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THE ABANDONED ÜBERVATER: MAX WEBER AND THE
NEOLIBERALS

BY STEFAN KOLEV

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The Abandoned Übervater: Max Weber and the Neoliberals

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Abstract

This paper addresses the intellectual relationship between Max Weber and three key proponents of neoliberalism: F.A. Hayek, Walter Eucken and Wilhelm Röpke. This relationship is contextualized in the history of German-language political economy, focusing on the nexus and proximity between early 20th century economic sociology and the emergence and evolution of the various neoliberal political economies from the 1930s onwards. While during his lifetime Weber was a towering scholarly and public figure recognized well beyond the German-language area, after his passing in 1920 he successively fell into oblivion, also for the neoliberal generation at the heart of the paper who started publishing in the immediate aftermath of Weber's age. The structure of the paper is tripartite. In section 2, traces of Weber in the neoliberal writings are collected, starting with an instrumental digression to Ludwig von Mises's treatment of Weber. Mises as well as the neoliberals focused on Weber's legacy in epistemology, methodology and economic history, while references to his sociological contributions are seldom and unsystematic. In section 3, central commonalities between Weber's economic sociology and the political economies of Hayek, Eucken and Röpke are outlined. In section 4, six hypotheses are formulated to tentatively explain the cursory and declining appreciation of Weber by the neoliberals during their lifetime.

Keywords: Max Weber, F.A. Hayek, Walter Eucken, Wilhelm Röpke, Ludwig von Mises, neoliberalism, ordoliberalism, economic sociology

JEL Codes: A11, B25, B31, P16, Z13

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It appears to me today as if, at the time when I was a student
and for some time thereafter,
under the influence of Max Weber's powerful argument,
we had been more restrained in this respect [value freedom, SK]
than was desirable.

*F.A. Hayek at his 1962 Inaugural Lecture at the University of Freiburg
Hayek (1962/1967), p. 254.*

1. Introduction

The reception of Max Weber's œuvre followed "most curious paths in the history of ideas": After initial decades of oblivion and relative disregard, Weber scholarship has vastly expanded over the last decades, making him "the most widely known German intellectual after Karl Marx" (Kaube 2014, p. 26). The editorial efforts in the monumental *Max Weber-Gesamtausgabe* (Max Weber Complete Edition, MWG) since the early 1970s (Lepsius 2016a, pp. 275-276) and the ensuing consolidation of Weber's previously fragmentary publications have enabled new realms of interpretation of his life and work.

This paper explores a particular relationship in the history of German-language political economy: Weber's relevance for those political economists in the next generation who since the 1930s became known as the "neoliberals". The focus of this paper will be on the works of F.A. Hayek, Walter Eucken and Wilhelm Röpke, with instrumental digressions to Ludwig von Mises. When studying the works of the neoliberal generation, Weber can be quite adequately depicted as "the myth of Heidelberg": Even though neoliberal political economy bears some striking similarities to Weber's economic sociology, the explicit references to him in the writings of Hayek, Eucken and Röpke are quite rare and confined to few domains, mostly epistemology and methodology as well as the issues of normativity and value judgments. In Hayek's case, the appreciation of Weber follows a strikingly falling trend in the course of his long life. Pointing to the manifold parallels between neoliberal political economy and Weber's economic sociology, the paper systematizes the explicit references to Weber and formulates six hypotheses that conjecture why Weber is so seldom explicitly visible in the writings of the neoliberals – one of them being the emancipation process from a dominant, "übertäter"-like figure.

Reconstructing this important but strangely neglected genealogy within German political economy is part of a larger project about the emergence and evolution of German-language economic sociology in the context of Weber, the early Austrian School and the declining Younger Historical School.

2. Weberian Traces in the Works of Hayek, Eucken and Röpke

It is helpful to start this endeavor with Ludwig von Mises, a formative scholarly personality for the generation at the heart of this paper. As it is widely known, as a third-generation Austrian School member, Mises was not only proud of the achievements of this school, but also extremely critical – up to the point of genuine contempt – of the Younger and the Youngest Historical Schools in Germany, as they existed in the late 19th and early 20th century (Rieter 1994/2002, pp. 154-162). Given this recurrent point in Mises' works, it may surprise that he presented Weber – despite all affinities of Weber to the Historical School – as a “great mind” or even a “genius” (Mises 1978/2013, p. 72). In Mises' works, there are extensive references to Weber whom he met for longer conversations during Weber's brief stay at the University of Vienna in the summer semester 1918 (Kolev 2017, pp. 11-12). Mises' famous paper on economic calculation in socialism was published in April 1920, few weeks before Weber's passing, in the *Archiv für Sozialwissenschaft und Sozialpolitik*, co-edited by Weber, and Weber quoted Mises in *Economy and Society* as an authoritative theorist of money and of calculation in socialism (Weber 1922/1978, p. 78, p. 107).

Conversely, the quotations are of a different nature: Ludwig Lachmann, himself a Weber scholar (Lachmann 1970), made an important point how in his assessment Mises' *Human Action* should be seen very much as a response to and a continuation of Weber's methodological inquiries (Lachmann 1951/1977, p. 95). And “methodological” is at the core of the argument here: Weber was received by Mises as a contributor to epistemology and methodology, but not as someone who has contributed to the substantive core of economics, as most clearly expounded in Mises' *Sociology and History*, first published in 1929 in that same *Archiv für Sozialwissenschaft und Sozialpolitik* which Weber had co-edited until 1920 (Mises 1929/2003). His assessment about what Weber was and what he was not, embedded in an analysis of the concepts of ideal types and human action, is worth quoting at length:

“Weber was, to be sure, a professor of economics at two universities and a professor of sociology at two others. Nevertheless, he was neither an economist nor a sociologist, but an historian. He was not acquainted with the system of economic theory. In his view economics and sociology were historical sciences. He considered sociology a kind of more highly generalized and summarized history.

It needs scarcely to be emphasized that in pointing this out we do not mean to belittle Max Weber and his work. Weber was one of the most brilliant figures of German science of the twentieth century. He was a pioneer and trail blazer, and coming generations will have enough to do to make his heritage intellectually their own and to digest and elaborate it. That he was an historian and an investigator into the logical character of history does not mean that he failed with regard to the problems which the period presented and which he undertook to treat. His field was just that of history, and in this field he did far more than his share. And finally, if it is possible today to approach the logical problems of sociology with better conceptual tools, this is primarily due to the work that Max Weber devoted to the logical problems of history.” (Mises 1929/2003, pp. 78-79).

While it is true that Weber did not see himself as a contributor to economic *theory*, as he deplored in a letter to his former Freiburg doctoral student Robert Liefmann few months before his passing (Weber to Liefmann, 12.12.1919, as quoted in Swedberg 1998, p. 299), an appreciation “only” in the domains of epistemology, methodology and history obviously misses Weber’s substantive contributions to economic *sociology*. Even though Mises’ *Socialism* came out in 1922, when large parts of Weber’s *Economy and Society* were just being published, and while *Socialism* is subtitled *An Economic and Sociological Analysis*, Weber received (also in the German and English editions of the 1930s) only one marginal reference. In this vein, it is striking that even though Weber was among the first to make groundbreaking contributions to the theory of bureaucracy, there is not a single reference in Mises’ wartime *Bureaucracy* (Mises 1944).

The following quote from *Human Action* resonates perfectly with the abovementioned disqualification of Weber as a contributor to economics: “Max Weber, it is true, was not sufficiently familiar with economics and was too much under the sway of historicism to get a correct insight into the fundamentals of economic thought.” (Mises 1949/1998, p. 126).

Mises’ reduction of Weber to a historian and a historicist epistemologist who “did not realize that there is a science that aims at universally valid propositions” (Mises 1929/2003, p. 115) and thus could not contribute substantively to economics or sociology, at least as understood by Mises, shows an astounding persistence in the writings of the next generation.

2.1 F.A. Hayek

The first neoliberal whose works are searched through for Weberian traces is F.A. Hayek. Hayek's long vita presents a rather fascinating trend in his appreciation for Weber. Back from the front in 1918, he remembered Vienna in a later interview to have been full "of his [Weber's, SK] influence" after Weber's teaching during the summer semester 1918 at the University of Vienna. Hayek even planned to follow Weber to Munich where Weber started teaching in 1919, but Weber's passing in June 1920 prevented the young Viennese from doing so. A friend of Hayek, Martha Stephanie Braun (later Martha Steffy Browne), even identified the founding of the "Geistkreis" around Hayek to be a rather direct result of the debates Weber's legacy had initiated (Browne 1981, p. 111). In stark contrast, in the same autobiographical interview of 1978 with James Buchanan, Hayek responded to Buchanan's question about Weber's relevance that he had read "his stuff [sic] when his main book came out, which must have been 1921-1922" but doubted that Weber had any "lasting influence" other than on Hayek's "close friend" Alfred Schütz (Hayek 1978/1983, pp. 249-250). The astounding contrast to the fascination of the young Hayek, willing to move from Vienna to Munich in those financially extremely difficult years, is perfectly visible by reproducing an endnote on the concept of "order" from the second volume of *Law, Legislation and Liberty*:

"This, of course, has long been legal usage and was made popular among social scientists by Max Weber, whose influential discussion of the relation between 'Legal Order and Economic Order' [...] is for our purposes wholly useless and rather characteristic of a widespread confusion. For Weber 'order' is throughout something which is 'valid' or 'binding', which is to be enforced or contained in a maxim of law. In other words, order exists for him only as organization and the existence of a spontaneous order never becomes a problem. Like most positivists or socialists he thinks in this respect anthropomorphically and knows order only as *taxis* but not as *kosmos* and thereby blocks for himself the access to the genuine theoretical problems of a science of society." (Hayek 1976/1982, p. 170, emphasis in the original).

It is precisely this Hayekian diagnosis of Weber's purportedly simplistic, "taxis-only" understanding of order which has provoked a prominent Weber scholar to call Hayek's reading of Weber on the issues of emergence and spontaneous order "absurd" and "polemical" (Anter 2004/2007, p. 91). So what are traces

in the six decades between the return from WWI in 1918 and the interview with James Buchanan in 1978 that might explain Hayek's radical abandonment of Weber's legacy?

In the late 1920s, Hayek engaged in an endeavor similar to that of his teacher Friedrich von Wieser who passed away in 1926. In 1914, Wieser had contributed a key volume to Weber's gigantic *Grundriß der Sozialökonomik* encyclopedia project, *Theorie der gesellschaftlichen Wirtschaft* (Wieser 1914/1927). Both the selection of Wieser to write this seminal volume on economic theory, and the exchange between Weber and Wieser in the course of the project between 1909 and 1914 (Kolev 2017, pp. 8-11) provides intriguing insights of Weber's relationship to economics in general and to the Austrian School in particular. The second edition of Wieser's *Grundriß* volume was translated into English as *Social Economics* and came out in 1927 in the US with a highly laudatory preface by Columbia economist Wesley C. Mitchell (Mitchell 1927): Mitchell had already reviewed favorably and prominently the first edition during the war (Mitchell 1917), and it was Mitchell to whom Wieser sent Hayek to spend a year in New York 1923-1924 (Hennecke 2000, pp. 66-70; Caldwell 2004, pp. 150-153). The *Grundriß* project, as many other undertakings of Weber, remained unfinished in 1920 even though it had been initiated around 1909, and was only declared finalized in 1930, ten years after Weber's passing (Kaesler 2016, pp. 649-651). Hayek planned to contribute to the *Grundriß* a volume on monetary history and theory, very much in line with his key interests of the late 1920s in the course of his habilitation project, but his *Grundriß* volume never materialized, with fragments to be published in the *Collected Works* only after his passing (Hayek 1999).

The next encounter with Weber is Hayek's introduction *The Nature and History of the Problem* to the volume *Collectivist Economic Planning* (Hayek 1935). Here Weber received a favorable and prominent reference: Hayek put Weber's contribution to the socialist calculation debates on an equal footing to that of Mises, called him "the great German sociologist", while *Economy and Society* was termed his "posthumous magnum opus" (Hayek 1935, p. 34). While delineating Weber's capital-focused argument of how money is indispensable for "a complex economic system" and its rational usage of capital, Hayek included a quotation from *Economy and Society*, incidentally the only long quotation in his entire paper:

"The assumption that some system of accounting would in time be found or invented if one only tried seriously to tackle the problem of a moneyless economy does not help here: the problem is the fundamental problem of any complete socialization and it is certainly impossible to talk of a

rationally ‘planned economy’ while in so far as the all-decisive point is concerned no means for the construction of a ‘plan’ is known. *Max Weber, Wirtschaft und Gesellschaft (Grundriss der Sozialökonomik, Vol. III), Tübingen, 1921, pp. 55-6.*” (Hayek 1935, p. 34).

There are at least two interesting points here. First, Hayek acknowledged how Weber recognized the nature of the economic system as being a complex one – quite in contrast to the 1978 diagnosis that Weber missed this property of social orders. Second, the final sentence of the Weber quote explicitly contains the knowledge problem which Hayek formulated at that very moment. As seen from 1935, talking of Weber as someone without any influence or impact seems rather implausible.

Archival evidence provides another intriguing intersection of Hayek with Weber’s legacy during the 1930s. Once at LSE, he engaged heavily in a large-scale translation and reproduction project initiated by Lionel Robbins, *Series of Reprints of Scarce Tracts in Economic and Political Science* – with Menger’s *Collected Works* as one famous result of this project (Hayek 1963/1995, p. 54; Howson 1997, p. 4). Much less widely known, but very much in line with the abovementioned appreciation of Weber in the 1935 volume on central planning, in parallel efforts Hayek also envisioned a translation of Weber’s *Economy and Society*. Correspondence with Fritz Machlup between 1937 and 1939 clearly indicates how in this case Hayek was the direct intermediary to the publisher, William Hodge, and how he seems to have picked the translator, Alexander M. Henderson (Machlup an Hayek, 26.10.1937; Hayek an Machlup, 05.11.1937; Machlup an Hayek, 04.01.1938; Hayek an Machlup, 28.01.1938; Hayek an Machlup, 28.04.1939 | Fritz Machlup Papers, Box 43, Folder 15, Hoover Institution). Eventually, this UK project was passed on and merged, in an incomplete form, with the contemporaneous US translation project conducted by Talcott Parsons (Tribe 2007, pp. 215-218).

Curiously, in the wartime cycles *The Counter-Revolution of Science / Scientism and the Study of Society* published in *Economica* where – due to its philosophy-of-science core – one would naturally suspect references to Weber’s epistemology and methodology, there is only one reference to Weber in the context of the engineer’s “Weltanschauung” and the engineer’s critique of the “irrationality” of economic forces (Hayek 1944, p. 35, fn. 2). A small but intriguing detail surfaces here: In the footnote, Hayek praised Weber to have coined “the best” formulation, but almost apologetically mentioned that “none, to my knowledge, [is available, SK] in English” – an interesting contrast to the interwar context, when quoting German sources

was absolutely common and ubiquitous. Additional to the fragmentarily published legacy in German, the fact that Weber's works were only slowly and rather unsystematically translated into English (Scaff 2005; Emmett 2006, pp. 108-109) might thus be seen as a further impediment to using Weberian arguments in the post-war years. It is not implausible to conjecture that the reception of Weber as a German thinker, but also as a German nationalist who had expressed strong nationalist sentiments not only in his early years (Bellamy 1992), made him less "digestible" for an international audience, and perhaps also for the German-language émigrés themselves with their embattled identities in the Anglo-Saxon world.

When Hayek published the enhanced, book version of these wartime cycles as *The Counter-Revolution of Science. Studies on the Abuse of Reason* (Hayek 1952), one more Weber reference surfaces in the new Part III on Comte and Hegel: Weber is quoted (in the context of Popper's wartime publications) as an authority who criticized historicism, especially its "Entwicklungsgedanke", as a "romantic swindle" (Hayek 1952, p. 199). In contrast to his earlier formulation of unrestrained admiration vis-à-vis Weber, however, Hayek added a qualification here. In line with Mises' narrative above, he underscored that this critique of the "abuses" by historicist attempts "to turn history into a theoretical science" was of particular importance because "even a thinker so close to it [historicism, SK] as Max Weber" (Hayek 1952, p. 199) had seen these abuses. Thus Weber was now put into the historicist "box", a classification which, in addition to his abovementioned trait of having been a German nationalist, certainly did not add to his attractiveness in the immediate postwar age.

A jump ahead in time to 1962 helps to identify another impediment for Hayek to use Weber. As has been argued by many Hayek scholars, most recently quite convincingly by Erwin Dekker in his *Viennese Students of Civilization*, the period when Hayek wrote *The Road to Serfdom* and Popper *The Open Society and its Enemies* was a special time for both of them – one of leaving the ivory tower of academia and of entering the public sphere of the agora, with the main goal of defending an embattled civilization at the brink of destruction (Dekker 2016, pp. 131-152). This *from-academia-to-agora transition* was obviously also a turn away from the purely positive analysis of economy and society, and towards the normative questions of what a "good order" could be. In such a setting, the "Werturteilsstreit" as to the permissibility of value judgments for social scientists became yet again topical. Locating Weber in this matter has proven a complex matter over the past hundred years, including many misunderstandings of his position – up to classifying him as a

positivist who allegedly shunned any normativity (Lepsius 2016b, pp. 86-95). As has been shown in recent detailed analyses of his stance in the “Werturteilsstreit”, quite the opposite was true: Because Weber clearly saw the indispensability of value judgments in conducting social sciences, he insisted above all on the indispensability of separation between positive and normative analysis, not on shunning the latter (Glaeser 2014, pp. 152-162).

So when he returned to Europe, from Chicago to Freiburg in 1962, Hayek delivered an inaugural lecture at the University of Freiburg which, along with important references to his relationship to the Freiburg School, contains a detailed discussion of Weber’s position on value judgments: “It is now almost fifty years since Max Weber stated the essentials of this issue, and if one now re-reads his careful formulations one finds little that one wishes to add” (Hayek 1962/1967, p. 253). Hayek indeed identified the issue of value judgments to be very much about the indispensability to separate “scientific knowledge and valuations” and to make an explicit, “unmistakable statement of the guiding values”. However, Hayek diagnosed that in his opposition to the Historical School as an “ethical school” Weber had “pushed his argument to a point where it could also have been misunderstood”. As a result of such an overstretching of the argument, “at the time when I was a student and for some time thereafter, under the influence of Max Weber’s powerful argument, we had been more restrained in this respect than was desirable.” (Hayek 1962/1967, pp. 253-254).

In retrospect, Hayek even regretted his own stance at the 1933 inaugural lecture at LSE: “Today I ask myself whether, rather than being proud of my impartiality, I ought not to have had a bad conscience when I discovered how successfully I had hidden the presuppositions which had guided me at least in the choice of problems I thought to be important.” (Hayek 1962/1967, p. 254). And he added this curious conjecture and his own evolution as to the duties of the scholar:

“I believe that if Max Weber had lived twenty years longer he would probably have changed his emphasis a little”,

evidently alluding to the experiences with totalitarian regimes and their destructive effects on science and

“a clear duty of the social scientist to ask certain questions the mere raising of which will seem to imply the taking of a political position.” (Hayek 1962/1967, pp. 254-255).

Even though the entirety of Hayek's position appears fully compatible with Weber's stance, it seems that he – and, as we will see, also Eucken and Röpke – took an interpretation of Weber which has recently been called “vulgar-Weberian” (Wohlgemuth 2002, p. 336). In its most crude variety, this interpretation depicts Weber in the “Werturteilsstreit” as a simplistic and naïve positivist, claiming that he warned against any usage of value judgments in the social science and that he did not even realize how selecting one's subject matter as a scientist already constituted a value judgment. While historians of economics have clearly shown that this grossly underestimates the complexity of Weber's position (Glaeser 2014, pp. 272-283), until today the “vulgar-Weberian” interpretation of Weber's position still persists in large parts of the literature, especially as produced by economists.

Another point of estrangement of Hayek from the Weberian legacy are Weber's claims in the *Protestant Ethic and the “Spirit” of Capitalism*. In the 1978 interview with Buchanan, Hayek put his judgment rather bluntly: “I think the most famous thing [sic!] about the Calvinist sources of capitalism is completely wrong.” (Hayek 1978/1983, p. 250). Again, an endnote from *Law, Legislation and Liberty* is worth quoting at length:

“Long before Calvin the Italian and Dutch commercial towns had practised and later the Spanish schoolmen codified the rules which made the modern market economy possible. See in this connection particularly H. M. Robertson, *Aspects of the Rise of Economic Individualism* (Cambridge, 1933), a book which, if it had not appeared at a time when it practically remained unknown in Germany, should have disposed once and for all of the Weberian myth of the Protestant source of capitalist ethics. He shows that if any religious influences were at work, it was much more the Jesuits than the Calvinists who assisted the rise of the ‘capitalist spirit’.” (Hayek 1979/1982, p. 203).

Hayek's reading – even though he softened the harshness on Weber at one of his last public addresses in Vienna (Hayek 1985, pp. 10-11) – does not differ substantially from the huge set of literature criticizing Weber based on facts showing that there were earlier and very different sources of capitalist mentality than Calvinism. However, as has been stated in more recent Weber interpretations, this reading only holds if one takes the *Protestant Ethic* as a singular text, isolated from the trajectory of the general Weberian project (Scheffold 2017). Given today's source plenty of the MWG, many narratives have come up with

conjectures as to the core of this project. If we join the narrative that it was *the emergence of the West* which constituted the heart of Weber's multiple endeavors, then the factual question whether there were individual pre-capitalists spots in Italy or pre-capitalist thinkers in Spain becomes largely irrelevant: Once the *Protestant Ethic* is embedded into such a context, it becomes one essay in a much larger picture about the central question: What orders and powers were causal for the emergence of the West, and what orders and powers emerged during the evolution of the West (Anter 2004/2007, pp. 89-94).

2.2 Walter Eucken

Despite the fundamental commonalities of Eucken's ordoliberal political economy and Weber's economic sociology, the traces of Weber in Eucken are scarce and, just as in Hayek, are mostly confined to issues of epistemology / methodology as well as normativity / value judgments.

Eucken's prime endeavor during the 1930s was to set economics on new epistemological and methodological foundations – a project which culminated in his *Foundations of Economics*, a book that was published in the first months of WWII, and was received extensively not only in Germany (Riess 2017), but also in Anglo-Saxon journals (Lutz 1940; Lutz 1944; Oliver 1951; Bye 1952). The major goal of the book was to overcome the “great antinomy” which Eucken identified as the problematic heritage of the “Methodenstreit” – and, correspondingly, the English translation, initiated by Hayek in the late 1940s and published in the year of Eucken's passing, is subtitled *History and Theory in the Analysis of Economic Reality* (Eucken 1940/1992).

To begin with, there is an important two-fold commonality: First, Eucken's shared Weber's critique of historicism, especially of its “stage” and “style” concepts, and is in accordance with Weber that those categories were a harmfully limiting “Procrustes bed” (Eucken 1940/1992, p. 91). He fortified this point by quoting Weber as an authority in economic history (Eucken 1940/1992, p. 327) *and* in economic theory, as somebody who had understood the “great heuristic value” of Robinson Crusoe analysis (Eucken 1940/1992, p. 340). Second, Eucken agreed in principle with Weber's quest for “order forms” by abstraction methods as the epistemologically sound approach to penetrate economic reality (Eucken 1940/1992, p. 173). Regarding those abstraction methods, however, a major disagreement with Weber

surfaces: “Max Weber certainly did not draw the necessary conclusions from his very able criticism [of his critique of “stages” and “styles”, SK].” (Eucken 1940/1992, p. 328). Eucken interpreted Weber’s characterization of ideal types as “utopian” to be literally true and drew here a contrast to his own method, while he claims that “his” ideal types are extracted from reality (Eucken 1940/1992, pp. 173-174). At the same time Eucken refused to recognize that Weber’s source for generating ideal types had also been very much reality (Goldschmidt 2002, pp. 50-52): “What Weber has to say on the construction of ideal types is not only very incomplete but contains serious defects” (Eucken 1940/1992, p. 348; in the German original on p. 268 “not only very incomplete” reads as “nur ein Torso”). Furthermore:

“He failed to recognise both the fundamental difference between real types and ideal types and their logical character, as well as the differences in the process of abstraction in constructing the two kinds of types. Consequently what he calls an ‘ideal type’ is very vaguely defined.” (Eucken 1940/1992, p. 348).

Eucken aimed “to clear up this important complex of problems” and identifies Weber’s approach as “still influential to-day”. Nevertheless, he appeared to see himself as a reformer rather than as a revolutionary: “We are not trying to develop a new concept of the ideal type in opposition to Weber’s, but simply to define precisely and completely what Weber treated obscurely and incompletely.” (Eucken 1940/1992, p. 348). To complete this picture of Eucken’s reception of Weber’s epistemology, it is noteworthy that put the blame not primarily on Weber himself, but rather on Weber’s interpreters as probably more “guilty” of these misunderstandings.

Yet in the context of these critical tones about Weber’s epistemological and methodological heritage, Eucken agreed with Weber about something truly fundamental for the aim of his *Foundations*: The role of empirical observations and the role of concepts. Concepts (“Begriffe”) had of course been a central building block in Weber’s attempt to lay new foundations for the social sciences, and Eucken conceded – almost in passing in the text, but prominently in the very first endnote of the book – that, despite their common critique of historicism, Weber had understood the nature of economics as an “empirical science”. More specifically, Eucken saw both of them in agreement that identifying problems empirically in economic reality had to come as the starting point, and that only then concepts and their successive refinement could follow as an instrument to the solution of these empirical problems: “Failure to start

from the facts and from factual problems is the original sin of all empirical sciences. Words and concepts usurp the place of the analysis of facts and conditions.” (Eucken 1940/1992, p. 319). He sharply contrasted such a practice to attempts of starting economic research with definitions, an approach which he classified as dangerous due to the potential loss of scientific objectivity: “If he [the economist, SK] tries to do so, scientifically unfounded notions will be absorbed into the definitions and so into the science. By this path, too, biased views and confused ideologies creep into economics.” (Eucken 1940/1992, p. 303).

This fear of smuggling ideology into science can serve as an elegant transition to Eucken’s assessment of Weber’s position about normativity and value judgments. Eucken’s *Foundations of Economics* were dedicated to *positive* questions of economic theory, while his posthumous *Principles of Economic Policy* were dedicated to *positive and normative* questions of economic policy, or, in a nutshell, to the search of a “good” order. Correspondingly, the *Principles* are also the place where he addressed Weber’s stance in the “Werturteilsstreit”. As compared to the quality of treatment of Weber’s epistemology and methodology discussed above, the treatment of Weber’s position about normativity and value judgments is strikingly simplistic. After quoting Weber’s famous warning against combining positive and normative statements, and after agreeing with the importance of this warning, Eucken claimed that “from his positivistic foundations he [Weber, SK] of course did not see how ‘analyzing facts’ leads to the second, great, new task, which otherwise no one would tackle” (Eucken 1952/2004, p. 340). For Eucken, this second task of economics was to formulate value judgments about the “order forms” which would be capable to “order the modern industrial world”. To him, the “positivist prejudice” (together with the prejudices of historicism and punctualism) had been one of the main causes why economics had increasingly lost its capability to be an “ordering potency” for shaping socio-economic reality (Eucken 1952/2004, pp. 340-346). After quoting Weber’s famous warning from *Science as a Vocation* that prophets and demagogues should not be allowed to speak from the lectern, Eucken rather bluntly interpreted this Weberian warning to simply mean that “only understanding reality, but not shaping it, is the domain of science” (Eucken 1952/2004, p. 341).

As in the case of Hayek discussed above, this Weber interpretation by Eucken strongly reminds of the “vulgar-Weberian” stance (Wohlgemuth 2002, p. 336), one which can hardly be reconciled with more sophisticated readings of Weber’s position, and one which especially appears almost unintelligible from

today's perspective, if considering the omnipresence of Weber's writings in the MWG which directly and in detail address the shaping of economic, political, legal and academic reality of Weber's time, in Germany and beyond.

The only reference in the *Foundations* beyond the domains of epistemology / methodology as well as normativity / value judgments is nevertheless an extremely interesting one, but also rather cryptic:

“On the legal order and the economic order see [...], and also M. Weber: *Wirtschaft und Gesellschaft*, 1922, pp. 368 ff., as also Weber's important contribution to the discussion in *Schriften der Deutschen Gesellschaft für Sociologie*, 1. Bd., 1911, pp. 265 ff.” (Eucken 1940/1992, p. 328).

This is all the more intriguing for one particular reason: The interdependence of the economic order to the legal order was *the* core of the Freiburg School's research program, a scholarly community of economists and lawyers from its very inception in the early 1930s. And Eucken was obviously knowledgeable not only of the locus classicus in Weber on this topic, Chapter VI in Part III in *Economy and Society* (as enumerated in the first complete 1922 edition of *Wirtschaft und Gesellschaft*). As a second source he uses not “simply” another Weber paper, but instead Weber's oral remarks during the general discussion, extracted from the records of the German Sociological Association's founding congress. And indeed, these records read almost identical to the Freiburg School's notion of interdependence of orders. The curious point remains to be addressed in section 4 of the paper: Why such a cryptic reference on such a fundamental topic, almost hidden in the more than 30 pages of endnotes to the *Foundations*?

2.3 Wilhelm Röpke

Röpke was less interested in, or at least much less explicit about, methodology than Eucken, and in many ways relied on the Freiburg School's results, thus engaging in this field in an implicit “division of labor” with his Freiburg associates (Kolev 2017, pp. 196-197). Correspondingly, Röpke's references to Weber very much focused on the domain of normativity – a field which is of ultimate importance for Röpke's highly normative system.

Röpke's wartime publications show how he understood Weber regarding "the scientific legitimacy of a value judgment". In his assessment, Röpke came very close to Hayek: He agreed with Weber that scientists should refrain from being ideologues and should refrain from "mixing up Science and topical political ideas" (Röpke 1944/1948, p. 73). And then, as with Eucken above, Röpke blamed interpreters of Weber's ideas for detrimental effects stemming from their (mis-)understanding of Weber:

"Unfortunately the reaction went much further than Max Weber had contemplated until it reached the opposite extreme of describing as 'unscientific' the expression of any particular opinion on values and aims." (Röpke 1944/1948, p. 74).

Röpke augmented this charge with a general critique of "relativists" and "positivists". These warnings end with Röpke's famous indignation about science's inadequacy to address the dire problems of a crashing civilization at the brink of destruction, castigating "the inopportune persistence of so many [economists, SK] in 'fiddling while Rome is burning'" (Röpke 1944/1948, p. 79). Very similar sentiments about "axiological relativism" were expressed in a paper *A Value Judgment on Value Judgments* (Röpke 1942a). It is a paper with a curious fate, rejected by several US journals to Röpke's annoyance, since he saw it a key contribution regarding the relevance of social scientists in the early 1940s, and was finally published in the journal of his old faculty in Istanbul (Christ 2018). This paper is classified as having constituted "a step of emancipation from Weber's influence" (Hennecke 2005, pp. 131-132), given that Röpke had explicitly referred to Weber as an authority in one of his very first student-days publications (Röpke 1921).

In letters to Alexander Rüstow of 1940/1941, Röpke depicted Weber – in much harsher language than in the published pieces – as an enemy whose "logicism without 'wisdom'" had to be overcome, and placed Weber in the proximity of Hans Kelsen's legal positivism, a theory which on many occasions served as a key counterpoint for Röpke and as a prominent example of how positivism was making progress in the social sciences of the time – a development which he castigated as "cynical and nihilist value relativism" (Hennecke 2005, p. 132). However, while this biting critique persisted into the final years of his life, in 1963 the set of scholars criticized of "scientism, intellectualism and moral indifferentism" comprised as broad a variety as Schumpeter, Kelsen, Carnap or Russell, but Max Weber was not anymore included into this list of "evil-doers" (Hennecke 2005, pp. 235-236).

Two other references to Weber can be identified, one to Weber as a sociologist of domination and another as a sociologist of religion, the former related to the concept of the “charismatic leader” and the latter to the *Protestant Ethic*. While Weber’s “charismatic leader” has meanwhile generated a heated debate about its relevance for (or even source of) the Central European totalitarianisms of the 1930s and 1940s (Lepsius 2016c), Röpke used the concept for a specific purpose: To understand the role of Mustafa Kemal Atatürk in the modernization process of Turkey, Röpke’s first exile country 1933-1937, and to distinguish – through the concept of the “charismatic leader” – dictatorships from tyrannies. While the charismatic leader as dictator – Röpke classified Atatürk to best fit into this category – is a transitory figure whose rule can transform with relative ease into a different political order once the “emergency for the state is over”, the tyrant aims above all to construct a long-term political order and strives to become its “Dictator Perpetuus” (Röpke 1942b, pp. 245-247). This modernization process was of great interest to Röpke and, as has been recently argued, probably also had impact on his incipient social philosophy (Masala/Kama 2018). The nuanced reference to Weber in a footnote from *International Economic Disintegration* is noteworthy in this respect:

“The great German sociologist, Max Weber (*Wirtschaft und Gesellschaft, Grundriss der Sozialökonomik*, vol. iii, Tübingen, 1921, pp. 140-148), coined the term and analysed the conception of the ‘charismatic Führer.’ This chapter of Max Weber on ‘charismatic’ government remains a *locus classicus* for an understanding of the modern collectivist state, and is extraordinarily relevant to-day.” (Röpke 1942b, p. 246, fn. 2).

Also in *The Social Crisis of Our Time*, Röpke used the concept of the “charismatic leader”, again to distinguish dictatorships from tyrannies, this time doing so in a broader historical context (Röpke 1942/1950, p. 84, p. 96).

Regarding the *Protest Ethic*, in *International Economic Disintegration* Röpke incorporated an appendix by his friend Alexander Rüstow whose assessment of Weber’s thesis reads as more balanced when compared to Hayek’s outright rejection of the *Protest Ethic* in 1978:

“The rightly famous religio-sociological studies of Max Weber do not prove all they try to prove, but they show at least a close historical connexion between the pietistic-Christian ethics of the

lower middle class and the advancing capitalistic-liberal conception of economics. (Rüstow 1942, p. 273).

In summary, the references to Weber in Röpke (and Rüstow) are less harsh than in Hayek and Eucken, but rather similar in substance – criticizing Weber’s alleged positivism with a varying intensity over one’s lifetime, and using small pieces of Weber’s vast conceptual body of sociology for one’s own argument.

3. Links of Weber’s Economic Sociology to the Political Economies of Hayek, Eucken and Röpke

Weber was among the most active “young rebels” amid the deplorable state of German economics in the 1900s and 1910s, with a sense of crisis and dysfunctionality increasingly spreading among the younger representatives of the discipline (Caldwell 2004, pp. 83-99). What were the necessary directions of change, as seen from Weber? A book review of the first volumes from Weber’s *Grundriß* encyclopedia can serve as a start, as conducted by the abovementioned Robert Liefmann, a Freiburg-based economist and former doctoral student of Weber during his Freiburg tenure (Glaeser 2014, pp. 221-225). While positive in some details, the review was overall lukewarm and presented one principal objection: the blending of economics and sociology. Liefmann wished both economics and sociology a higher degree of specialization – and not integration and breadth, as he interpreted the goal of Weber’s project (Liefmann 1915, pp. 587-588). Since breadth was indeed a main component of the legacy of historicism, Liefmann’s warning – that adding even more breadth could not cure the illnesses of historicist economics – sounds rather convincing.

German-language sociology emerged and evolved on a different trajectory than its French counterpart: from within economics. Methodologically, the Historical Schools – Older *and* Younger – can be seen as precursors of institutionalized sociology: Schmoller and Albert Schäffle prominently even defined economic theory as a subfield of sociology (Swedberg 1998, pp. 179-180). Georg Simmel’s *Philosophy of Money* (Simmel 1900) is often depicted as a decisive next sign and step in the emancipation of the “young rebels”, away from the Historical School and towards a methodologically, substantively and institutionally distinct discipline of sociology. Together with Simmel, the Weber brothers (Max and Alfred) as well as Werner Sombart were at the core of this rebellion, with the “Werturteilsstreit” as one of its culmination points. However, battles over the scope, methods and aims of this new discipline broke out as early as at the German Sociological Association’s 1910 founding congress in Frankfurt (Lepsius 2016b), and

correspondingly the terms “sociology” and “economic sociology” at this early stage were too broad to be used in an operational way. Instead, Weber’s research program of “Social Economics” is much more helpful to point to central commonalities with the political economies of Hayek, Eucken and Röpke.

The specificities of Weber’s “Social Economics” are too complex and multifaceted to be presented in detail in this paper (Kolev 2019). Instead, three building blocks will be sketched, since they also play a fundamental role in the political economies of Hayek, Eucken and Röpke: 1) the concept of the *framework*, 2) the concept of *interdependent orders*, and 3) the *power / domination / coercion / violence* term family.

1) Weber’s “Social Economics” delivered a detailed roadmap for a “division of labor” between the three domains within economics, as he and his generation commonly understood economics: economic theory, economic sociology and economic history (Swedberg 1998, pp. 22-53). The key question was to what extent the individual historical cases that are to be scientifically explained were *differentiable*. The split was between their universal characteristics across time and space, captured by economic theory, and their specific characteristics of time and space, captured by economic history. Economic sociology served as the intermediate layer in Weber’s “Social Economics”, explicitly dedicated to the institutional framework: Economic sociology should deal with identifying the variety of models (ideal types) of the framework and its ideal-typical institutions, within which action and exchange – studied by economic theory – take place. The framework and its institutions represent the embeddedness of the economic order, i.e. its links to the other societal orders like the state, law, science or religion.

2) Out of the vast literature to identify the central quest in Weber’s project (Hennis 1987), this analysis joins Andreas Anter’s interpretation already mentioned in section 2. Anter’s solution of this riddle is focused on the categories of order(s) and power(s): In his reading, Weber’s quest was about what orders and powers were causal for the emergence of the West, and what orders and powers emerged during the evolution of the West (Anter 2004/2007, pp. 89-94). The plural in “orders” is essential: Modernity is the age when these orders increasingly differentiate themselves from each other, develop their own logics, boundaries and links. As Weber scholars have pointed out in the course of the MWG, the title of Weber’s posthumously published opus magnum was imprecise as compared to Weber’s own earlier plans. Instead of *Wirtschaft und Gesellschaft (Economy and Society)*, he intended to entitle his volume within the *Grundriß* project *Die Wirtschaft und die gesellschaftlichen Ordnungen und Mächte (The Economy and the Societal Orders and*

Powers) (Schluchter 2009, pp. 47-92). This title, which eventually “only” served as a headline of one section, is highly illuminating about Weber’s intention for this volume, a treatise which was supposed to consolidate his economic sociology: Here economic sociology was the attempt to analyze the economy as a societal order, and to link its properties and dynamics to the other societal orders like the state, law, science or religion (Weber 1922/1978, pp. 311-319). This envisaged trajectory was very much in line with Liefmann’s warning not to “blend” economics and sociology: Instead, Weber’s early title – as compared to the holistically sounding misnomer *Economy and Society* – clearly communicated the aim to conduct *specialized* studies of these different societal orders (also called “spheres”) by the social sciences, with Weberian interpretative sociology as a unifying method for the various specialists in the fields of economics or law.

3) The Weberian notion of order(s) and their interdependence leads directly to the omnipresence of the term family “power / domination / coercion / violence”. As anthologies about the long history of these terms clearly show, over the centuries the ambiguity in their usage and delineation is ubiquitous (Popitz 1986/1992; Samuels/Buchanan 2007; Anter 2012/2013; Koloma Beck/Schlichte 2014). Weber’s clear-cut “domination” term as formulated in *Economy and Society* can be contrasted to his less differentiated usage of “power”: He famously called power a “sociologically amorphous” category and used it rather unsystematically. Nevertheless, “power” and the related categories “domination / coercion / violence” constitute central elements for the sociological message of Weber’s system: In all their ramified meanings and varieties, they stand for *influences* between individuals and groups in their interactions, and thereby make action to something “social” in the Weberian sense, i.e. when an individual purposefully directs his action towards other individuals or groups. This makes the term family “power / domination / coercion / violence” highly relevant for understanding the interactions *within* various societal orders, but also for the interrelations and transmissions *across* societal orders – similar to the understanding of Bertrand Russell, who classified power to be as fundamental for the social sciences as is energy for physics (Russell 1938/2001, p. 10).

And these central building blocks of Weber’s system correspond directly to the political economies of Hayek, Eucken and Röpke. In his *History of Economic Analysis*, Schumpeter observed retrospectively: “The German equivalent of this [economics as a term, SK], Sozialökonomie or Sozialökonomik, never caught

on” (Schumpeter 1954/2006, p. 510). However, from the Harvard observatory of Schumpeter’s final decades it might have been less visible that something emerged across the Atlantic which to a surprising extent resembled – and at least implicitly followed – Weber’s research program of “Social Economics”: the various research programs of neoliberalism. Ordoliberalism as neoliberalism’s German variety, but also Hayek in the 1930s and 1940s (Kolev 2015) and the “Old Chicago” School around the Weber-fascinated Frank Knight (Köhler/Kolev 2013), all resonate surprisingly well with Weber’s “Social Economics” regarding the key neoliberal concepts of the *framework*, *interdependent orders* and *power*. Correspondingly “Social Economics” may read as a particularly potent inspirational fountain for the formation of the “Order Economics” of neoliberalism. And this reading leaves the historian all the more stupefied by the paradoxical rarity of explicit traces of Weber in the neoliberal writings.

What may be possible ways to resolve this paradox?

4. Hypotheses for the Increasing Disregard of Weber by Hayek, Eucken and Röpke

This section sketches six hypotheses why Weber is so seldom explicitly encountered in the writings of the neoliberals. While they must remain conjectural for the moment, they are based on the analysis above and will be tested against further evidence in the future course of the larger project.

1) Mises’ long shadow: As discussed in the beginning of section 2, Mises showed a great appreciation for Weber’s person and his legacy. However, he did not portray Weber as having contributed something substantive to economic theory, but rather “only” to the epistemology and methodology of the social sciences as well as history. Weber’s economic sociology was largely disregarded by Mises. It is quite possible that this verdict discouraged Hayek, Eucken and Röpke – all were formatively influenced by Mises’ writings of the 1910s and 1920s (Caldwell 2004, pp. 143-149; Hennecke 2005, pp. 40-41) – and prevented them from seeing in Weber someone who had important substantive contributions, especially in economic sociology. Given the non-availability of many of Weber’s writings during the decades when the neoliberals published, the oral history as produced by Weber’s contemporaries such as Mises (or Schumpeter) should not be underestimated in its impact.

2) Emancipation from a dominant, “übertäter”-like authority: The attitude to Weber of the Hayek-Eucken-Röpke generation is to a certain extent comparable to their treatment of Mises. Mises was certainly a formative scholar for the younger generation, but their attitude to him was anything but free from conflicts. The ongoing tensions during their decades of exchange (Kolev 2018) can be summarized as a process of emancipation, as a continuous attempt to free and distance themselves from a dominant “übertäter”-like figure. And it is easily imaginable that the towering figure of Weber – who remained “in the air” well beyond his passing and who had developed a research program so proximate to the questions explored by Hayek, Eucken and Röpke – required a similar process of emancipation. In addition, Mises’ proximity to Weber and the oral history mentioned above could also have contributed to a “double emancipation” from Weber, based on the neoliberals’ contemporaneous emancipation from Mises.

3) Weber’s alleged positivism: As could be shown above for all three neoliberals, a key impediment for the reception of and appreciation for Weber, especially after the 1930s, was their assessment of his “positivist” / “relativist” positioning on the domain of normativity and value judgments. All three showed respect for Weber’s raising the topic amid the omnipresent habit in the Historical School to conflate positive and normative statements (Glaeser 2014, pp. 76-80), but all three misjudged his warning as having been against the general admissibility of any normative statements. Still, Hayek, Eucken and Röpke acknowledged that it was probably more the posterity of Weber and not so much Weber himself who had overstretched his postulate, and they conjectured that he would have addressed these issues differently if he had lived long enough to experience the tragedies of the 1930s and 1940s. However, they systematically failed to see – as seen from the interpretations based on today’s source plenty which was not available to them – how much Weber underscored the value-relatedness (“Wertbezogenheit”) of almost any topic in the social sciences (Kalberg 2001, pp. 121-124), and how much his own activities were by far not confined to analyzing orders, but – in scholarly and journalistic publications as well as in public appearances – certainly also to searching and promoting a “good” order for the bourgeois society of the West.

4) Weber’s (ir-)relevance for a later age: Related to the positivism charge, but adding another nuance, are some consequences of the question: “If Weber had lived two decades later...” Hayek, Eucken and Röpke wrestled with Weber’s relevance for their age of the direly embattled Western civilization, not only regarding the admissibility of value judgments. They seem to have transposed the optimism of the pre-

1914 world and its trust in progress, so characteristic for the Historical School (Glaeser 2014, pp. 33-46), all too easily to Weber, a person who – as we know today – was plagued by multiple tensions and intermittent phases of deep pessimism about the fate of the West. The non-availability of most of Weber’s writings in English also became an impediment to quote him the post-war world, where the new generations of Anglo-Saxon scholars could not be assumed anymore to read German. Finally, Weber’s German nationalism, famous since his widely received inaugural 1895 lecture at the University of Freiburg (Bellamy 1992), may also have contributed to the declining willingness of the neoliberal generation to present him as an authoritative source for their own systems.

5) Independent handling of the Historical School’s legacy: The multitude of Weberian concepts in neoliberal political economy can be explained also in a less “roundabout” way than “via Weber”. Ordoliberalism certainly had important intellectual roots in the Historical School (Peukert 2000; Schefold 2003), and both Weber and Eucken have been called “consummators” (“Vollender”) of the Historical School (Stackelberg 1940; Eisermann 1993). Within ordoliberalism, debates very similar to those in the Weber generation were waged regarding the legacy of the Historical School: The controversy in correspondence between Röpke and Hayek about Röpke’s 1942 review of Eucken’s *Foundations* in *Neue Zürcher Zeitung* about the scope of economic analysis and the admissible breadth of the framework around the economic process (Kolev/Goldschmidt/Hesse 2014, pp. 13-14) reads almost as a continuation to Liefmann’s 1915 critique of Weber’s *Grundriß* and the dangers of blending economics and sociology. Thus the transmission channels of Historical School concepts like interdependence of orders, or the power term family, must not have necessarily taken the roundabout form “Historical School → Weber → ordoliberalism”, but perhaps followed more directly the “Historical School → ordoliberalism” path.

6) Divergence in the text availability due to the MWG: Last but not least, there is the already mentioned very different availability of Weber’s writings today, as compared to the active decades of the neoliberals. Today’s plenty of previously unpublished manuscripts, letters and lecture notes not only shows *quantitatively* more – perhaps even more importantly, the decades-long editorial efforts of the MWG team (Lepsius 2016a) enable *qualitatively* different interpretations. For example, today’s ability to locate the *Protestant Ethic* as an embedded piece in a much larger project of the emergence of the West, as opposed to the isolated reading of it as a text in socio-economic history (Schefold 2017), only became possible based

on other MWG volumes. Again related to the MWG, the availability of Weber's writings in various languages has virtually exploded, adding another important source of variety in the secondary literature and of the interpretations by international scholars as to how his project can be understood.

5. Concluding Remarks

This paper addressed an intriguing mystery within the genealogy of German-language political economy: the curious disregard of Max Weber in the writings of the neoliberal generation. While certainly a towering figuring during his lifetime, after his passing in 1920 Weber successively fell into oblivion, and quite surprisingly so also for the generation at the heart of the paper, once they started publishing in the immediate aftermath of Weber's age.

In a first step, the traces of Weber in the neoliberals were collected, which evolved into an almost painful exercise: First, the collection turned out anything but rich, and second, the interpretations of Weber – be it of his stance on value judgments or the reading of the *Protestant Ethic* – proved anything but deep. Also, the primary focus in the “usage” of the Weberian legacy for the neoliberals was his epistemology and methodology, while references to his sociological contributions remained rather cursory and unsystematic. After pointing in a next step to central commonalities between Weber's economic sociology and the political economies of Hayek, Eucken and Röpke, finally six hypotheses were formulated as conjectural explanations of this negligent treatment of Weber by the neoliberals.

The mystery nevertheless remains, and the hypotheses will certainly be addressed in further research. Given the substance of their research programs, Hayek's London, Eucken's Freiburg and Röpke's Geneva may be adequately depicted as laboratories refining Weber's Heidelberg “Social Economics”. And such a perspective can be very helpful for historiography. Through this lens, for example, the perennial question as to whether Hayek stopped doing economics in 1941 after *The Pure Theory of Capital* (Caldwell 2004, pp. 232-260) can be answered in an innovative fashion: While Hayek may have stopped doing economics as understood at Cambridge during his war-related exile there, he continued doing “Social Economics”. Thus *The Road to Serfdom* must not mean a break from economics, but rather a move within “Social Economics”: away from economic theory and towards economic sociology, away from the economic order and towards its interdependence to the other societal orders of an embattled civilization.

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