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ANGLO-American economic thought, at least in its predominant trend, is a child of the individualistic and rationalistic philosophy of the seventeenth and eighteenth centuries. One of the salient characteristics of this whole trend of thought has been its rather abstract generality; its formulation in terms implying, or at least not denying, universal applicability wherever human economic life is lived. With the general attitude thus assumed it has perforce tended to neglect the economic problems connected with the growth and development of types of economic society, and in particular with the working out of the differences between, and the specific characteristics of, the different cultural epochs.

There has been, however, another major strain in modern thought, which has laid its main emphasis on this aspect of the problems of society, and in particular of economic life. Its principal, though by no means exclusive, field of influence has been Germany, and its intellectual soil more than anything else the romantic movement in its many different phases. It has been pre-eminently occupied with the problems of history, and among its most important accomplishments is the formulation of various philosophies of history, in Germany notably those of Hegel and Karl Marx. It forms the background of the theories which this paper is to discuss.

The more immediate background is formed by two main influences: first, the historical school in economics, with its attack on orthodox theory, and, much more important, its emphasis on the relativity of economic systems and epochs, and the necessity of analyzing each on its own merits with a view to working out its own particular characteristics rather than getting at general economic laws. Secondly, Karl Marx and the discussion after Marx in Germany of the problems of socialism. And here two main aspects are of importance: First, the economic interpretation of history, the problems connected with which play a major part in the thought of Sombart and Weber. Secondly, Marx is the special forerunner of the particular theory with which I am here concerned: that of capitalism as a great epoch in social and economic development.¹

In both Sombart and Weber there are views of history which are largely to be understood as answers to the questions raised by the economic interpretation, and in each there is a further development of the idea of capitalism as an epoch of history, tinged with the views of Marx, but at the same time showing important divergences from him and from each other.

The purpose of this paper is not primarily to subject these theories to a critical examination, but to put them before American readers in a more condensed and systematic form than that in which they are available in German, and to project them onto the background of their relations to the general development of social thought. What there is of criticism will be largely incidental to these main tasks.

In the works of Werner Sombart is to be found the first of the two great theories of capitalism with which we have to deal.²

¹ This view of capitalism is, of course, to be sharply distinguished from the "capitalistic" round-about process of Boehm-Bawerk. Boehm-Bawerk uses the concept of capitalism entirely analytically and has, for the purposes of his analysis, the theory of interest, no concern with the broader historical and cultural problems with which Sombart and Weber deal.

² The first edition of Sombart's great work, *Der moderne Kapitalismus*, appeared in 1902. It met much adverse criticism and in the years following he undertook practically to rewrite the whole. Several special studies were published from time to time (*Der Bourgeois*, 1913, *Die Juden und das Wirtschafts-*

The aim of his work as he lays it down in the introduction to the *Modern Capitalism*, is to present a systematic, genetic treatment of the development of European and American economic life as a whole. His view of economic science is, one may say, historical, but at the same time theoretical. It is historical in that he goes so far as to deny the existence of economic laws transcending history, at any rate beyond what might be considered physical and technical conditions of economic activity (for instance, physical diminishing returns). But aside from this negative attitude to orthodox economic theory, which I do not share, he sees the positive task of economic science in the historical presentation and analysis of concrete economic systems and modes of life.

In this sense he digs out and reduces to order an enormous mass of historical material, filling for *Modern Capitalism* alone, six large volumes. He is certainly not alone concerned or satisfied with working out an ideal type of capitalism which has for him only abstract interest, but his theory is a means of illuminating and understanding the concrete historical development. But he is not a "mere" historian. He is interested, not in working out the particular circumstances of the economic history of any single country for its own sake, but in presenting European economic life as a whole, in its great common trend, and in getting at the laws of its development. His aim is thus definitely theoretical, and his work should be judged as a whole from that point of view. The term "theory," however, is here used in a different and more general sense than that common in economic science, to mean, not merely a system of equilibrium, but any

leben, Krieg und Kapitalismus, Luxus und Kapitalismus) and in 1916-17 the first two volumes of the new edition of the *Kapitalismus* appeared. They dealt with the precapitalistic systems and the early capitalistic period, from the breakdown of the Middle Ages to approximately the end of the eighteenth century. The third and last volume, dealing with "mature capitalism" (*Hochkapitalismus*) down to the World War, appeared in two instalments, 1926-27. Other works of Sombart bearing on the problems of capitalism are *Die deutsche Volkswirtschaft im 19ten Jahrhundert*, *Der proletarische Sozialismus* (1924; 2 vols.), the article "Die prinzipielle Eigenart des modernen Kapitalismus," *Grundriss der Sozialoekonomie*, Vol. IV; and various articles in periodicals, especially the *Archiv fuer Sozialwissenschaft und Sozialpolitik*.

consistent and unified system of concepts to be used in the analysis of social phenomena.³

In conformity with this general view of economics stands the leading concept of his work, that of the economic system. He defines it as follows: "Under this term I understand a peculiarly ordered form of economic activity, a particular organization of economic life within which a particular mental attitude predominates and a particular technique is applied."⁴ This economic system is to be constructed in the purity of an "ideal type"⁵ to be used for the analysis of concrete reality, and will be found to correspond more or less closely to the historical facts. The empirical equivalent of the economic system is for Sombart the economic epoch, a period of time in history within which a particular economic system or form of economic life has predominated.

Every economic system has, he maintains, three aspects: a form of organization, a technique, and a mental attitude or spirit.⁷ Of these three, the side which he most strongly emphasizes is that of the spirit. In Sombart's own words: "It is a fundamental contention of this work that at different times different attitudes toward economic life have prevailed, and that it is the spirit which has created a suitable form for itself and has thus created economic organization."⁸ Each spirit is for him a thoroughly unique phenomenon, occurring only once in history. There is no line of development leading from spirit to spirit, and thus from system to system, and each is, therefore, to be considered by and for itself.

He uses the conception of the spirit as the means to bring order and unity into the historical material. It is one of the most

³ See E. Salin, *Weltwirtschaftliches Archiv*, 1927. It will be impossible to present here any large proportion of Sombart's particular historical interpretations. But they should be included in any complete view of his work.

⁴ *Kapitalismus*, I, 21-22.

⁵ See second half of this article, to be published in February, 1929, for a fuller discussion of the "ideal type."

⁷ The two German terms which Sombart uses are *Wirtschaftsgesinnung* and *Wirtschaftsgeist*. Both are difficult to translate. I shall in general use "spirit" and hope its exact meaning will become clear in the course of the discussion.

⁸ *Kapitalismus*, I, 25.

striking features of Sombart's work that he is able to interpret a whole epoch of history in such an illuminating and convincing way in terms of one great leading idea. It gives a unity to his presentation which marks a great advance over the entirely disconnected studies of historical facts presented by the historical school proper. It does not give the impression that he is "philosophizing" independently of the facts. On the contrary, he is able to achieve an amazing degree of concreteness in his picture.

The emphasis on the spirit as the moving force of economic and social development is that part of the theories with which this paper deals, which is most distinctively German, and which brings out most clearly the relations they bear to the main currents of European thought. At bottom it goes back to German idealism and the conception there developed of the "life of the spirit." It may be said that Kant's great synthesis saved this whole line of thought from the inundation which threatened to submerge it by reconciling it with mechanistic science. The synthesis, however, was not without its difficulties; and since Kant there has been a pendulum-like movement in German thought, tending to exaggerate first one and then the other of the two great elements of the compromise. In Hegel the pendulum swung far over to the "spiritual" side; then with Feuerbach and some of the young Hegelians it swung just as far the other way. At this point began the application to the analysis of capitalism, starting at the left, so to speak, with the historical materialism of Marx.⁹ It was in terms of the Marxian view that the problem was presented to Sombart, and in a sense he represents the extreme of the swing back again toward Hegel. There is, however, the important difference that while retaining in essentials the matter-spirit alternative, Sombart has discarded the peculiar evolutionary form, the dialectic, in which the doctrine appeared

⁹ There has been considerable controversy in the literature on historical materialism as to just what Marx and Engels meant by it. Some interpreters (for instance B. Croce, *Historical Materialism and the Economics of Karl Marx*) maintain that it is to be considered, not a theory of the forces in social evolution, but rather an heuristic principle. Whether that be the correct interpretation of Marx or not, the sense in which I am taking him has certainly had the greatest influence on Sombart (see *Der proletarische Sozialismus*) and also on that aspect of Weber in which I am primarily interested.

in both Hegel and Marx (though in different senses), and has substituted his own type of "cultural morphology." This he derived from conceptions long existing in various forms of historical thought, especially its more romantic aspects.

Sombart proceeds immediately to the application of his idea of the spirit of economic life when he begins to lay the scene for modern capitalism by sketching precapitalistic economy. He distinguishes two precapitalistic systems in Europe: self-sufficient economy (*Eigenwirtschaft*) and the handicraft system. But for his purposes they are much the same and are treated as such because in spirit they are almost identical. The principal characteristic common to them is that economic life was regarded purely as a means for the satisfaction of human needs. Moreover, these needs were neither unlimited nor fluctuating, but were traditionally fixed for each person according to the social station into which he was born. He was expected to receive the support necessary for a given status (what Sombart calls the *Bedarfsdeckungsprinzip* and sharply distinguishes from the principle of unlimited acquisition or *Erwerbsprinzip*). With this traditional character of precapitalistic economic life he contrasts the rationality of capitalism.

Starting as he does from the postulate that economic systems are separate and unique, Sombart is bound to make the most of the differences between them and to minimize the elements of continuity. It is thus the logical necessity of his whole viewpoint which leads him to his well-known and highly controversial thesis that medieval commerce was essentially a handicraft and thus sharply distinguished from that of modern times.¹⁰ Economic historians of liberal leanings would strongly disagree with him, and there is a prima facie case for the accusation of at least serious one-sidedness.¹¹

Sombart's most precise formulation of the essence of capitalism is as follows:

¹⁰ *Kapitalismus*, I, 279 ff.

¹¹ On Sombart's own ground it seems somewhat incomprehensible that he is able to speak of *two* precapitalistic systems, since the most characteristic criterion of any system is the spirit, and in this case both are dominated by practically the same spirit.

It is an economic system, as above defined, which is distinguished by the following characteristics: (1) Form, organization. (a) It is a system based upon private initiative and exchange; (b) there is a regular co-operation of two groups of the population, the owners of the means of production and the propertyless workers, all of whom (c) are brought into relation through the market. (2) Spirit, mental attitude. It is dominated by the principles of acquisition, of competition, and of economic rationality. (3) The corresponding technique is the revolutionary technique of modern times, emancipated from the limitations of the organic world.¹²

Each of these three aspects may now be dealt with in turn. The basic units of the system are the capitalistic enterprises. In function these are, in contrast to the medieval manor, almost indefinitely varied, but in structure and manner of working they show important similarities.

First of all there is division of labor within the enterprise, especially as between the functions of ownership and management on the one hand, and those of carrying out orders on the other. This cleft forms the starting-point of the modern labor movement and of modern socialism, phenomena which are peculiar to the modern era and only to be understood in relation to their capitalistic origin. Only in modern times has there been, according to Sombart, an industrial proletariat as we know it, although there have often been relatively propertyless classes. Further in the course of development comes a more and more complex subdivision of functions, particularly in the first set, through progressive divorce of ownership from management.

Now the interconnection of all these independent units through the market and the price mechanism has most important consequences. All the qualitative differences of the most diverse economic goods are reduced to a single common denominator, money. This quantitative measure gives a means of comparison of diverse goods on the one hand. On the other hand it gives an objective purpose for all economic activity, which is primarily the making of profit in terms of money, and only indirectly the securing of the goods for which money can be exchanged. Thus a wedge is driven between the "natural" end of economic action, the satisfaction of needs, and the means to that satisfaction.

¹² "Prinzipielle Eigenart des mod. Kapitalismus," *Grundriss der Sozialökonomik*, Vol. IV.

Every capitalistic enterprise is forced by its very nature to pursue a given end common to all enterprises, in the pursuit of which there is no stopping-place.

From this viewpoint Sombart defines capital as "the sum of exchange value which serves as the working basis of a capitalistic enterprise."¹⁴ He thus gives it substantially the same meaning which it has in accounting practice, and defines it in terms of its function, and not as a category of goods. Secondly, he makes it a historical concept which has no meaning apart from the capitalistic system. It is Sombart's solution of the difficulty of bringing capital and capitalism into a satisfactory relation. Its great merit is that it avoids the confusion which Weber brings into his idea of capitalism as a historical epoch by basing his concept on a general and abstract definition of capital.¹⁵ Thus it appears that Sombart sees capitalism as an objective system the end of which comes to be the acquisition of profit. It is the compulsion on the individual business man to seek this end which Sombart, following Marx, calls the "necessity of capital to reproduce itself" (*Verwertungsstreben des Kapitals*).

The existence of such an objective and acquisitive system is the dominant fact which Sombart wishes to explain in terms of his theory of the spirit of capitalism, in accordance with his general position regarding the relation of spirit and form of organization. This is not to be taken to mean that Sombart's theory is dependent upon any particular psychology. Both Sombart and Weber would strongly repudiate that suggestion. In the first place they are interested in the action of the individual *as a whole* and hold that any further analysis of him lies beyond the province of social science. The whole individual is the "atom" from which they start. Secondly, they are interested in the *differences* between mental attitudes at different times and places, not in the

¹⁴ *Kapitalismus*, III, 129.

¹⁵ See below, with reference to Weber. That Sombart's way of looking at capital is not necessarily to be considered as inconsistent with a general analytical system of economic theory is attested by the case of Schumpeter (*Theorie der wirtschaftlichen Entwicklung*, 2d ed., Munich, 1926), whose view in this regard is very similar to that of Sombart. Yet Schumpeter is one of the staunchest supporters of those claims of economic theory which Sombart denies.

universal elements which form the subject matter of psychology. That is the essence of the historical nature of their work. In this respect there is an important difference between them and the American "institutional" economists. The results of psychology, say Sombart and Weber, may be useful to supplement the economist's knowledge, but psychology is no part of the proper study of economics or sociology, and its relevance to their problems is on essentially the same plane as that of the other non-social sciences which supply data to economics.

The spirit of the entrepreneur or the capitalistic spirit is in Sombart's view made up of two main components: the bourgeois¹⁶ spirit and the spirit of enterprise. The spirit of enterprise is a general phenomenon, by no means peculiar to capitalism, but common to most phases of the social world which came into being with the Renaissance. It is the same spirit that created the modern state, the new religion, science and technique. It is a spirit of worldly character, restless, roving, and adventurous. It finds an especially favorable field of action in capitalistic acquisition. The endlessness of competitive activity in a race without a fixed goal is well suited to its striving toward infinite aims (*Unendlichkeitsstreben*). Capital is used as an instrument of conquest and domination.

The principles of the spirit of enterprise are two: that of acquisition and that of competition. In the pursuit of gain all the many motives of the many different types of men are objectified, are made to express themselves in one set of terms, the pecuniary success of the enterprise, quite oblivious whether the original motive might be desire for power, mere venality, the love of activity for its own sake, or what not. The making of profit becomes an end which dominates the whole system.

The acquisitive principle is strengthened in its effect by that of competition. This it is which makes gain a measure of success, and because of it acquisition comes to be without limit. It occurs in two ways: negatively, in that acquisition loses all rela-

¹⁶ Sombart himself uses the French word *bourgeois* to designate the whole capitalistic man, not one aspect of him. For the single rational aspect he uses the German *Bürger*. It seems best, however, since there is no proper English equivalent of the latter, to translate *Bürger* by *bourgeois*, ignoring Sombart's distinction.

tion to the personal needs of the entrepreneur; positively, in that not acquisition alone is the aim but acquisition in competition with others. Therein lies the dynamic force of capitalism in increasing the intensity of economic life. As a result acquisition finally becomes generalized so that the whole world is seen from the point of view of business interests; nature and other men are looked upon as means of production. Economic activity, which is originally purely a means to an end, becomes an absolute end in itself, the expression of a religion.¹⁷

Organically bound up with the spirit of enterprise is the other main component of the capitalistic spirit, the *bourgeois* spirit. Its leading principle is that of rationality. Its task is to make life systematic, disciplined, secure; to subject the plans of the entrepreneur to careful scrutiny and meticulous calculations of profit and loss. It appears largely in the form of a business ethics whose typical virtues are reliability, temperance, frugality, industry, thrift.

It can easily be seen in what relation the two components of the capitalistic spirit stand to each other. The creative impulse is without question to be attributed to the spirit of enterprise. It is responsible for the destruction of the old order and for the creation of the new. On the other hand, the *bourgeois* spirit has created the framework within which the spirit of enterprise has been able to develop itself. Rationality is a necessary condition of the development of modern large-scale industry.

There is, however, for Sombart a process of development within the capitalistic spirit. The earlier period is one of the predominance of the spirit of enterprise, with on the whole a defective development of rationality. Later, on the other hand, the *bourgeois* spirit gains the upper hand, and the spirit of enterprise, while it does not disappear, is so to speak tamed and brought into the service of the rational pursuit of purely capitalistic aims. Thus the spirit of enterprise becomes objectified and harnessed to the capitalistic system; it becomes divorced from

¹⁷ For this viewpoint see T. N. Carver, *The Religion Worth Having*. For Sombart's explanation, "Die prinzipielle Eigenart, etc.," *Grundriss der Sozialökonomik*.

the pursuit of personal aims and comes to serve an entirely abstract one.

Finally, however, the same fate befalls the *bourgeois* spirit also. While capitalism takes on more and more bourgeois characteristics, the entrepreneurs as such need not do so. On the contrary, the *bourgeois* virtues are transferred from the person of the entrepreneur to the enterprise. It becomes industrious and thrifty; it possesses the necessary solidity to enjoy good credit, quite independently of the possession of such qualities by the individual entrepreneur. Even saving tends to become divorced from the will of the individual and to be carried on by the enterprise. This is what he calls the process of "objectification" of the capitalistic spirit. ^

Thus Sombart sees at the end of capitalistic development the creation of a "monster," the capitalistic enterprise, possessed of a purpose, an understanding, and a set of virtues all its own, going its own way independently of human will. Not that it is independent of human activity in itself. That is just where it is most objectionable to Sombart. It calls for more intensive intellectual activity and absorbs a greater proportion of human energy than any other form of economic organization. But this intellectual activity has come to be in the service of abstract non-human ends. It is no longer free, but is forced to follow paths marked out in advance by the "system." It forms a treadmill in which everyone is caught, unable to escape.

The spirit of capitalism is the leading concept of Sombart's work. In terms of this everything else is to be understood. Its origins in the history of thought lie in the "conservative"¹⁸ wing of the romantic movement. From that point of view capitalism appears chiefly as a destructive force tearing down the social ties of an older and more "organic" civilization. Here is the origin of Sombart's adverse ethical judgment of capitalism. It is interesting to note that, in common with almost all social thinkers who for so many centuries have been radically opposed to the existing order, he invokes a "state of nature," namely, the

¹⁸ In the sense of identification with an "organic" view of society and more or less feudal ideals, not of defense of the status quo.

precapitalistic era, by which to measure the shortcomings of capitalism. But while the state of nature of the radical philosophies of the eighteenth century was a state of extreme individual freedom, i.e., freedom from social ties, Sombart takes to a large extent the very society which they were fighting against as his natural state. With it goes an interpretation of the institutions of those times as natural "growths," which is the opposite pole from that of a Voltaire or a Godwin.

Sombart's work in general shows large traces of polemical emphasis, and he shares the common polemical tendency to overstatement. Hence in order to understand him it will be useful to contrast his views with those against which he was struggling. The emphasis on the spirit grows, of course, out of the conflict with historical materialism, giving perhaps an equally one-sided view, but one growing directly out of the alternatives presented by Marx. Most of the other fundamental views he holds are to be explained as a reaction to the optimistic social philosophy of the enlightenment and its heirs. To the contention that there is one single line of progressive cultural evolution, starting in barbarism and ending with the age of modern science and machine technique, Sombart replies that there is no such thing as progress, but only a succession of mutually independent cultures, which are born, grow to maturity, and die. He holds the position so radically as to include all of social life within these closed systems. In so doing he certainly goes too far and substitutes another equally metaphysical entity, the "spirit," for that of progress. Where such a spirit of economic life should come from and why it should produce a given economic system at a given time and place remains as much a mystery as why we should be so obviously progressing toward a millenium. It may be possible purely empirically to prove the presence of such systems of economic organization, but not to explain them in terms of their spirit. And surely there is some continuity in social evolution, even though it is not so plain as has been thought, and even though its ethical interpretation in terms of progress is unwarranted. It may very well be that both Sombart and the disciples of progress are mistaking the part for the whole, that there is

room for both interpretations applying to different aspects of social life.

The discontinuity of economic systems, which is such a prominent feature of Sombart's work, is not, however, meant to be a concrete historical discontinuity, but only to apply "in principle." The systems shade off into each other almost imperceptibly in actual historical fact; there is no sharp break in the line of development. This shading off he works out in great detail in his presentation of the transition from precapitalistic economy to capitalism. None the less, Sombart's method is radically opposed to the hypothesis of continuous evolution as held by most Western sociologists.

Another salient characteristic of Sombart's thought, his emphasis on the unity of a culture, may well be thought of as a protest against the overoptimistic view that, in order to cure all social ills, it is only necessary to tinker here and there, and thus change some parts independently of others. Up to a certain point he is undoubtedly right. Our social fabric does hang together, but again—like Marx in the opposite sense—he overshoots the mark and attributes an undue rigidity to the system. There seems to be little reason to believe that it is not possible on the basis which we now have to build by a continuous process something more nearly approaching an ideal society. In any case the process of social change is certainly neither so radically discontinuous nor so radically determined by any "principles" as Sombart would have us believe. In the transition from capitalism to a different social system surely many elements of the present would be built into the new order. This is precisely what socialism wishes to do, retaining all the technical progress of capitalism for its utopia. But, Sombart replies, it is just the trouble with socialism that, being a child of capitalism, it could not but share its cultural shortcomings. In this sense he is much more radically opposed to capitalism than any socialist.

Finally, as a part of the general philosophy of progress, we hear a great deal about the conquest of nature. Many have gone so far as to call that the greatest achievement of modern civilization. Sombart does not deny this; on the contrary, he makes a

great deal of capitalistic emancipation from the rhythm of natural processes. But he would deny that it meant any increase of true freedom. Quite the contrary, man in emancipating himself from slavery to nature has subordinated himself to a system of his own making whose tyranny over his life is worse. Again, one may point out that Sombart's belief in the beneficence of his "state of nature" is naïve romanticism. But it does seem that the apostles of progress and freedom have been somewhat overhasty in their optimism, and it is by no means certain that the conquest of nature is alone sufficient cause to boast of the glory of our civilization. None the less, something it is, and to deny all value to it, as Sombart very nearly does, is going too far. Yet he is perfectly right in maintaining that our tendency to glorify it is evidence of a lack of a proper sense of cultural balance.

Taken all in all, making allowances for polemical overstatement, it does seem that Sombart has presented a view of capitalistic society which is a formidable alternative to the orthodox liberal one. It is seldom that such extremes are either wholly true or wholly false. As Hegel said, important new ideas tend to be presented as extreme antitheses to prevailing ones. When the higher synthesis is achieved, is it not probable that Sombart's train of thought will be incorporated into it?

One of the most typical of Sombart's applications of the spirit of capitalism is the case of technique, the third principal aspect of the capitalistic system. He starts by denying that the explanation of the great inventive activity of capitalistic times is to be found either in a general "instinct of contrivance" or in a special inventive genius of any race, the English or Yankees, for instance. On the contrary, it is a distinctly historical phenomenon, an integral part of capitalism.

The precapitalistic era was, he says, very poor in inventions, because the spirit of the times was against it, not merely because the process of evolution had not yet proceeded far enough. Precapitalistic technique, he says, is not an earlier stage in a direct line of development leading to modern technique, but is something quite different in principle. The big men of the time disdained any interest in economic matters; the thinkers were

mainly theologians, while the mass of the people were tightly bound by tradition. And modern science had not yet come into being. Thus medieval technique was on the one hand traditional, as received from a master and handed down; on the other hand it was empirical, relying upon experience for instruction and not on objective scientific reasoning.

In the early capitalistic era a considerable change took place. Where technique had been held down by tradition, those bonds were broken and a great wave of inventive activity swept Europe, a part of the spirit of enterprise which characterized the new times. The traditional principle gave way to the rational, that of casting about for the most suitable means to reach the ends in question. But with the exception of a few men like Leonardo da Vinci, there was no scientific technique. While the same age saw the birth of modern science, the two streams did not converge until later.

It is just that which characterizes modern technique: it is scientific. Science and technique are so closely related as to represent the theoretical and practical sides of the same movement. Discoveries and inventions go hand in hand and in some cases (organic dyes) are identical. The same fundamental conception, that of a mechanistic system of relations, underlies both. "To the elimination of God from the conception of nature corresponds an elimination of man from technique." "While natural science *thinks* of the world as a mechanism or "chemism," modern technique artificially *creates* a world which runs according to the formulae set up by natural science."¹⁹ Thus modern technique is both rational and scientific.

The practical consequences of this attitude are most important. (1) All technical knowledge is objectified. It is no longer handed down personally from master to apprentice, but may be learned from books, accessible to all who have the necessary mental equipment. (2) Technical methods are made to follow, not the empirical "rules" learned from the master, but scientific "laws" which are known. (A rule applies only to the particular cases actually experienced; a law applies generally.) (3) All

¹⁹ *Kapitalismus*, III, 81.

processes are, so far as possible, mechanized, reduced to routine operations and made to a very large extent automatic. And the circumstances have been especially favorable to invention under capitalism.

Could anything bring out more strikingly the peculiarities of Sombart's line of thought? At just the point where the hypothesis of unilinear evolution has been thought to be most secure, and where the results of progress can be most easily measured, he denies them both completely. Once more it seems evident that he overstates his case; but again, can we say there is nothing in it?²⁰

At several points it has been evident that Sombart deals with capitalism, not as a static thing, but as a process. And in this process there are two main stages: that of early capitalism, and that of "mature" capitalism (*Hochkapitalismus*). This process is given a conspicuous place not only in his treatment of the capitalistic spirit, and in that of technique, but also in the relation of the state to the economic world, and finally in the nature of the economic thought of the two periods, of which he takes the mercantilists and the classical school as types.²¹

The question would naturally arise whether two such fundamentally different things could reasonably be considered as successive stages of the same economic system. Sombart does regard them so. The differences he ascribes to the continued presence of precapitalistic elements in the early capitalistic society, and the development he sees from one side as a process of progressive elimination of those elements. Hence there is in his view no third system in between, which is entitled to consideration on its own merits. And it may be said that although Sombart devotes two-thirds of his great work to the precapitalistic and early capitalistic stages, he is primarily interested in the phenomenon of "mature" capitalism and consistently focuses attention on it. The most important theoretical content of his work, the objectivation of acquisition, the compulsion of the in-

²⁰ See *Kapitalismus*, Vol. I, chaps. xxix, xxx; Vol. III, chaps. vii-ix.

²¹ *Kapitalismus*, Vol. II, chap. iv.

dividual to conform to the system, the process of rationalization, all pertain to it. It is the center of gravity of the whole work.

None the less, there is serious reason to question this position. The general cultural differences between the seventeenth and the nineteenth centuries are certainly enormous, as much in the economic field as any other. And Sombart's attempt to present them both as parts of the same great system leads him into some serious difficulties—in dealing, for instance, with the rôle of the state in modern capitalism. As regards the early capitalistic era, he greatly emphasizes the positive functions of the state in developing capitalistic enterprise through mercantilist policies. But at the height of capitalism in the nineteenth century he finds a totally different situation, the function of the state having become wholly negative, limited to external defense, the maintenance of internal order, and the enforcement of contracts. The real center of gravity lies in the competitive activities of private enterprises.

But at the end of the period he finds again a decided change. The rise of imperialism in external policy and various tendencies to modify competition within have greatly complicated the relation of the state to industry. This cannot be accounted for wholly as due to the growth of non-capitalistic elements within capitalism, and Sombart's explanation is that the modern state is governed by two ultimately irreconcilable principles: that of power and that of liberty, or sovereignty and individualism. In general he says that the former is characteristic of external relations, the latter of internal, but that free trade represented an "episodic" attempt to apply the latter to both spheres, an attempt which has broken down in a return to the "normal course" of capitalism. This, however, contradicts his earlier sharp distinction between a mercantilist and a liberal state. The confusion seems to be due to the attempt to fit a very complicated set of facts into an all-too-simple general scheme of thought.

In general he seems to waver between the unity of capitalism, and the differences which he has emphasized between early and mature capitalism, finally deciding in favor of the former viewpoint. But would it not be equally possible to construct a scheme

in which there were two economic systems in Europe since the Middle Ages instead of one? There seems to be danger that in using a method like Sombart's the unit which is to be called a "culture" may be arbitrarily selected, without sufficient regard for the facts. That all who use the same method do not choose the same units is attested by Spengler's theory,²² which follows a third possibility, taking his unit of "Western civilization" to include the Middle Ages, i.e., everything since the decline of the Roman empire. It is even possible that the same unit could not be applied to all phases of a culture, and still more likely that there are some aspects in regard to which the conception is of little value.

The most important forerunner of Sombart in the theory of capitalism was Karl Marx. It is worth while in closing to say a few words about their relation. It has changed radically in the course of Sombart's scientific development, but I am concerned here only with its final form. The main thing is that Sombart has been influenced by a side of Marxian thought which has received relatively little attention in the West, that in which he is a true representative of *Historismus*, not his abstract economic theory.²³

The really important elements common to Marx and Sombart are the views of capitalism as unique in historical development,

²² Oswald Spengler, *Der Untergang des Abendlandes* (Munich, 1920).

²³ As in so many cases of the interpretation of Marx, there is difference of opinion as to whether he ever intended to develop a "general" economic theory. That he did is evidently the view of Schumpeter ("Dogmengeschichte der Volkswirtschaftslehre," *Grundriss der Sozialökonomik*, Vol. I), who treats him as a member of the classical school. The criticism of Boehm-Bawerk (*Gesammelte Schriften*, Vol. II) is based on the same interpretation. There is, however, another interpretation, first suggested by Sombart himself (*Jahrbuch fuer soziale Gesetzgebung*, 1894) and developed by Sorel and notably Croce (*Historical Materialism and the Economics of Karl Marx*) according to which the Marxian theory of value is meant to be an "ideal type" of a hypothetical capitalist society to be used for purposes of comparison with the real capitalistic and other economic systems. The latter view is much the more favorable to Marx and the unity of his system, and brings him into much closer relations with Sombart and the general currents of thought dealt with in this paper. Of course this interpretation would admit that the content of Marx's theory was largely taken over from Ricardo, but would maintain that the logical use to which it was put was quite different.

and as a system embracing the whole of social life. It was one of Marx's most important contributions to socialist thought that the fault of capitalistic exploitation lay, not with the capitalist as an individual, but with the system to which he as well as everyone else was forced to conform. Thus abuses could only be remedied by changes in the fundamental basis of class interests within the system. This was a great advance on the utopian socialist view, that the remedy was rational persuasion of the leaders of society. Thus both greatly emphasize the objective system and both sum up its peculiarities as due to the "necessity of capital to reproduce itself." But in the interpretation of that phrase an essential difference comes to light. Marx understands it, in terms of the economic interpretation of history, as an internal necessity imposed by the conditions of production. Moreover, this philosophy of history is applied, not only to capitalism, but to the whole of history, in which, as the direct opposite of Hegel, Marx attributes the causal effect to an immanent law of the material conditions of production. But Marx further differs from Sombart in that he attempts a complete theory of social evolution as a single unitary movement. He does it, however, in such a way as to preserve unimpaired the conception of the "economic system" as a unique historical epoch. By means of the dialectic he uses these systems as units in the process according to the formula: Thesis (Feudalism)—Antithesis (Capitalism)—Synthesis (Communism). Such is the essential difference between Hegelian evolution and the Western conception of continuous unilinear evolution.

Now Sombart takes over the system as a historical epoch, but discards the dialectic evolutionary connection between systems, leaving them in principle quite discrete. In doing this Sombart follows a well-marked tradition of the more romantic elements of German thought. On the other hand, he denies the economic interpretation of history. If a spirit of capitalism could exist at all for Marx, it would be in the nature of a "superstructure" dependent in the last analysis on the economic conditions underlying it. Sombart takes the precisely opposite view that the economic conditions are themselves the creation of a spirit

which, having once appeared, develops according to its own organic law, but is itself ultimate, having nothing further to explain it. His view results in fully as rigid a determinism as that of Marx. All that the individual can do is to "express" this spirit in his thoughts and actions. He is powerless to change it.

This peculiar determinism makes possible another highly interesting point of agreement. In spite of his definite rejection of the economic interpretation as a general philosophy of history, Sombart does not entirely forget it. On the contrary, he maintains it as a characteristic of capitalism. "The period of the predominance of capitalism is thus a period of culture which is characterized by the predominance of economic factors; but not because this is in general the primary factor in cultural life, as a one-sided and false philosophy of history maintains, but because it is the destiny of our time, that in it—and perhaps for all eternity only in it—there is a predominance of the economic."²⁴ That is why capitalism is its most suitable designation. Not only is the modern *economic* system different from any other, but our whole culture is characterized by the predominance of its economic over all its other aspects. In this sense Sombart thinks modern life lacks "proportion," a view which would be quite foreign to Marx.

The general divergence of their views leads also to an interesting difference in their ethical judgment of capitalism. To Marx it is the mother destined to give birth to the future ideal society which is developing within her. And since this future communism is the final end of all social development and the most perfect conceivable form of society, Marx may be called in Sombart's words a cultural optimist, thus showing perhaps a remnant of the heritage of the eighteenth century. But more especially he accepts capitalism because of its possibilities. Sombart, while in general neither optimist nor pessimist, leaves no doubt of his attitude with respect to capitalism. "We can no longer believe in the creative power of capitalism as Marx did. . . . We know that in spite of all the noise nothing of any cul-

²⁴ *Kapitalismus*, III, 317.

tural importance has come of it, and nothing ever will. . . . Salvation can only be sought in turning away from it."²⁵

A further great difference between them is of course that a large part of the economic theory of Marx has been dropped by Sombart (if, to be sure, it can be said at all that Marx had any general economic theory). Sombart substitutes some theory of his own, a good deal of which is unsatisfactory. In general it may be said that it is a decided weakness of Sombart's work that he fails to appreciate and make use of the many important developments in economic theory since Marx's day on lines totally different from his own. His failure in this regard is not, however, a valid reason for minimizing or losing sight of the value of his own unique contribution.

Sombart freely acknowledges his debt to Marx. He says: "This work is meant to be nothing other than a continuation and in a certain sense a completion of that of Marx." Thus on Sombart's authority Marx may be called the originator of this whole theory of capitalism. I have only failed to deal with him separately because the most important elements of this aspect of Marx's thought have been taken up by Sombart and incorporated into his work.

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[*To be continued*]

²⁵ *Kapitalismus*, III, xxi.