

Capitalism & value

Scott Lash, Goldsmiths, University of London (Simmel) and Uta Gerhardt, University of Heidelberg (Weber)

The dialogue might take place in the summer of 1911.

At this point in time, Weber gets involved in the editorial work for *Outline in Social Economics*, on which he has agreed with Paul Siebeck, his publisher, and Simmel is being considered a second time for appointment for Chair in Philosophy at Heidelberg University.

Both are among the founding members of the *German Sociological Society* established 1909, and have taken an active role in the *First German Sociology Conference* in Frankfurt the year before.

The dialogue takes place in Berlin, where Simmel lives and Weber visits his widowed mother from time to time, who lives in Charlottenburg.

Location is the flat of Helene Weber, the *Salon* at Marchstrasse 9.

Max:

Thank you, dear Georg, for finding the time to come to my mother's house this afternoon so that we discuss some views since I am being asked to comment on your work, on request of the Ministry of Cultural Affairs of the Grand Duchy of Baden in Karlsruhe, as you are being considered a candidate for the Professorship of Philosophy at our University. My own work has become rather sociological recently, in connection with my plans for the complete revision of the reedited Handbook for the Scientific Study of Public Administration, which I shall rename Outline of Social Economics. The twenty-two volumes will document and demonstrate how the social sciences – in the plural – are the only way to ensure that understanding the modern economy should not be left to today's economics: What is needed are meticulous studies of the interplay between political,

economic, and cultural forces with special reference to capitalism. One major theme is the state, if only because public administration has deteriorated into the bureaucracy is a monstrous apparatus of obedient civil servants flanked by the machine of political parties. The danger is that the creative charismatic individual loses his arena for responsible decision-making.

I have been working on capitalism ever since my studies on agrarian production in the Roman Empire and trade organization in the late Middle Ages some two decades ago. So let me comment on your philosophical observations from a sociological point of view. I read *Philosophy of Money* some ten years ago at a time when I was in poor health and had been so for about two years, so maybe I missed out on some details in your rich argument. Frankly I consider the knowledge interest that you voice in the Preface of the book an eye-opener: You vow to construct a basement for historical materialism as you venture that the economic world of capitalism has its roots in the *spirit* of the culture that you say reaches deep into the psychological as well as metaphysical preconditions of economic actions and feelings. Though I agree wholeheartedly with your criticism that economics today is unable to adequately analyze the economy, I have doubts about the epistemology in your argument. To be candid, I think that you underestimate the importance of methodology which in my view is the crux in any scientific study of the social order.

Just to recollect your train of thought as you undertake to provide solid ground where historic materialism becomes

obsolete. You start out with a fresh look at the conundrum between use value and exchange value, saying that Marx is wrong in the way in which he understands exchange value as the negation of use value. Then you proceed how money means intellectual progress when mankind bases paper currency on the lofty sentiment of trust, and eventually you arrive at the complicated means-end chains in the modern world that enable evermore sophisticated patterns of social action. This is good stuff, a far cry from docile Hegelianism or simplistic philosophy of history. Although I think you may overestimate what cultural progress the history of man entails, I vastly prefer your perspective over the Marxian notion of capitalism featuring the dialectics between the ruling and the working classes, the latter the presumptive bearer of the negation of the negation, through the revolution that supposedly marks the end of history equivalent with onset of true humanism.

I did object twice to your *Philosophy of Money*, however – first where I concretized “objectivity” in social-science knowledge, and again in an unpublished unfinished piece written some three years ago. It is because my main concern is methodology that I have certain reservations.

I became chief editor of the *Archives of Social Science and Social Policy* and wrote the long editorial that instructs potential contributors how they should ground their arguments in ostensive methodology. It was in this editorial, you remember, that I introduced the ‘ideal type’ as best possible analytical tool to explain the societal world through *Verstehen* that achieves

systematically interpretive explanation. I admit I have in mind a relatively complicated procedure to envisage the structure and dynamics of the social order – under the proviso that no *weltanschauung* creeps into concepts used for research or analysis. I admit that I stated something audacious when my idea was that a mentally constructed ‘utopia’ governs the notion of “*idea*” of capitalist culture’, a heuristic device. In the bracketed sentence that follows immediately after this statement in the editorial, I refer to *Philosophy of Money* if only explicitly – excuse me for citing verbatim what I said: ‘Whether and how such an attempt at capitalist culture could be successful is a question that we shall leave completely aside in this context.’

My work on capitalism may be a sequel to your *Philosophy* chronologically, but I go in another direction. I had read two books that both came out in 1902, namely Heinrich Rickert’s *The Limits of Scientific Concept Formation* and Werner Sombart’s *Modern Capitalism*, when all of a sudden I found the solution that overcomes both Rickert’s neo-Kantian in-dividualism and Sombart’s spirit of capitalism. The fact that the Protestant population of Baden should be better equipped mentally for industrial capitalism today, I take for evidence that testifies to the long shadow cast by the Protestant ethic, whose ‘pure form’ I find in the worldview extolled in two treatises by Franklin. My conviction is that methodologically *Verstehen* through the ‘historical individual’ may achieve genetic explanation of social-historical facts. *Philosophy of Money*, however, is a bit vague in how it handles *Verstehen*.

Let me add one more thing: I occupied a Chair in Economics for eight years until my resignation from my university post in 1903 relieved me from my teaching obligations; I admit that I am not an economist by training and have never stopped having serious doubts about modern economic theory. But in regard of the explanation of capitalism a certain sense of pride besieges me nevertheless – I found an explanation that is systematic and interpretive at the same time: My concept formation does not follow the narrow tracks of *genus proximum, differentia specifica*, but is cultural science instead.

Georg:

Max, you ask about my thinking about capitalism and how it is a divergence from or even implicit critique of Marx. What if *our* dialogue – our Weber-Simmel dialogue - was a bit of modern gloss on Plato's Socratic dialogues? A gloss indeed on Platonic 'dialectics'? Plato's dialogues were also staged. To what extent is our method, this method of dialogue (although staged) also dialectical? What would Karl Marx think of this? But let me ask you about capitalism: To what extent is your work in praise of the spirit of capitalism? And to what extent is it opposed to capitalism? To what extent does it see capitalism along with bureaucracy as the 'iron cage'? I'm thinking of the *Phaedrus*, in which Socrates and Phaedrus engage in dialectic: about love – of the man for the boy, of the soul and of (there critique) of rhetoric. You explain capitalism in your *Protestant Ethic* as well as the China and India books, yet you seem fiercely aligned with capitalism in the *Methodenstreit*. There you side against the historical school with Karl Menger, the father of neoclassical economics. Menger in this context is very much in line with the Newtonian assumptions of Kant's first Critique. And sometimes your morality seems very much to be that of his second critique. Do you not fear the positivist legacy his type of Kantian thinking will bequeath to our beloved sociology?

In the *Phaedrus*, the beautiful Phaedrus starts with praise for the rhetoric of the sophist Lysias. Then Socrates answers to this in his speeches. Here on the one hand he convinces Phaedrus little by little that his soul can approach the divine to the extent that he renounces the love of rhetoric and instead takes on the love of wisdom (philo-sophy). Suppose we are transplanted from the nymph and Muse-rich groves and streams in the Athenian countryside to the salons and cafes of Berlin. Given all this who is Phaedrus and who is Socrates? Surely most would have me as Phaedrus, being discriminated against in German academia surely more for my rhetoric than my Semitism. Yet you have protected me to the best of your abilities. And I am grateful.

Back to capitalism. You and the now only 22-year-old Berliner, Walter Benjamin both read the same texts (De Groot) on China. Yet you dismiss China for its lack of rationality and capitalism. And young Walter praises it for its mimetic faculty, which brings it closer to the language of things, and thus to the divine. In place of your Zweckrational action (faculty) is young Walter's mimetic faculty.

In this sense do we cast you as Socrates? Do we cast you as the modern Socrates, that is Kant? If so we must cast me as Kant's nemesis, Johann Georg Hamann, the London reveller, who got (Kabbalistic Christian) religion, then translated Hume, and was Kant's harshest critic. Did not Hamann thus with his 'rhetoric', his Sprachphilosophie then inspire Goethe, Kierkegaard and Benjamin? Did not then – as you have looked after me – Kant look after Hamann and even find him a post. Am I not Phaedrus and Hamann to your Kant and Socrates? Yet the *Phaedrus* along with *The Symposium* are the only dramatic venues, in which the virtuously moderate and prudent Socrates speaks of divine inspiration? Do you also not have this divine inspiration side? |A divine inspiration based in Eros. The one that escapes the iron cage?

You ask me about my own thoughts on capitalism. *My Money* and your *Protestant Ethic* were published not far apart in time. *My Money* may also be about love. In the *Symposium* Socrates via his female (and sophist) teacher Diotima, talks about desire. Love is based in desire. And can only desire what we don't have. If you have it you no longer desire it. *My Money* is also based on such a theory of desire. How does this tally with your understanding of capitalism?

Max:

Let me take up your idea that love matters, and connect it with *Verstehen* as related to some conspicuously undervalued *double-entendre* in modern capitalism.

If love is all you need, and desire is what it takes to love in one way or another, you may realize that desire can be the craving for goods and love may be that of mere amounts of money. In *Philosophy*, you rightly explain how need is easily being manipulated through advertising that may create desires for goods and services far from vital for the survival of humankind. You are careful not to fall into the trap that Marx gets caught in as he envisages the strangely boring life with its conspicuously simplistic life-style for un-alienated man in the classless society, deemed the ultimate relief from all mundane troubles.

But let us address another side of love – I have been thinking a lot about the relationship between love and other things lately. I have been invited to help a friend of my wife now living on the Monte Verità in her divorce so that she can prove how the love of a mother has the stronger battalions than the money she is being

offered by the family of her husband whose extramarital affairs she no longer tolerates. What this shows, is that love is a strong ingredient of reality even in the world of the 'iron cage.' Love can have many forms, mind you, but eroticism and sexuality are not the least among them. Indeed, I myself have long felt some kind of sexual agnostic, but recently my own attraction to a young pianist has turned into passion and fills me with unexpectedly intense erotic desire.

Be this as it may, I venture a direct link between love and the spirit of capitalism – if a negative one. My thoughts on the ethics of world religions involve three types of theodicy, one of which is the following: Love normally goes together with being the good person who feels personal warmth and friendliness toward others and whose emotions involve compassion and empathy. But the ethic of the 18th century Puritan, to note, has nothing to do with such humane attitudes – on the contrary. The firm belief in predestination, the inner certainty that one belongs to some secret community of God's chosen people, though nobody can ever really be certain that this is the case, becomes a strong motive to resist the urge to love thy neighbour as thyself, nor does it require to treat anybody with generosity or magnanimity. When the man who sees in himself the target of God's infallibility deals with others through adhering to the principles of 'honesty is the best policy' and 'time is money', he needs no kindness to be ethically correct or morally superior as he acts as God wills him to. This side of capitalism, spirit still active in the 'iron cage', should be taken utterly seriously.

At any rate, sociology – including sociology of religion – should be careful to let methodology not go by the wayside. The ‘spirit’ of capitalism is neither cruel nor immoral nor is it humane or ethical in the everyday sense – on this note, *Verstehen* is an eye-opener with a vengeance. The science of reality needs the ‘ideal type’, to avoid naïvely deploring the ‘iron cage’ in the name of rationalism that oversimplifies the real world. My approach makes calculability the heart of capitalism and its ‘pure form’ rational-type economic action, and the whims and weaknesses of everyday actors are no secret to my sociological studies.

Georg:

You in your *Protestant Ethic and ‘Spirit’ of Capitalism* have formulated one side of what the West is all about. No one has formulated it better than you. The West and Western modernity is about killing the Father or better killing the Son. It is the survival of both father and son, it is the filiality in China and India that prevent the rise of capitalist modernity and indeed the post-filial Western city (ancient and modern), as again no one – as chronicled by one of our illustrious successors, a woman just born called Arendt will testify. Though she agrees with me philosophically she never cites me: only you. You and that other ‘Protestant’, Soren Kierkegaard have captured the essence of Western modernity. This is Abraham and the willingness to kill the son and in doing so kill filiality as we transfer our loyalties from father to transcendental and creator God. This is the fear and trembling, the anomie the angst of the Western modern. The other side of this transcendental God is the rational calculation of the capitalist, which would not be possible as you note over 150 pages a filial economy.

You mention value: on the one hand, its centrality to capitalism and to Marx and, on the other to our good friend Rickert. Rickert’s neo-Kantianism is a fascinating one. For me his idea of value is miles away from your value

rational action, which I think is close to Kantian morality. Rickert's value is also miles away from First Critique cognitivist positivism. Both of these are have a prioris as Kant says in a certain Gesetzlichkeit: in a lawfulness or a legislation. You enter this sort of legal discourse with your Eigengesetzlichkeit of the life orders. What I am on about and I think Rickert too is something far different. And Rickert's was closer in this sense of our contemporary Husserl and indeed I will be praised in the very early work of Husserl's student, Heidegger (though he was a bit ruder about 'all the little Simmels'). What Rickert and I are on about is nothing gesetzlich at all.

The same Rickert's and my with our notion of value that is neither use-value nor exchange-value. Exchange-value may be in the mode of your thinking on objectivity. My value is as you imply inscribed in a subjectivity. A subjectivity that may have more in common with aesthetic value and with Kant's third critique which is could point to a third (rational) type of social action. This could be the missing type of social action. It is neither wert nor zweckrational, but instead Zweckmässig as Schelling was well aware of. Rickert is not saying the value is the condition of possibility of fact as Kant said. But in Rickert and in me instead that we start with the empirical facts and then work towards value. Very 'phenomenological'.

I never subscribed to our contemporary Husserl, but Rickert's value is phenomenological, whereas your idea of value-rational and value-free are for me too close to comfort to positivism Rickert like Husserl whose career Rickert helped along and even like Dilthey, whose work Rickert never rated, started from the facts of fleeting empirical phenomena and moved in a sort of 'transcendental reduction' to value. Indeed value gives to fact a sort of 'existential structure'. This is what I was trying to do in my *Money*. In this sense it had little to do with though at the same time – as you say - provided a ground underpinning for Marxian value. I never thought I had and indeed do not have the analytic ability of you or Rickert. But I did realise that value was based in desire, in what one do not have, in a lack, in a void, that is also the void of philosophical anthropology's Instinktarmut. Thus I badly failed in

the *Money*. I think I was like Rickert. But you understood Rickert better than I did. Could you say a bit more about how value connects to your analyses of capitalism, maybe in connection with your methodological writings and action framework.

Max:

Let me try to sort out as best I can in the short time left to us, the three sides of value that I consider relevant for the sociology I practice.

In the first place, value may be a category in economics – I insist that sociology should not adopt it. Instead, I plead that sociology drops the idea of value altogether when it comes to analyzing the economy and economic action: The relevant distinction that I make is between economic action that is peaceful by nature, on the one hand, and economically oriented action that can be found anywhere even in societies ridden by war or driven by exploitation and injustice, the other. Mind you, this approach in sociology that tackles the structures and relations that economics means to catch with its idea of value, makes rational calculation the pivotal action frame of reference that explains capitalism satisfactorily – more may not be needed for sound theory.

A second point is how Rickert comes into the picture. Mind you, Rickert was adamant that the nation, the church, the military – real realities, so to speak, in the German Empire – are powerful values in our time and age and should serve in cultural science to explain the world as experienced. As it happened, I brooded over Rickert's philosophy of knowledge as I travelled in Italy after I had

just finished his *Limits of Scientific Concept Formation*. It dawned on me then that Rickert's epistemological objectivism is unintended relativism – an insight that he must have suspected from me, to which he reacted with unforgiving criticism against ideal-type methodology lifelong. At any rate, I remember that I wrote a little memorandum I sent to Marianne together with a letter from Nervi, stating that in essence Rickert's notion of 'value' boils down to 'worth knowing', so I understand that the historian or sociologist needs a perspective when concentrating on a piece of knowledge more or less worth his knowing.

My last point, admittedly sketchy since matters are much more complicated, is what I deem 'value freedom'. I admit at this point in time that my ideas may sound vague, so I plan to clarify them further in the years to come. There are three things to realize: For one, Rickert needs reinterpretation when he sees 'value relations' govern our knowledge; second, Gustav von Schmoller, our leading economist, is wrong in his notion of productivity that invokes the image of a world as it should be under some well-intentioned welfare-state socialism; and last but by far not least, my old friend Robert Michels may be a social democrat alright but finds undemocratic and revolutionary movements and regimes fascinating – this conveys an 'ethic of conviction' that should never spur sociological concept formation. Mind you, a sociologist should take part in the political life of his day as the citizen he is, but as scientist he must practice abstention from entering his personal values into his social thought.

These three aspects, dear Georg, are my unfinished thoughts about value. Above all, my thing is the science of reality. Whoever disregards the cleavage between 'science of reality' and experienced reality as caught in the epithet 'in reality', should get out of sociology. Neither as unsuspecting illusionists nor self-appointed realists can we ride the wave of the future.