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Max Weber and the ‘New Economics’
Keith Tribe

Incidentally, you know just as well as I do that for years now
he has directed his interests towards sociology and political sci-
ence, and has almost completely given up economics as such
(daß er die eigentliche Nationalökonomie fast ganz an den Nagel
angehängt hat). However, with his enormous talent and ability
to work, it would be easy for him to get used to it again.¹

So wrote Ernst Troeltsch to Heinrich Dietzel on 22 October 1917,
responding to a request that he assess the relative merits of Max and
Alfred Weber regarding appointment to a University of Bonn chair in
economics. His offhand remark noting a redirection of Weber’s interests
some years before serves to underline the fact that well into the new
century Max Weber was indeed primarily thought of as an economist.
His first permanent university appointment had been at Freiburg, as Pro-
fessor of Economics and Financial Science;² he had then succeeded Karl
Knies under the same title at Heidelberg in 1897, suffering a breakdown
the following year and eventually resigning from the post in 1903.³
When he formally resumed teaching in Vienna in 1918,⁴ and when in
1919 he succeeded Brentano in Munich, the posts he occupied were
also in economics. And as we shall see below, Weber would in fact
return to his earlier work on economic theory in the second chapter
of Wirtschaft und Gesellschaft, a dazzling achievement completed in the
months before his death in June 1920.

Today there should no longer be any need to argue the point that
Max Weber’s intellectual orientation was primarily to law and eco-
nomics, disciplines of thought as much as university faculties; and
that his contribution to the new social sciences of the twentieth cen-
tury originates in this specific nexus. The question is not therefore
‘was Max Weber an economist?’ but ‘what kind of economist was Max Weber?’ A preliminary response to this can only be that he was an economist trained in a German university in the 1880s and a teacher of economics in the 1890s at Freiburg and Heidelberg. He described himself in his Freiburg inaugural address as a representative of the ‘Younger School’ of German historical economics, apparently aligning himself with Schmoller, Brentano and of course Sombart. But just over two years later, presenting his lectures in Heidelberg as successor to the last representative of the ‘Older School’, he was quickly identified as ‘a proponent of the Austrian School who has taken on the task of importing the system of his teachers Böhm-Bawerk and Menger into Germany’. In the conventional understanding of contemporary economic science it would seem that Weber had, since his 1895 inaugural, switched sides in the Methodenstreit – from historicism to the formal and abstract reasoning of the Austrians. But this contrast of historical to abstract method has always been based on a series of misunderstandings.

Or more precisely, the contrast is apparent from one perspective only, that of the German Historical School. As I have argued elsewhere (2006c: Ch. 4), whereas the ‘Older’ School sought to renew economic reasoning through a historical critique of existing theory, the ‘Younger School’ sought this renewal by induction from the history of economic organization. The ambitions of both Schools remained unfulfilled: the Older School never got beyond the historical critique, and the Younger School never got beyond the history of economic organization. The neat symmetry of this dual failure is however only superficial, for the Younger School was marked in its most extreme cases – Schmoller is the textbook example – by a complete disdain for economic theory of any kind, historical or otherwise. So far as Schmoller was concerned, ‘economic science’ had taken a wrong turn well before Adam Smith, and nothing that had been written since was of the slightest interest to him. It is this underlying hostility to economic analysis that underlies the Methodenstreit, not a contrast of theory and history, or of deductivism and inductivism. There is by contrast no such lack of interest in contemporary theory and history apparent in the work of the Older School. As we shall see, Knies’s lecture room presentation of contemporary economics was based squarely in a Classical tradition established during the early nineteenth century and which was, by the 1880s, superseded; but by then Knies was well into his 60s and it would have been unusual for him to embrace the new subjectivist economics with any great enthusiasm.