

国立社会
保障・
人口問題
研究所

Working Paper Series (E)

No.7

Schumpeter on the Relationship between Economics and Sociology
from the Perspective of Doctrinal History

Youichi Shionoya

May 1998

国立社会保障・人口問題研究所



1 2 1 4 0 3

National Institute of Population
and
Social Security Research

1-2-3 Kasumigaseki, Chiyoda-ku,
Tokyo, Japan

350.41

WSE

007

No.7

Schumpeter on the Relationship between Economics and Sociology
from the Perspective of Doctrinal History

Youichi Shionoya

May 1998

Schumpeter on the Relationship between Economics and Sociology from the Perspective of Doctrinal History

Yuichi Shionoya

1. Introduction

The leitmotif throughout Schumpeter's academic life was, in his own words, the research program of a "comprehensive sociology."¹ In his early work on the history of thought he predicted the future direction of the social sciences to be their "Sozioloizierung":

The substance of the new epoch is revealed by the tendency to understand as many things around us as possible—i.e., law, religion, morality, art, politics, economy, even logic and psychology—from sociology. The analysis of cultural phenomena is the lighthouse that the total fleet of different ships on different courses is headed for. And an epoch similar to the eighteenth century is approaching.²

The eighteenth century was dominated by moral science or moral philosophy as the science of man. *Sozioloizierung* for a reunification of the social sciences is the basic framework within which to understand Schumpeter's work. In fact, he did not develop a comprehensive sociology, but two sociologies—economic sociology and the sociology of science—that may be regarded as his strategic version of a comprehensive sociology. In this sense I have called the total body of Schumpeter's work a "two-structure approach to mind and society"³ after his discerning characterization of Giambattista Vico's work as "an evolutionary science of mind and society."⁴

In the *History of Economic Analysis* Schumpeter enumerated four basic methods of economics: theory, statistics, history, and economic sociology.⁵ Economic sociology, in

contrast to the other three methods, goes beyond mere economic theory in the sense that it deals with institutions that are exogenously given in economic theory. Institutions are dealt with not only by descriptive history but also by economic sociology; the latter is defined as “a sort of generalized or typified or stylized economic history.”⁶ In other words, economic sociology is the generalization, typification, and stylization of economic history by means of institutional analysis. This is what he often meant by “reasoned history”⁷ or “*histoire raisonnée*.”⁸

At the outset several points with regard to Schumpeter’s background in economic sociology should be noted. First, in his studies on the history of economics Schumpeter considered not only the development of economic statics and dynamics but also that of economic sociology. The analytic elements he wanted to uncover in history were always those of economics and sociology. As the titles of his many articles show, he used both economics and sociology to analyze the overall nature of the problems in question.⁹ Second, Schumpeter’s conception of economic sociology intended to integrate history and theory, the antitheses at the *Methodenstreit* between Gustav von Schmoller and Carl Menger. The method of integration was to construct “reasoned history” by means of the concept of institutions. Third, in Schumpeter’s view, the source of economic sociology was the German Historical School. He appraised particularly the research program of Schmoller as a prototype of economic sociology and characterized its goal as “a unified sociology or social science as the mentally (“theoretically”) worked out universal history.”¹⁰ Schmoller’s program of economic sociology, for Schumpeter, would eventually lead to a comprehensive or unified sociology. It follows that the key to understanding Schumpeter’s basic view of *Soziologisierung* is found in Schmoller’s research program.

Schumpeter, however, did not accept Schmoller’s research program, both in its formal and substantive aspects, as it actually stood. In the formal aspect of the program Schumpeter characterized economic sociology as “a specific discipline that, owing to the nature of its subject matter, is not only a detailed and fact-finding discipline but also a theoretical inquiry.”¹¹ He emphasized the need to construct a theory rather than to be

content with the mere collection, classification, summarization, and ad hoc explanation of historical data.

Schumpeter was also critical of the substantive aspect of the program. Among several distinct viewpoints of the German Historical School, Schumpeter took seriously two substantive elements: a belief in the unity of social life and a concern for development, a combination of which would explain the evolution of an economy involving interactions with noneconomic spheres.^{1 2} Instead, he rejected the school's claim that the relativity and individuality of historical experience would preclude general and universal theorizing of society. For him, the greatest significance of the method advocated by the German Historical School was the recognition that historical materials reflect the development phenomenon and indicate the relationship between economic and noneconomic areas, thus suggesting how the disciplines of the social sciences should interact in a historical context, with the economic area remaining the focus of investigation.

This recognition constituted his idea of economic sociology as well as a comprehensive sociology, because whereas economic sociology deals with the interaction between economic and noneconomic areas, a comprehensive sociology is supposed to be a synthesis of interactions between every single area and all others. Therefore, when Schumpeter examined the few existing overarching systems of thought that had covered various aspects of society, he was interested in the relationship between economics and sociology within these systems.

Although Schumpeter did not explicitly develop a methodological inquiry into the relationship between economics and sociology, he did not hesitate to evaluate grand theories that involved economic sociology, unitary social science, universal social science, and the like, going beyond the boundary of economics. In what follows, I consider his writings on the grand theories in the history of thought in order to reconstruct his views on the method of an interdisciplinary social science. Because my analysis of Schmoller's research program as the prototype of Schumpeter's economic sociology is developed elsewhere,^{1 3} I deal here with Schumpeter's views on the work of four major sociologists—

Auguste Comte, Karl Marx, Vilfredo Pareto, and Max Weber—with regard to their methodologies of the relationship between economics and sociology. Schumpeter discussed them not only in his 1914 and 1954 studies on the history of economics but also in separate articles on each of them (except Comte).

2. Schumpeter's Conception of Economic Sociology

In delineating Schumpeter's conception of economic sociology, we should examine more deeply the methodological significance of two elements he made much of among the viewpoints of the German Historical School. The perspective of the unity of social phenomena provides, as it were, a *horizontal* axis from which to observe a society that consists of various areas of social life. This perspective does not necessarily provide a dynamic view of society but a static view of interrelated social areas. To provide an accurate understanding of Schumpeter's conception of economic sociology, the horizontal axis must be combined with a *vertical* axis, which represents the viewpoint of the evolution of society. For Schumpeter, it is the observation of the historical process that integrates these two perspectives and makes economic sociology a genuinely evolutionary science. "Reasoned history" should formulate the mechanism for the evolution of society as a whole through the interactions between various areas of society. In this sense Schumpeter's evolutionism differs from the direction of current evolutionary economics, which concentrates on the economic area.

Indeed, Schumpeter's *Theory of Economic Development* provided an analysis of evolution based on entrepreneurial innovation, but it was limited to the economic area and did not address interactions with other aspects of society. As a next step of inquiry, Schumpeter argued in chapter 7 of the first German edition of the book (although this chapter was omitted after the second edition) that his dynamic economics must be expanded to economic sociology as an evolutionary science by constructing a larger theoretical structure covering the noneconomic areas and by articulating a mechanism for

interaction between the economic and noneconomic areas.¹⁴ *Capitalism, Socialism and Democracy*, his most comprehensive work on economic sociology, synthesized his earlier research on social class, imperialism, and the tax state.

Schumpeter was interested in grand theories; among others, he felt an affinity with those of Gustav Schmoller and Karl Marx, although he did not abstain from criticizing them. He praised Marx for integrating history and theory along the line of the German Historical School: "He [Marx] was the first economist of top rank to see and to teach systematically how economic theory may be turned into historical analysis and how the historical narrative may be turned into *histoire raisonnée*."¹⁵ Schumpeter added an intriguing footnote to this sentence, arguing that it was not incorrect to say that Marx set the goals of the Historical School.

In terms of the integration of history and theory, Schumpeter metaphorically contrasted the "chemical" with the "mechanical" approach.¹⁶ According to him, Marx mixed history with theory *chemically* in the sense that he introduced historical materials into the very argument that produces a theory, whereas most economists who deal with history use historical data *mechanically* to illustrate or verify a theory.

Schumpeter, however, was particularly critical of the "monolithic" view, which explained social phenomena by a single factor, if it was based, as it were, on the chemical combination of history and theory. Thus he rejected a "single hypothesis of the Comte-Buckle-Marx kind," which attempted to attribute the whole process of historical evolution to only one or two factors.¹⁷ As indicated below, this label is so broad that it includes both Hegelian intellectualist evolutionism and Marxian historical materialism. In contrast, Schumpeter was more receptive to Schmoller's "pluralistic" approach and labeled his *magnum opus*, *Grundriß der allgemeinen Volkswirtschaftslehre* a "comprehensive mosaic."¹⁸ Therefore, in terms of the integration or mixing of the various aspects of society, Schumpeter metaphorically contrasted the Marxian single huge block of stone with the Schmollerian mosaic pattern achieved by cementing together small pieces of stone, glass, etc., of various colors.

In sum, with regard to the attempts to integrate theory and history Schumpeter paid attention to the methodological aspects of economic sociology: horizontal versus vertical, mechanical versus chemical, and monolithic versus pluralistic. Identification of a grand theory in terms of these aspects will characterize the relationship between economics and sociology.

3. Between Positivism and Idealism

Before delving into the systems of the major sociologists, it is useful to take a look at Schumpeter's intuitive perspective on the German Historical School. In his early speculation of the history of social thought, Schumpeter made an interesting observation about the location of the German Historical School.¹⁹ Whereas in the seventeenth and eighteenth centuries the Enlightenment in Britain and France brought about the rise of social sciences based on rationalism, positivism, and universalism, historicism was formed in Germany under the influence of idealism as a critique of the Enlightenment. Schumpeter regarded Thomas Carlyle, Auguste Comte, and the German Historical School as a reaction to positivism and the Enlightenment in the social sciences that had occurred in the eighteenth century, and he located the Historical School at the midpoint between Carlyle and Comte. It is worthwhile to reflect on what this configuration means. Schumpeter wrote:

On the one hand, this school, like the Romanticists, reproached barrenness and banality of theoretical analysis, praised the national spirit and the unity of personality, and demanded the revival of philosophical observations. On the other hand, however, this school proclaimed "exact factual research" as its principle, as opposed to "nebulous speculation." Both directions cannot coexist... Yet, when did a scientific program ever have logical unity?... This school floated at the same time both in the stream of reaction of philosophical volition against analysis and in the stream of reaction of positivism against philosophy.²⁰

Carlyle, who was influenced by German idealism and Romanticism, opposed the Enlightenment and utilitarianism. It may sound strange to regard Comte as a reactionary against positivism and the Enlightenment, because he was the originator of the words “positivism” and “sociology.” But he represented the current of social thought that pursued synthesis in opposition to analysis. In fact, his intellectual activity started with a farewell to the eighteenth century.

Locating the German Historical School between Carlyle and Comte illustrates its dualism. On the one hand, the Historical School, like the Romanticists, criticized the methods of isolation and abstraction in theoretical analysis as unrealistic and sterile. On the other hand, like positivists, it attacked the ambiguous and empty philosophical speculations of idealists. The Historical School could maintain this dualism because it was endowed with both the capability to grasp unified social phenomena and the inveterate propensity for empirical observation. Its historical approach had given the school this unique endowment.

These three perspectives equally regarded history as crucially important, but differences exist between them with regard to the formulation of history and characterize their distinctions. Hero worship of Carlyle constructed history as biographies of individuals. Schumpeter referred to the remark of his teacher, Friedrich von Wieser, that “sociology is history without names.”²¹ This is quite telling in polarizing Carlyle and Comte. Between them, historicism placed emphasis on collecting historical materials that would serve the source of inductive generalization. Thus we see here a spectrum with the degree of theoretical abstraction of history rising from Romanticism (Carlyle) to historicism (German Historical School) to sociology (Comte).

It is important to recognize that all three, in their own views, are located outside the boundary of natural scientific positivism, which believes in universal laws. When Schumpeter argued that the Schmoller school was not Comtist at all, he incidentally mentioned that “as regards the economists who faced each other in the Battle of Methods, Menger, the theorist, was much more Comtist than was Schmoller, the historian.”²² The Classical School of economics was an outgrowth of moral science to which Newtonian

natural philosophy had been applied and had nothing to do with the Carlyle-German Historical School-Comte spectrum. As Schumpeter's attempt to cultivate useful contacts within the Historical School signified, as it were, a big leap from the positivist camp to the idealist one, he might be compared to Dr. Faust selling his soul to the devil in exchange for knowledge and power. The task of integrating theory and history implied the uneasy question of how to link the idealistic spectrum with the positivistic one. The strategy of linkage seemed to debunk Comte's pseudo-positivism which opposed the historical approach, to skip the position of Comte on the idealistic spectrum, and to devise a kind of historical approach that was compatible with the theoretical approach on the positivistic spectrum. Economic sociology was expected to meet the requirements Schumpeter imposed on the research program of the German Historical School. If Wieser called sociology "history without names," then Schumpeter called it "reasoned history." We begin our examination of Schumpeter's discourse on the relationship between economics and sociology with Comte, with whom sociology had started and who put more stumbling blocks in the way of theoretical development than the Historical School.

3. Comte

Auguste Comte was an adventurer who launched into the organic unification of human knowledge in an era when the specialization of knowledge was inevitable.

Schumpeter, who must have sympathized with such a project, treated him bitterly.^{2 3}

Human societies, Comte argued, are fated to go through the theological, the metaphysical, and the positive stages of existence, and positive science develops in the order of complexity: mathematics, astronomy, physics, chemistry, biology, and, finally, sociology. Sociology, which would appear at the last stage of such evolution, was at first called social physics; it meant a science based on historical observation and was regarded as a universal human science at the positive stage. The hierarchy of science was based on the difficulty of observation, and the positive method had not yet been applied to complex

social phenomena.

Then, what is the method of social physics? Comte thought that methods differ according to objects; that mathematics or a natural scientific method can be applied to the phenomena for which analytic isolation is possible; that since society is an organism that consists of interactions between parts, social physics or sociology requires a historical method to grasp society as a whole. There is no independent place for economics in Comte's scientific system, because, he argued, economics depends on the isolation and abstraction of an economy from society as a whole and indulges in useless metaphysical speculation.

British economists at the time reacted strongly to Comte's view. Their criticisms are recorded in the methodological writings of John Stuart Mill, John Cairnes, Alfred Marshall, and John Neville Keynes.²⁴ Schumpeter in a similar vein argued that Comte's hierarchy of science was nothing more than a metaphysical enterprise in the philosophy of history. Furthermore, he criticized Comte's conception of the positive method: although it started with the recognition of natural and exact science, it denied, as did the German Historical School, the method of abstraction and isolation for social phenomena, and it made generalizations from unanalyzed historical facts. Schumpeter disparaged Comte's methodology as a "comedy of errors."²⁵ In Comte's framework of science, natural scientific methods, starting with the tool of mathematics, are to be applied in sequence to different areas of research such as astronomy, physics, chemistry, biology, and sociology. Schumpeter wondered why this view of science could not be applied to the science of society, i.e., sociology. Schumpeter's criticism of Comte to this effect is consistent in his early and later writings.

There may have been a prejudice, like the hatred in kinship, in Schumpeter's critique of Comte. Unlike the British opponents of Comte, Schumpeter must have been distressed by a tension between the construction of an exact economic theory and the all-embracing grasp of society. He must have thought it inexcusable to deny the existence of theoretical economics by adopting a wrong method for the social sciences rather than develop an

effective method of sociology. Anyway it is not possible for us to find a positive argument concerning the relationship between economics and sociology in Comte, who dissolved economics into sociology. In light of Schumpeter's rhetoric refuting Comte's sociology, his insistence on the autonomy of analytic economics is evident.

4. Marx

Part I of Schumpeter's *Capitalism, Socialism and Democracy* is devoted to an examination of the Marxian doctrine. It describes Karl Marx from four perspectives: as prophet, sociologist, economist, and teacher.

Schumpeter's discussion of "Marx the prophet" deals with the ideological aspect of Marx and reveals Marxism as a religion that presented the goals of life and a guide to them and promised a paradise on the earth. The religious quality of Marxism explained its success. Marxism not only advocated political slogans but also combined them with the positivistic and rationalistic mind. Furthermore, Marxism was an attempt at replacing feelings of the masses with the alleged logic of social evolution. All in all, the success of Marxism was a combination of religionism, positivism, and historicism.

For just this reason, Marx's devotees found it outrageous to divide his work into pieces. Nevertheless, Schumpeter dared to separate it into "Marx the sociologist," "Marx the economist," and "Marx the teacher" in order to sort out the valuable from the valueless in Marx's entire body of work.

In his assessment of "Marx the sociologist," Schumpeter regarded Marx's sociological system as the historical interpretation of history or historical materialism and appraised it as one of the greatest achievements in sociology. He summarized it in the following moderate propositions: (1) All the cultural manifestations of a society are ultimately functions of its class structure, (2) A society's class structure is ultimately and chiefly governed by the structure of production, and (3) The social process of production displays an immanent evolution.²⁶

In Marx, the class structure of capital and labor is the axis of production relations; it governs the process of capital accumulation and exploitation of labor in relation to productive forces, on the one hand, and determines the superstructure including social, political, and cultural processes, on the other. In this sense, class structure is an important link between the superstructure and substructure of society, thus forming the monolithic system of economics and sociology in Marx.

Schumpeter criticized Marx's class theory for providing neither historical nor logical explanations because he believed in the success of innovation as the basis of social class formation. Schumpeter noted that arguing the ownership of the means of production as the determinant of social class is as reasonable as defining a soldier as a man who happens to have a gun.²⁷

"Marx the economist" explains the mechanism of the substructure in a capitalist society, given the sociological concept of social class and the superstructure related to it. Schumpeter examined Marx's economic theories, including the labor theory of value, exploitation of labor, accumulation of capital, immiseration of labor, business cycles, etc., and concluded that all were defective in comparison with his own dynamic theory. Nevertheless, he admitted that Marx's economic theory was a truly great achievement:

The grand vision of an immanent evolution of the economic process—that, working somehow through accumulation, somehow destroys the economy as well as the society of competitive capitalism and somehow produces an untenable social situation that will somehow give birth to another type of social organization—remains after the most vigorous criticism has done its worst. It is this fact, and this fact alone, that constitutes Marx's claim to greatness as an economic analyst.²⁸

This remark indicates that Schumpeter did not accept any single economic theory of Marx but rather the total framework linking economics to sociology, although how to link them is the real problem.

By "Marx the teacher" Schumpeter meant Marx's vision of structuring thought for an

entire society. Its basic structure was the unity of economics and sociology in the sense that major concepts and propositions are both economic and sociological. Then it follows that:

The ghostly concepts of economic theory begin to breathe. The bloodless theorem descends into *agmen, pulverem et clamorem*; without losing its logical quality, it is no longer a mere proposition about the logical properties of a system of abstractions; it is the stroke of a brush that is painting the wild jumble of social life. Such analysis conveys not only richer meaning of what all economic analysis describes but it embraces a much broader field...everything is covered by a single explanatory schema.²⁹

In Marx's synthesis every factor is placed on the same analytic plane, and history, institutions, and politics—which are all outside the economy—are treated not as givens but as variables. In other words, Schumpeter explains Marx's vision of a universal social science as follows: "It is an essential feature of the Marxist system that it treats the social process as an (analytically) indivisible whole and uses only one conceptual schema in all its parts."³⁰ However, Schumpeter opposed Marx's method of synthesis. Because in Marx's system economics and sociology are one and are regulated by a single idea, there cannot be different *modi operandi* in economy and society or in the substructure and the superstructure, so that everything is reduced to the tedious theory of class conflict. "A valuable economic theorem may by its sociological metamorphosis pick up error instead of richer meaning and vice versa. Thus, synthesis in general and synthesis on Marxian line in particular might easily issue in both worse economics and worse sociology."³¹

Schumpeter argued that cross-fertilization is likely to lead to cross-sterilization. With economics being self-limited, sociological aspects will rather stand out sharply in relief. In Marx's monolithic system of thought, no matter how all-encompassing it may be, sociological aspects are passively determined by production relations and lose their causal importance and independent roles. Schumpeter, the horseman, used a unique analogy in criticizing Marx's superstructure and substructure relationship: "all the rest of social life—

the social, political, legal structure, all the beliefs, arts, habits, and schemes of values—is not less clearly conceived of as deriving from that one prime mover—it is but steam that rises from the galloping horse.”^{3 2} Steam disappears in the air and does not affect the horse at all. If so, economists need not study mere epiphenomena lacking any vestige of autonomy.

5. Pareto

Vilfredo Pareto expanded the concept of general equilibrium in economics to that of “social equilibrium” in a broad sense. His sociology deals with the interdependence between various elements in society as a whole and includes economics as a kind of science of interest. Distinguishing between logical and nonlogical human actions, Pareto identified instincts and emotions as the determinants of nonlogical actions and called them “residues.” Residues are obtained through inductive research of reality. However, a justificatory inference to explain why nonlogical actions take place is derived by logical and pseudo-logical deduction from a number of residues; Pareto called the result of this process “derivations” or ideology. Thus he characterized his method as logico-experimental.

On the other hand, Pareto defined logical action in terms of subjective and objective consistency between ends and means. In his view, interest as the central concept of economics is not limited to the economic area but typically governs logical actions in various social areas. But for Pareto, far more important types of actions in society are nonlogical, although they are not illogical in the sense that they cannot be explained. The essence of Pareto’s sociology is the analysis of complex social relations consisting of nonlogical actions in terms of “residues” and “derivations,” or the elements of sentiments and the logic and rhetoric of justification.

At the same time, Pareto developed a theory of social class focusing on the rise and fall of elite classes that stems from conflicting types of residues in society. From the perspective of a social class theory, the social equilibrium represents a morphological

balance between different groups, and a change in the composition of social classes means a shift in the social equilibrium. Therefore, in his sociological investigations, the four major determinants of social equilibrium are residues, derivations, interests, and social classes.

How can the visions of Pareto and Schumpeter with regard to the construction of a universal social science be compared? Specifically, how can the relationships between economics and sociology propounded by the two authors be compared? Both have several points in common: a social equilibrium based on general interdependence, a distinction between logical and nonlogical actions, a difference between the elite and the masses, and the circulation of the elite.

However, their methods of the construction of social science are different. First, in Pareto's comprehensive sociology, economics or the science of logical action is a small subsystem to be embedded in the major framework of the analysis of nonlogical action, because whereas economics only explains a theoretical equilibrium, sociology gives a concrete equilibrium of society. In other words, economics has developed an abstract theory not directly applicable to concrete social phenomena without synthesis with sociological elements. In contrast, the object of Schumpeter's universal social science is divided into economic and noneconomic areas. These areas are not based on the logical-nonlogical distinction nor on the sub-super distinction; rather, each area is characterized by the statics-dynamics distinction. Schumpeter treated the dynamic interactions of a social system not on a Walrasian general social equilibrium but on the Marxian dichotomy between the superstructure and substructure of society.

Second, Pareto did not address theoretically as well as empirically the concrete relationship between the economic and noneconomic areas, nor did he clarify the place of social class theory within the framework of a comprehensive sociology. His theory of elite circulation remained an abstract idea based on the conflict between innovative and conservative residues. Schumpeter integrated the two areas on a sociological dimension, and his concept of social classes played the role of integrating various areas of social life. Because social classes in Schumpeter's theory had a historical dimension, he could write a

scenario of the failing capitalist system on the basis of the ideological gap between entrepreneur and bourgeoisie. Pareto, in contrast, made a general study of human society, whose universal nature has been historically repeated.

In view of Schumpeter's "two-structure approach to mind and society," it is remarkable that Pareto's *Trattato di Sociologia generale* was actually called *The Mind and Society* in the English translation.³³ In terms of the three corners of Pareto's famous triangle relating to residues (*A*), actions (*B*), and derivations (*C*), the relationship between *A* and *C* belongs to the world of the mind, whereas *B* considers the world of society. For Pareto, social equilibrium depended on the interaction between mind and society, which was addressed by a sociology of knowledge and a sociology of class circulation. It is in this sense that Schumpeter found two different analytic frames in Pareto's sociology: social psychology and social morphology.³⁴ The frame of social psychology deals with the function and structure of "derivations" or ideology, whereas that of social morphology focuses on the dynamics of social classes. Pareto's two frames can be compared to Marx's superstructure and substructure of society. From this perspective Schumpeter observed that if Pareto had explained the derivation process in terms of class interests, and if he had defined class interests in terms of class status in the production system of society, then the theories of Pareto and Marx would have been similar.

In fact, however, Pareto interpreted the psychology of instincts and sentiments as abstract residues and was concerned only with the nature and function of theory or ideology derived from them. As a result, his analysis of the ideology of the elite was disconnected from social dynamics, which should have been developed within the morphological frame. In terms of Schumpeter's approach, his comment on Pareto means that there was no link between the morphological and psychological frames. It followed, according to Schumpeter's final remark, that Pareto's sociology was not of the first rank.

6. Weber

As Weber's contributions to the methodology of science and the wide range of sociology are regarded as a partial solution to the problems raised in the *Methodenstreit*, it is illuminating to compare his work with Schumpeter's. Apropos of the methodology of science, Weber's "ideal type" is similar to Schumpeter's instrumentalism, although the philosophical sources of their thought—Weber's neo-Kantian origins versus Schumpeter's Machian origins—were different.³⁵ With regard to their work in substantive fields, Weber's sociological approach is comparable to Schumpeter's economic sociology. Both are viewed as an attempt to integrate theory and history, based on their scientific methodologies, within the broader concept of *Sozialökonomik* consisting of theory, history, and economic sociology, although Weber's approach extended beyond the economy, to law, politics, religion, etc. As far as Weber's economic sociology is concerned, Schumpeter was right in identifying it with an analysis of economic institutions.³⁶

Our problem here is to determine Schumpeter's view of Weber concerning the relationship between economics and sociology. In an essay on his death, Schumpeter paid the highest tribute to Weber's work.³⁷ But he consistently viewed Weber as a sociologist who was only indirectly and secondarily concerned with economic theory. In fact, according to Weber, the agenda of *Sozialökonomik* was to start with the general aspects of an economic phenomenon, then to go to the concrete historical facts, and finally to ascertain its cultural significance. The last stage of the agenda has much to do with the task of economic sociology. In Weber's economic sociology, economic activity is seen from a sociological perspective that focuses on the understanding of its meaning through application of the so-called interpretive sociology. This attempt produced a series of sociological categories that differed from economic ones. In this sense, Weber's economic sociology is not a monolithic construct of the "Comte-Buckle-Marx kind," which does not differentiate between economics and sociology.

For Weber, sociology was a universal theory or discipline that could be applied to all areas of social life, and the results of such applications were specific types of sociology: economic sociology, religious sociology, legal sociology, and so on. On the other hand,

Weber contrasted sociology with history. According to him, although both sociology and history are all-encompassing descriptions of society, history is concerned with the causal explanation of individual actions, groups, and personalities, whereas sociology tries to formulate type concepts and generalized patterns of the historical process. Sociology is thus a universal as well as a general theory that explains social and historical phenomena.

Schumpeter's criticism of Weber is largely wide of the mark. Apart from his critique of the neo-Kantian flavor in Weber's methodological work, his analysis of Weber's economic sociology focuses on the alleged confusion between a theoretical hypothesis and an explanatory hypothesis in the use of ideal types when he writes about Weber's "fundamental methodological error" in *The Protestant Ethic and the Spirit of Capitalism*:

This method of (logically) Ideal Types has, of course, its uses, though it inevitably involves distortion of the facts. But, if forgetting the methodological nature of these constructions, we put the "ideal" Feudal Man face to face with the "ideal" Capitalist Man, transition from the one to the other will present a problem that has, however, no counterpart in the sphere of historical fact. Unfortunately, Max Weber lent the weight of his great authority to a way of thinking that has no other basis than a misuse of the method of Ideal Types.³⁸

Schumpeter meant that Weber confused ideal types with historical concepts and used them directly for historical description. But it is fair to say that Weber was careful not to confuse ideal type with historical reality.³⁹ This methodological discussion may throw light on the nature of Schumpeter's famous thesis on the decline of capitalism. For him, the thesis was not historical but a theoretical hypothesis in economic sociology.

Schumpeter did not examine the whole system of Weber's sociological work. Whereas the methodologies of Schumpeter and Weber reveal many similarities, there was a big difference in the substance of their economic sociologies. Weber's sociology was much more concerned with comparative static social systems than with the dynamic process of evolution, or, as it were, with a horizontal axis rather than a vertical axis of society.

Weber's analysis of the relationship between economic and noneconomic areas remained static, as exemplified by the conformity between the Protestant ethic and capitalism. This may explain why Schumpeter felt more of an affinity to Marx and Schmoller.

7. Conclusion

From these observations we can attempt to reconstruct Schumpeter's stance about the relationship between economics and sociology more clearly than from an examination of the little he wrote directly on this topic.

First, Schumpeter believed in the autonomy of economics and opposed the holistic and organic method of Comte, which diffused economics into sociology, the so-called queen of the social sciences. This criticism also applied to Marx, one of the proponents of the "single hypothesis of the Comte-Buckle-Marx kind." From this perspective we are left with what might be called a varying hypothesis of the Pareto-Weber-Schumpeter kind, which admits the coexistence of economics and sociology and allows plural courses of causation between various aspects of society.

Second, for Schumpeter, Marx's monolithic approach to economy and society was separable into economics and sociology by drawing a line between the substructure and superstructure of society, Marx's key concepts in his economic interpretation of history. Given Marx's unilateral influence of the economic structure on the ideological superstructure, there is no need to inquire into the superstructure whose economic significance is nil. In contrast, Schumpeter transformed Marx's doctrine of historical materialism into economic sociology and focused on the bilateral relationship between economic and noneconomic areas, or between the economic mechanism and the *Zeitgeist*. In particular, the Pareto-Weber-Schumpeter model commonly advocated the influence of mind on society.

Third, both Pareto and Weber put forward a sociological theorizing that was distinct from, but did not replace, an economic theorizing based on the narrow sense of rationality.

However, their sociological approaches that can be integrated with economic theory are very different. Pareto's sociology, the study of nonlogical actions in terms of human instincts and sentiments, provided an analysis of a social system, to which economics gave an exposition of a subsystem. As seen below, according to Schumpeter the relationship between economics and sociology in Pareto was not so significant that Pareto's sociological system did not explain the evolution of society as a whole.

Weber's sociological method, which mainly addresses rational actions and is applied to all areas of society, consists of three basic concepts: order, organization, and institutionalization.⁴⁰ Thus, for Weber, economic sociology was an analysis of the institutional structure of the economy that explained its foundations in terms of individual orientation to an order. This thought process can be seen as an extension of Pareto's view on residues to include their influences not only on human actions but also on social institutions. Weber's study of Protestant theology encompassed not merely religious sociology but also economic sociology in that it explained the motivational structure that predisposed individuals to an orientation to work and rational action.

For Schumpeter, the use of the *Zeitgeist* or social psychology to show the impact of institutions on the economy, as illustrated in his thesis of the fall of capitalism, corresponded to Weber's sociological apparatus explaining the rise of the economic ethos in modern capitalism through the rational ethics of ascetic Protestantism. Weber's sociology was a substitute for Marx's one-sided approach to the relationship between economy and society. But it was not so much concerned with social evolution as with comparative social systems, and Marx's apparatus was required for an evolutionary perspective.

From a comparative perspective in the history of thought, Schumpeter's idea of economic sociology emerged out of German historicism and gained a stimulus consciously or unconsciously from Marx and Weber. Schumpeter's analysis of the relationship between economic and noneconomic areas through the concept of social class was clearly an adaptation and a transformation of Marx's historical materialism. On the other hand, when

Schumpeter tried to elucidate changes in institutional surroundings and their impact on economic activity, he attached importance to the rationality *Zeitgeist* in Weber's sociological work. In short, Schumpeter's economic sociology was an attempt to flesh out the two dominant viewpoints of the German Historical School—social unity and development—with Marx's analytic form and Weber's analytic content.

Notes

¹ In a 1944 interview, Schumpeter called his long-standing research program a “comprehensive sociology” and noted: “All my failures are due to observance of this program and my success to neglect of it: concentration is necessary for success in any field.” *Harvard Crimson*, April 11, 1944.

² Schumpeter (1915), pp. 132-33. This book is an expansion of his lecture on leaving the University of Czernowitz in 1911. It can be argued that Schumpeter's early studies on economic thought consisted of *Epochen der Dogmen- und Methodengeschichte* (1914) and the 1915 book; the former dealt with economic theory and the latter with the social sciences, including sociology.

³ By a two-structure approach to mind and society I mean the three-storied structure of economic statics, economic dynamics, and economic sociology, on the one hand, and that of the philosophy of science, history of science, and sociology of science, on the other. Shionoya (1997), pp. 260-65.

⁴ Schumpeter (1954), p. 137.

⁵ *Ibid.*, p. 12.

⁶ *Ibid.*, p. 20.

⁷ Schumpeter (1939), vol. I, p. 220.

⁸ Schumpeter (1950), p. 44; (1954), pp. 690, 818.

⁹ E.g., “Economics and Sociology of Distribution” a section title of Schumpeter (1916-17); “Economics and Sociology of the Income Tax” (1929); “Economics and Sociology of Capitalism,” a section title of Schumpeter (1946); and “The Communist Manifesto in Sociology and Economics” (1949).

¹⁰ Schumpeter (1926), p. 382.

¹¹ *Ibid.*, pp. 369-70.

^{1 2} Schumpeter summarized six basic viewpoints of the German Historical School: (1) a belief in the unity of social life and the inseparable relationship among its components, (2) a concern for development, (3) an organic and holistic point of view, (4) a recognition of the plurality of human motives, (5) an interest in concrete, individual relationships rather than the general nature of events, and (6) historical relativity. Schumpeter (1914), pp. 110-13.

^{1 3} Shionoya (1997), pp. 200-207.

^{1 4} *Ibid.*, pp. 32-43.

^{1 5} Schumpeter (1950), p. 44.

^{1 6} *Ibid.*, p. 44.

^{1 7} Schumpeter (1954), p. 811.

^{1 8} Schumpeter (1926), p. 354.

^{1 9} Schumpeter (1915), pp. 70-81.

^{2 0} *Ibid.*, pp. 75-76.

^{2 1} Schumpeter (1954), p. 786.

^{2 2} *Ibid.*, p. 418.

^{2 3} Schumpeter (1915), pp. 73-75; (1954), pp. 415-18.

^{2 4} Mill (1865); Cairnes (1873); Marshall (1885); Keynes (1917).

^{2 5} Schumpeter (1954), p. 418.

^{2 6} *Ibid.*, p. 439.

^{2 7} Schumpeter (1950), p. 18.

^{2 8} Schumpeter (1954), p. 441.

^{2 9} Schumpeter (1950), pp. 45-46.

^{3 0} Schumpeter (1949), p. 203.

^{3 1} Schumpeter (1950), p. 46.

^{3 2} Schumpeter (1949), p. 204.

-
- ³³ Pareto (1935).
- ³⁴ Schumpeter (1951), pp. 136-41.
- ³⁵ Shionoya (1997), pp. 207-22.
- ³⁶ Schumpeter (1954), p. 819.
- ³⁷ Schumpeter (1920).
- ³⁸ Schumpeter (1954), p. 80.
- ³⁹ Weber (1949), pp. 106-7.
- ⁴⁰ Shionoya (1996), pp. 56-59.

References

- Cairnes, John. 1873. *Essays in Political Economy*. London: Macmillan.
- Keynes, John Neville. 1917. *The Scope and Method of Political Economy*. London: Macmillan (1890), 4th ed.
- Marshall, Alfred. 1885. "The Present Position of Economics." In A. C. Pigou, ed. *Memorials of Alfred Marshall*. London: Macmillan, 1925.
- Mill, John Stuart. 1865. *Auguste Comte and Positivism*. London: Trübner.
- Pareto, Vilfredo. 1935. *The Mind and Society*. 4 vols. Trans. A. Livingston and A. Bongiorno. New York: Harcourt, Brace and Co.
- Schumpeter, J. A. 1914. *Epochen der Dogmen- und Methodengeschichte*. Tübingen: J.C.B. Mohr.
- . 1915. *Vergangenheit und Zukunft der Sozialwissenschaften*. Leipzig: Duncker & Humblot.
- . 1916-17. "Das Grundprinzip der Verteilungstheorie." *Archiv für Sozialwissenschaft und Sozialpolitik*.
- . 1920. "Max Webers Werk." *Der österreichische Volkswirt*.
- . 1926. "Gustav v. Schmoller und die Probleme von heute." *Schmollers Jahrbuch*.

———. 1929. "Ökonomie und Soziologie der Einkommensteuer." *Der Deutsche Volkswirt*.

———. 1939. *Business Cycles: A Theoretical, Historical, and Statistical Analysis of the Capitalist Process*. 2 vols. New York: McGraw Hill.

———. 1946. "Capitalism." In *Encyclopaedia Britannica*, vol. 4.

———. 1949. "The Communist Manifesto in Sociology and Economics." *Journal of Political Economy*, June.

———. 1950. *Capitalism, Socialism and Democracy*. New York: Harper & Brothers (1942), 3rd ed.

———. 1951. *Ten Great Economists, from Marx to Keynes*. New York: Oxford University Press.

———. 1954. *History of Economic Analysis*. New York: Oxford University Press.

Shionoya, Yuichi. 1996. "Getting Max Weber from Sociology to Economics." In *Studien zur Entwicklung der ökonomischen Theorie XV*, ed. Heinz Rieter. Berlin: Duncker & Humblot.

———. 1997. *Schumpeter and the Idea of Social Science*. Cambridge: Cambridge University Press.

Weber, Max. 1949. *The Methodology of the Social Sciences*. Trans. E. A. Shills and H. A. Finch. Glencoe, Ill.: Free Press.

Working Paper Series (E)

* *Working Paper Series* are provided for discussions and critical comments, and their circulation is limited.

Do not quote and cite without a written consent from the authors.

1. The Pattern of Intergenerational Mobility Among Men and Woman
(Sawako Shirahase)
July 1997

2. Pigou's Welfare Economics and Ethical Belief
(Yuichi Shionoya)
February 1998

3. Health expenditure of deceased elderly in Japan
(Tetsuo Fukawa)
February 1998

4. Population Development and Social Problems in the Inner City and Suburbs of the Tokyo Metropolitan Area
(Satoshi Nakagawa)
April 1998

5. A Social Procedure for Choosing Fair Allocation Rules
– Formalizing the Rawlsian Principles of Justice –
(Reiko Gotoh and Naoki Yoshihara)
April 1998

6. Economy and Morality : A Conceptual Framework
(Yuichi Shionoya)
May 1998

7. Schumpeter on the Relationship between Economics and Sociology from the Perspective of Doctrinal History
(Yuichi Shionoya)
May 1998

