

МАРКС, ЗОМБАРТ, ВЕБЕР И СПОР О ГЕНЕЗИСЕ СОВРЕМЕННОГО КАПИТАЛИЗМА

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Калифорнийская школа отрицает, что истоки современного капитализма коренятся в старой европейской традиции, так как уровень развития главных азиатских и европейских империй и наций в период около 1700-х годов был сопоставим. Теории Маркса, Зомбарта и Вебера отражают противоположную точку зрения, будучи ведущими в данной области. Различия между ними заключаются в трактовке форм докапиталистического и раннекапиталистического развития с целью определения факторов, препятствовавших или способствовавших началу промышленной революции. Игнорировать эти факторы – значит недооценивать важность глубоких культурных различий.

Ключевые слова: современный капитализм; глобализация; Маркс; Зомбарт; Вебер.

MARX, SOMBART, WEBER AND THE DEBATE ABOUT THE GENESIS OF MODERN CAPITALISM

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The California School denies that the origin of modern capitalism was rooted in older European traditions, since the major Asian and European empires and nations were at comparable levels of development around 1700. The theories of Marx, Sombart and Weber are leading examples of the opposite view. They differentiate between different forms of precapitalist and early capitalist development in order to identify the factors which prevented or helped to initiate the industrial revolution. To ignore these factors is to belittle the importance of persistent cultural differences.

Keywords: Modern capitalism; globalisation; Marx; Sombart; Weber.

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1. Introduction: Historical Justice¹

The search for historical justice is probably as old as historical consciousness. It was a concern for the ancients – was Caesar a tyrant or the founder of the Imperial Monarchy which, under Augustean rule, would bring relative peace to the

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Mediterranean world? Is historical justice that of the victorious and the late-comers? If justice is not found so simply, on what should it be based? One might say that the minimum requirement should be to start from a clear description of the events and then to evaluate them, but Nietzsche (*Nietzsche, 1930, P. 153*) would doubt even that as a kind of imperialism, directed backwards. It will hardly be possible to establish historical justice on a mendacious representation of the facts, but there is truth in poetry and Plato liked to clad what he regarded as his deepest insights in the form of myths. History as a web held together by cultural meanings seems not to concern the economic historian or the historian of economic thought who are closer to material history, but, without claiming to be systematical, I present four areas where historical justice is sought, because the facts cry for a valuation and require one to stand up and to judge, taking into account - perhaps I should say balancing - the values of the present and those of the past, one's own and those of others.

1. Rehabilitation and Condemnation: This concerns the victims and the malcreants in the twentieth century, especially of totalitarianism. Involved were also economists, rarely in deeds but as advocates of ideologies - Sombart will here appear as an ambiguous example.

2. Intertemporal Justice: What we owe to future generations is much discussed among economists e.g. in relation to the climate problem. There are the intertemporal transfers which are based more on intertemporal obligations than on utilitarian exchange. What does one owe to the members of the older generation on account of the traditions they hand down, which the younger generation in part needs as a framework, and yet in part repudiates? The obstacles to the development of capitalism will be our example.

3. Property Rights: Economists tend to take them as given, but they cannot exist without historical justification. Marx thought that the primitive accumulation of capital in the transition from the feudalism to the capitalistic mode of production was based on theft, while later historians tried to prove that the investments sprang from savings, but, with the enclosures, property rights were changed, and we have to judge the outcome by weighing the infringement of the commons and the progress made by the advance of a new mode of production. Note that in this case the economist tends to accept the existence of a dilemma by recognising both the injustice and the consequent 'progress', while we are perhaps often too quick in taking sides in other cases.

4. Recognition in the distribution of historical honours: To do justice to scientific discoveries is easy, if the intellectual standards of the past meet those of the moderns. However, the historian of economic thought must - in my opinion - judge past authors also in relation to the values prevalent in their spheres of action, not only in relation to what the modern historian believes to be just. Aristotle pointed out that the principle of distributive justice is universal, but that the criteria by which merits were rewarded were different in monarchies, aristocracies and democracies. The Ancients judged from the vantage points of their human ideals, Marx on the basis of this teleological theory of history, Ranke let each era have its own system of values. How are we to judge the early writers of Antiquity, the Middle Ages and mercantilism, the pre-modern Arabs and Ottomans, the historians and philosophers of Imperial China and Tokugawa Japan and of yet other cultures who had an understanding of economic forces but did not advocate to progress towards capitalism?

This question comes up if one discusses the emergence of modern capitalism, as we shall see. The purpose of the present paper is not to contribute towards a theory of historical justice (*Meyer, 2010*), but to compare and evaluate theories of modern capitalism, having the outcome, globalisation, in mind. My main aim is to present what I believe to be the truth about the authors and their theories, but, at this conference, I also want to make explicit that the analysis does not simply result in a value-free account of the anonymous forces of history, but that it involves many judgements and requires an effort to be historically just.

2. The challenge of the California School

What is modern capitalism? The question was posed most forcefully by Max Weber. He observed that other forms of capitalism - merchant capitalism, in particular - had existed for millennia. The adventure capitalism of the times of conquest in the age of discoveries had largely been driven by a capitalist craving for profit. But these forms of capitalism seemed to Weber profoundly different from that which allowed the industrial revolution to happen. The difference he made between modern capitalism and other forms of capitalism are surprisingly often overlooked; even an eminent economic historian like Fanfani, the later Italian Foreign Minister, Prime Minister and President of the Assembly of the United Nations, disregarded Weber's later writings, supposing that Weber attributed the origin not of modern capitalism, but of capitalism in general to Protestantism. Sombart insisted that capitalism had originated in the Italian city states and developed from there. But Weber had written extensively even about the specificity of capitalism in antiquity - indeed, it has been argued that Weber is most influential today as an interpreter of ancient economic conditions - he has remained a classic of ancient economic history. Despite disagreements about the origin, Sombart and Weber agreed that the relevant modern form of capital arose out of a complex in European history.

It could be argued that Marx created the image of a linear occidental evolution from an ancient mode of production via Feudalism to a capitalist mode of production and that this capitalist mode of production implicated the industrial revolution. A closer inspection reveals that Marx increasingly took other economic developments into account, on the basis of his readings in anthropology, his acceptance of an oriental mode of production (with different strands for India, China, Japan) and with his often repeated observation that merchant capital could be encountered in many cultures. Nevertheless, a somewhat hidden distinction between modern capitalism and earlier forms is, in a special terminology, contained in his theory of development as exposed in volume I of *Das Kapital*; Marx expected that the continent - and Germany in particular - would follow the English model. Marx, Sombart and Max Weber, who represent different political orientations, thus agreed that there was an inner logic which led occidental development from the feudal economy to the actual forms of capitalism, although they differed in details especially regarding the transition from mercantilism to industrialised capitalism, and they regarded this development as unique. There was also a negative proof. Max Weber took great pains to demonstrate for all the major religions that their ethical rules precluded a spontaneous development of modern capitalism. As an example, he would assert in 1919 that China could not become capitalist (Weber meant capitalism in the modern sense) without eliminating such obstacles, but that the Chinese would be excellent capitalists, once the obstacles were removed - perhaps one of the best predictions ever made in the social sciences.

Recently, a new opposition has arisen against this old consensus. The California School, a loose grouping of economic historians, sociologists, sinologists and other disciplines related to comparative economic development, several resident at Californian universities (hence the name), argue that, without particular accidents of history, Europe would not have become more advanced than the leading Asian civilisations of the 18th and 19th centuries. On the one hand, they assert that the standards of life in the East and the West were roughly comparable and that also the social structures, despite different traditions and religions, had common traits. Here and there, agriculture prevailed, under the rule of a conservative elite of nobles and officials, with small traders, small artisans, but also with some important capitalist traders and some capitalist manufacturers in cities in contact with international markets. Gobelins were manufactured in France, porcelain wares in China. They assert on the other hand that the special circumstances leading to the industrial revolution in England were a rather accidental mix: a sufficiently liberal political framework and special advances in the sciences due to Newton and Boyle's research on the vacuum. The latter favoured the invention of the Newcomen engine. The well known scarcity of wood made it necessary to

dig deeper for coal in the mines, hence the necessity to pump water so that it paid for the first time in history to use steam power on a grand scale. Goldstone, the inventor of the name "California School", argues "that there were no causal factors that made Europe's industrialisation inevitable or even likely. Rather, most of Europe would not and could not move towards industrialisation any more than China or India or Japan. Rather, a very accidental combination of events in the late seventeenth century placed England on a peculiar path, leading to industrialisation and constitutional democracy" (*Goldstone, 2000. P. 175*).

What is it that Goldstone denies? According to him, the rise of the West is not a century-long endeavour, rooted in antiquity, that carried the Western countries from medieval beginnings via the renaissance, humanism, the reformation and the age of enlightenment to a unique position in the world, based on waves of innovations, which started with innovations in agricultural technology and which continue today and of which the industrial revolution was only one in a sequence. For similar developments took place elsewhere, in particular in China, which was at a higher level of development precisely in the Middle Ages and which also had developed some capitalistic institutions. In Goldstone's perspective, the decisive step is of a technical nature: the use of fossil fuels to provide energy for motion, first of water, then of people and of goods in ship and railway transportation. The question then is whether this step became possible only because of a sequence of causes, the analysis of which leads back at least to some of the arguments of the earlier view, such as the thesis that Western science and technology was more systematic, based on axiomatic foundations and deductive reasoning, and more advanced because it reached the calculus of the infinitesimals, mechanical physics and optics, and because it was supported by the development of instruments such as clocks and telescopes. But the new generation of economic historians sees not only the economic developments in East and West as not so different: an analogous revision in the history of science points to similarities in Eastern and Western science (Needham 1984) and mentions e.g. examples of Japanese mathematics involving infinitesimals in the 17th century. Technology has been exchanged between East and West for thousands of years (*Shen and Fuwei 1997*).

The California school underlines the peculiarity of the industrial revolution by pointing to the recurrence of near-stagnation at high levels of development where, after long periods of economic growth, the break-through of an industrial revolution seemed not implausible to the modern observer, but it did not happen. The most famous example is China - to explain it, Mark Elvin spoke of the high level equilibrium trap - and other Asian cases have been discussed (see Philipp Wang on involution and "The Great Divergence" by Pomeranz). Another example, less directly related to the debate, is provided by the late Western Roman empire, where, according to the archaeological evidence, more technological advances took place than could be expected on the basis of the literary tradition. Greene, in an article directed against the primitivism of the famous ancient historian Finley, analyses mining, among other sectors, and reports that mining went as deep as 200 m below the waterline, with Archimedean spirals and other pumps.

The analyses of the various cases of stagnation lead Goldstone eventually to the following speculation: If there had not been "this very unlikely chance combination of events, England around 1800 would have looked very much like the Netherlands, or the Yang-tze delta in China or the Kanto plain in Japan - that is, a highly advanced but pre-industrial manufacturing society engaged in large-scale international trade, with a rich urban culture and wealthy merchant class under the political rule of a conservative noble elite". Doubts arise. Were we not used to regard the Netherlands as the second in the sequence of leading capitalist countries which runs from Northern Italy via the Netherlands and England to the United States? Did we not think that the Italians and the Dutch made scientific advances like Galilei's mechanic and astronomical discoveries or Huygens' clocks (remember his ingenious proof that cycloid pendulums are isochronous: they swing with a period independent of the amplitude (*Huygens, 1673*;

Sommerfeld, 1962. P. 82-4) such that further technological progress seemed inevitable, in a society eager to gain further advantages in international trade and colonisation and prepared to undertake vast projects of infrastructure in order to enlarge its agricultural base (windmills and dykes)? If one is invited to speculate about alternative courses of history, with England unable to produce the industrial revolution because of some calamity, could one then not imagine an alternative industrial revolution taking place in the Low Countries, based on waterpower and wind, perhaps even bypassing the age of fossil fuels which we are struggling to leave behind?

Is it possible to estimate the potential dynamics of a culture? This seems to concern the literature more than the material remains. I shall make some remarks about the value of testimonies expressed in the transition period at the end of this paper. What the historian of economic thought first can do in this difficult debate is to help to order the theories. To represent the industrial revolution as the spark which caused the engine of modern capitalism to operate is not a new idea, but, according to Sombart's and Max Weber's theory of capitalist development, a mistake which they ascribed to Marxist materialist determinism, but then even Marx had a theory of which earlier forms of capitalist development were necessary to make room for the possibility for an industrial revolution. I propose to reconstruct the theories of development of Marx, Sombart and Weber in order to obtain a framework in which the thesis of the California School can be reinterpreted.

3. Phases of capitalism: Marx

It is clear that capitalist, not only market relations, had to precede industrialisation and the introduction of the factory system, but it is controversial to what extent the character of these relations changed and what was cause and what effect. The formation of preconditions for industrialisation can be studied by looking at the emergence of specific institutions and the corresponding change in the use of concepts, as reflected in the history of economic thought. In the Appendix, we consider an example which is generally neglected: value in use.

We here turn to the Marxian theory of industrialisation. Much could be added on the basis of his historical writings, but the essence of the argument is contained in the first volume of *Das Kapital*, where he combines theory and history with such perfection that I am tempted to identify him not only as the leading author of the left wing of the German historical school but as its only representative who was able to offer a coherent sequence of models which represent different phases of development and indicate the forces which lead from one stage of development to the next. We cannot deal here with the question why the method failed regarding the future. I hope I may take necessary criticism of his theory of exploitation and of his vision of the future for granted in order to concentrate on more positive aspects. Marx had a general notion of capitalism and one which was more specific. As for the general, he used the word "capitalism" only once (in *Das Kapital* vol. 2): "... der Kapitalismus ist schon in der Grundlage aufgehoben durch die Voraussetzung, daß der Genuß als treibendes Motiv wirkt, nicht die Bereicherung selbst" (*Marx, 1969 [1893]. P. 123*). This is rendered in English as "... capitalism is abolished root and branch by the bore assumption that it is personal consumption and not enrichment that works as the compelling motive" (*Marx, 1974. P. 123*). Capitalism is "abolished - aufgehoben": this means that the assumption that one is dealing with capitalism is negated, if one also assumes that the driving force is enjoyment. Such capitalist profit-seeking is possible in any monetary economy: merchants and usurers exist in Antiquity and in the Middle Ages. Hence Marx saw capitalism as Aristotelian chrematistics. The specific concept was that of a capitalist mode of production. Capitalists are compelled to seek profit and to accumulate capital. In the capitalist mode of production, they do this on the basis of wage labour, which presupposes a specific structure of society: capitalists with the monopoly of the means of production, workers who sell their labour power. Capitalism as a mode of production is also capitalism in general: limitless profit-seeking. Marx thus did not take into account

the possibility that the pursuit of profit might be constrained by the consumers who determine their effort as workers by balancing the utility of goods and disutility of labour and who determine accumulation by balancing the satisfaction derived from present and from future consumption. The Marxian theory does not confront the neoclassical view - which had not yet been worked out fully - directly but proposes to consider the accumulation without other fetters than those resulting from over-accumulation and crises. Prices - long-run prices - are determined in Marx as transformed labour values. Say's law does not hold: demand tends to fall short of supply, because the income of the workers does not suffice to buy, what they have produced, and capitalists do not spend as much as they could. The constraint in accumulation does not result from preferences, but from the contradiction inherent in exploitation.

The Marxian theory of development is equally, and deliberately, one-sided. He starts from simple commodity production. According to Engels, this model captured essential traits of a pre-capitalist artisan economy in which commodities are exchanged according to the amount of labour embodied in them, abstracting from the different standing of different professions. Marx then developed his theory of surplus value and exploitation with its analytical shortcomings and its suggestive power. The production of absolute surplus value was associated with the establishment of the formal conditions for capitalist accumulation, in particular with the organisation of the labour day. There are two stages within the capitalistic mode of production. To the extent that the possibility of extracting surplus value by lengthening the labour day are limited, attention turns to what Marx called the production of relative surplus value. Relative surplus value increases, given the length of the labour day and the cost of constant capital, if the value of labour power can be reduced by raising the productivity of labour. Thus, labour-saving technical progress is assumed to prevail. The bias inherent in this hypothesis is made plausible - but not proved - in a framework in which the conflict between capital and labour is the main focus. Marx said: "It would be possible to write quite a history of the inventions, made since 1830, for the sole purpose of supplying capital with weapons against the revolts of the working class" (*Marx, 1977. P. 411*). The accentuation of the class-conflict is dated from the invention of the self-acting mule. Marx cites Ure to comment on it: "A creation destined to restore order among the industrious classes ... This invention confirms the great doctrine already propounded, that when capital enlists science into her service, the refractory hand of labour will always be taught docility" (*Marx, 1977. P. 411*). The earlier and simpler forms of the production of relative surplus value are cooperation and the division of labour, the more developed is the introduction of machinery. The division of labour leads to a simplification of the tasks to be performed by the individual workman and thereby facilitates the invention of a machine which replaces the action of his hands. Once such machines are installed, they can be powered by machines which provide motion, using horses, water or wind, or steam engines.

The picture provided by Marx thus is broader than that centred around the links between the evolution of coal and steel technologies, and more sectors of the economy are affected. Nevertheless, there must be a characterisation of the difference between the proto-industrial worlds of the putting-out system and manufactures on the one hand and machinery on the other. Marx tries to capture the difference by means of the concepts of the formal and real subsumption of labour. One English translation reads as follows: "The production of absolute surplus-value turns exclusively upon the length of the working day; the production of relative surplus-value revolutionises out and out the technical processes of labour, and the composition of society. It therefore presupposes a specific mode, the capitalist mode of production, a mode which, along with its methods, means, and conditions, arises and develops itself spontaneously on the foundations afforded by the formal subjection of labour to capital. In the course of this development, the formal subjection is replaced by the real subjection of labour to capital" (*Marx, 1977. P. 477-8*).

The English translation replaces the more philosophical terms "subsumption"

with the more political "subjection". In this imagery, the worker becomes, as it were, an organ of capital, and this is described vividly by Marx, when he describes the modern factory, with a steam engine at its centre, which drives many small machines, at which workers operate in a rhythm dictated by the apparatus. The only formal "subsumption" or "subjection" meant, by contrast, that the worker in a proto-industrial manufacture was still an artisan, although directed by a capitalist. As we know, Marx expected that the trend of this evolution would not change: there would be more concentration, more discipline, more self-organisation of the proletariat and, in the end, the expropriation of the capitalists, whose function as directors of the process could be replaced by an administration of the organisation of workers. The tendency to concentration in fact continued, in so far Marx turned out to be right, but new techniques like electrification which allowed decentralisation were invented, new skills developed, and the entire labour force became more, not less differentiated, especially when the service sector grew to prominence.

4. Sombart's search for the entrepreneurs

"Marx discovered capitalism, as far as science is concerned; to have discovered its peculiarity and significance for practice was the great, ingenious achievement of the mercantilists". This is a quote from Sombart's *magnum opus* "Der moderne Kapitalismus" (Sombart, 1921, vol. 2.2. P. 937; vom Brocke, 1987) (Modern Capitalism), which has still not been published in English - Parson's surrogate (1928) review still provides an excellent summary. Sombart saw the beginnings of capitalism in the Italian city states in the late middle ages and he recognised the significant advance made with the industrial revolution, but he credited the cameralists with the break-through to new modes of production; already the mercantilists endeavoured to raise the productivity of the economy, and they therefore fostered entrepreneurship. It was a heritage of Schmoller and his school to emphasise the role of the state as an entrepreneur in the process. The manufactures had to be conceived and to be founded, they had to be regulated and to be equipped with labourers. They had to be kept at a safe distance from the artisans and their guilds and yet they had to use their techniques and to develop them. Colbert was the symbol and main representative of this movement, but many princes followed his example, and a vast literature encouraged and popularised this endeavour - thousands of cameralists' writings slumber in German libraries alone. Bielfeld, whose three volumes were translated into the main European languages, is an eminent example of how advice was given to the princes, he himself had been a minister in Prussia - so as to create manufactures which could be commercially successful and not fail.

Sombart understood that an entrepreneurial spirit was required. He had emphasised the importance of calculating the success of enterprise already in the first edition of his "Der Moderne Kapitalismus" in 1902, and he saw evidence of this in the rise of the art of bookkeeping, in particular double entry bookkeeping, in Italy, from the 13th century onwards. He believed that the principles of solid work and sober administration in business already resulted from Catholic principles and that they had found an expression in Thomas of Aquinas. He had deplored the one-sidedness of modern professional life in youthful writings (Lenger, 1995. P. 75), a concern which was taken up by Max Weber (Weber, 1905) and would also be shared by Max Scheler (2010). This made him wonder how the sensuous and joyful nobleman and the dumb artisan could have been turned into capitalist entrepreneurs (Sombart, 1923; Lenger, 1995. P. 237). Sombart had posed the question, Weber had answered two years after the publication of the first edition of "Der Moderne Kapitalismus" with his thesis of the Protestant Ethic, thus denying that early Italian capitalism was "modern", but Sombart thought that the protestants were important only because they were heretics, and heretics, as outsiders, would in special situations have the motivation and the energy to be active as entrepreneurs. Among the outsiders, Sombart identified the Jews as the most important element for the development of the capitalist spirit. A special book, "Die

Juden und das Wirtschaftsleben" was dedicated to this, and, as always, Sombart (1911) would amass an amazing amount of material and historical testimonials to prove his thesis. The capitalist entrepreneur must be inventor, conqueror, discoverer, but also trader, negotiator and calculator, and he thought that the Jews had been important especially by adding the second of these dimensions. The entrepreneur begins as *condottiero* and he ends as employee, he remarked with an ironical exaggeration in 1909, which would be reflected in Schumpeter's theory of capitalist development in the German edition - the corresponding chapter in the English edition is somewhat emasculated (*Schumpeter, 1969. P. IX*). The Jews, according to Sombart, operated effectively on the relevant middle ground between these extremes (*Lenger, 1995. P. 234; HdSW VIII. P. 476-87*).

Sombart's book about the Jewish contribution created a lasting controversy - a few words about his person here are necessary. It is clear from the book itself and from early declarations by its author that Sombart admired the Jews and the Jewish people and that the basic tendency is philo-Semitic. But Franz Oppenheimer was right that it was anti-Semitic in effect, in that anti-Semitic stereotypes were turned into positive characterisations and thereby reinforced, which was dangerous. The thesis was vastly exaggerated in any case. Sombart's biographer Lenger has surveyed this literature extensively and has demonstrated that Sombart's theses were welcomed especially by the Zionist minority in Germany; they approved of the fact that Sombart recognised the Jews as a people which was not to be assimilated. Sombart, pressed in this matter, declared that he thought that Zionism might be the solution for the Jews in Eastern Europe, but he declared that it would be a great loss to Germany if the German Jews left, for he was sceptical of progress and professed to like cultural diversity (*Lenger, 1995. P. 207-18*). Sombart was elected to a corresponding member of the American Jewish Historical Society in 1911 (*Lenger, 1995. P. 210*). But, much later, in 1934, he would publish his "Deutscher Sozialismus" where he advocated deficit spending for employment and conservative policies to restrict the negative effects of technical progress and what we now call environmental policies, combined with social ideas borrowed from catholic social thought. The book made openings to national socialism, the description of the "Jewish spirit" had become manifestly anti-Semitic, and Sombart proposed to bar the Jews from certain professions. All the same, it was rejected by the Nazi officials and their newspapers. On the other hand, Sombart dissolved the Verein für Socialpolitik, the German economic association, when he was its president in 1936, in order to avoid its take-over by the Nazi state.

In view of these changing alliances, Sombart remains an ambiguous and problematical figure, but he was one of the most knowledgeable historians among the economists ever. His international reputation originally was built on the fact that he was the founder of Marxist revisionism among the academics. Engels had welcomed his interpretation of Marxian writings, but Sombart's attitude was conservative early on in that he would criticise the theories of exploitation, of immiseration and of revolution. He regretted and emphasised the destructive consequences of technical progress, and regarded it as a primary aim of social policy to bring culture to the masses. But the most fundamental aspect of his criticism of Marxism concerned materialism; hence his emphasis of the spirit or the mentality as an indispensable characteristic of an economic system or, as Spiethoff would later consistently and Sombart occasionally call it, an economic "style".

With this, we return to our main theme. Sombart's fundamental distinction - a simplification later criticised by Weber - consisted in the Aristotelian opposition of a "Bedarfsdeckungswirtschaft" (an economy oriented towards the satisfaction of needs) and one oriented towards acquisition ("Erwerbswirtschaft"). The contrast concerned the economic spirit as a drive to accumulation, but the mentality affected also other dimensions of the system or style, such as the attitude with respect to technology. The parallel with Aristotle shows in an amusing example in the first edition of his modern capitalism, where he says that a capitalist factory of boots makes profits, whereas the

domestic agrarian household does not even want to make boots, but wants to protect the feet from the cold - compare this with the Aristotelian conception of the origin of chrematistics (see Appendix). "Modern capitalism" confronted the problem of the relation between theory and history in a novel fashion, which Edgar Salin, in his review of the third volume of Sombart's "Der Moderne Kapitalismus" of 1928 characterised as "anschauliche Theorie" (which might be translated both as "visual" and as "intuitive" theory - it has also been proposed to speak of a "theory of economic Gestalt") (Schefold, 2004). For Sombart had theoretical chapters more on proto-Keynesian than on early neoclassical lines, in which he discussed "rational" theory or elements of pure economic theory in the modern sense, such as the influence of new gold finds in a monetary system, based on the gold-standard, on quantities and prices. Frank Knight (Knight, 1928. P. 120-3) thought it scandalous that Sombart did not simply accept the quantity theory of money and that he tried to make sense of the mercantilist doctrine of the beneficial effects of a trade surplus, the import of gold and its effects on domestic circulation. On the other hand, Sombart's book is "intuitive" or "visual", and the "visual" theory encompassed the "rational". "Visual" was the theory, when he provided his very vivid descriptions of the logic of institutional changes and the transformation of mentalities, partly working with broad characteristics as we saw when we recalled his explanation of the origin of entrepreneurship, partly with the individual example when he invoked a figure such as Leon Battista Alberti to show that the capitalist spirit originated in Italy. But the basis for modern capitalism was laid in mercantilism.

5. Weber's distinction between modern capitalism and its earlier forms

In his own time, Sombart was better known than Max Weber, his contemporary, but Weber's more methodological and systematic writing and his incorruptible truthfulness have rendered him more famous today. He shared with Sombart the thesis that the social scientists should refrain from value judgements, although social science consists to a large extent of the analysis of how values held by people in the present or the past relate to each other. With this, they both reacted to the progressivist program of the members of the historical school who postulated a link between economic growth, the development of new institutions, in particular in education, and moral betterment, and who undertook to develop the norms to facilitate further progress. Value-free science meant that value-judgements about modern capitalism had to be left open and that it was not for the scientist to impose the norms for the future.

We are here interested in Weber's thesis that the Protestant Ethic was one of many causes which lead to the emergence of modern capitalism. This statement denies, as we saw, that capitalism originated with its modern form; Weber insisted that there was capitalism also in antiquity and held that Sombart's Aristotelian distinction between a production for the satisfaction of needs and a growing economy was inadequate. Weber's main effort was perhaps to prove his argument *e contrario* by showing that the ethics of the religions of the world - except Protestantism - tended to contain capitalist forces, with different means and intensities. He did not deny that there was something in Sombart's emphasis on the Jewish contribution, but he thought that the Jews were everywhere too marginal to exert a decisive influence - it was a capitalism of the outcasts -, and it primarily was important prior to modern capitalism. Despite Weber's emphasis on Protestantism, he was far from regarding it as the only cause of modern capitalism, let alone of capitalism in general. He mainly wished to show that the emergence of modern capitalism depended on the spread of goal-oriented rationality and on the structures permitting a planned and sustained effort in industrial production in private enterprises, including the necessary legal framework. The cooperation between inventors and innovators and between scientific research and mechanical crafts were to some extent preconditions and not only results of the transformation.

It would seem that Weber, as a sociologist, worked primarily with typologies and interpretation, not with models as the theoretical building blocks of economics. However, it is known that he held chairs of economics throughout his university life, although he

eventually wished to concentrate on sociology. He held lectures on theoretical economics five times at Freiburg and Heidelberg, and from them there emerges a different picture (Weber, 2009). This early Weber had studied classical, Marxian and Austrian economics, and his lecture course contains also references to Walras, Marshall and other neoclassical authors who had published in parallel with or after Menger, but Weber had probably not studied them deeply, while he was, of course, thoroughly acquainted with the Methodenstreit and with Menger's work. The lectures show that he had accepted the Mengerian theory of utility, demand and consumption, but, unlike Menger, he did not regard the underlying rationality in the sense of philosophical realism as a description of the corresponding economic actions with universal applicability, but he already leaned towards that use of Menger's theory which became prominent in his work later: although the theory of the ideal type was not yet worked out, he in effect regarded this rationality as the ideal type of modern rationality in households and in consumption. Shionoya thinks that this use of the ideal type corresponds to Schumpeter's instrumentalism (Shionoya, 2005). I agree with this, if instrumentality refers to Weber's method of using ideal types as constructs, not as images of reality, for comparisons in different contexts. If Menger's theory provides the ideal type for the consumption of modern man, then, by implication, pre-modern man does not necessarily maximise utility and adapts instead to a traditional rationality; I shall give an own explanation of what this might mean shortly. At any rate, there is little doubt that the young and the mature Weber essentially made the same use of Menger's theory.

But what about the other half of microeconomics, the theory of the pricing of factors and of distribution, and what about Weber's macroeconomics? It turns out that Weber had no clear picture of the neoclassical theory of distribution - he certainly did not present one. Sombart explicitly rejected Böhm-Bawerk's theory of time preference and of interest, and Weber seems to have done the same, only more politely. He lectured about the classical theory of distribution and accumulation, dealing with Smith, Ricardo, Marx and others. He followed Böhm-Bawerk in his critique of the Marxian theory of value, which was quite new at the time, but, when confronted with the alternative of explaining profit by a theory of abstention or by a theory of exploitation, he exclaimed: "theory of exploitation better than theory of abstinence" (Weber, 2009. P. 646; *my transl.*), hinting that the source of capital is in production, while "abstinence" refers only to the subjective aspect. Weber's turn to a sociological typology in his late lectures on economic history (published on the basis of lecture notes posthumously) and in "Economy and Society" seemed to leave no room for an economic theory of distribution and accumulation. But, since the economy in modern capitalism is always in a dynamic movement, the classical view of distribution surfaced in the form of the discussion of the conflict between capital and labour, as it presented itself during the 19th century, and, after the first world war, during and after the German revolution in Weber's last lectures on economic history (Weber, 1991). I hope to show elsewhere that the mature Weber still had recourse to his early image of classical theory in these contexts. Classic views on accumulation and crises seem to underlie his references to economic fluctuations and the accompanying social problems, whenever modern capitalism is addressed as a process of growth. These macroeconomic aspects might have played a more important role for Weber, if they had already lead to the transformation of the form of modern capitalism which came with the great depression and the second world war: the emergence of the welfare state and macroeconomic intervention, both of which can be seen as further steps of "rationalisation".

But the difficulty for the economist, who interprets Weber, lies at the other end. What is a capitalism which is less than modern? Important are Weber's examples of the adventure capitalism, of the period of the discoveries. The entrepreneurs who set out to conquer new countries do not found lasting enterprises which generate a regular stream of income, but they either perish or return with a big fortune and end up merging with the nobility. The capitalism of antiquity was political (Love, 1991). In Rome, the big fortunes were made in the administration of provinces or by entrepreneurs entrusted

with public works or as suppliers of the army. Weber's analysis of the Athenian economy in the classical period is somewhat different, but his account of the administration of the large Roman latifundia in the imperial period is based on the Roman agrarian writers and centres around the difficulty of administering an estate based on slaves. By showing what the obstacles to a rational allocation of slave labour are, Weber demonstrates the unique rational advantages of the allocation of free labour under modern capitalism.

Weber wanted it to be understood that these agricultural estates could not be administered in the sense of modern rationality even if the techniques for such administration had been known. The slave prices fluctuated erratically, because the supply of slaves was irregular (they had to be conquered in wars). Their rhythm of work could not be controlled as with modern free labourers thanks to the wage system. They represented a capital cost, the value of which was difficult to assess; it would have made no sense to try to calculate an overall rate of return. Slaves had to be nourished even if no work was available for them, there were special risks of health and mortality, perhaps they ran away, perhaps they were liberated eventually, but, during their service, they did not change hands often. Weber seems to have thought that there was no normal price for the slave, and he compared this lack of valuation of an element of capital in antiquity with the frequent modern lack of a market valuation of plants (*Weber, 2006*). We can conclude that Weber regarded it as an achievement of modern capitalism that the conditions for a more rational allocation of labour had been laid by the wage system and that the profitability of long-lived equipment was assessed by means of accounting techniques. Slaves as capital would have to be valued in the same manner as machines, but this rational calculation was not available, and even if it had been known in Roman times, it could not have been applied because of the irregularities in the slave trade. This connection is interesting for the historian of economic thought because the history of rationalisation in the sense of the sociologist here is linked with the history of analytical techniques used in economics. Some hints must suffice.

We have one example of an attempt to calculate a rate of return in antiquity and to compare it with a rate of interest, in Columella, but it is so primitive that it confirms rather than disproves Weber's contention (*Scheffold, 2011. P. 151*). Modern theories of depreciation rest on two foundations: the development of calculus and the legitimisation of interest taking. It is significant that an early discussion of the amortisation of debt was provided by the German Chassot de Florencourt (the name is of French origin, but he was employed as an engineer in the mines by the Duke of Brunswick in the 18th century). Chassot de Florencourt analysed the antichresis, an old construction to bypass the usury laws. The antichresis is a swap of the following kind: farmer A lends a plough to farmer B, who uses it, and B lends to A a sum of money, and A invests it. The swap is just if the value of the plough in the hands of B changes in such a way that the profit made by B is equal to the interest obtained by A, when A returns the accumulated money and B the plough; to understand the antichresis therefore means to understand amortisation and depreciation. In fact, Chassot de Florencourt obtained, among others, the formula for the amortisation of a machine of constant efficiency (*de Florencourt, 1711. P. 35-7*). The critique of usury had forced to think about its legitimation, and this led to an analytical advance. The formula for amortisation so derived is the same as the one which results if the machine is treated as a joint product in a theory of long run normal prices, assuming that there are markets for the old machines. The equivalence shows that book-keeping provides a substitute for missing markets of old machines, but to obtain a theoretically correct solution becomes notoriously more difficult, as complications of generalised joint production are introduced, and the practice of accounting developed slowly in the 19th century. Rationalisation in this domain was an ongoing process, when Weber wrote. The emphasis was not on the objective success of rationality, but on rationality as a program: "Die zunehmende ... Rationalisierung bedeutet also nicht eine zunehmende allgemeine Kenntnis der Lebensbedingungen,

unter denen man steht. Sondern sie bedeutet etwas anderes: das Wissen davon oder den Glauben daran, daß man, wenn man nur wollte, es jederzeit erfahren könnte, daß es also prinzipiell keine geheimnisvollen unsichtbaren Mächte gebe, die da hineinspielen, daß man vielmehr alle Dinge - im Prinzip - durch Berechnen beherrschen könne. Das aber bedeutet: Die Entzauberung der Welt" (*Weber, 1988. P. 594*).

Economists tend to take the possibility of a rational world as granted, but I should like to indicate a few examples which may help to show rationality as something evolving, as in Weber's theory.

There is the old example of the Roman merchant who wants to cross the Mediterranean with his ship and who sacrifices a ram to the gods in order to improve his chances for a safe arrival. Max Weber would have explained this in terms of a traditional rationality. Von Mises (1933) would have said that it was an expression of goal-oriented rationality; the merchant only was wrong regarding the choice of his mean. I think that one can work with both definitions. Weber's definition is more useful to understand the historical context, while that of von Mises helps to extend the domain of economic explanation.

We can distinguish between substantive (Weber) and formal rationality (von Mises) in this case and also in the following which is more famous: economists have complained about a traditional attitude of workers ever since the mercantilist period: workers, especially with an agrarian background, often offer less labour at higher wage rates, because they only wish to attain a traditional standard of life, and if wages rise, they tend to work less because the needs of the family can be fulfilled with less effort. If all workers are of this type, a backward-bending supply curve results. Formally, it follows from utility maximisation, if the indifference curves are of the appropriate kind, as Launhardt (1994) showed in the same period, in which Weber was interested in this phenomenon from the sociological point of view. So it would here seem that the different kinds of substantive rationality could all be represented within the unifying framework of formal rationality, and that this would make it possible to regard the formal neoclassical analysis as universal, contrary to Weber's use of the Austrian variant.

But consider the following model of a Greek citizen in classical Athens. He fulfils three roles, as father, warrior and philosopher or statesman, and he pursues three different activities: household management, defence of the city and statecraft. For the father, the household comes first, defence next and the state third, because its government can be left to others. As a warrior, he is most concerned about defence, second about the state and he is prepared to neglect the family. The philosopher ranks justice in the state highest, next that in the household, and defence comes last, even if he is not quite like Socrates prepared rather to suffer evil than to do it. These are cyclical preferences, which cannot be aggregated to consistent preferences for the fulfilment of all roles simultaneously, by the same argument by which we prove that it is in general not possible to aggregate the preferences of individuals so as to obtain a general welfare function. Hence there is no utility function for our citizen. The result can be related to many other observations on the ancient economy. The Greek myth (Heracles) and Greek philosophy had their ways to deal with the fateful choices which had to be made. The existence of conflicting values was a tragic experience - there was strife even among the Gods. Later, religious authority could define a hierarchy of the goals to be attained in life.

Capitalism began in earnest with the juridical separation of the firm and the household: the entrepreneur is supposed to maximise profits, the head of the household utility. The soldier has to be brave. The inner conflict of our Athenian citizen without a dominating norm thus disappears, when the roles to be played are separate. This solution was envisaged by Plato in his *Politeia*: One was for all one's life either a warrior or the head of a household (*Schefold, 2011. P. 131-63*). Another Platonic solution consists in an anticipation of the Kantian principle: Each person must adopt a system of consistent norms for himself of herself, much as the citizens of a Polis must adopt a constitution, in order that the Polis be a State and not only a disordered mass of people.

But the multiplicity of values reappeared in other Platonic dialogues, in particular in the *Symposium*. The lesson is that the separation of roles had to be achieved in a historical process, in which the separation of firm and household represented the main step. Modern capitalism imposes the choice of a profession. Professions impose hierarchies of values which one has to follow; Weber spoke of the values of the Protestant Ethic, which the Protestants had accepted by free choice, but which we now imposed on us by the necessities of modern economic life - he even famously spoke of an iron cage (Weber, 1986. P. I, 203) in which we are enclosed, bereft of the passions, the heroism, the loyalties, the charm and the miseries of former times. The imposed solution is never complete. There may be a conflict between the values of a person and those imposed by the role. And what, if there are several roles to be performed?

6. Cultural bonds and the emergence of capitalism

Marx, Sombart and Weber certainly had in common that they saw the emergence of modern capitalism in a long line of occidental evolution. Marx emphasised the one-directional, inescapable logic, Weber the multiplicity of causes and historical accidents, but for all three the present referred back to a distant past. The California School challenges this long view not by denying the old origins of cultural development, but by doubting its importance for the departure made in the industrial revolution from conditions which, it seems to them, were not so different from those in the East. Their interpretation - Pomeranz's (2001) more than Goldstone's - is closest to Marx, in that real subsumption directly follows from mechanisation. I am not convinced by their argument, but I cannot disprove it. There is evidence that the standards of life were different to some extent; the Cambridge Economic History of Modern Europe provides figures in a contribution written by sympathisers of the California thesis: it turns out, according to one of the estimates, that real wages were twice to four times higher in London and Amsterdam than in Leipzig, Beijing and Shanghai in the second half of the 18th century (Gupta and Ma, 2010. P. 272-3). Is this perhaps an indication that the advanced capitalist countries (the Netherlands, England) had gained a decisive advantage over the more backward ones (Germany, China), prior to the industrial revolution?

There were the observations of contemporaries. Kaspar Klock, a cameralist, famous and much read for his analyses of finance and taxation, active in the time of the Thirty-Years war in Germany, also wrote a comparison of the major countries of Europe and of the world outside, in terms of what would later be called the economic style, for he explained that he was interested in the relation between *ratio rei publicae*, the *raison d'état* or the reason of state, *populi natura*, the demographic conditions and the character of the people, *regnum jura*, the legal system, *populi conditio*, which meant the social conditions and also their natural endowments, *reditus regnum*, the finances of the state (Schefold, 2009, V*-CXIII*). He saw China as largely self-sufficient and closed, with a circuit of goods and money flowing between the emperor, his court and his employees on the one hand, the populace on the other. Enormous riches were concentrated at the centre, while the average Chinese was regarded as relatively poor, and Klock admired, as Quesnay also would do, more than a century later, in his famous book about China, how effective the legal system was, how it promoted peace and prosperity, and he said: "Non aliud regnum, nec Dominium antiquum, nec novum illo magis politicum est" (Klock, 2009. P. 144), - no country ever was more "political" than China, by which he meant that the state penetrated everywhere and was more cohesive than anywhere else. But, because of law and tradition, he would not regard China as an autocratic or tyrannical as the realm of the Grandduke of Moscow, for the Chinese system was based on law and tradition, that of the Grandduke on power and violence. He discussed Chinese inventions and German ones, but he was quite clear that the most advanced nation, regarding institutions (the share holding companies) and technical achievements (mills and the like), were the Dutch. Klock would lend support to Sombart's view.

My own attempts to venture beyond the confines of the occidental history of economic thought, my reading of Chinese, Japanese, Arab and Ottoman texts - always in translations, unfortunately, but helped by explanations of specialists and by PhD students - resulted in admiration for the writings on economic matters which exhibited strong cultural characteristics. The methods differed from those employed in the West - more holistic thinking, for instance. The arguments were less analytic and deductive, but of rich intuitive content and aimed less at the representation of systems and more at the formulation of sentences summarising political wisdom and principles of sound governments. The conclusions from the reading of the body of texts in the history of economic thought seem to me similar to those which result from Weber's analysis of the economic ethics of the religions of the world. I give brief summaries of my main examples.

The differences of what the late descendents of the German historical school called the economic spirit are intuitively as obvious as they are difficult to grasp conceptually. Ibn Khaldun's thought (*Schefold, 2000. P. 5-20*) centred around the opposition between the simple life, the solidarity and the frugality of the brave nomads of the desert and the industriousness of the artisans and farmers in principalities, ruled by dynasties which started as good monarchs and ended in corruption. The nomads with their tribal loyalty would conquer a principality in decline and lead it back to prosperity, until their own morality would be undermined by their new riches. The ensuing corruption of the state would invite a new conquest. Economic life fluctuates according to this view in a cycle linking politics and economics; the economic level is on average stationary in the long run, but, as Ibn Khaldun points out, knowledge accumulates perennially.

The Debate on Salt and Iron in China (*Schefold, 2002. P. 5-44*) of the year 81 BC opposed the proud minister of the emperor and a group of Confucian scholars from all over the country. The minister wanted the redistribution of grain not only to provide for bad years in good ones, but also to redistribute regionally. He wanted to continue to build the Great Wall and to move population to defend it against the Huns who came to plunder from the north. He needed money which was to be extracted by means of a salt and iron monopoly. This amounted to a centrally planned allocation in major sectors of the economy. The Confucian scholars thought that a virtuous life, with the gentry as patriarchal rulers of villages in a decentralised economy, would make aggression from the Huns unattractive, they thought that state production was ineffective and that the expenditure of the state could be reduced. The dialogue shows how, in a distant century, a strong state could deliberately use and contain merchant capital; the minister argued for nationwide state enterprise, the Confucians defended smaller units in the markets for commodities and money, but neither side was for the full autonomy of the market.

Miura Baien, the Japanese Adam Smith, and roughly his contemporary, was, like his ancestors, a physician in a village on the southern island of Japan - I have visited it; he is still venerated there (*Schefold, 2001. P. 5-33*). He was a philosopher, but his local *daimyo* asked him for advice in monetary matters, and Baien wrote a pamphlet which contains the main elementary principles of monetary theory, but embedded in a reflection on the transformation of the traditional economy, in which natural wealth is appreciated, towards an urban economy with a growing proletariat, with the farmers abandoning the fields and their landlords, with social ties dissolving, all because of the growth of the money economy. Baien was aware that the transition to what we would call the proto-industrialisation of Japan in the Edo period could not be reversed, though the country was almost totally closed off from the outside world, but he thought of measures to lessen the pains of the transformation and to maintain the old order in the countryside. How difficult modernisation was, even in Japan, was explained by one of the most eminent witnesses: Fukuzawa Yukichi, the founder of Keio University in 1858, in his autobiography. He wrote that if one compared the Confucianism of the Orient with the civilisation of the Occident, one realised that two points were missing in the Orient: physics in the material sphere and the idea of independence in the spiritual

sphere ... hence that there would be little hope for Japan to become an equal of the western powers by means of a mere opening of the country" (*Fukuzawa, 1971. P. 248*). Fukuzawa here speaks of the problems he saw when he opened his university in the years immediately preceding the Meiji period.

Progressive forces thus are noted in each of these texts but culture counteracts them, as Weber had described in his comparative analysis of the economic ethics implied by the religions of the world. In the end, it was colonialism, more or less violent, and invariably cruel, which dissolved the traditional bonds and allowed new national movements to initiate modernisation according to Western patterns. No advance without cultural change was Fukuzawa's belief. This does not mean that Japan, not colonised by the imperial powers of the 19th century, transformed her culture voluntarily: there was strife and civil war. The seemingly effortless transition of by now many Asian states from an 18th century prosperity comparable to Europe towards industrialisation and the present-day service economy did not begin spontaneously, but was triggered by the shock of colonisation, directly or indirectly as in the case of Korea, which was colonised by Japan.

If we want to be historically just, we must not reduce the cultural traits, which shaped the economic life prior to the enforced transition, to mere obstacles to technical progress, but study them as a cultural heritage². The work of the economic historians and in particular of the adherents of the California School can be interpreted in this light. They treat the Asian and European cultures as equals, which is an advance over old colonialist attitudes, but their focus is primarily on technical advance (the industrial revolution, centred around coal and steel), hence the danger arises of making a fetish of Western technical progress and of justifying the uniformity which uncontrolled globalisation entails. They are reminiscent of Condorcet's missionaries of the enlightenment: The western way of life could have arisen anywhere: it will spread everywhere. "La population européenne ... ne doit-elle pas civiliser ou faire disparaître, même sans conquête, les nations sauvages?" (*Condorcet, 1988. P. 268*). Would it not be even more generous to appreciate the individuality of each culture, even if that requires some understanding for the traditional resistance to modernity? The same Condorcet also was, like Herder, for diversity (*Rothschild, 1996. P. 695-6*). Room would then be made also for the appreciation of those cultures which were, economically, not on the same level as Asia, but had, in Africa, Australia and old America, produced an incredibly manifold life. It was destroyed as much by the anonymous forces of progress as by the direct oppression of colonialism. While we benefit from Modernity, not only materially, we also have to recognise its tragic aspects. This is a task which the history of economic thought, if it is not parochially confined to modern Europe, must confront, as a matter of historical justice.

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² Little has been done to do this so far in the history of economic thought, but some new initiatives have been taken by the European Society for the History of Economic Thought; I am referring to its meetings with Japanese historians of economic thought, Chinese ones and a forthcoming meeting in Mexico.

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