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I

JON ELSTER

Rationality, economy, and society¹

I. Introduction

The idea of rationality has a central place in Max Weber's *Economy and Society*.² In the years since it was written, rationality has also come to be one of the most important concepts in the social sciences – not only in economics, but also in political science and increasingly in sociology. In the present article I confront some central arguments in *Economy and Society*, notably from the first two chapters of Part I (“Basic Sociological Terms” and “Sociological Categories of Economic Action”), with what I believe to be the standard contemporary approach. Because I know much more about the modern theories than about Weber's writings – I am not a Weber scholar – my procedure will have to be somewhat schematic. In examining passages from Weber out of their historical context and without regard for the vast secondary literature, I obviously run the risk of anachronism, oversimplification, or worse. I can only hope that the analytical arguments will be useful to those with a better knowledge of the Weberian corpus.

The article is a personal essay, in the sense that it is colored by my own interests and preoccupations. For many readers of *Economy and Society*, the emphasis I give to emotions and social norms will come as a surprise. Yet although Weber's discussions of these topics are brief and often extremely condensed, I believe his treatment is very acute and worth highlighting. Also, as already indicated, I shall confront Weber's views about instrumental rationality with modern ideas from cognitive psychology and game theory that he could not possibly have anticipated.

I shall proceed as follows. In Section II I try to clarify the relation

¹ I am grateful to the editor and an anonymous referee for comments on earlier drafts of this article.

² All page references are to the English translation of this work (New York: Bedminster Press, 1968). Occasional changes that do not affect the meaning of the text are not indicated.

between rationality and rationalization. Although my task is to examine the former concept, I first need to disentangle it from the latter. In Section III I discuss Weber's view on the relation between three core ideas of modern economic theory: rationality, self-interest, and methodological individualism. In Section IV I present what I believe to be the standard model of rational-choice theory, as it is routinely applied by economists and other social scientists. In Section V I discuss Weber's fourfold typology of social behavior. In Section VI I consider what I believe to be some important omissions in Weber's theory of rationality. Section VII offers a brief conclusion.

II. Rationality and rationalization

Weber's main discussion of rational action and what differentiates it from other forms of social action occurs at the very beginning of *Economy and Society*.³ Apart from these few dense pages, discussed in Section V below, the work contains few references to individual rational behavior. Almost all other references to rationality or to "rationalization" have to be taken in an institutional rather than in a behavioral sense. In particular, one should not confuse the distinction between instrumental rationality and value-rationality with the distinction between formal and substantive rationality.⁴ When Weber refers to the rationalization of the modern world, he has mainly in mind the increasing importance of formally and substantively rational institutions. Although he also refers to the substitution of deliberate adaptation for unthinking acceptance of custom as an aspect of rationalization,⁵ this individual-level statement is not typical.

Formal rationality is essentially a procedural concept. It is a property of economic, legal and bureaucratic systems that allow for calculability and predictability. In the case of economic action, formal rationality reaches its highest form in capital accounting.⁶ Within the law, formal rationality requires that "in both substantive and procedural matters, only unambiguous general characteristics of the facts of the case are taken into account."⁷ Within bureaucracy, formal rationality requires general rules, hierarchy, full-time officials, specialized training, and so on.⁸ In law and bureaucracy, formal rationality is mainly characterized by the subsumption of individual decisions under general rules, not by ends-means reasoning. Because formal rationality in the economic field also requires formally

³ *Ibid.*, pp. 24–26.

⁴ *Ibid.*, pp. 85–86.

⁵ *Ibid.*, p. 30.

⁶ *Ibid.*, pp. 161–162.

⁷ *Ibid.*, pp. 656–657.

⁸ *Ibid.*, pp. 956–958.

rational law and administration,⁹ subsumption under rules is in fact a general feature of formal rationality.

To be sure, Weber also maintains that formal rationality can itself be viewed as a means to an end, namely to the maintenance of “those who wield the economic power at any given time,”¹⁰ whereas “the propertyless masses . . . are not served by the formal ‘equality before the law’ and the ‘calculable’ adjudication and administration demanded by bourgeois interests.”¹¹ Yet the fact (if it is one) that formal rationality serves the interests of the economically powerful does not imply the absurd view that it has been instituted by that group for that purpose. Nor does it imply that formal rationality rests on ends-means reasoning, any more than the use of lot as an efficient mode of decision-making in certain contexts implies that the outcome of the coin toss is determined by efficiency. Formal rationality is not a consciously chosen means to anyone’s end, nor is it itself a form of means-ends efficiency. It is neither a form of (class-restricted) rule-utilitarianism nor a form of act-utilitarianism.

Economic, legal and bureaucratic systems are substantively rational when they aim at creating a specific distribution of goods, income or life-chances,¹² or aim at bringing about some other substantive end. These systems are rational in the sense that they are not subject to individual caprice or favor, but are systematically oriented to a publicly defined purpose:

Decisive is that this “freely” creative administration (and possibly judicature) would not constitute a realm of *free*, arbitrary action and discretion of *personally* motivated favor and valuation, such as we shall find to be the case among pre-bureaucratic forms. The rule and the rational pursuit of “objective” purposes, as well as devotion to these, would always constitute the norm of conduct. Precisely those views which most strongly glorify the “creative” discretion of the official accept, as the ultimate and highest lodestar for his behavior in public administration, the specifically modern and strictly “objective” idea of *raison d’état* . . . The [decisive point] is that in principle a system of rationally debatable “reasons” stands behind every act of bureaucratic administration, either subsumption under a norm, or a weighing of ends and means.¹³

As this passage shows, the substantive rationality of legal and bureaucratic institutions is a form of instrumental adaptation. Whereas individual value-rational action is oriented towards a specific behavior without regard for its consequences (see below), substantively rational action is guided by its consequences. Yet even though the formal or substantive rationality of

⁹ *Ibid.*, p. 162.

¹⁰ *Ibid.*, p. 813.

¹¹ *Ibid.*, p. 980.

¹² *Ibid.*, pp. 85, 812, 980.

¹³ *Ibid.*, p. 979.

institutions must be sharply distinguished from the instrumental rationality or value-rationality of individuals, rational institutions (in either sense) may presuppose the rationality (in either sense) of the individual agents that make up the staff of these institutions. (i) As just noted, the substantive rationality of *raison d'état* presupposes individual agents endowed with instrumental rationality, i.e. with the capacity to choose the appropriate means to a given end. (ii) Formally rational *economic* action presupposes that the agents of the enterprise are instrumentally rational in the same sense. (iii) Whether an institution is based on formal or substantive rationality, its agents must be subjectively motivated to behave in the way the institution requires them to act. (iii a) This may come about through an attachment to *duty*¹⁴ which is a form of value-rationality.¹⁵ (iii b) It may also come about because the agents are aware of the sanctions they would incur if they failed to do what they are required to do, i.e. if they respond in an instrumentally rational way to career incentives. Although Weber does not discuss this link explicitly, it follows fairly naturally from what he writes in the “*Excursus* in response to Rudolf Stammler”¹⁶ and elsewhere.

III. Rationality, self-interest, and methodological individualism

Economic theory and other social sciences that have adopted the economic approach to human behavior tend to rely on three principles. The first is that of methodological individualism: all social phenomena – including social structure and social change – can in principle be accounted for by explanations that refer only to individuals and their behavior. The second is that of rationality: individuals choose to perform the actions that best realize their desires, given their beliefs (see Section IV below for a fuller statement). The third is that of self-interest: the desires of the individuals are uniformly derived from their self-interest, often considered in the form of material self-interest. In expositions and discussions of rational-choice theory the relation between these three principles is often obscured. Some critics of methodological individualism wrongly assume that it implies rational-choice theory, and can be rebutted by rebutting the latter. Some critics of rational-choice theory wrongly assume that it implies an assumption of self-interest, and can be rebutted by rebutting the latter.

The correct relation, I believe, is the following. Methodological individualism is a form of reductionism, an injunction to explain complex social phenomena in terms of their individual components, much as modern biology tries to explain cellular phenomena in terms of their molecular

¹⁴ *Ibid.*, pp. 264, 959.

¹⁵ *Ibid.*, p. 25

¹⁶ *Ibid.*, pp. 325–333.

components. Like the principle “every event has a cause,” it is not a substantive theory, but (as the name implies) a methodological principle the negation of which is not so much false as obscure. The statement that people behave rationally is partly constitutive, partly methodological, partly substantive. It is constitutive in the sense that human beings are characterized by the *desire* to behave rationally.¹⁷ It is methodological in the sense that we have to assume that other people are *by and large* rational if we are to make sense of what they say and do.¹⁸ And it is substantive in the sense that *on any given occasion*, the assumption of rationality is open to empirical confirmation or disconfirmation. The assumption of self-interest is partly methodological, partly substantive. It is methodological in the sense that it is the simplest and most parsimonious motivational hypothesis. Given that it is always better to explain with less than with more, it is hence the natural starting point for any empirical investigation. It is substantive in the sense that on any given occasion, it is open to empirical confirmation or disconfirmation.

It is or should be obvious that methodological individualism does not imply rationality, but is consistent with any motivational assumption or even with the assumption that all individual behavior has a purely reflex character. It is or should be obvious that the assumption of rationality does not imply that behavior is self-interested, but is consistent with any motivational assumption, including those of altruism or envy. It is less obvious that the self-interest assumption fails to imply rationality. Yet a person may well be irrational and act out of self-interest, if he believes that all things considered he ought to choose an altruistic course of action and yet succumbs to weakness of will and chooses the action that best promotes his own interest.

Weber quite explicitly supports a version of methodological individualism when he writes that “for the subjective interpretation of action in sociological work [social collectivities such as states, associations and business corporations] must be treated as *solely* the resultants and modes of organization of the particular acts of individual persons,”¹⁹ and that “for sociological purposes there is no such thing as a collective personality which ‘acts.’” Yet his individualism is not a reductionism. Just as Durkheim argued against the view that sociology could be reduced to psychology, Weber writes that it is “erroneous to regard any kind of psychology as the ultimate foundation of the sociological interpretation of

¹⁷ D. Føllesdal, “The Status of Rationality Assumptions in the Interpretation and in the Explanation of Action,” *Dialectica*, 36 (1982), 302–16.

¹⁸ Donald Davidson, *Essays on Actions and Events*, Oxford: Oxford University Press, 1980.

¹⁹ Weber, *Economy and Society* (1968), p. 13.

action.”²⁰ Weber did not, however, reject reductionism because he believed that social wholes or aggregates had independent explanatory power. Rather, he objected to the idea that action, and in particular rational action, could be understood in psychological terms:

The source of error lies in the concept of the “psychic.” It is held that everything which is not physical is *ipso facto* psychic. However, the *meaning* of a train of mathematical reasoning which a person carries out is not in the relevant sense “psychic.” Similarly the rational deliberation of an actor as to whether the results of a given proposed course of action will or will not promote certain specific interests, and the corresponding decision, do not become one bit more understandable by taking “psychological” considerations into account. But it is precisely on the basis of such rational assumptions that most of the laws of sociology, including those of economics, are built up.²¹

This argument seems misleading. Even when the actual deliberation of the actor possesses the transparency of mathematical reasoning, the choice of premises – which factors to include and which to exclude in the calculation – is a contingent matter that can be illuminated only by empirical psychology. Also, as I argue in Section VI below, even transparent formal reasoning does not always yield a determinate result. Moreover, the advances in cognitive psychology and behavioral economics over the last twenty years show that the deliberation itself is subject to a large number of distorting influences. Weber recognized as much when he wrote that “in explaining the irrationalities of action sociologically, that form of psychology which employs the method of subjective understanding undoubtedly can make decisively important contributions,”²² adding that this concession to psychology “does not alter the fundamental methodological situation.” In my opinion, exactly the opposite is true. In light of the pervasive operation of bias and distortion in human reasoning, the “sociological interpretation of action” must rely on empirical psychology rather than on the idea of mathematical proof. It is because Weber adopted a disembodied notion of (instrumental) rationality that he wrongly concluded that methodological individualism in the social sciences could do without psychology.

Above I briefly sketched an argument for the methodological primacy of rationality over other motivational assumptions: to understand others we have to assume that they are by and large rational. Weber also offers an argument for this primacy, but of a very different kind:

For the purposes of a typological scientific analysis it is convenient to treat all irrational, affectually determined elements of behavior as factors of deviation

²⁰ *Ibid.*, p. 19.

²¹ *Ibid.*

²² *Ibid.*

from a conceptually pure type of rational action. For example a panic on the stock exchange can be most conveniently analysed by attempting to determine first what the course of action would have been had it not been influenced by irrational affects; it is then possible to introduce the irrational components as accounting for the observed deviations from this hypothetical course. Similarly, in analysing a political or military campaign it is convenient to determine in the first place what would have been a rational course, given the ends of the participants and adequate knowledge of all the circumstances. Only in this way is it possible to assess the causal significance of irrational factors as accounting for the deviations from this type.²³

This argument poses two problems. First, Weber seems to have an exaggerated view of the uniqueness of rational behavior, or, equivalently, to underestimate the problem of indeterminacy. I return to this question in Section VI below. Second, even assuming that rational-choice theory always and everywhere yields unique prescriptions and predictions, the proposed methodology is flawed. First, Weber ignores the possibility of multiple irrationalities that cancel each other out, with the result that the observed behavior coincides with the rationally prescribed one. To use an example from Kip Viscusi,²⁴ smokers as well as non-smokers process information about the dangers of smoking in ways that induce exaggerated risk perceptions. On the other hand, smokers are subject to a self-serving bias that induces them to discount the risks. Although the latter bias does not fully cancel the former, it does make the beliefs of smokers more nearly accurate than those of non-smokers. It does not, however, make the beliefs and the subsequent behavior more *rational*. Second – a more esoteric issue – Weber ignores the possibility of “non-standard causal chains” by which the beliefs and desires that would rationalize a certain action cause that action in “the wrong way.” In a famous example offered by Donald Davidson,²⁵

A climber might want to rid himself of the weight and danger of holding another man on a rope, and he might know that by loosening his hold on the rope he could rid himself of the weight and the danger. This belief and want might so unnerve him as to cause him to lose his hold, and yet it might be the case that he never *chose* to loosen his hold, nor did he do it intentionally.

Although Weber *defines* rationality as action that *is* generated by adequate mental processes, he *identifies* it as action in conformity with what *would be* generated by adequate mental processes. To use Weber’s own analogy: if a mathematician reaches a true conclusion by means of

²³ *Ibid.*, p. 6.

²⁴ K. Viscusi, *Smoking*, Oxford: Oxford University Press, 1992.

²⁵ Davidson, *Essays on Actions and Events*, p. 79

false reasoning, Weber would presumably not call him rational. Nor should he or we assume that emotion and other irrational forces in decision-making are absent when the decision conforms with what a rational agent would have done. Weber goes wrong because he confuses an objective notion of rationality as *success* with the subjective notion of rationality as (roughly speaking) *acting for good reasons*.

Weber's views on the relation between rationality and self-interest are hard to disentangle. We have seen that bureaucratic systems may pursue non-self-interested goals such as *raison d'état* in an instrumentally rational fashion. Yet this does not imply that the agents of bureaucracy embrace these goals as their personal ends and pursue them in a rational manner. As noted above, two other motivational assumptions seem more plausible: a non-instrumental sense of duty and an instrumental concern for their own career. A case of non-self-interested instrumentally rational behavior would be provided by a private agent motivated by benevolence, who chooses among different charitable causes according to where his contribution would do most good. To my knowledge, Weber never discusses cases of that kind. Moreover, in one of his glosses on instrumental rationality²⁶ Weber seems close to identifying instrumental rationality with self-interest. Here, he repeatedly draws a contrast between instrumentally rational self-interested behavior and value-rational non-self-interested behavior, while entirely ignoring the possibility of instrumentally rational non-self-interested behavior. Yet as I argue in Section V below, that possibility is consistent with his general framework.

IV. Rationality: the standard model

Rational actions (choices, decisions) can be characterized in many ways. The approach taken in modern economics and decision theory, as well as in the other social sciences that take their lead, is resolutely subjective. Rational behavior is not behavior that is objectively optimal or adaptive, but behavior that is optimal from the point of the view of the agent and performed, moreover, because it is perceived to be optimal. Figure 1.1 is a schematic sketch of what I take to be the standard modern account. It is not offered for its own sake, but only as a benchmark for the discussion of Weber in the following sections.

The basic structure of rational behavior is set out in Fig.1.1. Here, the arrows have both a causal interpretation and a normative one. A rational action, for instance, is one that is both caused (in "the right way") by the

²⁶ Weber, *Economy and Society* (1968), p. 30.

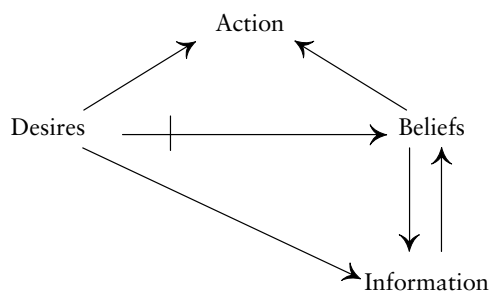


Fig. 1.1 Basic structure of rational behavior

desires and beliefs of the agents and optimal in the light of these desires and beliefs. The same dual condition obtains for belief-formation and information-acquisition. The blocked arrow, about which more later, indicates a causal link that is proscribed on normative grounds.

The model involves three distinct conditions. First, for an action to be rational, it has to be the best means of satisfying the desires of the agent, given his beliefs. In itself, this is a very weak requirement. If I want to kill a person and I believe that the best way of doing so is to make a doll representing him and stick a pin through it, then according to this weak definition I act rationally if I make the doll and pierce it with a pin. We would hardly be satisfied with this conclusion, however, not because the homicidal desire is irrational (it may be immoral, but that is another matter), but because the beliefs are transparently ill-founded.

Second, therefore, we need to stipulate that the beliefs themselves are rational, in the sense of being grounded in the information that is available to the agent. These may be beliefs about factual matters or about general lawlike connections. In particular, they will include beliefs about the *opportunities* available to the agent. In fact, rational-choice theory is often stated in terms of desires and opportunities rather than desires and beliefs. In that “reduced” version, the theory says that a rational agent chooses the most-preferred element in his opportunity set. Sometimes, this formulation is adequate enough. For some purposes, rational-choice theory can be summarized by saying that *people do as well as they can*. In general, however, we need to take account of the fact that the full set of objective opportunities available to the agent may not be known to him. Today, for instance, governments do not really know whether it is possible to develop commercially viable fusion power. Or, to take a more mundane example, an automobilist arriving in an unknown city without a map will not know the full set of routes that will take him through it. Applied to this situation, the theory says that *people do as well as they believe they can*.

In such cases, the agent must use whatever information he has to form some belief or subjective estimate of the alternatives. As noted, the fact that it is subjective does not in itself detract from its rationality. To be rational does not mean that one is invariably successful in realizing one's aims, only that one has no reason, after the fact, to think that one should have acted differently. Nor does a rational belief have to be true, only well-grounded in the available information. Beliefs are rational if they are formed by procedures that (are believed to) produce more true beliefs in the long run than any alternative procedure, but on any particular occasion the belief thus formed may not correspond to the facts. Beliefs are irrational when they are shaped by distorting influences of various kinds. Some of these are more in the nature of mistakes, as when people fail to observe simple principles of statistical inference. Others, however, belong to the category of *motivated irrationality*, as when the adding-up errors made by a salesman systematically (although non-intentionally) work out to his favor.

However, a belief is not made rational simply by being well grounded in the available information. If the automobilist is in a hurry, he should perhaps buy a map to acquire more information about the feasible routes. The third condition for rational behavior, therefore, is that the agent should acquire an optimal amount of information, or more accurately, invest an optimal amount of time, energy and money in gathering such information. Clearly, it will often be irrational not to invest any time in collecting information. If one is buying a house or a car, one should compare several options and investigate each of them in some depth. Equally clearly, there are occasions when there is a danger of gathering too much information. If a doctor makes too many tests before deciding on treatment, the patient may die under his hands. A general who insists on accurate information about the enemy's movement before attacking, can easily be taken by surprise. In between these extremes, there exists an optimal level of search, a "golden mean." Whether one can *know* where this optimum is located is another matter.

At any given time, an individual will have certain beliefs about the costs and value of acquiring new information. Once again, what he does must be assessed in the light of those beliefs, not in the light of what an external observer might deem optimal. The eye cannot see farther than its horizon. We can, therefore, give a third and final statement of rational-choice theory, as the principle that *people make the most out of what they have*, including their beliefs and their preferences.

As depicted in Fig.1.1, there are several factors which determine the amount of information that a rational agent will gather. The agent's beliefs about the expected costs and expected value of gathering the information

will obviously matter. His desires – i.e. how important the decision is to him – will also enter into the calculus. Indirectly, therefore, the desires of the agents will enter into the process of belief formation. However, the blocked arrow from desires to beliefs in Fig.1.1 is intended to indicate that a direct influence, as in wishful thinking, is inadmissible. Although Hume said that “Reason is, and ought only to be, the slave of the passions,”²⁷ he did not mean that passion should be allowed to set itself up as an arbitrary tyrant. Even a slave needs some independence to serve his master well; beliefs born of passion serve passion badly.

Rationality thus defined can fail in two ways: by indeterminacy and by irrationality. On the one hand, any one of the optimality operations in Fig.1.1 might fail to yield a unique solution. On the other hand, even when the optimal outcome is uniquely defined, the agent might fail to conform to it, or might conform “in the wrong way.” (Irrationality can also arise in cases of partial indeterminacy, but for present purposes there is no need to develop this point.) At the levels of belief-formation and information-acquisition, irrationality can arise either by “hot” mechanisms such as wishful thinking or by “cold” mechanisms that involve various (unmotivated) cognitive confusions. At the level of action or choice, irrationality can take the form of weakness of will or of spontaneous “visceral behavior”²⁸ in which ends-means reasoning is short-circuited.

V. Weber on action

Although extremely well known, Weber’s taxonomy of action²⁹ is both so central to the present article and so briefly stated that a full reproduction seems appropriate:

Social action, like all action, may be oriented in four ways. It may be:

- (1) *instrumentally rational (zweckrational)*, that is, determined by expectations as to the behavior of objects in the environment and of other human beings; these expectations are used as “conditions” or “means” for the attainment of the actor’s own rationally pursued and calculated ends;
- (2) *value-rational (wertrational)*, that is, determined by a conscious belief

²⁷ D. Hume, *A Treatise on Human Nature*, ed. L. A. Selby-Bigge, Oxford: Oxford University Press, 1970, p. 415.

²⁸ G. Loewenstein, “Out of Control: Visceral Influences on Behavior,” *Organizational Behavior and Human Decision Processes*, 65 (1996), pp. 272–292.

²⁹ Weber, *Economy and Society* (1968), pp. 24–25.

- in the value for its own sake of some ethical, aesthetic, religious, or other form of behavior, independently of its prospects of success;
- (3) *affectual* (especially emotional), that is, determined by the actor's specific affects and feeling states;
- (4) *traditional*, that is, determined by ingrained habituation.

A few pages later³⁰ Weber introduces some additional concepts, whose relation to these four categories is not entirely clear. First, there are "customs," or usages "based on long-standing practice." "The actor conforms with them of his own free will, whether his motivation lies in the fact that he merely fails to think about it, that it is more comfortable to conform, or whatever else the reason may be." If we rely only on the explicit definitions, the concept of customary behavior seems very close or even identical to that of traditional behavior, characterized as "a matter of almost automatic reaction to habitual stimuli which guide behavior in a course which has been repeatedly followed."³¹ In a later passage (written earlier), Weber asserts that convention transforms custom into tradition: "It is by way of conventional rules that merely factual regularities of action, i.e., customs, are frequently transformed into binding norms, guaranteed primarily by psychological coercion. Convention thus makes tradition. The mere fact of the regular recurrence of certain events somehow confers on them the dignity of oughtness."³² Custom is "devoid of any external sanction . . . conformity with it is not 'demanded' by anybody."³³

Custom is maintained by two different mechanisms. On the one hand, "the stability of merely customary action rests essentially on the fact that the person who does not adapt himself to it is subjected to both petty and major inconveniences and annoyances as long as the majority of the people he comes in contact with continue to uphold the custom and conform to it."³⁴ In this sense, customs are what we may call *coordination equilibria* (not to be confused with conventions in Weber's sense: see below). On the other hand, the more action is determined by custom, "the more disquieting are the effects of any deviation from the customary. In this situation, any such deviation seems to act on the psyche of the average individual like the disturbance of an organic function."³⁵ Thus characterized, custom seems much more like *habits*, as exemplified by a person who feels upset when the morning newspaper doesn't arrive on time. In the following I only consider

³⁰ *Ibid.*, pp. 29–30. ³¹ *Ibid.*, p. 26.

³² *Ibid.*, p. 326. The word I have translated as "custom" (*Sitte*) is here rendered as "usage." Earlier in the work, however, Weber's distinction between "*Brauch*" and "*Sitte*" is rendered as a distinction between "usage" and "custom."

³³ *Ibid.*, p. 29. ³⁴ *Ibid.*, p. 30. ³⁵ *Ibid.*, p. 320.

customs in the sense of coordination equilibria. They differ from tradition in that deviation from the latter triggers expressions of disapproval rather than “inconveniences and annoyances.”

Conventions – the mechanism that transforms custom into tradition – are in fact regularities of behavior whose “validity is externally guaranteed by the probability that deviation from it within a given social group will result in a relatively general and practically significant reaction of disapproval.”³⁶ In my terminology,³⁷ what Weber here calls conventions are *social norms*. Sexual behavior, for instance, is conventionally regulated in this sense.³⁸ An example of pure customary behavior is not easy to find. The standard example of driving on the right side of the road is somewhat imperfect, since those who unilaterally drive on the left not only run the risk of an accident, but also expose themselves to the disapproval of other drivers. The reason – which holds quite generally for coordination equilibria – is that each actor not only wants to drive on the right as long as others do, but also wants others to drive on the right as long as he does. If one actor deviates, he may not only harm himself but also others, who will tend to react with disapproval. In some cases, however, the harm which the deviation imposes on others may be so small or hard to notice that the actor only incurs practical inconvenience without any disapproval. If I buy an unusual and (therefore) expensive brand of shoes, I may infinitesimally lower the demand for and raise the price of the customary brand which is produced more cheaply through economies of scale, but nobody will be affected enough to express disapproval on that ground. They may, however, express disapproval of my shoes on other grounds. As Weber notes, *fashion* is located “in the neighborhood of ‘convention.’”³⁹ If I wear brown shoes with black dress, others may express their disapproval, although nobody is harmed. Some social norms may have their origin in the fact that deviations from the norm harm others, but not all do.

If customs, conventions and tradition are maintained by the disapproval or practical inconvenience that are incurred in the case of deviation, it might seem as if these categories of action can be assimilated to instrumental rationality. Suppose that an actor contemplates the choice between the conventional, customary or traditional option and a deviant alternative. If the disapproval or inconvenience is moderate and the advantages of the alternative are considerable, he might choose to deviate; otherwise the disapproval or inconvenience will deter him from deviating. This seems to

³⁶ *Ibid.*, p. 34.

³⁷ Jon Elster, *The Cement of Society*, Cambridge: Cambridge University Press, 1989.

³⁸ Weber, *Economy and Society* (1968), p. 607. ³⁹ *Ibid.*, p. 29.

be a matter of simple cost-benefit analysis, which does not call for any additional conceptual machinery. In the case of pure customary behavior, this conclusion seems justified. Annoyance avoidance is a straightforward principle of instrumental rationality. In the case of convention and tradition, however, the conclusion is not justified. In the first place, disapproval typically deters action through actual or anticipated *shame*, as noted by Weber in the case of sexual behavior.⁴⁰ As I argue elsewhere,⁴¹ shame is a causal force capable of distorting judgment and affecting behavior over and above whatever impact it might have as a “cost.” In the second place, we must ask whether the expression of disapproval by others is always instrumentally rational. In the general case, I believe, it is not.⁴²

In his gloss on the category of affectual behavior, Weber notes that “action is affectual if it satisfies a need for revenge, sensual gratification, devotion, contemplative bliss, or for working off emotional tensions.”⁴³ This is a rather unsatisfactory and hodge-podge list, confused by the fact that revenge (certainly) and sensual gratification (arguably) *are* ways of working off emotional tension. There is nothing to indicate that Weber had thought much or deeply about the role of emotion (the most important aspect of affect) in behavior, an exception being his analyses of shame and guilt in religious and secular life. According to modern psychological analyses of these two emotions⁴⁴ they differ in two main respects. On the one hand, shame is triggered by the thought “I am a bad person,” whereas guilt is caused by the thought “I committed a bad action.” On the other hand, shame induces a tendency to hide or disappear, whereas the action tendency of guilt is to confess or make reparations.

Weber was well aware of the link between shame and character. He refers to

that distinctive type of “shame” . . . which characterizes modern secular man precisely because of his own *Gesinnungsethik* . . . Not that he has *done* a particular deed, but that by virtue of his unalterable qualities, acquired without his cooperation, he “*is*” such that he *could* commit the deed – this is the secret anguish born by modern man.⁴⁵

Commenting on an episode in Herodotus, he writes that

⁴⁰ *Ibid.*, p. 607.

⁴¹ Jon Elster, “Emotions and Economic Theory,” *Journal of Economic Literature*, 36 (1998), pp. 47–74.

⁴² Elster, *The Cement of Society*, pp. 132–133.

⁴³ Weber, *Economy and Society* (1968), p. 25.

⁴⁴ Summarized in Jon Elster, *Alchemies of the Mind*, Cambridge: Cambridge University Press, 1999, ch. III.

⁴⁵ Weber, *Economy and Society* (1968), p. 576. Here “*Scham*” is mistranslated as “guilt.”

It is instructive to recall the attitude of the more rigorous Spartans toward a comrade who had fallen in battle in order to atone for an earlier manifestation of cowardice – a kind of “redeeming duel.” They did not regard him as having rehabilitated his ethical status, since he had acted bravely for a specific reason and not “out of the totality of his personality,” as we would term it. In the religious sphere, too, formal sanctification by the good works shown in external actions is supplanted by the value of the total personality pattern, which in the Spartan example would be an habitual temper of heroism.⁴⁶

Although Weber does not use emotion terms here, his argument is essentially that shameful behavior – unlike guilt – cannot be undone by a punctual action, since it flows from the personality as a whole. He draws on this distinction in his analysis of Catholicism, where “it is particularly important that sins remain discrete actions, against which discrete deeds may be set up as compensations or penances. Hence, value is attached to concrete individual acts rather than to a total personality pattern produced by asceticism, contemplation, or eternally vigilant self-control.”⁴⁷ Yet his argument is *not* that Catholicism instills guilt that can only be undone by confession or penance. Rather, it is that the institutionalization of these practices reduces the intensity of guilt in the sinner, and “spares him the necessity of developing an individual pattern of life based on ethical foundations.”⁴⁸ The comment is profound, and may have far-reaching implications for emotion theory. It suggests that if norms and institutions are created to encourage the actions that tend to flow naturally from specific emotions, the situations that would normally produce those emotions may cease to do so.

According to Weber, affectual behavior and value-rational behavior “have a common element, namely that the meaning of the action does not lie in the achievement of a result ulterior to it, but in carrying out the specific type of action for its own sake.”⁴⁹ Yet value-rational action differs from affectual behavior “by its clearly self-conscious formulation of the ultimate values governing the action and the consistently planned orientation of its detailed course to these values.” Whereas an emotional person may literally ignore the costs of a risky action in the passion of the moment, the value-rational person may be fully aware of the costs while not letting them affect his decision. Weber observes, however, that not all emotional behavior takes the form of “uncontrolled reaction to some exceptional stimulus,” as when we spontaneously strike out in anger upon receiving a particularly offensive insult. It may also take the form of “conscious release of emotional tension. When this happens it is usually

⁴⁶ *Ibid.*, p. 534.

⁴⁷ *Ibid.*, p. 561

⁴⁸ *Ibid.*

⁴⁹ All quotations in this paragraph are from *ibid.*, p. 25.

well on the road to rationalization, in one or the other or both of the above senses [instrumental rationality and value-rationality].” In feuding societies, for instance, emotionally charged revenge behavior has elements of both kinds of rationality. Revenge is an unconditional duty and to that extent value-rational; yet it is often carried out with great tactical and strategic skills and to that extent guided by instrumental rationality. There is ends-means reasoning, but revenge is the end, not a means to anything else.

This example points to an ambiguity in the notion of value-rationality. On the one hand, value-rationality may be oriented towards behavior that is within the immediate control of the agent, as in “Thou shalt not kill” or “Turn the other cheek.” In such cases, instrumental rationality has no purchase. On the other hand, value-rationality may be oriented towards behavior that requires favorable external circumstances which the actor has to create. If a man insults my sister in my absence, I may have to deploy considerable ingenuity in tracking him down so that I can take revenge, yet this instrumental rationality in the choice of means does not make the behavior less value-rational.⁵⁰ Instrumental rationality may also be harnessed to the service of pure emotional behavior without any element of value-rationality, if the revenge is purely personal rather than embodied in a system of social norms and obligations. Revenge may also, of course, be nothing more than instrumentally rational behavior for purposes of deterrence. We see, therefore, how one and the same general type of behavior – harming those who harm oneself – may be (i) purely emotional, (ii) purely instrumentally rational, (iii) value-rational and instrumentally rational and (iv) emotional and instrumentally rational. If the situation is such that revenge is perceived as a duty and the agent is in a position to carry it out immediately, it may also be (v) purely value-rational.

Weber’s notion of instrumental rationality emphasizes *efficiency* rather than *consistency*. In terms of Fig.1.1, he interprets the “desires” as “goals” rather than as “preferences.” Although this approach makes good sense for the analysis of economic and political decisions, it is less suitable for consumer decisions. In modern economic theory, utility is not some kind of substantive objective function – analogous to profits – that the consumer tries to maximize. Utility is a simple shorthand for preferences, and rationality means nothing more than the choice of the most preferred option in the feasible set, subject to consistency constraints. Although the preference approach is more general than the ends-means approach, it might seem *too* general. If emotions and values are conceptualized as preferences, behavior based on these motivations is just as rational as

⁵⁰ *Ibid.*, p. 26.

normal market behavior as long as the consistency constraints are satisfied, and no further distinctions might seem possible or required.

Yet I believe it is possible to capture the specificity of value-rationality and emotional behavior within the preference approach. In the case of value-rationality, a distinction may be made on the basis of the absolute priority of the value in question over all other concerns. The appropriate tool for behavior guided by a dominant value is the idea of *lexicographic preferences*, which excludes the possibility of a trade-off between the value in question and other goods. In the case of emotional behavior, one might add that emotions do not only shape preferences: they also distort beliefs. In terms of Fig.1.1, emotions act on each of the proximate causes of action. Although emotional behavior might seem rational if we only consider its relation to the underlying preferences, it can easily appear to be irrational if we also take account of the impact of emotions on beliefs.

VI. Some omissions in Weber's theory of rationality

Weber's analysis of instrumentally rational behavior and its relation to other modes of behavior is for the most part clear and convincing. Yet in light of modern decision theory I think it is possible to assert that it contains several important omissions.

Weber ignores that since the rationality of action depends on the rationality of the beliefs on which it is based, a theory of rational behavior must include a theory of rational belief-formation and of optimal information-acquisition. Consider for instance the following passage: "From the standpoint of animistic symbolism's own basic assumptions its therapeutic methods might be regarded as rational, but they bear the same relation to empirical therapy as astrology, which grew from the same roots, bears to empirical computation of the calendar."⁵¹ Weber does not ask the (for us) obvious question, viz. whether the cognitive assumptions themselves are rational or irrational. It is clear that they were *false*, but truth and rationality are two different matters. As Gerry Mackie has shown,⁵² people may find themselves in a *belief trap* if they entertain false beliefs that cannot be revised because *the believed costs of testing the belief are too high*. From their point of view, the false belief is rational.

The most striking instance of this omission or neglect occurs in Weber's famous discussions of Protestant sects, in *Economy and Society* as well as

⁵¹ *Ibid.*, p. 406.

⁵² G. Mackie, "Ending Footbindings and Infibulation; A Convention Account," *American Sociological Review*, 61 (1996), pp. 999–1017.

in *The Protestant Ethic and the Spirit of Capitalism*. On the one hand, he asserts over and over again that the practitioners of “innerworldly asceticism” behaved rationally, in fact were paradigms of rationality.⁵³ On the other hand, he argues that underlying their rational effort was the belief that it would enable them to achieve *certitudo salutis*. Given their belief in predestination, they could not hold that rational effort would bring them salvation, but they could and did hold that it would give them the subjective certainty of salvation.⁵⁴

This conflation of causal and diagnostic efficacy⁵⁵ is quite common. An even more explicit example than anything cited by Weber is given by E.P. Thompson:⁵⁶

It was not until 1770 that the Particular Baptists began to break out of the trap of their own dogma, issuing a circular letter (from Northamptonshire) which offered a formula by which evangelism and the notion of election might be reconciled: “Every soul that comes to Christ to be saved . . . is to be encouraged . . . The coming soul need not fear that he is not elected, for none but such would be willing to come.”

The conflation is also, however, a paradigm of irrationality. One might say about the Protestant sects what Weber says about the animists: their behavior was rational, but only within their framework of magical thinking.

Thus Weber does not explicitly confront the issue that behavior cannot be more rational than the beliefs on which it is based. Nor does he confront the issue that the implications of rationality for behavior might be indeterminate because the rationality of the underlying beliefs is indeterminate. In particular, he entirely neglects *strategic behavior* as a source of belief indeterminacy. Elaborating on his methodology for determining the importance of irrational factors in behavior, Weber writes that

in attempting to explain the campaign of 1866, it is indispensable both in the case of Moltke and of Benedek to attempt to construct imaginatively how each, given fully adequate knowledge both of his own situation and of that of his opponent, would have acted. Then it is possible to compare this with the actual course of action and to arrive at a causal explanation of the observed deviations.⁵⁷

⁵³ Weber, *Economy and Society* (1968), pp. 436, 479, 498, 575.

⁵⁴ *Ibid.*, p. 115.

⁵⁵ G. Quattrone and A. Tversky, “Self-deception and the Voter’s Illusion,” in J. Elster (ed.), *The Multiple Self*, Cambridge: Cambridge University Press, pp. 35–58; Elster, *The Cement of Society*, pp. 196–200.

⁵⁶ E. P. Thompson, *The Making of the English Working Class*, Harmondsworth: Penguin Books, 1968, p. 38.

⁵⁷ Weber, *Economy and Society* (1968), p. 21.

Weber does not seem to be aware of the need to “construct imaginatively” how each of Moltke and Benedek would try to “construct imaginatively” what the other would be doing, including their further constructive imaginings, and so on. Nor of course was he aware of the difficulties in doing so that have become increasingly apparent in recent years. In any complex social situation, multiple equilibria seem to be the rule rather than the exception. To take an extreme example, in some three-person games *any* behavior is an equilibrium, i.e. *no* behavior can be rejected as irrational.⁵⁸

It would be absurd to criticize Weber for not having invented game theory. My point is only that because Weber – understandably – focused his attention on parametric rationality, he formed an exaggerated belief in the ability of the human mind to determine in all situations the uniquely rational course of action. If the rationality of behavior depends on the rationality of the beliefs underlying it, and if beliefs about the expected behavior of a strategic adversary are essentially indeterminate, then rationality, too, will often be indeterminate. We can add that Weber implicitly seems to have focused exclusively on decision-making under certainty and under risk, while ignoring decision-making under uncertainty – another source of belief-indeterminacy. To assess the rationality of the Los Angeles City Council with respect to earthquake prevention, we would have to know something about (what the council could rationally believe about) the probability of earthquakes of various strengths within a given time period. The fact is, however, that at present there is no scientific basis for assigning numerical probabilities to these events. In these situations of uncertainty, there is often a wide range of beliefs and behaviors that are consistent with the canons of rationality,⁵⁹ and hence it is often difficult to exclude any specific action as obviously irrational.

Conclusion

Weber’s analyses of action and rationality display a stunning depth of insight. Although the crucial theoretical statements are extremely compact, a close reading shows that he was aware of the full range of human motivations and the ways in which they affect behavior. Among his main accomplishments I would list the following. (i) The analysis of the role of emotion in human behavior, including a distinction between spontaneous

⁵⁸ J. Sutton, “Non-cooperative Bargaining Theory: An Introduction,” *Review of Economic Studies*, 53 (1986), pp. 709–724.

⁵⁹ K. Arrow and L. Hurwicz, “An Optimality Criterion for Decision-making under Uncertainty,” in C. F. Carter and J. L. Ford (eds.), *Uncertainty and Expectation in Economics*, Clinton, NJ: Kelley, 1972, pp. 1–11.

emotions that short-circuit instrumental rationality and more durable emotions that can harness instrumental rationality to their ends. (ii) The analysis of three ways in which human behavior can be guided by general principles: by unconditional adherence to a value, by anticipation of disapproval caused by deviating from social norms, and by anticipation of practical inconvenience caused by deviating from a coordination equilibrium. (iii) The recognition of the role of emotions, notably shame, in regulating social norms. (iv) The discussions of guilt and shame, including their cognitive antecedents and their typical action tendencies. As noted initially, this enumeration may be somewhat idiosyncratic. Paradoxically, perhaps, I find Weber's analysis of irrational behavior (including value-rational behavior) more illuminating than his dissection of instrumental rationality.

This dissection does, in fact, seem to have some severe flaws. (v) Weber does not integrate his analysis of rational action with the analysis of rational belief-formation and information-acquisition. (vi) In particular, because of his neglect of strategic behavior he ignores the importance of *beliefs about beliefs* when several actors have to reach mutually interdependent decisions. (vii) Because of his focus on the probable consequences of behavior, he ignores cases of brute uncertainty in which it is impossible to attach numerical probabilities to the possible outcomes. (viii) For these various reasons, Weber exaggerated the uniqueness of what would be rational behavior in any given situation. (ix) From this mistake another mistake follows, namely the idea that the importance of irrational behavior in a given situation can be measured by first determining what the rational course of action would have been and then comparing it with actual behavior. (x) This idea is also invalid for another reason, namely that the rationality of behavior cannot be read off the behavior directly without knowledge of the way in which it was brought about.

The basic problem in Weber's writings on these issues is perhaps his failure to see how objective success and subjective rationality can deviate from each other. A person's behavior may be objectively appropriate and yet not be the end result of rational deliberations. Conversely, a person may act rationally if the beliefs on which he bases his decision are warranted *ex ante*, even if they are proved wrong *ex post*. Although Weber consistently emphasized the need to understand behavior as subjectively meaningful, he did not draw the full consequences from this idea. The closing pages of the *Protestant Ethic* suggest that he was influenced by the fact that *market competition* tends to generate objectively successful behavior, by its ruthless elimination of those who fail. To the extent that this is the case, we can explain behavior by invoking external necessity rather than by searching

for its inner springs. It turns out, however, that the objective mechanism of competition is as indeterminate in its workings as the subjective rule of acting on good reasons.⁶⁰ Some inefficient firms survive, and some efficient ones go under. Whether approached from a subjective or an objective angle, the idea of rationality has less purchase on behavior than Weber thought.

⁶⁰ R. Nelson and S. Winter, *An Evolutionary Theory of Economic Change*, Cambridge, MA.: Harvard University Press, 1982.