings by existing institutions, to be able to 'steer by them'.

A night at the theatre with the first act of *Hamlet* followed by the second act of *Macbeth* and the third act of *King Lear* might have its attractions, provided everybody in cast and audience knew the programme beforehand. Only if the stage management were to introduce it unexpectedly would chaos on the stage and bewilderment in the audience be likely to result. The reason such a programme might be feasible is of course that some actors and actresses have a repertoire of rôles sufficiently wide to permit it, and that the immediate plans of most theatregoers extend over a

few hours only. But in our society, especially in modern industry, many plans (buildings, plant, equipment) have to extend over a large number of years and are therefore particularly susceptible to unexpected change. The conclusion appears inevitable that the more important become long-term plans which, once the planned course of action has been set in motion, cannot be adjusted to subsequent change, the more damaging institutional change becomes. Since at any moment some such long-term plan is bound to be in course of execution, the time for painless institutional change will never arrive unless prior notice of it is given to all interested parties sufficiently far ahead to give any plan in operation time for completion. It is thus almost inevitable that all institutional change will upset some plans in the course of execution.

Unfortunately we have not yet reached the end of our difficulties. Such unexpected change is likely to have further repercussions. In particular with respect to the relationship between designed and undesigned institutions we have to note that institutions can only be designed to meet a certain known situation, or a limited number of possible, i.e. conceivable, situations, but not an unlimited number of unknown situations. We therefore face not merely the problem of how designed and undesigned institutions can supplement each other in such a way as to form together a coherent institutional structure. We now encounter an even worse possibility, namely that unexpected change of undesigned institutions may not merely jeopardize the coherence of the institutional structure as a whole, but in addition may obviate the very design of the designed institutions.

Here we might contemplate the following way out.

In a society in which it is generally known that frequent change of undesigned institutions is inevitable, the designers of designed institutions may deliberately confine their activity to designing a framework which leaves room for a good deal (in principle an unlimited amount) of change which, since it will take place within the framework, will not affect the latter as such. This device would serve to solve our second problem, even though we could not be certain that the integration of the institutional structure as a coherent whole can be accomplished in this fashion.

This idea is not a mere figment of our imagination. The legal framework of modern Western societies has in fact achieved something similar to the model just envisaged by leaving a wide sphere of 'freedom of contract' to individuals acting in pursuit of their respective interests. The modern market economy would not be possible without it.

In such a society it might be said that the undesigned institutions which evolve gradually as the unintended and unforeseeable result of the pursuit of individual interests accumulate in the *interstices* of the legal order. The interstices have been planned, though the sediments accumulating in them have not and could not have been. In a society of this type we might then distinguish between the *external* institutions which constitute, as it were, the outer framework of society, the legal order, and the *internal* institutions which gradually evolve as a result of market processes and other forms of spontaneous individual action. It seems to us that it is within a scheme such as this that the praxeological theory of institutions which we are attempting to establish most readily finds its place. We also believe that Menger had a scheme similar to

this in mind when he set forth his ideas on institutions in the third part of his book.

But such a model of the character of the relationships between external and internal, designed and undesigned, institutions is not quite satisfactory for our purpose. It fails to take account of the complex nature of the relationships which obtain here. The implied contrast between firm outer structure and shapeless inner void could actually be highly misleading.

In the first place, the model rests on the assumption that undesigned institutions evolve while the designed form an outer structure, that is to say, that the former alter much more rapidly than do the latter. But designed institutions also change and we have no reason to believe that their speed of change will always be less than that of the undesigned variety. The problems of structural change of designed institutions will occupy us in a subsequent essay.

Secondly, the processes of change of the two classes cannot be regarded as being independent of each other. Changes in the legal order may affect the area for manoeuvre within which individuals may move and undesigned institutions evolve. On the other hand, the evolution of undesigned institutions also creates new problems for the legal order. Sooner or later some of them may have to be co-ordinated. The law may permit everybody to form companies with limited liability, or trade unions, but sooner or later, simply to reduce the amount of possible litigation, some legal rules about the relationship between directors and shareholders, branch secretaries and members, have to be promulgated.

Thirdly, it is always possible that the slow evolution of some institutions, even though at first taking place apparently within the interstices of an existing social

and legal order, will gradually lead to what we might call 'deformation of social space'. The coherence and permanence of the existing social order will then be jeopardized even without any change in the legal system. The danger will be much greater where the institutions growing up are in some respects in conflict with each other, so that only one or the other, but not both, can be integrated into the existing institutional structure. Quite serious problems can arise in this way.

The problems mentioned can be grouped under three heads:

- (1) those which arise from the multiplicity of sources (interests)—coherence;
- (2) those which arise from the lapse of time and the need to adjust existing institutions to new institutions—flexibility, change;
- (3) those which arise from uncertainty as to which new institutions will exist at a future time—flexibility, change, adjustment to what?

We shall now give a topical example of destabilizing institutional change in which all these three categories are involved.

When in the years following the First World War most countries of the Western world adopted the British institutions of 'collective bargaining', sometimes in their pure British form, sometimes with the addition of institutions of compulsory arbitration in industrial disputes, not many voices of dissent were heard. Some economists showed themselves aware of the element of bilateral monopoly that 'industry-wide bargaining' for wage-rates and working conditions would entail, and pointed to the dangers inherent in such a situation.

But as a rule they, and anybody else expressing doubts about the excellence of the new dispensation, were simply regarded as 'reactionaries'. It seemed that a problem which in the early decades of the industrial age had baffled so many men of good will had now at last found a solution: how to fit labour relations in modern industry into the framework of the market without results which appeared to deprive the individual worker of all influence on the outcome of the market process. 'Collective bargaining' after all was bargaining, and was not bargaining of the essence of the market?

Since in the world of 1920 the framework of the market economy was simply taken for granted, it appeared that even collusion between the bargainers could only occur within narrow limits. With a competitive price system in existence no single price and hence no single wage-rate could get very far out of line. In fact, the competitive price system by its very existence set fairly narrow limits to the area within which wage-rates could be determined by bargaining. Any attempt by trade unions to induce employers to accept wage-rates which were 'too high' would adversely affect the volume of sales and thus lead to unemployment. The institutions of collective bargaining as seen in the perspective of 1920 appeared to be embedded in an economic order sufficiently strong and stable to vouchsafe their beneficial character.

We are living in a different world. No economist would deny today that the continuous inflation from which the Western world has suffered for more than two decades has something to do with the modern methods of determining wage-rates. We now have to ask what are the precise circumstances that have

turned institutions which in 1920 looked quite harmless into a source of a dangerous and destabilizing social processes which contemporary Western society, for all its wealth and vaunted efficiency, appears to be unable to stop. We have here a clear example of what we called above 'deformation of social space'.

Three kinds of change in economic institutions, as well as in the mental climate in which they flourish, appear to us as the main causes of this development, though no doubt it would be possible to enumerate a number of other factors contributing to the inflationary result.

There is, in the first place, the change in the monetary system from a metallic standard to a debt money system. Modern money consists of claims against banks, central banks, or governments. It is of the essence of such a system that the total number of such claims that might be created is in principle unlimited, though control by a public authority may limit it at any particular point of time. While in the world of 1920 it was possible to hold that the limited quantity of metallic money kept the price system within bounds and thus also set limits to the maximum wage-rates attainable by bargaining, no such 'ultimate determinant' exists at the present time. Today it would be almost more correct to say that the total quantity of money-claims is influenced by nothing so much as by the total amount of wage-claims that have been granted. This is what Sir John Hicks meant by the 'labour standard' which has replaced the old gold standard. In other words, the transition from a metallic to a credit standard, the adoption of a monetary system in which money can be created virtually at will, has removed an important external

restraint on the wage-setting power of the industrial bargainers.

The second change concerns the price-setting power of industrialists, who at the same time represent one side in the bargaining process. Today most prices of industrial goods are set by their producers, they are typically list or catalogue prices. When employers grant higher wage-rates they are virtually certain that they will be able to recoup such increases in the costs of production in the form of higher prices of the goods they sell, in particular since they know that their competitors will have to pay the same higher wage rates.

This situation differs in important respects from that which prevailed in the market economy of the nineteenth century. In that period the most important industrial goods (textiles, coal, furniture) were typically produced by firms of fairly small size, while the market for them was dominated by wholesale merchants acting as intermediaries between producers and retail sellers. These wholesale merchants, deriving their profits solely from their turnover of goods, were primarily interested in maintaining their rate of turnover, but not at all interested in production costs, which did not affect them directly. They had to match supply with demand if their profits were not to suffer. A fall in demand would induce them to reduce their selling prices, and so their buying prices. Production costs of goods had then to be adjusted accordingly. Market prices determined wage-rates and not the other way round.

Today the wholesale merchant as a price-setter has all but disappeared and with him the flexible price system characteristic of the nineteenth-century market economy. At present prices are set by industrial

producers more interested in their profit margin than in their rate of turnover. A fall in demand will lead today to a fall in output and employment, but hardly ever to a fall in prices.

Yet these two institutional changes by themselves would not have sufficed to bring about the permanent inflation of our age. The most important economic characteristic of our age is surely that in our world prices can, in the long run at least, only rise but never fall. Our first two reasons serve to explain merely why in our world certain restraints on the rise of wage-rates, which in 1920 were still universally taken for granted, have disappeared. They do not yet explain why these wage-rates rise continuously and do not fall even in times of depression.

The third change which explains this very fact was not, strictly speaking, of an institutional but of a moral nature. In our world it has come to be accepted as an article of social faith that no money wage-rate must ever be allowed to fall, that wage- and salary-earners have a right to expect that their money incomes will rise, at least in the long run, and that this expectation must in no circumstances be disappointed. This means for all practical purposes that, since wage-rates can only rise and never fall, the same must apply to prices.

Whether this change in the social atmosphere in which the institutions of collective bargaining function has to be regarded as the true cause of the inflationary process, while the other two changes mentioned should perhaps only be regarded as necessary conditions, is a question we shall not discuss. All human action is of course oriented to the conditions of its success. The lesson we have to learn from our example is rather that a change in the mental climate may by itself,

without the creation of any new institutions or the disappearance of old landmarks in the institutional landscape, turn out to be an important institutional change because it affects the way in which men use their existing institutions, An undesigned institution which originally was able to operate in one of several possible ways (wage-rates could either fall or rise or remain constant) may, when one of these ways becomes socially obsolete and other institutional changes occur concurrently, acquire an entirely new kind of impetus never dreamt of by its pioneers. It is thus possible for an institution, without any change in its outer form of appearance and without anybody, even among those who make daily use of it, noticing it for a long time, gradually to change its character, its *modus operandi* and its place in the whole institutional structure.

VI

The time has come for us to cast a backward glance at the road along which we have travelled and to attempt to draw some conclusions from what we have learnt.

We came to see that a theory of action which aims at intelligibility must rest on the parallelism between plan and action. Institutions serve to co-ordinate plans in large societies. To serve this purpose they must form a structure to which coherence and permanence can be attributed, as no institution stands by itself and all action extends into the future. But a changing world also requires flexibility of plans and institutions. We saw that undesigned institutions in particular can be regarded as successful plans which have crystallized into institutions through widespread imitation. It

seems therefore that the need for coherence and permanence on the one hand and for flexibility on the other cannot be easily reconciled. But we need not despair of our theory of institutional structure.

On the one hand, it would hardly be surprising if the range of possible disturbances of the institutional order generated by the need for flexibility which is disclosed by our analysis were to considerably exceed the actual range we are likely to find in any given society. An analytical scheme such as ours must comprehend the whole range of possible, and not just of probable occurrences. How many of these will become actual is another matter. The seriousness of the potential threat to institutional stability emanating from the need for flexibility is very much a matter of time. Slow change is less harmful than fast change. Almost any change takes time and so do its repercussions. The amount of change possible per unit of time is also limited. As regards designed institutions, there is a limit to the annual activity of skilled designers. Devices such as delegated legislation may widen these limits but cannot erase them. In the case of undesigned institutions it takes time for successful modes of action to crystallize into institutions. It takes time even for the participants to find out which action was successful and which was not. It takes further time for such knowledge to become diffused among potential imitators. Apart from the time aspect of the matter, the very looseness of the institutional structure we discussed above tends to act as a protective device in such cases. The lack of complementarity between institutions of different classes means here that the area over which any given change will have repercussions is limited.

On the other hand we clearly have to ask how

in reality societies continue to cope with such problems. How is the need for coherence and permanence reconciled with that for flexibility in the real world? While no doubt different devices have been employed for this purpose in different societies and at different times, four such devices appear to call for attention in the context of our investigation and to be entitled to a place in an analytical scheme such as ours.

We are already familiar with the first two of these from the model which we presented in the previous section. The first device consists in granting to individuals a fairly wide sphere of 'contractual freedom', a sphere in which change must be expected to be frequent and which may be regarded as the main source of undesigned institutions. The first device consists then, briefly, in having institutions which are frequently mutable in a definite sphere of action.

Its complement, our second device, consists in having a few 'fundamental' institutions which, by contrast, are not mutable at all. In our former terminology, these external institutions must provide a firm outer structure in the interstices of which the sediments of individual efforts in the 'free and mutable' sphere can accumulate. We must stress again that these two devices are complementary to each other. Frequently mutable and (almost) immutable institutions require and support one another. As the classical economists knew well, a market economy may adjust itself to changes of many kinds, but it rests unconditionally on the institutions of property and contract.

The third device, which is new to us, takes the form of meeting a situation requiring change not by the creation of a new institution, nor by replacing an old by a new, but by 'widening' an existing institution

in such a way that it can serve new interests without upsetting the plans which have thus far made use of it. The widening of the concept of property in the modern company, in such a way that the relationships between directors and shareholders can be brought within its province, appears a good example.

The fourth, and for more than one reason we might say the ultimate, device of which every society disposes in order to defend itself against the desperate cases of dilemmas of this kind, is to prohibit change which threatens to upset the social order, and to act against the interests engendering it. Where institutional change prompted by the pursuit of interests threatens the unity of the institutional order, it is the latter which has to be defended.

No society can stand more than a certain amount of change within any period. No doubt the limit of tolerance varies between one society and another, or between one period and another within the same society. A good deal will clearly depend on the extent to which the devices enumerated (and possibly others) are available as alternatives.

But there can be little doubt that some limit of tolerance of institutional change exists everywhere, and that every healthy society is able to call upon social forces of considerable strength when this limit is being approached. In this simple fact we have to see a manifestation of 'the Rationality of Tradition'. Every social system is always jeopardized by the pluralism of contending interests and has to depend on the strength of its institutional order to defend it against such deformation of social space as would threaten its continued existence.

On Political Institutions

IN THIS essay we shall endeavour to apply the insight we have gained thus far into the nature and significance of institutions and institutional structure in general to the institutions of the political sphere. But at the same time we shall have to relate whatever conclusions we may reach in this field to Max Weber's views on these matters.

Prima facie it might appear that our first task can hardly be an altogether forbidding one. We have already stressed the necessary existence of an institutional order, a structural relationship within which each individual institution must find its place. Our task would thus appear to be merely to indicate the precise place which political institutions occupy within this general structure. Nor does it seem altogether difficult, at a first glance at least, to apply the concepts we have devised to the institutions of the political sphere. One might even hope that the designed nature of most political institutions will here relieve us of all those problems which, as we saw, are apt to arise from the possibly incoherent nature of undesigned institutions prompted by the pursuit of divergent interests. This should make our task easier. Moreover, are political institutions not external institutions in the simple sense that most of the daily life of society is taking place within the precincts shaped by them without anybody, in normal circumstances, taking much notice of their existence? Again, it seems that the complications which, as we

learnt, might arise from the difficulty of having to delimit the spheres of external and internal institutions are here absent.

We shall soon see, however, that such optimism is quite unwarranted. In the first place, not all political institutions are designed institutions. Modern political parties as well as many of those organizations which are capable of exercising political pressure in the pursuit of group interests were never 'designed' in the sense in which legal institutions are. Secondly, a political institution originally designed for one set of purposes may in the course of time and under the pressure of events and conflicting interests gradually change its character and come to assume functions which were never assigned to it, as well as discard other functions which originally were.

Finally, the problem of 'coherence and permanence' *versus* 'flexibility' emerges in the political sphere in a form which is particularly acute. It is certainly true that of all the institutions of society the political are the most fundamental in the sense that it is they which designate the holders of political power, which is to say those within whose legitimate power it is to design new institutions and modify existing ones. It is one of their functions to maintain rules for the political game, from which the winners emerge as the power-holders. Such fundamental institutions, as we saw in the second essay, must possess the attributes of coherence and permanence if the whole institutional edifice is to rest securely on its foundations. But it is of the nature of democracy that such fundamental institutions cannot permanently be entrusted to one group of persons. Free access to political power and continuous change of power-holders are of the essence of democracy. The defence of these fundamental

institutions against the forces of change thus becomes a paramount problem since it is difficult, albeit perhaps not impossible, to devise rules to distinguish those institutions which power-holders may change from those they may not. The ancient query '*quis custodiet ipsos custodes?*' thus assumes a new and more poignant significance in this context.

Our second task, to relate our conclusions on these matters to Max Weber's views, will prove to be even harder, certainly harder than it has been thus far in this book. In our second essay, for example, we were able to construct an analytical scheme of institutions and institutional structure from building blocks provided by Weber's work, even though his work itself contained no such analytical scheme. Here, in the political field, we face an altogether different situation.

Weber held strong views on the political problems of the Germany of his time and did not hesitate to express them with vigour, eloquence, and great courage. These views of his were supported by a coherent view of the political institutions of his contemporary Germany, of what they were and of what they ought to have been. Behind this view, as we should expect from so powerful a thinker, it is possible to discern the nucleus of a general theory of politics which of course comprises a scheme of political institutions. But this theory is virtually embedded in political writings of a strongly polemical nature. Naturally our task here would appear to be to distil the theoretical content from the polemical material and to try to give it a form consonant with our general analytical scheme. Unfortunately it is not as simple as that. Two obstacles in particular present themselves.

The first arises from Weber's famous insistence on the separation between the sphere of science, in which value judgements are inadmissible, and the sphere of politics in which they are legitimate. His political writings naturally abound in value judgements, usually of an adverse kind, on the political and economic élites of Wilhelminian Germany. Is it, then, a legitimate enterprise to draw what one hopes will be tenable scientific generalizations from material which its author had so clearly consigned to the non-scientific category? Even though sheer necessity may compel us to embark upon this path we cannot do so without some misgivings.

Secondly, any attempt to discard the polemical wrapping of his material and distil only the theoretical content from it encounters the obstacle that a good deal of the material on which Weber drew for purposes of illustration and demonstration of his general thesis largely consists of facts seen in a certain perspective, which was Weber's perspective when he wrote but is not the only perspective in which these facts may be viewed. Moreover, in warning his readers of what might happen to a nation which lacked the political institutions appropriate to modern industrial society, he quite naturally assumed a knowledge of the socio-economic structure of his contemporary Germany which his original readers shared with him, but which non-German students of Weber half a century after the original publication of these writings can hardly be expected to have. He was even entitled to expect (and doubtless did) from the educated and well-to-do readers of the *Frankfurter Zeitung* to whom as a rule he addressed himself in the first place, a degree of sophistication which would permit them to discount some of the rhetorical excrescences of his polemical

style, and nevertheless realize the very serious nature of the issues at stake. All this no longer applies to students of Weber's political work today, for whom Hohenzollern Germany belongs to past history.

Since none the less some knowledge of the social and political structure of Weber's Germany is indispensable for a proper appreciation of what he had to say in his political writings, we propose to proceed in the following manner: In the first section of what follows we shall, very briefly, indicate the nature of the problems to which the need for the preservation of fundamental institutions typically gives rise in an 'open' society of the modern kind. Next, we shall try our hand at presenting a brief outline of the social and political structure of Hohenzollern Germany, the indispensable frame of reference for Weber's political views. It is to be hoped that to draw a reasonably objective picture of the Hohenzollern Empire fifty years after its downfall, with particular attention to the constellation of social forces which sustained it, will not prove an altogether insuperable task. Then in the third section we shall give an account of Weber's own views on the political institutions of his contemporary Germany and the reforms they required. This account will be followed, in the fourth section, by a critical assessment of some of his views in terms of our own conclusions as well as by a discussion of the effect which the revolution of 1918 had on his views, as reflected in some of the work he did when he helped to draft the Weimar Constitution. In the final section we shall return to the main theme of this essay and endeavour to restate the problem of the *political form* of the institutional structure, consonant with and appropriate to an open society.

I

We encounter what we have come to regard as the crucial problem of the institutional order, namely the preservation of certain fundamental institutions in a world of continuous change, in most spheres of social life and in many guises. In the political sphere an awareness of such a need is fairly widespread, to be found in most parts of the world and at almost all times. But so is awareness of the need for flexibility. How are the two to be reconciled? The distinction between fundamental and secondary, immutable and mutable, institutions suggests itself as a way out, but it is a way out only on the high level of abstraction on which we have thus far dwelled. How is the distinction to be drawn *in concreto*? And since it has to be drawn in practice by some individuals to whom this task has been delegated, how are we to ensure that their action meets the needs of society as a whole?

In most modern societies the preservation of fundamental institutions usually takes the form of their constitutional 'entrenchment'. A constitution is a body of legal norms which cannot, as a rule, be changed as easily as can ordinary norms. Certain institutions can thus no longer be changed by ordinary legislation. But at the same time most constitutions provide for legal procedures which make constitutional change possible. A parliamentary majority of two-thirds, for example, or a plebiscite, may be required. Thus the protection of fundamental institutions is only relative, not absolute.

Is there, then, no absolute protection against constitutional change? There certainly is against unconstitutional change. No society of course will

permit its fundamental institutions, those which designate the holders of legitimate power, to be threatened by the use of force. Every society expects its power-holders to marshal all the forces at their disposal for defending the existing social order against violent overthrow. Typically, in such cases of 'clear and present danger' to the existing constitutional order, all constitutions permit the temporary suspension of certain of their norms in order to defend the existing order as a whole, be it by the declaration of a 'state of emergency' or in other ways. This, by the way, provides us with an interesting object-lesson in how to distinguish between fundamental and less fundamental institutions: the latter are those which may be suspended, in certain circumstances, if the former are in danger. Fundamental institutions in our sense are those which must be defended at all costs, even at the temporary (for the period of danger) sacrifice of certain others also embodied in the constitution. Every constitution, it might be said, has to be construed as containing an unwritten clause which enjoins those who hold power under it to defend 'law and order' at all costs when these are in jeopardy.

But all this amounts to is that certain channels of change are outlawed, and that certain temporary changes may be necessary to safeguard the social order as a whole against change of a certain kind, e.g. change by force. It follows from the nature of the institutional order of an open society that, while there may be relative protection for certain fundamental institutions by making it difficult to change them, and even absolute protection against change of a certain kind, there can be no absolute protection against all kinds of change. Some channels of change must always remain open, however narrow they may be.

This may mean in practice that what cannot be achieved by illegal means, by force, may become attainable by legal means, by making use of the legitimate channels of change. It is the great lesson which Hitler appears to have learnt from the failure of his Munich coup on 9 November 1923. This of course is an extreme example. In reality any attempt to modify fundamental institutions by ostensibly legal means will at once encounter many obstacles, 'built into' the existing order or emanating from the prevailing climate of opinion. No mature society is likely to tolerate the destruction of its democratic institutions by the misuse of the very procedures which these institutions authorize. All the same, our example does show the existence of an open problem.

But even apart from the case just mentioned which, on a level higher than that with which we are here concerned, raises the very important issue of *legality versus legitimacy*, there remains the open question of how to safeguard fundamental institutions against the forces of slow erosion rather than rapid destruction, forces bound to be unleashed by the struggle for position and power in society. The relative safeguards mentioned above may render each such change difficult by requiring a strong coalition of interests in order to bring it about, a coalition such as may be hard to bring together and even harder to maintain in a world where change is rapid and groups have many interests to pursue, but they cannot render it impossible. It has not been unknown for political parties of impeccable democratic principles to change, when in power, the age of franchise or the delimitation of constituencies in such a fashion as to entrench their power. To choose an example from another field, which forms nevertheless an equally fundamental

part of the institutional order, no parliament is likely to pass an act invalidating all money debts and permitting debtors to enrich themselves at the expense of their creditors. Nevertheless a continuous process of inflation which lasts half a century will produce more or less the same result.

II

The German Empire that came into existence in 1871 did so, like most other political creations, as a result of a series of compromises: between North and South, between federalism and unitarism, between Prussia and the non-Prussians, between cultural pluralism and the need for a strong political centre. But from the point of view which must be of primary interest to us here the outstanding feature of this complex of compromises was the fact that the Empire rested on a compromise between the Prussian state and bourgeois society. We shall call this the Grand Compromise. The Prussian state, the bureaucratic organization which the Hohenzollern princes had created in order to give administrative, military, and judicial unity to their originally rather diffuse dominions, was a hierarchic structure with the King and his ministers at the top. The social substructure on the basis of which it grew up to become a power in Europe had been an agrarian society in which the East Elbian nobility held unquestioned élite status and in which a profusion of fairly small market-towns were the centres of trade and commerce. Naturally the nobility provided the state with its administrators and with its officer corps. But in the decades after the Congress of Vienna economic progress accelerated and in the

newly acquired Rhineland, then Germany's most prosperous and economically developed part, the Prussian administrators had to contend with the first problems of an industrial society, problems with which they were in no way equipped to deal.

By 1870 Germany had become an industrial country, at least by the standards of the time. The compromise mentioned above in its most significant aspect constituted a recognition of this fact. The substructure of the new Empire was no longer an agrarian society, and the new élite which had brought about the change had to be given a place in the new political structure.¹ For the Prussian state, the dominant force in the new Empire, this meant the transition from absolutism to constitutional monarchy. The Prussian monarchy had already (after 1848) given up its right to unlimited legislation by Royal decree and transferred the power of legislation to a two-chamber parliament. In the new imperial constitution this process was taken a step further, in fact this had already been done with the setting up of the North German Confederation in 1867.

For the liberal bourgeoisie, on the other hand, and *a fortiori* for its élite which rode on the crest of economic success, acceptance of the compromise entailed an intellectual reorientation which, as subsequent events were to show, was by no means painless. In 1848 and for two decades subsequent to it these people had been bitterly hostile to the Prussian monarchy and to Bismarck, its 'strong man'. Their source of inspiration had been British, if not French, ideals of parliamentary government. But the revolu-

¹ On this whole problem see John R. Gillis, 'Aristocracy and Bureaucracy in Nineteenth-century Prussia', *Past and Present* (December 1968).

tion of 1848 had failed, and after three victorious wars the Prussian monarchy was stronger than ever. Not unnaturally, a compromise with the power-holders whose recent acts had tarnished liberal ideals was at first widely resented, and accepting a share of political responsibility in such conditions was distasteful to many. The trauma of the reorientation which acceptance of the compromise entailed had many serious consequences. One of them was the disappearance of serious political thought from the German intellectual scene after the 1870s. The peculiar resentments which form the emotional background of Max Weber's political thinking were another.

We must now cast a brief glance at the constitutional structure which rested on the foundation of this Grand Compromise. The legislative body consisted of two houses, the Federal Council (Bundesrat) and the Reichstag, the latter elected by universal equal adult male franchise. But while there was a parliament, there was no parliamentary government. This fact, as we shall see, offered the main target for Weber's critical attack. The Reich Chancellor and his Secretaries of State were appointed by the Emperor and, while they were responsible to the Reichstag, did not require its confidence. No vote of censure could remove them from power. In fact, an article of the Constitution which stipulated that nobody could belong to both Houses at the same time virtually prevented parliamentary government, since by tradition the Reich Chancellor was also the Prime Minister of Prussia and hence had to be in the Bundesrat.

In reality of course the need for a majority in the Reichstag to pass legislation, in particular the annual budget, entailed a situation not altogether dissimilar

from one of parliamentary government with a coalition of changing composition. Without such a majority no government could govern. But it was possible to feel, as many did before Weber, that the permanent co-ordination between government and parliamentary majority which is of the essence of parliamentary democracy would have offered a firmer and more stable basis for German politics than did the shifting and usually short-lived arrangements to which most Chancellors of Wilhelminian Germany had to resort.

We now must take a closer look at what the compromise meant in those terms that are of primary importance to us, that is in terms of fundamental institutions and the institutional order. First of all, we have to remember here that in the context of the Grand Compromise the market economy and the institutional framework appropriate to it were very much taken for granted. The Prussian civil servants, to whose mentality the compromise owed so much, never doubted that economic progress required a broad sphere of contractual freedom and the ability of the economically active to shape institutions (not, to be sure, fundamental institutions but those of a secondary order) in accordance with their naturally flexible needs. In fact, ever since the Stein-Hardenberg reforms of 1810 Prussian policy had pursued the path of economic freedom. Before the return to protection in 1878 the new Empire was even a free-trade country. A general presumption in favour of *laissez faire* in economic matters did thus not even have to form an explicit part of the Grand Compromise we are studying. It was simply taken for granted by all parties to the agreement.

As regards fundamental institutions the matter was different. From the point of view which is of interest

to us the transformation of the absolute state into a constitutional monarchy meant that the fundamental institutions were now more secure than they were before: the state had abdicated its right to interfere with the legal and institutional order at will. It is true of course that the transfer of legislative power from the Prussian king and his council of ministers to the Reichstag, a body elected by universal franchise, would by itself do little to help entrench fundamental institutions. But the Reichstag could not legislate without the Bundesrat, and in this latter body Prussia had a right of veto on all matters concerning defence, indirect taxes, and customs tariffs. Fundamental institutions were thus fairly well protected. The separation of powers inherent in the Grand Compromise made it more difficult to change them.

The German word which was generally used to denote the compromise we have tried to describe, the reconciliation between the Prussian state and bourgeois society, was *Rechtsstaat*, which is also the German word for 'rule of law'. Under the new dispensation the state in effect, if not in words, promised to devote all its power to upholding the legal order and the fundamental institutions on which it rested, and to abstain from arbitrary interference with it.¹ To be sure, the legal order could be changed by legislation, but the constitutional arrangements appeared to be such that no fundamental changes could be brought about without the consent of all groups affected by them.

Rechtsstaat, briefly then, meant that the main purpose

¹ For an authoritative, if somewhat stylized, exposition of this notion see Rudolf Gneist, *Der Rechtsstaat* (Berlin, 1872). Weber rarely used the word, and never in the sense it has in our text. Bismarck appears to have disliked it.

of the state was now to uphold the legal order, and that all actions of those who held power under it had to be ultimately justified in terms of this purpose. This was a far cry from the mercantilism and paternalism of Frederician Prussia. But not until the 1880s was the ideal of the *Rechtsstaat* seriously challenged. It was only then that, under the leadership of the economists of the *Verein für Sozialpolitik*, educated Germany gradually began to turn to the opposite ideal of the Welfare State.

The main defect of this Grand Compromise proved to be the fact that the industrial working class had no part in it. As Germany became an industrial country and the working class rapidly increased in numbers, this weakness made itself more and more strongly felt. It was this fact, more than any other single fact, which caused the decline of the *Rechtsstaat* ideal in Germany and the rise of various ideologies extolling the Welfare State. It seemed to many educated Germans that what was then known as the 'labour question' could not be solved within the existing framework but required state intervention in favour of the workers.

To bring trade unions within the existing legal framework was still tolerably easy. Collective bargaining, however, did not exist in Germany until the First World War, when it was started with the official blessing of the Ministry of Supply—the *Kriegsamt*. But the Social Democratic Party, the chief protagonist in the political field of working-class aspirations, presented altogether new problems. In the official view, with its pretension to 'overthrow capitalistic society', its intransigence, and its internationalism, the party was simply 'unassimilable'. It just did not fit into the existing political structure. Since the situation of the German socialist party under the Hohenzollern

Empire has been described by Schumpeter in what must be one of the most perceptive historical sketches written by this brilliant author, we need here do no more than refer the reader to it.¹

In concluding this brief bird's eye picture of the political landscape of Hohenzollern Germany we have to draw attention to one of its outstanding features, which is today often not well understood, but which is of crucial significance if we are to properly assess the purport of Weber's polemics. It is undeniable that the power and influence of the East Elbian nobility (the *Junkers*) was out of all proportion to their economic and social significance. The German economy would have been better off without the *Rittergut*. In this sense Max Weber's main criticism of the German political system, namely that its leadership failed to reflect the true balance of forces within the nation, was perfectly valid. Nevertheless, this political élite, small in numbers, weak in its economic base, enjoyed a vast amount of tacit support within the nation and, what is more, could have commanded and made use of this support in a crisis. This support was forthcoming from people of all social classes, from regions far beyond the borders of the Kingdom of Prussia and from all religious communities. There were to be found, between the Moselle and the Vistula, many men, big and small, in the most unexpected quarters, who would have stood by the Prussian élite if it had been threatened. It is of course the hallmark of a true political élite that in a crisis, on the ultimate testing-ground, it is able to draw support from all layers of society and is not confined

¹ Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (Allen and Unwin, 1942), ch. XXVI, V: 'The German Party and Revisionism'.

to a narrow social base. In a serious conflict such an élite is much stronger than its rivals enjoying a mere homogeneous following, as many parties of the left have discovered to their dismay.

The fact just stated was in Hohenzollern Germany a fact of the highest political significance. The Social Democratic leaders knew it well. The striking discrepancy between their ability to command millions of votes at elections and their inability to affect any political decisions is largely explained by it. So did the shrewd trade-union leaders who firmly refused to let their organizations be used for political ends. Weber knew it, too, and so of course did his original readers. The fact kindled his wrath, and the bitterness of his polemical tone owes not a little to his knowledge of it. Only defeat in the First World War destroyed the widespread support the political élite had thus far enjoyed.

Some of the consequences of the prestige the Prussian élite had enjoyed even outlasted Wilhelminian Germany and clouded the political life of the Weimar Republic. Many of the people whose attitude we have attempted to describe felt a sense of shock and deprivation when the Hohenzollern Empire fell. Their lasting resentment provided a most valuable treasure to the enemies of the Republic.

We shall now make an attempt to test the efficacy of the few conceptual tools we have found useful in the analysis of the political structure of imperial Germany by applying them to the Weimar Republic, its successor.

The Weimar Republic, too, rested on a complex of compromises. Politically it rested on a compromise between the trade unions, the Roman Catholic Church, and the liberal intelligentsia, that is, between

precisely those forces which under the Empire had been remote from the seats of power. The political parties which came to be known as the 'Weimar Coalition' (Social Democrats, Centre Party, Democrats) reflected precisely these social forces.

Our survey will be brief, even briefer than it was in the case of the Empire.¹ A compromise of the kind indicated naturally gave rise to many difficult problems which we cannot deal with here. The strength of the Republic lay in the simple fact that the social forces which now shared political power undoubtedly *were* the strongest forces in German society. The new leaders went about their tasks in a workman-like fashion. They successfully overcame the difficult problems of post-war adjustment and, if very late, inflation. They might have coped with the great depression and mass unemployment had they understood the economic implications of what we can now see was one of the great social changes of the 1920s: the emergence of downward rigidity of the wage-level.

Outside the economic sphere there were of course many problems. Civil servants and soldiers, having lost the natural apex of their hierarchies, had to undergo a process of intellectual reorientation which to many of them was no less painful than had been the corresponding process to the liberal bourgeoisie of the 1870s. But since, in the absence of any serious pretender to the throne, the possibility of a return to the monarchy became more and more remote as time went by, the problem would have solved itself. Lastly, it is permissible to point out that the present Bonn Republic is in all important respects virtually a unilineal continuation of the Weimar Republic. Its

¹ Max Weber died in June 1920, in the second year of the Republic.

intellectual atmosphere and the composition of the social forces supporting its political structure are identical with those of Weimar. The mere fact that after the holocaust of Nazi rule and the Second World War the new German state was again erected on the same foundations as the Weimar Republic had been, because there were no others, seems to us to attest the inherent strength of the social forces underlying both.

Where, then, lay the weakness of the Weimar Republic? It so happens that the critical source of its weakness lay in precisely that sphere which is of particular interest to us: its fundamental institutions rested on no firm basis. The compromise was regarded by too many of the participants as a temporary rather than a permanent one, not as a Grand Compromise but rather as a *petit compromis*.

To understand this we have to understand the peculiar dilemma the socialist leaders confronted. When the Empire collapsed they suddenly had to shoulder a responsibility for which they were in no way prepared. They had grown up in an atmosphere of Marxism, after 1900 increasingly diluted, it is true, by generous doses of Revisionism. They had assumed, in accordance with Marxist teaching, that the triumph of Socialism would follow the collapse of capitalism, and nobody doubted until 1914 that this day was a long way off. In November 1918 they suddenly found themselves in the position that, as a result of a culmination of events in which they had little part, namely Germany's defeat in the war, they had political power, but that they had to govern a capitalistic society. Even worse, they had to govern it in coalition with bourgeois parties, with people for whose 'petty bourgeois' outlook they had never had, or so at least they had to pretend outside the

Reichstag, anything but contempt. There was nothing in the book of Marxian teaching to give guidance for such a situation.

It speaks for the character of the socialist leaders that they set about the practical task of reconstruction without flinching and with a fair measure of success. But, as often happens in history, it proved actually easier to cope with the new reality than to adjust old ideas to it.

In coming to terms with the reality of the 1920s German socialists adopted an ideology which rested on a clear distinction between the dubious capitalistic present and the glorious socialist future, and which came to regard the Weimar Republic merely as a stage of transition to the latter. But how exactly the transition would come about was a question left open. Nobody doubted that in the short run the Social Democratic Party's main task was to promote the welfare of the working class and that, in the circumstances given, this aim required the promotion of vigorous growth of capitalistic industry. But how socialism was to be promoted in the long run was less clear.

In the prevailing atmosphere of uncertainty about the path to the future, socialist thinkers contrived to cling to one article of Marxist faith: Capitalism is ever-changing and all such change is to the good since it brings the dawn of socialism nearer. Economic and social change must therefore not be resisted. We may not at once understand exactly how it will work towards socialism, but we are entitled to presume it. Only he who defends outmoded ways of thought and obsolete institutions, the 'reactionary', is the enemy. An 'open horizon' thus came to occupy the centre of the stage in the mentality which received official sanction.

This ideology of the 'open horizon' had certain immediate effects. Naturally it filled the other partners of the Weimar Coalition with suspicion and weakened them. What matters from our point of view is that it prevented any serious discussion of constitutional questions.¹ To these 'advanced' thinkers questions about the strength of the foundations of the Republic were questions of little interest. Why bother to strengthen these foundations if every change was, somehow, a step towards socialism? In the Weimar Republic, to show an interest in questions about fundamental institutions stamped one unmistakably as a 'reactionary', a thinker in outmoded static ways.

The most disastrous consequences of this type of 'advanced' thought only became apparent with Hitler's rise to power. The Nazi ideologists found the prevailing climate of advanced opinion ideally suited to their purposes. Whoever opposed them was of course a 'reactionary'. Whoever accused them of subverting the institutions of the Weimar Constitution under whose protection they were able to rise to power 'resisted social change'. It can hardly surprise us to learn that, when the new Caesar appeared on the 'open horizon', many people who for a decade

¹ Proportional Representation offers a good example. When it was introduced in 1919, Weber opposed it. Its abolition and return to single-member constituencies would actually have been to the benefit of the Social Democratic Party and of course would have made the initial success of the Nazi Party more difficult. But the type of mind mentioned above spurned such mundane considerations. The efforts of some of the more perspicacious among the younger members of the party hierarchy, such as Mierendorff, were in vain. See J. Schauff (ed.), *Neues Wahlrecht* (Berlin, 1929). The reform of the federal structure was another urgent problem which for similar reasons was neglected.

and a half had been exhorted by advanced thinkers not to regard institutions as 'ends in themselves' and not, from bourgeois prejudice, to resist necessary social change, behaved at the moment of crisis in exact conformity with these precepts. Who was to know, in 1933, that the Führer did not point the way to the future?

III

We now turn to the task of trying to extract Weber's political sociology from his political writings. For this purpose the writings of his last years are the most rewarding, partly because they show his thought at its most mature, but also because in commenting on the dramatic changes which occurred in Germany between 1917 and 1920 he felt it necessary to show that his political views were based on a solid analysis of the social and economic situation. We shall draw mostly upon a series of articles published originally in the *Frankfurter Zeitung* in the summer of 1917 and, slightly revised, as a pamphlet in May 1918¹ because it contains a long discussion of the political institutions, and their relationships to one another, that are appropriate to modern industrial society. But we shall of course also have to take account of his proposals for the Weimar Constitution and the arguments by which he supported them.

Weber grew up in an atmosphere of that moderate liberalism which reflected the Grand Compromise described above. His father, a high municipal official in Berlin, was also a National Liberal member of the Prussian Landtag. He was thus 'born into politics',

¹ 'Parlament und Regierung im neugeordneten Deutschland', *Gesammelte Politische Schriften* (Second Edition, 1958), pp. 294-431. (Translation of all passages quoted is ours.)

and politics remained one of his major interests throughout his life.¹ In his political views he soon moved away from his paternal moorings, at first to the right, but on recovering from his illness after 1902 increasingly towards the left. He regarded socialism as utopian, at least in his time, but strongly felt the need for giving the working class a share in political power. His sympathies were with the (left liberal) Progressive Party.

Two Reichstag members of that party, Haussmann and Naumann, were his close friends. The often irresponsible pronouncements of the Kaiser on matters of foreign and internal policy filled him with gloom and dismay. He felt that only a constitutional reform which made an end to the 'personal régime' of the monarch could save Germany from disaster.

For the first two and a half years of the First World War an uneasy political truce prevailed in Germany. But in 1917 the parties in the Reichstag became restive and began to urge constitutional reforms in the direction of parliamentary government. Weber apparently timed his series of articles in the summer of 1917 to support these moves.²

¹ Our account of Weber's political activity follows in general Wolfgang J. Mommsen, *Max Weber und die deutsche Politik, 1890-1920* (J. C. B. Mohr, 1959).

This does not mean that we accept Professor Mommsen's interpretation of Weber's political thought in all respects. In our view he is a little too strongly inclined to see in Weber a typical educated German of the Wilhelminian era. Max Weber, to be sure, was a Wilhelminian German. He also was a European political thinker in the great tradition of Machiavelli and Hobbes.

² For an excellent account of the internal political situation in Germany at that time see Gerald D. Feldman, *Army, Industry and Labor in Germany, 1914-1918* (Princeton University Press 1966).

In advocating parliamentary government for Germany Weber was not moved by traditional democratic ideals. 'Sovereignty of the people', for example, meant nothing to him. As a positivist he rejected and scorned all arguments derived from a body of ideas ultimately founded on a belief in natural law. For him the creation or reform of political institutions was entirely a matter of expediency. The only criterion acceptable to him was: Did a certain institution help or hinder a given nation in the struggle for power and survival? For Weber was what we might call an 'agonistic' thinker for whom the continuous struggle between human groups (not necessarily only nation-states) constituted the ultimate reality of all political existence.

He based the case for parliamentary government in Germany on his belief that this system provided an ideal mechanism of selection of political leaders and a necessary mechanism for the control of bureaucracy. The first claim was, in his view, adequately supported by British experience. To appreciate the second we have to understand his attitude towards bureaucracy.

For Weber the rise of bureaucratic organization, not merely in state administration but also in business and in fact in all sections of society, was an outstanding characteristic of modern society. Its ineluctable nature stems from its efficiency. It creates uniformity and predictability in large-scale societies because the acts of thousands of officials are all oriented to identical norms. It increases efficiency owing to the division of functions it makes possible. But as an institution it requires other complementary institutions to support it. It must be part of an institutional order if it is to function well.

On the one hand, in an ever-changing and uncertain

world certain decisions have to be made for which the rules of the bureaucratic hierarchy can provide no guidance. They have to be made by an altogether different type of man, a 'leader'. The training which the members of the upper strata of the bureaucratic hierarchy receive is likely to impede rather than to help them in the exercise of the decision-making function. Yet, the political leaders of Hohenzollern Germany were in fact at best successful administrators. Weber held that the successful functioning of the bureaucratic hierarchy requires that the men at the top are recruited from outside the hierarchy. The ideal training-ground for such men was the 'political struggle' in parliament and in election battles.

On the other hand, society has to be protected against the abuse of bureaucratic power. Weber, who was doubtful about the power of a bureaucracy to check such abuses from within the system, believed that only control by independent politicians entrenched in a parliament with strong prerogatives, in particular the right to set up committees, would achieve this end.

It may be tempting to see in these views of Weber's the influence of the old idea of 'checks and balances' within the political system, the reflection of a desire to check the overwhelming power of the 'state' by the 'countervailing power' of a parliamentary force emanating from the body of 'society'. But such an interpretation would be quite wrong. Weber did not think in these static terms. He wanted a strong, not a weak state, but a state which would be more effective as an instrument of the German nation than the existing state was. Liberal preoccupation with the separation of powers and the equilibrium of political forces was far from his mind.

Like Veblen, Weber regarded the political structure of Hohenzollern Germany as a 'feudal relic'. The main task facing German political thinkers was to substitute for it something better suited to the needs of an industrial country in the twentieth century. Weber had no doubt that parliamentary government was the answer.

He made no attempt to hide the low esteem in which he held most of the Reichstag leaders, in particular the Social Democrats and those of the Centre Party (the two strongest parties without which parliamentary government would hardly have been possible).¹ He therefore faced the difficulty of having to explain why after forty-five years of its existence the parliamentary mechanism of selection of leaders had produced no better results. His explanation was historical: Bismarck had reduced the Reichstag to political impotence by keeping all decision-making power in his own hands. The Reichstag of the 1870s had still contained a respectable number of real leaders, the Reichstag of 1912 after forty years of political impotence had virtually none. By fashioning German political institutions to serve as tools in his own autocratic hands Bismarck had deprived the system of its capacity to produce leaders who might have been his worthy successors.

He left a nation without any and every political education, far below the level which, in this regard, it had reached twenty years earlier. And, what is more, a nation without any political will, accustomed to seeing the great statesman at its top looking after its politics . . . But a political tradition the great statesman did not leave at all. In-

¹ On the German parliamentary scene before 1914 see Klaus Epstein, *Matthias Erzberger and the dilemma of German Democracy* (Princeton University Press, 1959).

dependent minds, let alone men of character, he neither attracted nor even tolerated.¹

Weber had to contend with another problem here. In arguing that bureaucratic organizations extended into all corners of modern society he had to admit that the same applied to modern political parties. They, too, are being dominated by their respective 'machines'.

As regards their internal structure, all parties in the course of the last few decades, with increasing rationalization of the technique of electioneering, went over to bureaucratic organization. The stages of this development which the various parties have reached may differ; the general direction of the road is, at least in mass states, unambiguous. (p. 316)

In fact, the description of the process by which nineteenth-century parties, led by notables, have evolved into the modern mass parties with their staff of permanent party officials (*Parteibeamten*) is one of Weber's most original contributions to political sociology, far transcending in its importance the ephemeral political purpose it originally served. Weber also fully realized the changes in the significance of the various parliamentary activities which have accompanied this metamorphosis of the party structure: parliamentary debate means very little, and the really important work is done in the committees. 'Speeches which a deputy makes are today no longer personal statements, even less attempts to persuade the opponents. They are official party declarations, addressed to the country 'through the window' (pp. 332-3).

What, then, is the position of the political leader *vis-à-vis* the formidable power of the party hierarchy?

¹ *Gesammelte Politische Schriften*, p. 307.

Will he not have to succumb to it? In reply to such questions Weber pointed to one of the limitations of bureaucratic organization with which we are already familiar: its inability to make decisions, which have to be made 'at the top', i.e. outside it. He also stressed that, if the party wants to win elections and gain the spoils of power, the party bureaucracy needs the leader who can win votes. It is this more than anything else, the democratic leader's appeal to the electorate, which makes him indispensable to his party, safeguards his power against the party bureaucracy, and distinguishes him from the successful head of an administrative bureaucracy, such as were the statesmen of Wilhelminian Germany.

To Weber the successful democratic leader was always something of a Caesar.¹ He therefore repudiated the traditional case for democracy.

It is not the many-headed assembly of parliament as such that can 'govern' and 'make' a policy. Nowhere in the world is there any question of that, not even in England. The whole broad mass of deputies function *only* as a following for the 'leader', or the few leaders who form the Cabinet, and obey them blindly *as long as* they are successful. *This is as it ought to be*. It is always the 'principle of the small number', i.e. the superior capacity for political manoeuvre of the smaller leading groups, which dominates

¹ It is a question of some interest which actual historical figures Weber had in mind when he drew his picture of the democratic leader. We have here of course a composite portrait of the modern British statesman as seen through Weber's eyes, in which it is possible to discern certain traits of Palmerston Gladstone and Disraeli.

There can also be little doubt that Weber, writing in 1917, was much impressed by the vigorous leadership of Lloyd George, but, in addressing the German public in wartime, thought it wiser not to mention the enemy leader by name.

political action. This 'Caesaristic' ingredient is (*in mass states*) indestructible. (p. 336)¹

The November revolution and the need for a new German constitution afforded Max Weber the opportunity for once to take an active part in the shaping of political institutions for the new German republic. Hugo Preuss, an eminent constitutional lawyer whom the provisional government had made Secretary of the Interior, set up a committee to produce a draft of a new constitution. Weber was a member of it, actually its only non-official member. The committee met in Berlin from 9 to 12 December 1918. For Weber as a political reformer this was, we may say, his greatest hour: for once he was able to exercise direct influence on constitutional development. As Professor Mommsen has rightly stressed, this committee, though it lacked official status and its deliberations were confidential, was in reality the 'birth chamber' of the Weimar Constitution. Almost all its fundamental features originated here, and Weber took a most vigorous and successful part in the work of the committee.

But for him the hour of triumph was tinged by tragedy, and it was to be brief. When Weber went to Berlin for the committee meetings in early December, he was firmly convinced that he would be elected to the National Assembly the following month, and could reasonably hope in this case to be a member of its Constitution Committee. No doubt he regarded the

¹ The similarity of Weber's ideas to those of Mosca and Pareto is here striking indeed. Yet, to the best of our knowledge, Weber did not know their writings. Pareto's main work in this field, the *Trattato di Sociologia Generale*, was published in Florence during the war. Weber can hardly have seen it. But Pareto had espoused similar ideas since 1900. It is possible that Weber had heard of them through Michels who until 1914 was a close friend of his.

committee work in Berlin as only the first step in his work for the constitution. These hopes were shattered. The delegates of the Democratic Party who drew up the list of candidates for the Hesse-Nassau constituency put Weber's name on the list, but his place in the order of candidates was a hopeless one. So these few days in December 1918 remained his only period of active political work.

In the deliberations of the committee Weber sought to strengthen the position of the President as against that of the Reichstag. He persuaded his colleagues to have the President elected by popular vote. He even wanted to give him a part in legislation by enabling him to put bills the Reichstag had rejected to a referendum of the electorate. He pointed out that parliaments had lost a good deal of credit in the modern world (of 1918!). Today, he said, one could scarcely hand over all power to a parliament without misgivings. A countervailing power had become necessary.

Two months later, in an article published in *Berliner Börsenzeitung* on 25 February 1919, he was even more outspoken.¹

Only the election of a Reich President by the people affords opportunity and cause for a selection of leaders and thus for a new organization of the parties. . . . The election has shown that everywhere the old professional politicians succeed, contrary to the wish of the mass of electors, in eliminating the men who are enjoying the confidence of the latter in favour of political stock figures (*Politischer Ladenhüter*). The result has been that just the best minds have turned away from all politics.

Weber then pointed out that proportional representa-

¹ *Gesammelte Politische Schriften*, pp. 486-9.

tion for the Reichstag was bound to strengthen this trend.

Parliament will thus become a body in which those set the tone to whom national interests mean nothing, but who essentially are carrying a mandate for economic interests: a parliament of narrow minds (*ein Banausenparlament*) incapable of providing a field of selection of political leaders in any sense. This much must be said for once plainly and openly (p. 487).

We need not doubt that such a statement was to some extent prompted by anger at the discomfiture he had so recently suffered at the hands of the Democratic Party delegates of Hesse-Nassau. Even so, can we really believe that no such dark thought had ever crossed his mind before then?

IV

At the beginning of this essay we pointed out that one of the obstacles which an attempt to distil theoretical content from Weber's political writings encounters, lies in the nature of the historical material he used. To disregard polemics and concentrate on salient points of the argument is rather difficult where the facts on which the argument rests admit of more than one interpretation and the polemical purpose is already inherent in the perspective in which these facts are viewed. In making a number of critical comments on Weber's thought it thus seems to us legitimate to start with a few matters of fact which, in the perspective of the half century which has elapsed since, look different to us from what they did to Weber.

We now know, for example, that after the *Daily Telegraph* interview of 1908 Wilhelm II on the whole

refrained from interfering with political decisions of his government and kept strictly within his constitutional rôle. There seems little reason to doubt that Weber's strong personal hatred of Wilhelm played him false and that his conception of the Kaiser's part in events was largely a misconception.

Weber owed his immense success as a political critic in 1918 to the events of the time. The régime the defects of which he had so mercilessly laid bare lost the war and collapsed. Naturally he acquired something of the reputation of a prophet. But looking at it now, after half a century, it seems permissible to be less impressed by this concomitance of thought and events than were his contemporaries. If parliamentary government had existed in Germany in 1914, is there much reason to believe that events might have taken a different turn? From what we now know about what happened in the various capitals of Europe in July 1914, this seems rather doubtful. Nor do we see much reason to believe that, once the war had broken out, a democratic German government, given the state of public opinion and Ludendorff's prestige as long as he was successful, could have acted very differently from that of Bethmann-Hollweg. Soldiers in countries with parliamentary government have not found it impossible to influence decisions.

On the other hand, we would not make too much of the discrepancy between Weber's strong plea for parliamentary democracy in 1917 and his proposals for the Weimar Constitution, which actually aimed at strengthening the power of the President at the expense of the Reichstag. After all, with the fall of the monarchy the whole existing power-structure had vanished. While in 1917 Weber's main aim was to wrest some power from the existing power-centre and

have it transferred to the party leaders, one year later his main preoccupation had become the idea that there might be no power-centre left outside the Reichstag.¹

The changed circumstances here fully account for his change of view. It is of course noteworthy that so soon after his original pronouncements about the unique properties of parliaments as training grounds for political leaders he found it necessary to look for a second string. It certainly indicates that even in 1917 his trust in the Reichstag may have been weaker than he permitted his readers to infer.

There can of course be no question whatever of blaming Weber, who died in 1920, for the collapse of the Weimar Republic in 1933. We should not even mention this point were it not for the fact that German critics of Weber have of late presumed to see in the 'great demagogue', the 'caesaristic' leader of the quotation we gave above, a prototype of Hitler.

This is of course a complete misconception. Weber's 'demagogue' is playing the game within the democratic set of rules the continued existence of which our author took for granted. The most that might be said in this context is that certain weaknesses in the structure of the institutions which supported the Weimar Republic bear some similarity to certain weaknesses in Weber's thought.

¹ In the *Börsenzeitung* article quoted above Weber actually said as much. 'Formerly, under the old regime (*im Obrigkeitsstaat*) one had to work for the enhanced power of the parliamentary majority so that the importance, and thus the level, of parliament might be raised. Today the position is that all constitutional drafts reflect a blind faith in the infallibility and omnipotence of the majority, not of the people, but of the parliamentarians: the opposite and equally undemocratic extreme.' *Gesammelte Politische Schriften*, p. 488.

We must now turn to matters which concern us more closely. We noted in our second essay that Weber has 'no theory of institutions', though he discusses institutions of many kinds. We, on the other hand, attempted to show that Weber's view of human action as being free within the bounds of certain constraints, oriented towards purposes, means, and obstacles, actually presupposes such a conception of the institutional order as will fit into a comprehensive analytical scheme. We now have to examine what the absence of such a general scheme in Weber's work entails for the problems of the political sphere. Weber was of course well aware of the fact that within a given political order each institution must have a clearly defined function and that a certain degree of coherence must exist between them if they are to function properly. It goes without saying that such awareness on the part of a political thinker does not warrant the label of 'functionalism'. The functional coherence of the institutions which form the political order is one thing, a structural-functional view of the social world as a whole (seeing it as a 'social system') is quite another.

Nevertheless, we find Weber here in the curious position that he, an opponent of functionalism, when he has to apply functional analysis to the relationships between institutions of the political and economic spheres, is making use of a particularly crude functional model. He demands a high degree of uniformity of its component elements. His notion of such an order is couched in terms of homogeneity, of certain common properties shared by all institutions of a society. It is possible to see in this notion a legacy of the Historical School, of the intellectual environment in which he had grown up. What he lacked, by contrast, was an

adequate notion of the necessary degree of heterogeneity which must exist at the same time if each different institution is to play its own part within the social order. Such heterogeneity is evidently the necessary basis of that division of functions which must exist if the system is to function as a whole. Complementarity between the various institutions which together constitute an institutional order thus requires a measure of heterogeneity *in certain respects*, which does not detract from the need for some homogeneity in other respects. Weber, however, lacked an analytical organon which would have permitted him to examine such questions properly. Apparently he failed to see any need for this dual set of relationships between the elements of an institutional order. He had a conception of such an order, to be sure, but an incomplete one. The absence of an analytical scheme for the study of institutions in his work manifests itself in defects such as this. He who spurns complex analytical models often has to pay the price of having to make unconscious use of the crudest of models.

When he criticized the Prussian state and the political structure of Hohenzollern Germany as a 'feudal relic' his argument rested on the need for homogeneity among all the institutions of modern industrial society. Germany, in most other respects an industrial country, lacked in his view the political institutions she required in order to cope with the intricate problems of the twentieth century. It is clear that in this argument 'society' is conceived in terms of homogeneity: all the institutions of an industrial society must partake of certain common characteristics. They must, for instance, all bear the imprint of the spirit of rationality and of formal legality. The

economists of the Historical School, in their attacks on the classical economists, had made use of exactly the same type of argument. Economic institutions had to conform to the general pattern (the 'spirit') of the institutions of the society they served. It was thus a fallacy to believe that their character could be determined in terms of their economic functions only. It is interesting to observe how in his political polemics Weber (probably unwittingly) resorts to a method of analysing institutional relationships which in his methodological writings he had emphatically repudiated!

In the brief picture we drew above of the political structure of Hohenzollern Germany we attempted to indicate the judicious blend of stability and flexibility which characterized its fundamental institutions, and the nature of the social forces on which these rested. Weber saw a different picture. To some extent no doubt the discrepancy is the result of differences in value judgements that it would be futile to discuss. To some extent it may be due to differences in the degree of significance attributed to various facts, a matter of historical perspective in the sense mentioned above. But to a certain extent, which we are here inclined to regard as significant, the discrepancy may also be due to a difference of theoretical perspective. The theory of institutional order we have attempted to outline compels us to judge any given structure in terms of its functional interrelatedness, the complementarity of the institutions of which it is composed, as well as in terms of the forces of human action which are deployed within this structure. It thus may well be that what looks at the outset like a lack of institutional cohesion, manifesting itself as a compromise of interests, actually provides the institutional order as a

whole with a greater degree of flexibility than it could otherwise possess. Weber lacked this particular theoretical perspective and thus had to adopt another one. No doubt he would have claimed that he chose that perspective 'which the German situation at the time required'. In our view this must be a matter of dispute.

The conceptual structure of Weber's political thought, the implied analytical scheme he adopted, seems to us a matter of sufficient importance to warrant further examination. Weber's mind was always trained, on the one hand, to the range of the possible and, on the other hand, to what actually happened in history. His conceptual system was 'typological', that is, it was essentially designed to permit the classification of a large number of actual instances within the wider framework of the range of possibilities. Within this conceptual framework there was little scope for an examination of the 'range of necessity', of how A must work in conjunction with B if the system of which both form part is to function smoothly. But problems of the institutional order, and in particular of political structure, are essentially problems involving such complementarity. We must not be surprised to learn that, with due allowance for human nature, Weber was inclined to disregard them.

To understand this attitude of his we have to remember his strong aversion to everything that, to him, smacked of Natural Law doctrines. To point out what is 'necessary' had, in the legal and institutional sphere, for so long been the characteristic contribution of thinkers in the Natural Law tradition that it is at least understandable, if not pardonable, that their opponents had come to view with some suspicion the

very category of 'necessity', even where no metaphysical grounds for such necessity were involved. Such suspicion was in Weber simply another legacy of the Historical School, and so was the tendency to go to the other extreme and to deny the existence of any necessary relationships at all. Nor did the tendency of thinkers in the Natural Law tradition, as time went by, to rely less and less on metaphysical sources of the law, and more and more on arguments derived from 'the nature of the law as such' help to still the suspicions of their opponents who claimed to see in such arguments little more than attempts to 'secularize' an inherently untenable doctrine. It was on such grounds as this that Weber refused to discuss questions concerning the natural limits as well as the functions of institutions.

In this strong aversion to anything faintly suggestive of Natural Law teaching we see at least one reason for Weber's failure to appreciate the nature of the Grand Compromise on which the Bismarckian Reich rested, as well as of that on the basis of which the edifice of the Weimar Republic was being erected in his own day. Another reason may well be his temperamental attitude, his inclination to see all social life in terms of conflict and contest for power, and consequently to regard all compromises as nothing but temporary makeshifts in the continuous struggle for power. It seems to us that the two types of aversion were at least compatible, if not perhaps closely related to one another. Together they explain why such notions as separation of powers, balance of social forces, equilibrium and stability formed no part of his conceptual inventory.

Weber saw quite clearly the need for the daily compromises of political life. He actually stressed it

in his account of the work of parliamentary committees, or in explaining the consequences of the absence of a two-party system (which he thought was in any case impossible in Germany). But the larger complex of compromises upon which all these daily compromises must come to rest, and without which a social order capable of satisfying the need for stability and flexibility is impossible, never seems to have moved into his field of vision. Perhaps, however, it is less than fair to blame Weber for failing to have systematically pursued the implications of his assumptions in writings which, as we pointed out, were meant to be polemical and persuasive rather than scientific and systematic.

It is, in our view, impossible to appreciate properly the nature of the rôle Weber assigns to his 'political leader' unless we bear in mind this gap in his image of the political structure. But we must make an effort to locate this gap correctly. It might be tempting to say that for Weber the leader is, in a sense, a *deus ex machina*, a man who brings about what social forces and the institutions in which they are crystallized are unable to accomplish, namely to co-ordinate the various conflicting interests and unify the groups which represent them. The figure of the leader, we might say, is designed to fill an institutional gap.

But this would not be an accurate account of Weber's view. He emphasized that the democratic leader is the product of a process engendered by parliamentary democracy. Thus he cannot be accused of neglecting the rôle of institutions in the making of political decisions. It is only when we ask how the existence of parliamentary institutions vouchsafes a continuous supply of leaders of requisite stature, and how the system would function if no such

men were forthcoming, that the gap becomes visible.

Weber actually took pains to describe the mechanism of institutional pressures to which a politician has to respond if he wants to become a national leader. We are given to understand that the leader as national leader will practise later on what he has first learnt as party leader, namely the co-ordination of different group interests and their subjection to the interests of the greater whole, be it party or nation. These groups have to accept such subjection since without the victorious leader they can hope for no share in power at all.

Two aspects of this process call for particular notice. In the first place the function of political parties is here essentially to serve as training grounds for leaders. In this respect they all appear to be homogeneous, at least in the sense that they all provide the same kind of training for their aspirant leader. There is no mention here of the fact that each party is different from any other party and enjoys an individuality characterized by the peculiar constellation of group interests, denominational, regional, economic, etc. to which it lends expression. We notice again Weber's preference for structural concepts couched in terms of homogeneity rather than specialization, of what Durkheim called mechanical solidarity rather than organic solidarity.

But we should hardly be able to do justice to Weber's conception of political matters if we failed to draw attention to the dynamic background in front of which the leader has to perform his duties, the continuous stream of unexpected events accompanied by problems to which they give rise. These problems are always new, each is a problem *sui generis* which cannot be solved by reference to routine—diplomatic,

bureaucratic, or otherwise. It is precisely his ability to improvise solutions for such new problems which distinguishes the Weberian political leader from the able bureaucrat. It is an activity which requires versatility, originality, and an eye for those aspects of a situation which permit of being manipulated—all qualities of mind not often found among those who are masters in performing routine duties. In other words, political decision-making is an activity which defies all static schemes and calls for adaptability to a rapidly changing world. Hence Weber thought it unprofitable to attempt to describe the activity which pertains to the solution of practical problems in such circumstances in terms of a universally applicable scheme.

This tendency to stress the plastic nature of all social relationships, and hence of institutions, is not confined to his political writings. It can also be found in his systematic work, in particular in those parts of it in which he has to discuss the relationships which link the various sectors of the institutional order. In the chapter on 'The Economic System and the Normative Orders'¹ the emphasis is on the tenuous nature of the link between legal and economic order.

In theory, a socialist system of production could be brought about without the change of even a single paragraph of our laws, simply by the gradual, free contractual acquisition of all the means of production by the political authority. This example is extreme, but for the purpose of theoretical speculation extreme examples are most useful. (p. 36)

On the other hand, there exists a dual relationship between legal and economic order.

¹ Sociology of Law, ch. II.

Obviously to a very large extent any legal guaranty is directly at the service of economic interests. Even where this does not seem to be, or actually is not, the case, economic interests are among the strongest factors influencing the creation of law. For, any authority guaranteeing a legal order depends, in some way, upon the consensual action of the constituent social groups, and the formation of social groups depends, to a large extent, upon constellations of material interests. (p. 37)

Beyond this loose and cautiously worded generalization Weber will not go.

But as regards modern capitalistic society in particular, something more specific can be said about the relationship between legal and economic order, between state and society. 'Class interests have come to diverge more sharply than ever before. The tempo of modern business communication requires a promptly and predictably functioning legal system, i.e. one which is guaranteed by the strongest coercive power' (p. 39). The implication is here clearly that the need for coercive power is linked to the increasing friction between class interests. The emphasis is on the specific historical character of the circumstances which have here forged a link that in other historical conditions may not exist.

This has been the result of the development of the market. The universal predominance of the market consociation requires on the one hand a legal system the functioning of which is *calculable* in accordance with rational rules. On the other hand, the constant expansion of the market consociation has favoured the monopolization and regulation of all 'legitimate' coercive power by *one* universal coercive institution through the disintegration of all particular status-determined and other coercive structures, which have been resting mainly on economic monopolies. (p. 40)

It is possible to welcome the wholesome emphasis laid here on the limited nature of all social generalizations, and yet, at the same time, to regret that the wider problems of institutional structure which lie beyond the range within which Weber is here keeping his discussion, have remained unexplored.

V

Three problems emerge from our discussion of Weber's political thought, which are of sufficient importance to us to warrant further discussion. All three reflect different aspects of the phenomenon of institutional change in time and are thus germane to our major theme.

With the first of these problems we are already familiar from our earlier discussion. This is the problem of how to safeguard fundamental institutions against the forces of slow erosion that are bound to be unleashed by the continuous struggle for power and position in society. Those political institutions which govern access to the seats of power, define the mechanism of selection of power-holders, and circumscribe, and hence limit, the functions of power-holders are clearly the most fundamental political institutions. They should be designed to last, since the plans of millions of people and the multiplicity of other institutions towards which the actions of these planners are oriented must all come to rest on this firm basis.

But in an open society every institution is of course *in principle* revisable. The unrestricted circulation of the component groups of the political élite is of the very essence of democracy. We typically find that in the continuous struggle for power parties will make promises to the electorate which cannot be redeemed

unless the power of the power-holders is increased and the institutions limiting such power are weakened. The history of economic policy in all Western countries during the last half-century provides a continuous series of examples of this kind. In this way the struggle for power leads to the gradual erosion of those institutions which circumscribe and limit the exercise of power.

Whether Weber saw this as a serious problem is hard to say. We have to remember that for most of his active life his main concern was to bring about precisely such a change in the political structure of Germany as would facilitate the unrestricted circulation of political leaders. He could thus hardly be expected to give a sympathetic hearing to the case for the defence. But it is perhaps permissible to see evidence of an incipient preoccupation with this problem in his continuing adherence to the monarchy, until its actual fall, and later on in his attempt, in his proposals for the Weimar Constitution, to give wider power to the President as the guardian of the Constitution and to limit the power of the Reichstag. In his *Sociology of Law*, on the other hand, we find passages suggesting that in his view all fundamental institutions are, at least primarily, manifestations of class interests.

Freedom of contract and all the propositions regarding as legitimate the property derived therefrom obviously belong to the natural law of the groups interested in market transactions, i.e. those interested in the ultimate appropriation of the means of production.¹

Perhaps, in the light of what has happened in the years since Weber died, it is today unnecessary to

¹ *Ibid.*, p. 294.

argue at length that this is a fallacy, and that everybody has an interest in the existence of some fundamental institutions which limit the exercise of political power since nobody can know whether the next Caesar will not turn against him or his children. But the question of how to make the long-run needs of society as a whole prevail over the short-run needs of politicians who have to win elections by gaining votes from electors who are unable to understand such subtle issues (and probably would not care about them if they did), is indeed very much an open question.

Our first problem thus concerned what we might term the *vertical complementarity* of the institutional order, the link between fundamental and secondary institutions. It arose from the growing tendency to widen the discretionary authority of power-holders and add to the number of functions assigned to political institutions. Our second problem, by contrast, concerns the link between purely political institutions and is thus a problem of what we might call *horizontal complementarity*. It arises in cases in which an existing institution 'sheds' one of its functions without this function being assumed by any other institution, either existing or new. We thus have a 'gap' emerging in the institutional order. The fact that such cases can occur without any obvious remedy being available, and without the disappearance of the social need which the function now discarded had so far satisfied, strengthens our reluctance, explained above in our second essay, to ascribe to the institutional order a closer texture than it actually possesses and to see a 'social system' in it. An institution may cease to exercise a function, not because the demand for it has disappeared, but because nobody is capable of

supplying it any longer. We find here another reason for the inadequacy of structural functionalism as a basis for a theory of the institutional order.

The great contemporary example is the decline of parliamentary debate. In our world parliamentary speeches are no longer addressed to other members in order to sway their voting. They contain no 'argument' in the sense in which legal argument, for instance, is designed to sway judicial decision, or an 'argument' in daily life is meant to be 'won' by us. To be sure, modern parliaments have assumed many other functions the need for which in modern society is not in doubt. The question we have to ask here is: Can there be a substitute for public discussion on matters of legislation and policy which takes place, not merely between men whose education permits them to speak with authority on them, not between experts with no responsibility for the making of decisions, but between men who share the same practical experience of government? Press conferences? Party congresses? If in fact no such substitute has come into existence we have to conclude that the need is not met. The reason for this phenomenon has to be sought of course in the disappearance from the political life of 'advanced' Western societies of men who, only loosely tied to the apparatus of a political party, knew how to hold their own in a debate.

Another interesting example is the permanent inflation of our age, the disappearance of a money of constant purchasing power which former generations took for granted and which certainly constituted, in the world before 1914, a fundamental economic institution. Our contemporary money has lost this quality. Some of the reasons for this process we described in our second essay.

From these examples we may learn that it is possible for 'gaps' to open in the institutional order which it is impossible to fill, and yet this order as a whole survives. The relationship between needs and institutions is thus once more seen to be by no means a simple matter. It is a fallacy to regard the institutional order as a seamless web, a faultless structure governed by a simple one-to-one relationship between needs and the institutions designed to meet them. By the same token, we should make a very careful study of the situation at hand every time before we pronounce any given institution 'obsolete'. It may be that tomorrow another one of our institutions, overloaded with urgent tasks, will 'shed' a function which our allegedly 'obsolete' contemporary one is excellently qualified to fulfil. The reception of Roman Law in medieval Europe is here an obvious example.

Our third problem emerges within the same context of the dynamics of institutional change. We pointed out in an earlier essay that in a sense which is significant for us some institutions are relics of the pioneering efforts of former generations, from which we are still drawing benefit. In this they are like ancient buildings in a modern town. Each carries the imprint of its origin and history. Its origin may have been a Grand Compromise of social groups long since defunct. In the course of history various interests will have made use of it, clustered around it, and may have formed a crust later generations find hard to erase. Habits of action, aspirations regarded as socially legitimate, traditions and values may have come into existence in which it plays a significant part. What has been said thus far applies to institutions of every type.

But when we begin to look more closely at the forms

which such changes may take, the difference between designed and undesigned institutions at once assumes considerable significance. Undesigned institutions will rise, move and fall, prompted by the genius of their initiators, the perspicuity of their imitators, the adaptive skill of their users and the destructive ability of those who fashion new institutions which supersede the old.

With designed institutions this whole process of creative destruction¹ does not exist, or at least it need not come into existence. A designed institution bears the imprint of the social situation that gave birth to it and gradually acquires the kind of 'crust' we described. But it does not have to compete with others. It will shape others, namely the secondary institutions which will settle in its 'interstices', but will not be shaped by them. A good deal will therefore depend on the quality of its original design. A designed institution cannot be better than the quality of its design.

We noted above that institutions can only be designed to meet certain known situations, or a limited number of possible, that is conceivable situations, but not an unlimited number of unknown situations. Nevertheless the only test available to us to determine the quality of the design of an institution is the test of history.

Two conclusions appear to emerge from this discussion:

- (1) With designed institutions it matters a good deal who designs them. A Grand Compromise may be a great success in its day and lead to the solution of a large number of urgent social problems, but the institutions to which it gives birth may be of

¹ We borrow this apt expression from J. A. Schumpeter, *Capitalism, Socialism and Democracy*, ch. VIII.

shoddy design and their mechanism of poor workmanship. Those who are good at conciliating conflicting group interests and devising compromises which minimize social friction are not necessarily qualified as designers of institutions. Successful manipulators of interests are unlikely to excel in the quality of craftsmanship. Those whose minds are too absorbed by the problems of the day are unlikely to be good prophets.

- (2) With designed as with undesigned institutions adaptive skill is a matter of importance. As regards the reform of old institutions, good timing is often of the essence of success. Since the reformer will as a rule have a number of ways and means open to him, his task is in many respects similar to that of the original designer. Again, it is by no means obvious that those most sensitive to present needs of reform will be the best judges of the needs of the future.

In what, then, does the legacy of Max Weber consist, in the field of political thought? The actual political issues to which he made his contributions, the controversies on Germany's political structure in which he participated with such vigour between 1917 and 1920, now belong to history. They do not interest us. What must interest us, however, are the presuppositions of the arguments Weber advanced in these controversies of the past. For these presuppositions contain, albeit in rudimentary form, a general theory of political institutions and their *modus operandi* in modern industrial society. Weber demanded for Germany a political form which was adapted to the requirements of such a society.

Political institutions do not exist in isolation from

the rest of the social structure, and in particular from the rest of the institutional order. They must fit their social environment. This is no new discovery. That British parliamentary institutions are 'not for export' is by now fairly well known. That 'democracy' means, and has meant, different things in different countries and at different times is equally well understood. An earlier generation had already come to learn that German princes set up as kings of Balkan countries did not, by virtue of their rôle as monarchs, necessarily make these countries into stable elements of the European balance of power.

In this essay we have endeavoured to show that the complex of relationships existing between those institutions which embody the political form of society and the rest of its institutional order is a matter of some intricacy. It is not simply a matter of the former fitting a pre-existent latter, as Weber sometimes appears to imply, or of finding the requisite mode of adaptation.

On the one hand, political institutions are fundamental institutions as they help to determine the distribution of power, and this includes institution-making power, in society. Not merely the permanence of the legal order, but the coherence and flexibility of the institutional order as a whole rest upon this foundation and depend on the stability of the political order.

On the other hand, such coherence as links the latter to the rest of society must not be conceived in the all too simple terms of homogeneity. In complex societies some Grand Compromise of the kind we have discussed is often necessary to keep political institutions functioning. This means that the various parties to the compromise will view not merely the

terms of the compromise, mostly unwritten and not exactly proclaimed to the electorate, but each of the very institutions in which these terms are embodied, in its own perspective—and these perspectives may differ widely. A change in the terms of the Grand Compromise will often produce changes in the *modus operandi* of political institutions, but need have no repercussions in the rest of the institutional order. Some stability of the latter in the face of changes in the balance of political power is simply a social necessity.

In the last resort all institutions are vehicles of human action, which is the ultimate reality of social life. This insight of Weber we made our starting-point. Institutions are at the same time instruments of, *and* constraints upon, human action. What we have endeavoured to show in this book is that it is possible to spin a thread which ties the complex edifice of the institutional order in its political form to the simple unit act of the individual actor and the plan which guides it. This insight is part of the legacy which we owe to Max Weber.

Biographical Note

MAX WEBER (1864-1920), German economist, sociologist and philosopher, was born into a well-to-do family, whose house was a rendezvous for liberal politicians and dons from Berlin University. His father was a Berlin city official and parliamentarian. On leaving school in 1882 he studied law for a year at Heidelberg University and (after military service) for two further years at Berlin and Göttingen, taking his examination in 1886. His doctoral thesis of 1889 was entitled *A Contribution to the History of Medieval Business Organizations*. Further training for the bar followed, during which he made a study of legal institutions and wrote his *Roman Agrarian History and its Significance for Public and Private Law* (1891). He became a *Privatdozent* in the Faculty of Law of the University of Berlin, combining lecturing with research and consultancy to government agencies. He married Marianne Schnitger in 1893, and in 1894 became Professor of Economics at Freiburg University. In 1896 he went to Heidelberg University in a similar capacity.

His load of work however proved too much: in 1897, when he was 33, he became ill, suffering from acute anxiety and exhaustion. He was forced to give up teaching. After four years he made a partial recovery, and became interested in the relation between religious beliefs and economic activity. In 1903 he was appointed associate editor of the *Archiv für Sozialwissenschaft und Sozialpolitik*, and later resumed part-time academic work. *The Protestant Ethic and the Spirit of Capitalism* was published in 1904.

In 1907 a legacy made him financially independent. Thus he was able to pursue his work as a private scholar for a number of years. During the First World War he established a reputation as a political writer. After the November Revolution he helped to produce the first draft of the

Weimar Constitution. Although a prominent member of the German Democratic Party, he failed to be elected to the National Assembly. He was a guest professor in Vienna for a few months in 1918, and afterwards became Professor of Economics in the University of Munich. In June 1920, at the age of 56, he died of pneumonia.

Max Weber was a strange and in many ways a somewhat contradictory personality. On the one hand he had a strong desire to participate actively in political and academic life, a desire which remained largely unfulfilled. On the other hand he was withdrawn, uncompromising, puritanical. In the last thirty years his reputation as a scholar and thinker of the first order has continuously increased. His scholarly output was extremely impressive in both range and quality; he is now recognized as one of the great minds of the twentieth century, and both his influence and the volume of literature about him are still growing.

Bibliographical Note

A BIBLIOGRAPHY of Weber's writings is given in Marianne Weber's biography of her husband: *Max Weber, Ein Lebensbild* (J. C. B. Mohr, Tübingen 1926; Lambert Schneider, Heidelberg 1950). According to Reinhard Bendix (see p. 147), this is complete except for the following two items:

1. 'Die drei reinen Typen der legitimen Herrschaft', *Preussische Jahrbücher*, vol. 187, pp. 1-12 (1922).
2. *Jugendbriefe*, ed. Marianne Weber (J. C. B. Mohr, Tübingen, 1936).

The most important editions and collections not mentioned in Marianne Weber's 1926 bibliography, or subsequent to it, are the following (first editions unless otherwise stated):

3. *Wirtschaft und Gesellschaft*, 2nd edn., 2 vols. (J. C. B. Mohr, Tübingen, 1925): see no. 26.
4. *Gesammelte Aufsätze zur Religionssoziologie*, 3 vols. (J. C. B. Mohr, Tübingen, 1920-21).
5. *Gesammelte Aufsätze zur Wissenschaftslehre* (J. C. B. Mohr, Tübingen, 1922).
6. *Gesammelte Aufsätze zur Social- und Wirtschaftsgeschichte* (J. C. B. Mohr, Tübingen, 1924).
7. *Gesammelte Aufsätze zur Soziologie und Socialpolitik* (J. C. B. Mohr, Tübingen, 1924).
8. *Gesammelte Politische Schriften* (Drei Masken Verlag, Munich, 1921).
9. *Staatssoziologie* (Duncker & Humblot, Berlin, 1956).

The English translations of Max Weber's works that are available to date are as follows:

10. *The Protestant Ethic and the Spirit of Capitalism*, tr. Talcott Parsons; foreword by R. H. Tawney (George Allen

- and Unwin, London, 1930; Charles Scribner's Sons, New York, 1958; Unwin University Books, London, 1965).
11. *From Max Weber: Essays in Sociology*, tr., ed. and with an introduction by H. H. Gerth and C. Wright Mills (Kegan Paul, Trench, Trubner & Co., London, 1947; Oxford University Press, New York, 1947).
 12. *Max Weber on the Methodology of the Social Sciences*, tr. and ed. by Edward A. Shils and Henry A. Finch (Free Press of Glencoe, New York, 1949; Collier-Macmillan, London, 1950).
 13. *The Theory of Social and Economic Organization*, tr. A. M. Henderson and Talcott Parsons (William Hodge & Co., London, 1947; Oxford University Press, New York, 1947; Free Press of Glencoe, New York, 1964; Collier-Macmillan, London, 1964).
 14. *The Religion of China: Confucianism and Taoism*, tr. and ed. by Hans H. Gerth, with an introduction by C. K. Yang (Free Press, Glencoe, Ill., 1951; Macmillan, New York, 1964; Collier-Macmillan, London, 1964).
 15. *The Religion of India: the Sociology of Hinduism and Buddhism*, tr. [from articles published in *Archiv für Sozialwissenschaft*, Bd. 41] and ed. by Hans H. Gerth and Don Martindale (Free Press, Glencoe, Ill., 1958, 1967; Collier-Macmillan, London, 1967).
 16. *Ancient Judaism*, tr. Hans H. Gerth and Don Martindale (Free Press, Glencoe, 1952; Collier-Macmillan, London, 1967).
 17. *Max Weber on Law in Economy and Society*, tr. Edward Shils and Max Rheinstein, ed. Max Rheinstein (Harvard University Press, Cambridge, Mass., 1954). Referred to in the present volume as *Sociology of Law*.
 18. *General Economic History*, tr. Frank H. Knight, ed. S. Hellman and M. Palyi (George Allen and Unwin, London, 1927; Free Press, Glencoe, 1950).
 19. 'The Social Causes of the Decay of Ancient Civilization', *Journal of General Education*, vol. v, pp. 75-88 (1950).
 20. *The City*, tr. and ed. by Don Martindale and Gertrud

- Neuwirth (Free Press, Glencoe, 1958, 1966; Heinemann, London, 1960; Collier-Macmillan, London, 1966).
21. *The Rational and Social Foundations of Music*, tr. and ed. by Don Martindale, Johannes Riedel and Gertrud Neuwirth (Southern Illinois Press, Carbondale, 1958).
 22. 'The Three Types of Legitimate Rule', *Berkeley Publications in Society and Institutions*, vol. VI, pp. 1-11 (1958).
 23. *The Sociology of Religion*, tr. Ephraim Fischhoff [from 4th edn. of *Wirtschaft und Gesellschaft*], introduction by Talcott Parsons (Beacon Press, Boston, 1964; Methuen, London, 1965).
 24. *On charisma and institution building: selected papers*, ed. with an introduction by S. N. Eisenstadt (University of Chicago Press, Chicago and London, 1968).
 25. *Basic Concepts in Sociology*, tr. and introduced by H. P. Secher (Peter Owen, London, 1962; Citadel, New York, 1962).
 26. *Economy and Society*, tr. E. Fischhoff, ed. Guenther Roth and Claus Wittich: 4th edn, 3 vols. (Bedminster, Totowa, N.J., 1968).
 27. *Politics as a Vocation*, tr. and ed. by H. H. Gerth and C. Wright Mills (Fortress, Philadelphia, 1965): included in no. 11.
 28. *Max Weber: Readings*, ed. S. M. Miller (Crowell, New York, 1963).

See REINHARD BENDIX, *Max Weber, an Intellectual Portrait* (Doubleday, New York, 1959), p. vii, for a helpful bibliographical note on the writings of Max Weber (including a guide to the relation between the German originals and English translations), and also H. H. and H. I. Gerth, 'Bibliography on Max Weber', *Social Research*, vol. XVI, pp. 70-89 (New York, March 1949).

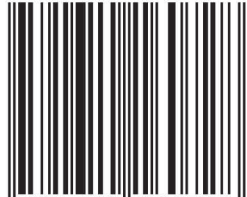
Index

- Austrian school of economics,
see Menger, C.
- Berliner Börsenzeitung*, 12088
- Bismarck, O., 101, 104n, 116
- Collective bargaining, 83
- Durkheim, E., 130
- Epstein, K., 116n
- Eucken, W., 28n
- Feldman, G., 113n
- Frankfurter Zeitung*, 95, 112
- Friedman, M., 35n
- Gillis, J., 101n
- Gneist, R., 104n
- Grand Compromise, 16, 100,
125, 128, 137-8, 140-1
- Growth, economic, 5
- Hicks, J., 6n, 85
- Historical School, 10, 17, 24,
26, 54-5, 58, 124-6, 128
- Hohenzollern Germany, 16,
96, 100, 125-6
- Ideal Type, 3, 11, 26
- Inflation, 84, 100, 126
- Institutions designed and un-
designed, 13, 56, 67-8, 72,
139
- fundamental and secondary,
13, 15, 90, 93, 98
- external and internal, 81, 92
- Leader, political, 14, 117
- Lloyd George, D., 118n
- Mach, E., 334-5
- Machlup, F., 28n
- Menger, C., 13, 24-5, 53, 56-
60, 64
- Method, scientific, 10-11, 34,
41
- praxeological, 7, 9, 23, 37-8,
43, 49, 57, 60, 64
- historical, 19-22
- Methodenstreit*, 24, 55
- Michels, R., 119n
- Mierendorff, C., 111n
- Mommsen, W., 113n, 119
- Money, 6n, 85, 100, 136
- Mosca, G., 62, 119n
- Natural Law doctrines, 127-8
- Order, institutional, 8, 51, 75-
77
- Orientation, 37, 62
- Pareto, V., 42, 62, 119n
- Parsons, T., 1, 9, 17n
- Plan, 9, 12, 20, 29, 34, 38-9,
43-8, 68

- Poincaré, H., 34-5
 Popper, K., 10
 Preuss, H., 119
- Rechtsstaat*, 104-5
Reichstag, 102, 113, 116, 120-2,
 134
 Rex, J., 74n
 Runciman, W., 74n
 Roscher, W., 58, 60
- Schmoller, G., 24
 Schumpeter, J., 24, 106, 138n
 Schutz, A., 30n
 Social Systems Theories, 73,
 124
- Sombart, W., 28
 Stammler, R., 61
 Structural Functionalism, 7-8,
 73-4, 124
 System, legal, 64, 70, 72, 75, 77
- Verstehen*, see Method, praxeological
Volksgeist, 58, 60, 63
- Weimar Constitution, 96, 111,
 119, 134
 Weimar Republic, 16, 107ss,
 119, 123, 128
 Wilhelminian Germany, see
 Hohenzollern Germany

Mises Institute
Student Series

ISBN 978-1-61016-072-8



9 781610 160728

90000 >



SKU SS262