

Max Weber oggi

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The Weberian analysis of Chinese
capitalism in the light of
contemporary developments

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Weber's account of the rise of modern capitalism in the West

As we know, for Max Weber, *modern* capitalism was unique to the West. The set of all other capitalisms - booty capitalism, political capitalism, colonial and imperialistic capitalism, agrarian capitalism, merchant capitalism - could be found throughout history and was not unique to any one civilization. In the *Agrarverhältnisse im Altertum* (1909) Weber distinguished between the two as follows:

'Today the concept of "capitalist enterprise" is generally based on this last form, the large firm run with free wage-labour... However, to accept this premise is to limit needlessly the concept of capitalist economy to a single form of valorization of capital - the exploitation of other people's labour on a contractual basis - and this to introduce social factors. Instead we should take into account only economic factors. Where we find that property is an object of trade and is utilized by individuals for profit-making enterprise in a market economy, there we have capitalism'¹

The patriarchal oikos as a productive unit, which Weber instances in the context of Pharaonic Egypt, ancient Rome and European manorial feudalism, frequently traded on the market the surplus product of the oikos, which however ran on the basis of serf or slave labour. The surplus could be food, or it could be manufactured products from the oikos's own workshop. But this market activity remains subsidiary to the dominant organization of production and distribution which was based on the unfree division of labour determined by the rulership of king or lord. Weber allows, in the Ancient world, that capital investment can include tax farming, mines, sea trade, plantations, banking, mortgages and overland trade. None of these, even all of these, cannot transform the traditional nature of society.

Modern capitalism is a watershed event. It needed a unique configuration of factors to achieve the transition out of a traditional society. In the *General Economic History* Weber discounts the role, and need for, the growth of population. China had population growth 'from 60 to 70 million to 400 millions' from the beginning of the 18th century to the end of the 19th. 'In spite of this fact, capitalism went backward in China not forward.'² Weber also dismisses Werner Sombart's theory of the inflow of precious metals as the precipitating factor. 'The gold and silver from America, after

¹ Translated as *The Agrarian Sociology of Ancient Civilisations*, translated R. I. Franks, 1976, pp. 50-51.

² *General Economic History*, translated Frank Knight, p. 352.

the discovery, flowed in the first place to Spain; but in that country a recession of capitalistic development took place parallel with the importation'. The money was used for military ends and led to the destruction of the commercial interests of the Spanish grandees. 'Capitalism in the west was born in the industrial cities of the interior, not in the cities which were centers of sea trade'. (p. 354)

'In the last resort the factor which produced capitalism is the rational permanent enterprise, rational accounting, rational technology and rational law, but again not these alone. Necessary complementary factors were the rational spirit, the rationalization of the conduct of life in general, and a rationalistic economic ethic.' (p. 354)

When the historical origins of these necessary preconditions are examined, it becomes an open question whether Weber is 'privileging' the West in terms of some essential *ratio* (which is what he argues in the 'Vorbemerkung' to the Collected Essays on the Sociology Religion), or whether it is a combination of contingent factors that creates the modern capitalist outcome. I will leave this as an open question; in a sense it is a division between theory (ideal types) and empirical historical factors.

Weber demands a patterning of behaviour and institutions on a rational basis. The accumulation of rationality to a high level eventually overpowers the traditional structures of society. This was precipitated by the Reformation in the Dutch and English cases where the political liberty of the bourgeoisie was closely aligned with freedom over confession and form of worship, and the freedom to trade. This context resulted in widespread and a long enduring conflict between religious confessions and warfare between states.

The emergence of modern capitalism is dependent on some notable continuities. What was going on in the Dutch Republic and the England of William III (William of Orange) was a continuation of the maritime trading patterns of Venice, Genoa with Antwerp providing the bridge. i.e. long distance trade colonising India, the East and West Indies and the Americas.

The Dutch supremacy was unable to maintain its dominance against the large unitary state of Great Britain. Large states came to predominate over the smaller merchant republics of Italy, Antwerp and lastly Amsterdam. In Weber's analysis this marks the ascendancy of the national state. 'Everywhere the military, judicial and industrial authority was taken away from the cities.' (GEH, p. 357) The independent Italian city states were

under control of the 'signoria' and were unable to effectively resist the incursions of the great dynastic powers North of the Alps.

Weber makes an important point - often overlooked by commentators - in working through these factors. Competition between national states in Europe created a

'condition of perpetual struggle for power in peace or war. This competitive struggle created the largest opportunities for modern western capitalism. The separate states had to compete for mobile capital, which dictated to them the conditions under which it would assist them to power. Out of this alliance of the state with capital, dictated by necessity, arose the national citizen class, the bourgeoisie in the modern sense of the word. Hence it is the closed national state which afforded to capitalism its chance for development...' (GEH, p. 337).

This complex process can be elucidated in the example of England and the foundation of the Bank of England, which I will leave to one side in this outline.

Weber's analysis of China

Weber's extensive study of China, indeed a preoccupation, serves to underline the singularity of modern capitalism - when considered as a unique configuration of factors.

From the point of view of conventional economic history China had many things going for it: it had markets, money, technological ingenuity, urban centres, a unified polity, law, pacification. And the new economic history led by Kenneth Pomeranz argues that western Europe and China had an economic equivalence up to the 18th century, and then diverged with the West gaining a decisive advantage through the availability of coal as an energy resource in addition to a new range of imports from the Americas.³

Weber's comparative analysis lays particular stress on mentalities: the contrast between Confucianism and Puritanism. In a recent article Christopher Adair-Totefeff presents a more nuanced account of this

³ Kenneth Pomeranz, *The Great Divergence. China, Europe and the Making of the Modern World Economy*, 2000. See also the recent article by Vittorio Cotesta, 'Three Critics of Weber's Thesis of the Uniqueness of the West: Jack Goody, Kenneth Pomeranz and S. N. Eisenstadt. Strengths and Weaknesses', *Max Weber Studies*, 14.2, 2014, pp. 147-167.

difference. Protestantism and Confucianism were 'rational' in fundamentally different ways.

'For the Confucian, rationalism was a means, but only a means. It was the rationalism of the general education, the knowledge of modesty, and the belief that wealth would be a well-deserved result of living the modest and moral life. For the Puritan, rationalism was an end in itself. Wealth was merely an "unwanted" result, a result of living a specialized life - the life that was singularly devoted to the greater glory of God. The Puritan believed that he was God's instrument whereas the Confucian "gentleman" rejected the notion that he was an "instrument". The Confucian lived contentedly in the world; the Puritan needed to master it.'⁴

This is more than isolating solely ideal factors - between actual magical spirits and the haunted world of the Protestant entrepreneur. These two different outlooks need to be followed into conduct and how this was realized in institutional settings. The Confucian official's notion of law turned on respect for the person, one linked to obedience to the leader. This changes the colouring of the bureaucracy, which was patrimonial in China and in the western state it was more instrumentalist and abstract.

It is very hard to isolate any one factor - or in Weber's methodology - the 'adequate cause' that led to modern capitalism in the West. In China the configuration was different in so many ways and at different levels: markets, credit markets, a pacified state versus competing national states, fundamentally different mentalities and conduct of life. It is somewhat similar to the thought experiment of thinking through the further development of modern capitalism from the commercial practices of the Italian cities and the mentality of Erasmian humanism. (Indeed it is more than a loss that more of the Renaissance - an aesthetic notion of form and balance, one of underlying aesthetics of double entry bookkeeping for Luca Pacioli - was not incorporated within European capitalism.) Chinese modernity would finally have found its own way to expression - sooner but for the last dynasty of the Qing state - and more equitable had Sun Yat-sen succeeded with his modernization.

The Weberian analysis of contemporary Chinese capitalism

It is a naive mistake to assume that today's capitalism still requires a Puritan mentality of sobriety, asceticism and systematic life conduct.

⁴ Christopher Adair-Toteff, 'Max Weber on Confucianism versus Protestantism', *Max Weber Studies*, 14.1, 2014, p. 92.

Weber tells us at the end of the Protestant Ethic (1904/5) that capitalism, in the future, may be pursued as a form of sport anticipating the Veblen thesis of life style. He also tells us that contemporary capitalism has thrown off the cloak of Puritanism and is now routinised in the impersonal structures of a giant economic cosmos. Capitalism in the *Kaiserreich* was cartellised, patriarchal, operated in large closed factories, and its organization was bureaucratic and managerial. All 'spirit' had been crushed. And if we look at Larry Scaff's *Max Weber in America* he encountered a variety of capitalist forms. The rationalization of the abattoir in Chicago, the pioneering oil exploration in Oklahoma, and the trusts and finance pools of finance capital. English capitalism was laissez faire but with imperialistic tendencies and around 1900 flirting with social imperialism - protective social policy at home and exploitation of colonies abroad.

Modern capitalism has shown itself over the centuries to be plastic and able to adopt a multitude of forms. It is resilient despite being based on economic dependency and the domination of man by man - and despite being crisis prone.⁵ Once established it is difficult to dislodge. Both economic domination and crisis open the door to natural rights based alternatives in the form of cooperatives, socialism, syndicalism and communism. In his correspondence with Roberto Michels Weber makes known his many doubts that syndicalism could overthrow capitalism, despite its many faults.

Maintaining capitalism requires far less in the way of Puritan attitude than is required to make the transition from traditionalism to the ever-reproducing nature of modern capitalism. Correspondingly its tolerance to abuse is, alas, high. At the moment, seven years into the global financial crisis, capitalism is in one of its destructive phases. But no-one yet knows whether it can be tested to the point of destruction. We don't know what rationality structures are indispensable. They are certainly far less than what Weber thought was essential for the sustainability ('Nachhaltigkeit') of capitalist enterprise: budget rationality, free markets, free labour, rational law. In the same list (in the *General Economic History*), Weber also admits that where commercial paper (bonds and shares) are freely available and traded, there is always the possibility of financial speculation. This is one of the major causes of the crisis-prone nature of capitalism - but *contra* Marx does not lead to revolution. It was the collapse of the German

⁵ See Victor Strazzeri, 'Max Weber and the "labour question". An initial appraisal', *Max Weber Studies*, 2015, 15.1, pp. 75-77.

state, in late 1918, that led to the creation of the soviets in Berlin and Munich.

Subsequent to Weber we know that modern capitalism has spread across the world. After the collapse of the Qing dynasty in 1911 Weber reckoned that modern capitalism, based in Shanghai, would expand. Today Chinese capitalism is an object of great fascination and also of critique. The latter comes from the school of western neo-liberal doctrine, which operates with a longer list than Weber's of 'orthodox' criteria as to what constitutes proper or 'fair' capitalism. Markets have to be open, property is inviolable and needs to be upheld in the institutions of law, currencies have to be convertible and conform to the IMF rules against 'unfair' competition. States have to be detached from the economic process, and should divest themselves from being major economic actors - hence privatization. Share holder capitalism and shareholder value is the eminent mark of mature capitalism. The freedom of labour, and its substitutability - by capital and cheaper labour alternatives - is cardinal. Capitalism in its political, interventionist and corporatist forms are debasements of the neo-liberal pure type.

Chinese capitalism does have some neo-liberal characteristics - entrepreneurialism is rife - but in many other respects China does not conform to the neo-liberal model. What does a Weberian analysis contribute? In asking this we have to move beyond economic theory and doctrine, which for Weber - as we can see in how he conceived of this in the *Grundriss der Sozialökonomik* - were themselves part of the socio-economic process. Ideas - of economic rationality - play a part in economic behaviour but they are also the products of particular economic groups. Neo-liberalism is a product of a particular conjuncture of the thinking of economic and political elites in the United States and the European Commission. The bailing out of the banks, the imposition of austerity and the direct increase of holders of wealth through quantitative easing have made a nonsense of the original neo-liberal doctrine. The so-called 'level-playing field' has been tilted massively to favour financial capital. Working with Weber's own categories, we need to consult Chapter Two of *Economy and Society*, 'Soziologische Grundkategorien des Wirtschaftens' written in 1919/1920 at the end of his life (nevertheless echoing many of the themes of his lectures as an economist in the 1890s).

The capitalism problematic, as in the debates between Werner Sombart and Max Weber, has faded into the background, for what is offered instead

is a typology of the economic forms of action throughout history. This prompts the thought that it may not be so illuminating to designate today's Chinese economy as capitalist in the light of our (ideological) preconceptions of what capitalism is. It may be more interesting to analyse Chinese capitalism as the move to market oriented behaviour after three decades of economic activity being determined by communal ownership under the direction of Chinese Communist Party. The path dependency of the move towards 'capitalism' is strong as it emerges from a flat social structure of peasant villages and rural communes.

Rights to property, for Weber, are always dependent on the legal claim to such rights, and throughout history these claims - and subsequent forms of property - vary greatly. Weber does not refer to an absolute right to property. Freehold and ownership are legally circumscribed rights. As English lawyers know, property rights were held hypothetically in tenure as a result of England's feudal past, and that the reform of property rights in the late 19th century - 900 years later! - created new property rights through the concept of equity. In the same way the CCP is conferring by no means permanent rights of property on individuals and local communal enterprises. This applies to both property in land and the title of companies (where formally private companies have large blocks of their shares owned by the state). In feudal terminology it is not clear that the Chinese state is agreeing to make all title to property 'alienable'. It reserves the right to take property back into its own possession.

The ability of the Chinese state to interfere in the economy is well attested and within China cannot be contested. Is this a form of political capitalism? Wolfgang Schluchter has recently observed, this is capitalism under the control of a Leninist-type one party state. Schluchter finds this incompatible and not sustainable.⁶ I am not at all sure about this, because this seems to be an established Asian practice, if we think of Singapore's and Hong Kong's success. Section 8 of Chapter II is entitled 'Marktlage, Marktgängigkeit, Marktfreiheit, Marktregulierung'. The political powers, the status of (commercial) law, and the interests of trade associations all play their part here. In Weber's eyes there is a theoretical equivalence between de-regulation of markets, and intervention and regulation of markets. Both happen all the time. China did not caught up in the global financial crash of 2007/8 because it regulates its banks, stock exchanges, and credit creation - and still does. Europe and the US suffered a crash

⁶ Wolfgang Schluchter, "'How Ideas become Effective in History": Max Weber on Confucianism and Beyond", *Max Weber Studies*, 2014, 14.1, p. 24.

because in the words of the UK's top civil servant in the Treasury: 'The 2008 crisis was a banking crisis pure and simple. Excessive risk had built up in the system, the regulators failed to appreciate the scale of that risk or to address it.' This is hardly stunning insight but it is an admission of culpability - by Sir Nicholas Macpherson who has served both Labour and Conservative Chancellors of the Exchequeurs. It was, he said, 'a failure of the Group of Seven economic policy making establishment, myself included.'⁷

Weber's economic sociology owes something to economic geography. All economies are concerned with the provision of goods and services to meet needs. Weber no longer talks about the means of production, which was the classical economists' term, including Karl Marx, but of '*Beschaffungsmittel*'. The chain of economic linkages from primary industries to production processes and distribution routes to consumers is a matter of arrangement and coordination. This is the broad idea of *Beschaffung* and it leaves the exact scope of the capitalist enterprise as quite flexible. This has become apparent in neo-Fordist forms of production - outsourcing and value chains. Weber recognizes this in Section 31, which is entitled 'Typische Richtungen "kapitalistischer" Orientierung des Erwerbs'. (Weber himself places capitalistic in inverted commas.) Capitalism is not assumed as a system, merely an orientation that can be realized in various ways. Accordingly, it is perhaps better to think of China in terms of capitalistic orientations in the provision of goods and services within a one-party political system.

We know that Weber insisted on the formally free status of labour as a precondition of capitalism. China has freed up the mobility of labour over the last twenty years: a world-historical movement of peasants and farmers from the countryside to the cities. It also includes travel restrictions of millions of labourers who are not allowed legally to work outside their province - the *hokou* system. This has created a second class of economic citizen who work in another province without the necessary permission and therefore forfeit certain rights. Sections 15 to 23 of Chapter II discuss the various modalities of the division of labour: economic, social and technical. The status categories of labour, its geographical distribution in a country, the technical organization of manufacturing and production, the appropriation of labour in terms of wages, salaries and profits is fundamental to any analysis of any modern economy, including China's.

⁷ Quoted in *The Guardian* 4 May 2015.

Weber puts forward the important thesis that the greater the division of labour the greater the opportunity for appropriation by the owners of the *Beschaffungsmittel*. This gives an extra dimension to the Piketty thesis.⁸

Weber was a chartalist and, following G.F. Knapp, he adhered to the state theory of money. This was an acceptance of fiat money whose validity was upheld by virtue of taxes being paid in the national currency and state expenditures accepted in national currency. The state owned and controlled money and hence underpinned its value. This is a tenet that is instinctively understood by the People's Bank of China. The OECD's flirtation in the 1990s and 2000s with 'free banking', which reached its apogee with so-called 'independent' central banks being untethered from state treasuries, would not be entertained by Chinese monetary authorities.

Lastly I want to consider mentalities. Weber had already noted the 'acquisitive spirit' of the Chinese, the lust to make a favourable deal. In the *Protestant Ethic* Weber argued that acquisitiveness alone was not a sufficient condition to achieve the breakthrough to modern capitalism. It is too short-term and cannot build long term institutions. But it clearly does become a motor of enterprise once market behaviour is opened up and enterprises become legal, as occurred after the reforms of Deng Xiaoping from 1979 onwards. This freedom to 'turn a profit' may well be in conflict with the state promoted ideology of Confucianism: the need to maintain order and respect authority.

More interesting are the economic ethics of Daoism, which is now widely followed as a popular religion. Jack Barbalet has written on this, noting that Deng Xiaoping's economic reforms were accompanied by a freeing up of popular religion and a move away from state-prescribed Confucianism. Barbalet quotes a Han dynasty historian as follows:

' There must be farmers to produce food, men to extract the wealth of mountains and marshes, artisans to produce these things and merchants to circulate them. There is no need to wait for government orders: each man will play his part, doing his best to get what he desires . . . When all work willingly at their trades, just as water flows ceaselessly downhill day and night, things will appear unsought and people will produce them without being asked. For

⁸ See the Review Essay of Thomas Piketty's *Capital in the Twenty-First Century* by Sam Whimster, *Max Weber Studies*, 14.1, 2014, pp. 103-112.

clearly this accords with the Way and is in keeping with nature.'⁹

Barbalet shows that Daoism has been taken up, within the political class from the 1980 onwards, as anti-authoritarian, non-coercive, and in particular the concept of non-action (*wuwei*) is interpreted as acting in accordance with existing structures, including the market, and as allowing for mutual responsiveness. Max Weber himself spotted this feature, likening *wuwei* to *laissez faire*, although more generally, and following his source de Groot, he construed Daoism as mystical and quietist.¹⁰ In a more fundamental philosophical sense the idea that the economic agent does not impose his or her will is expanded by François Jullien who has argued that the Chinese lack the subject object distinction of Western philosophy.¹¹

Deng Xiaoping called his market reforms 'radical pragmatism' and if Daoism is taken up into economic policy and action, this points to the emergence of a specific Chinese economic pragmatism. The style of thought and action stands in contrast with the formal rationality of abstract western economic doctrine. The prompts the thought that China in finding its own way of expanding the market and freeing up enterprise may well be developing its own singular form of capitalism in contrast to the western experience.

⁹ Jack Barbalet, 'Market Relations as *Wuwei*: Daoist Concepts in Analysis of China's Post-1978 Market Economy', *Asian Studies Review*, 2011, 35.3, pp. 335-354.

¹⁰ Max Weber, *The Religion of China*, translated Hans H. Gerth, pp. 180-89.

¹¹ See François Jullien, *De l'Être au vivre, lexique euro-chinois de la pensée*, Gallimard, 2015.