

# I

## The Contexts

### **German Historicism and the Controversy over Method**

There is an aspect of difference in political cultures involved in the controversy over method, where ‘Anglo-Saxon’ modes of thinking are brought onto the stage belatedly. This is manifested in the marginalism and utilitarianism of the Austrian Menger school, which challenges the dominant younger historical school of Schmoller and his many pupils.

The state, which had originated in medieval taxation structures, had become the focus of post-Renaissance social thought. It was an interesting historical phenomenon, and was also an object of controversy, since the degree of statecraft viewed as desirable varied with the needs of a society’s entrepreneurial class: in periods of chaotic civil wars or early nation-building, demand for the state was high; in periods of prosperity and stability, especially if growth occurred independently of state initiatives, the coercive capability of the state was considered more of a threat. In Germany, at the turn of the nineteenth century, most scholars in social science and history were adherents of the broad tradition of historicism.<sup>1</sup> Historicism regarded reality as an historical product and stressed what was historically unique or singular. It was rooted in the early nation-building attempts during the Napoleonic era, in reaction against French intervention, when the Germans tried to reawaken a lost – and partly fictional – creed of a great national past;<sup>2</sup> the transcendentalist philosopher Hegel, who viewed the World Spirit moving through history towards higher and higher levels of self-realization, belonged to this broad camp.<sup>3</sup> With nation-building a particularly pressing task in a fragmented Germany, the historical school was more firmly established there than

in England or France; the market for historians was thus created and secured.

In England the state was viewed as a necessary evil to be minimized. The German position was that the state embodied ideals, and its purposes could not be reduced to rational calculation.<sup>4</sup> Members of the older historical school did not consider the theoretical positions of classical British political economy to be generally valid, but as applicable only in particular historical settings where citizens were very liberal and inclined to come under the spell of the idea of 'rational economic actors'. There was, furthermore, an ethical element in their critique. The ideal of state reason (*raison d'état*) was embraced by all thinkers on the historicist side. German historicists considered themselves to be of a higher moral standing than those one would find in England (in their eyes a nation of shopkeepers and materialistic merchants), and political-economy theories were seen as a hypocritical rationalization of self-interest.<sup>5</sup> This is a subdimension in the controversy over method.

Yet, despite its idealist and romanticist background, as part of the *deutscher Sonderweg* and late nation-building in search of roots, historicism also contributed to the furthering of scientific techniques and brought about both a new technical awareness, a 'feeling' for the actual material that historical research works with, and a more critical approach to sources of information. However, an important trademark of historicism was its animosity towards abstract concepts. Historicists felt that reality was either revealed through empirical research or grasped with some sort of empathetic or intuitive act of understanding: either way, one could embrace the essence of the phenomenon under study. The more empirically inclined representatives of the younger historical school even entertained the hope of establishing some kind of 'law', but their basic conceptions complicated their efforts to achieve this goal. The problem was this: on the one hand, historicism programmatically stressed what was historically unique; on the other hand, it tried to pursue the true meaning of history through its study. This inherent contradiction – the relativism required in seeing all phenomena as time-bound while trying to generalize from the unique historical data to eternal laws, norms and principles – put the historicists at a distinct disadvantage, as compared to the theoretical side, in the controversy over method.

The most important aspect of the long historicist hegemony in Germany is that theoretical elements from the increasingly successful natural sciences could not easily, if at all, be assimilated into the social sciences, and the historicists' increasingly eager defence of their territory became the basis for the famous *Methodenstreit* – the

controversy over method: the issue was whether a historical or a theoretical approach to the study of the economy should be preferred.<sup>6</sup> The nineteenth century is sometimes spoken of as the century of history, because it was not until then that methodologically aware historical research emerged as a significant phenomenon. It was also the century of natural science. By its end, these two cultures were on a collision course.

The conflict between history and theory began in 1883 with the debate between Gustav Schmoller, the leading personality and main exponent of the younger historicist school, and Carl Menger, the representative of Austrian marginalist economics.<sup>7</sup> As a result of the historicist dominance, classical political economy in its British form had been sadly neglected by German scholars, who were inclined instead towards Schmoller's spirit, captured by the expression from Goethe's *Faust*: 'Grau, treuer Freund, ist alle Theorie, / Und grün des Lebens goldner Baum' (Theory is grey, my friend, only the golden tree of life is green). The controversy over method can in fact be understood as an expression of hostility to the foreign and utilitarian tradition of the theoretical, British-inspired political economy that was making a back-door entrance through Menger's Austrian marginalism.<sup>8</sup> At the same time, many Germans who were ambivalent about England still tried to appropriate some useful elements of successful British science and politics and adapt them to German conditions.

The British simply were successful in areas where their German cousins were late to mature – such as empire-building and parliamentary democracy. There was a certain envy of – and a substantial interest in – the English model.<sup>9</sup> This is a recurrent theme from the days of Friedrich ('Freddy') List onwards, until the First World War, when intellectuals such as Werner Sombart turned against England because of disappointment and as part of their 'war service'.<sup>10</sup>

The methodological quarrel between Schmoller and Menger, the conflict between history and theory, was a manifestation of the late nineteenth-century antagonism between historicism and positivism. A century ago, 'positivism' referred to the search for theoretical laws, in the spirit of Auguste Comte, who coined the term for the social sciences. Today, positivism refers mostly to fragmentary forms of knowledge production and anti-theoretical attitudes, e.g. 'empiricism'; it calls to mind repeated experiments and induction.

The present-day meaning of 'positivism' is thus marked by the impact of logical positivism or logical empiricism. Both the older and the more modern definitions posit the unity of science as an ideal and maintain a sharp distinction between science and metaphysics.<sup>11</sup> Again, the main difference is between the strong theory-building of

the 'old' positivism and modern positivism's occasionally (but not as frequently as some have charged) anti-theoretical stance.<sup>12</sup>

It is common practice to distinguish between a deductive-rationalist approach, 'theory from above', and an inductive-empiricist approach, 'theory from below'. The former utilizes classical deductive chains; the latter generalizes on the basis of a thorough study of reality and its regularities. In principle, there is no problem with either approach; they are both trips from different starting points to the same destination. But, as often happens in real life, the two strategies have become methodological opposites rather than alternative paths to establishing scientific laws.<sup>13</sup> Since the central problem in the controversy over method concerned the proper way to establish laws, the historicist position was weakened because it simultaneously insisted on the particularity of history while maintaining a belief in a higher unity of order, a grand narrative.

Schmoller and his followers had not abandoned their ambitions to create theory, but felt it would be the product, the natural outcome of inductive-empirical efforts; and a realistic science of empirical reality – *Wirklichkeitswissenschaft* (see below) – was the proper context in which to pursue induction and theory. In historicist undertakings reality was reproduced, and flesh and blood were described but hardly explained; at least, no theoretical explanations – in which phenomena are subsumed under some general law(s) – were achieved. Schmoller felt that more facts would be needed before such achievements were possible. By contrast, Menger's position could succinctly be characterized as deductive-rationalist; for the marginalist economists, the starting points for economic analyses were clearly defined theoretical concepts, models that allowed for deductions, hypothetical statements and predictions about human acts.

Both sides in the controversy tried to make use of persuasive definitions; the one was 'realist' against 'exact' science or the 'modern' school. By the end of the nineteenth century, however, 'pure theory' of the kind used in classical economics was already regarded as lacking in realism. Some marginalists argued that there is no once-and-for-all given of human nature; the degree of rationality in human action is context-bound and so must vary. Yet, although rational economic actors are a rather simplified model abstracted from reality, they have significant explanatory power. Any position that presupposes a certain anthropology to be generally valid is problematic.

It is difficult to understand our contemporaries, perhaps impossible to understand pre-Enlightenment humans, and when we try to understand those who lived before the Renaissance, we usually resort to some of the basics of life: hunger and reproduction. This poses the

epistemological problem that some distinction between concept and reality must be introduced in order to proceed without any trace of metaphysics, namely the problem of concept formation and intersubjectivity, which Weber and Schutz tried to solve in different ways, as we will see.<sup>14</sup>

Thus, the debate turned on the role of conceptual constructions within the social sciences and the value of theoretical abstraction. The historicists, who thrived on statistics and archival studies, adhered to induction; the patient gathering of historical facts would result not in abstract, anaemic theories but in precise formulations of the relationship between important causal factors that were there 'in reality'. The historicists conceived of abstract laws as a part of reality to be uncovered rather than invented; this 'realist' concept of knowledge implied that other approaches were unrealistic.

One might say that Schmoller and the elder historicists had painted themselves into a corner. The intrinsic weakness in the historicists' position was that their inductive efforts, although predominantly idiographic (interpretative and descriptive, with a focus on narratives) in practice, still aimed to be nomothetic (law-building), to establish 'theory' in the long run. These ambitions are not necessarily antagonistic; for instance, in the case of Hegel and Marx they coincide. The meaning of history in their case appeared as a developmental scheme – a historical law of the unique and singular, to give it a somewhat paradoxical formulation. The historicists' position was not strengthened even by their claim to pursue 'real' and not 'abstract' theory. Menger could afford to be more moderate, to consider the value to the scientific process of both theory and history. This position took hold in the German-speaking world<sup>15</sup> and broke the previously exclusive grip of historicism.<sup>16</sup>

Towards the end of the original *Methodenstreit*, however, it became clear that the gulf revealed in the heated debate between Schmoller and Menger was not quite as unbridgeable as its most turbulent phases might have suggested. When the turmoil was over, a new *modus vivendi* resulted between history and theory,<sup>17</sup> an awareness that they were complementary rather than antagonistic.<sup>18</sup> That the controversy over method never produced any clear winners or losers comes as no great surprise. Academic disputes rarely have immediate and clear-cut consequences, especially in social science, where almost any position can be rescued by *ad hoc* arguments. Rather, the outcome of controversy is usually revealed much later, in the changing patterns of authority within the academic community. In the case of the great *Methodenstreit*, with all its ensuing debates, the peak came early, with Schmoller *vs* Menger, and then gradually

faded away, apparently because the participants became exhausted.<sup>19</sup> Idiography always has some value in its own right. Moreover, as part of heuristics and the generation of hypotheses, it is methodologically necessary to historicize phenomena; genetic problems, for instance, cry out for historical approaches. Historicism thus became a matter of appropriate scope and application. Although it survived, its hegemony did not, and historicism, a viable but not very innovative tradition, became one alternative out of many.<sup>20</sup>

In the controversy over method, the marginalist school understood individual self-interest to be fundamental, and the role of the state best restricted to enforcing the rules of the game in a free-market economy. For liberal utilitarianism, the state was a residual institution that should not intrude unnecessarily into the market economy; because of non-economic motives, the state should work to preserve and promote free enterprise.<sup>21</sup> This is a telling example of the simultaneously normative and empirical character of social science in the post-Enlightenment nineteenth century, when both classical liberalism and Marxism sought general principles by which to understand society.

The rational economic actor represented reality not only as it 'is,' offering a model for understanding economic life, but also as it 'ought' to be. In the same way, Marxist predictions about growing contradictions within capitalist economies combined the 'is' (fact) and the 'ought' (value judgement), a distinction that was not yet accepted in the nineteenth century.

### **The Post-Enlightenment Anguish of Polytheism**

After the Enlightenment and the so-called Death of God, the field was open to competing sects in the marketplace of ideas, an inevitable consequence of modern secular science. The search for a new authority led some to glorify the creative individual in his or her search for self-realization, a Narcissistic route made possible by the Enlightenment; others embraced collective allegiances in an attempt to regain the meaning of life that the Enlightenment had deprived them of; and for many who found it difficult to find any orientation in the ethical chaos of the post-Enlightenment era, nihilism became yet another option.

Disillusionment and the anguish of polytheism of values created a theodicy crisis, a crisis of the meaning of life in the Western world, as the decline of religious norms led to discontent. In the course of the loss of the credibility of transcendent goals outside the

individual, the self – the ego – replaced the soul. Weber was himself very well aware of this: ‘Many old gods ascend from their graves; they are disenchanting and hence take the form of impersonal forces. They strive to gain power over our lives and again they resume their eternal struggle with one another’ (GAW: 605). Competing value systems or worldviews have become our destiny. When our anxiety over the confusing array of worldviews is replaced by resignation, we accept being captured in a life of increasing and meaningless rationality; as routinized humans we tend towards utilitarianism or even sheer materialism.<sup>22</sup>

*Lebensphilosophie* (the philosophy of life) appeared as a way out of the dilemma of competing value-hierarchies, and became for some an escape from the paralysis brought on in the face of the polytheism of values. It peaked later but was ‘in the air’ in the days of Weber, part of his problem horizon because of his connection with Simmel.

The basic problem was to find some guidance in everyday life, in order to avoid the threat of cultural chaos. The ethical aspect of meaning content – what we call the theodicy problem – aside, *Lebenswelt*, rather than *Lebensphilosophie*, provided a possible solution to the epistemological or methodological problem of intersubjectivity (i.e. that critical observers at least in principle could see the same things, for instance through documentation) and the existentialist predicament of humans left alone to choose their God. *Lebenswelt*, specifically on the methodological level, provided tentative solutions to the intersubjectivity problem created within social science in a post-Enlightenment situation of polytheism.<sup>23</sup>

Before being philosophically annihilated by the Enlightenment, the firm believer in God did not have the anguish of choice; neither did the believer in liberalism or Marxism. In this sense, the various political ideologies that arose during the nineteenth century were all children of Enlightenment polytheism, tending either to conceive of themselves as basically scientific (for example, liberalism and Marxism) or reacting against an overemphasis on reason (for example, conservatism). All these products of the Enlightenment provided competing hierarchies of preferences based on norms founded in extrascientific notions like equality and liberty, and the ideologies of liberalism and Marxism can be seen as transitional and paradigmatic manifestations of the secularization of social science.<sup>24</sup>

The Enlightenment and the progress of the natural sciences contributed to a so-called moral crisis, later often conceived of as a ‘cultural crisis’, and also, in the words of Ernst Troeltsch, the ‘crisis of historicism’.<sup>25</sup> Historicism was certainly partly responsible: its habit of regarding all products of culture and its values as context-bound

is in keeping with a moral relativism also touched by positivism.<sup>26</sup> Weber would respond to this by insisting that we cannot escape individual responsibility in our choice of values. In the political process we cannot invoke the authority of science to guide us ‘all the way’. The value-philosophical basis for this means–ends rationality we call scientific value-relativism (see pp. 25ff and 55ff). Top values in competing hierarchies are not capable of rational proof; however, these hierarchies can become matters for logical analysis in a process of rationalization of value-hierarchies. We still live with value-incommensurability, as a problem of the limits of reason. How to deal with this on a methodological level has been a perennial paradigmatic divide during the last couple of centuries.

Opaque practices in concept formation give leeway for uncontrolled value-intrusion. This is notorious in the pre-neo-Kantian historicist tradition, as in the case of Hegel and his independent conceptual reality, while neo-Kantian nominalism tries to solve a problem, bringing about concepts in a lucid way.<sup>27</sup>

### **Neo-Kantianism and Nominalism**

The attitude in which concepts are considered objectively independent, ready for human exploration rather than construction, had long survived in harmony with the peculiarly German anti-Enlightenment tradition.<sup>28</sup> Then the so-called ‘Back-to-Kant’ movement, which emerged in the 1860s, gained strength and precipitated a crisis among the historicists. Neo-Kantianism might be considered the first truly secularized modern scientific methodology – a codification of how to proceed in the cognitive process of causal investigation.<sup>29</sup> It represented a new level in scientific development while reviving certain aspects of Kant’s philosophy, a renaissance for the critical philosophy of Kant applied to the modern achievements of science. Neo-Kantianism distinguishes between the constructs of the mind and material reality. It explains how one can achieve testable propositions about reality by utilizing lucid conceptual constructs, and it removes the eternal question about the true nature of reality from the sphere of science and situates it instead in the sphere of metaphysics. Neo-Kantian nominalism does not help us in transcendental matters.

This anti-metaphysical creed is evident in the secular view of concept formation we call ‘nominalism’. Nominalism holds that concepts are constructions of the human mind; that we ourselves ascribe the meaning our concepts signify. Moreover, one cannot plead for any scientific meaning for concepts other than those that have factual



referents. Nominalism claims that scientific attempts to grasp the true meaning of a social phenomenon are in vain. There can be no confusion of concept with reality. Concepts are only *names* we attach to phenomena; conceptual insight as such does not provide any knowledge. Other-worldly problems like the existence of God and life after death cannot be subject to scientific conceptual construction as they refer to phenomena that fall outside the sphere of empirical investigation. Matters of metaphysics are historically and culturally relative. Although perfectly legitimate in their proper context, where magic and religious belief still play a role,<sup>30</sup> the metaphysical notions that obscure scientific practice and the cumulative growth of knowledge are clarified by nominalism.

Kant's distinction between the directly observable surface world of phenomena and *das Ding an sich* ('the thing in itself'), or true essence, could be – and was – developed in two quite different directions. One attempted to capture concrete reality in the manifestations of its essences. The other abandoned efforts to find an essential and eternal truth, and instead accepted concepts as artificial human constructs created for the purpose of knowledge production or classification in an infinite search for truth. This is the core of the nominalism that neo-Kantians adopted and put to methodological use: the world of phenomena is that on which we ultimately rely in our evaluation of the fertility and adequacy of conceptual constructs (although this by no means excludes other analytical criteria or logical consistency).<sup>31</sup>

To the neo-Kantians, in a certain sense, science creates its own objects of knowledge and our knowledge of these is always a product of human activities and thus is never independent of us.<sup>32</sup> Analytically derived concepts do not necessarily have anything to do with reality as such; they are merely the means for increasing our knowledge through instrumental and conventional methodological procedures. The neo-Kantian element is crucial for the understanding of how Weber contributes to the controversy over method.

The unsophisticated notion of deducing 'pure' reality from abstract theory recurred on the positivist side in the *Methodenstreit*. Menger was himself not guilty of such extravagance or ignorance, though: 'In fact, a number of positivistically oriented economists did advance exorbitant methodological claims, culminating in the idea of an abstract theoretical system of economics from which concrete economic life could be *deduced*' (Bruun 1972: 83).<sup>33</sup> But the tendency to identify the concept with the reality it is intended to denote was common to extremists on both the positivist and the historicist sides. The former believed in the possibility of deducing concrete reality

from theoretical constructs and premises, and the latter clung to the law-creating potential of *Wirklichkeitswissenschaft*. From a neo-Kantian (and thus anti-Hegelian) standpoint, these positions seem self-contradictory. The two extremes of marginalist theory and historicist concreteness nearly coincided in their lack of lucid conceptualization; they held the same position on this issue from opposite perspectives.

Schmoller and his adherents actually believed that concepts represented, even *were*, reality, not abstracted aspects of it; that once general concepts were established inductively, one could deductively trace one's steps back to reality.<sup>34</sup> This project was undertaken by the marginalist believers in the basic law of psychophysics. Psychophysics entertained the anthropological belief that we have an inherent tendency to act in accordance with the marginalist model of rational economic actors; that is, self-interest is a natural inclination. There are really two issues interwoven here: that of the concept of law in social science and that of the relationship between concept and reality. Essentialism and conceptual realism, as kin doctrines, blur the clear distinction between concept and reality.<sup>35</sup>

Of primary interest here is not whether the so-called 'Back-to-Kant' movement is based on a correct interpretation of Kant's philosophy; the central argument is about the extent to which this neo-Kantian mode contributed to the development of scientific rigour and procedural awareness. The explicit distinction between concept and reality is characteristic of methodological interpretation in neo-Kantianism. In turning against essentialist modes of concept formation and other metaphysical elements, neo-Kantianism was a crucial intermediary in the secularization of German social science.<sup>36</sup> When unreflexive practice is transformed into lucid procedures for ordering reality, better explanations can emerge, and, at long last, tools for commensurability (allowing for comparisons) – except for ultimate values – become available. Methodologically rational conventions are instrumental in the furtherance of hypothesis generation and theoretical propositions and their evaluation and testing – a central element in what I call the secularization of social science: the elements of art and magic diminish and rational discourse grows, eventually breaking through static phases of normal science by focusing on technique. Consensus on the standard positions of methodological procedure might vary and develop, but commensurability, as an instrument in the cumulative process of cognitive science, requires the notion of the scientific project as worthwhile.<sup>37</sup>

In the pre-neo-Kantian view, concepts are in some sense 'real' and independent of the user. To Hegel the concept of the World Spirit was

manifested in the Prussian state, which in turn gave us a glimpse of the World Spirit's essence. Neo-Kantianism rejects such essentialist thinking and 'intuitionism' and their opaque interpretative understanding. To view world history as the realization of reason is alien to the neo-Kantian nominalist. The difference is captured succinctly by Gilian Rose: 'In English a concept is taken to be that which a person possesses when he grasps the sense of a word. . . . In German *Begriff* may mean the referent of a predicate or what we in English would call a property, that is, a real attribute' (1976: 70). According to this doctrine, conceptual reality is a given; it is something to explore and through which to increase our insight.

'For the neo-Kantians, concepts cannot capture the essence of real entities, for there are no such essences to be captured' (Bergner 1981: 80). Neither the patient gathering of facts nor the revelation of some mysteriously hidden 'higher reality' can capture reality as such.

Weber is basically anti-Hegelian, and he contributes to the neo-Kantian-inspired nominalist turn to testable concepts as artefacts in the service of knowledge production. Weber's contribution to the conflux of contemporary controversies involved an elegant paradox in solving a problem of value-intrusion the historicists either did not see or did not manage to deal with, thus putting themselves at disadvantage, as compared to their positivist challengers.

Weber's elegant paradoxical twist was to use values as tools of selection and thus accomplish limited objectivity (intersubjectivity) in the defence against distorting uncontrolled value-intrusion; Weber's scientific value-relativism or 'value-aspect-choice' methodology leaves us with a predicament of polytheism or 'perspectivism'.