

DESCRIPTIVE AND NORMATIVE EXPLANATIONS OF ECONOMIC BEHAVIOUR: ECONOMISM AND CULTURALISM

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Abstract. The ongoing epistemological and methodological debate between the two major schools in the social sciences, descriptivism (inductivism, particularism, humanism) and normativism (deductivism, positivism, generalism) has left its mark in the history of economic anthropology. The attempts to solve the main problem of this discipline, namely the explanation of human economic behaviour, were addressed in different ways and from different methodological perspectives. Here, I will try to discuss two of them, economism and culturalism, which I believe have strong connections with two important schools in the twentieth century economic anthropology, formalism and substantivism.

Key words: economic behaviour, economism, culturalism, formalism, substantivism.

Even if today it may not be the case anymore, at its very beginnings as a science, back in the eighteenth-century Enlightenment, economics was conceived as a field of inquiry belonging to moral philosophy.¹ Adam Smith, who is universally acclaimed as the founding father of economic theory was, first and foremost, interested in finding rational solutions for moral and ethical issues, as ethics itself was at that time in a process of replacing faith with reason as the basis of understanding and regulating human social behaviour. The title of his first important work, *The Theory of Moral Sentiments*, published in 1759, speaks for itself. According to Geoff Bertram from Victoria University, “both David Hume and Adam Smith, the two main British contributors to the emergence of Political Economy in that century, made the transition from moral philosophy to economics by pondering on how it could be that human behaviour, with all its moral failings, could throw up

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¹ Cf. D.M. Hausman, M.S. McPherson, *Taking Ethics Seriously: Economics and Contemporary Moral Philosophy*, in “Journal of Economic Literature”, Vol. 31, No. 2 (Jun., 1993), pp. 671–731.

orderly and analytically intelligible outcomes in terms of prices, interest rates, wage rates, profit rates, growth rates, and the institutions of markets in general.”²

Today, Adam Smith is known and cited mostly for the ideas from his second book, *An Inquiry into the Nature and Causes of the the Wealth of Nations* (1776), and especially for his so-called apology of self-interested behaviour that constitutes the basis of capitalism, namely the idea that if every individual naturally pursues his own selfish goals, the effects of all those individual actions on the society as a whole will be positive and the general outcome will be the increasing of wealth and order, as if the individual actions would be somehow coordinated for the greater general good. This is the famous theory of the “invisible hand”: “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. [...] every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. [...] and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it.”³

Although Smith only mentions the “invisible hand” once in his book, most of today scholars erroneously take this idea to be the essence of his thought and assume that he was openly praising selfish behaviour for itself, since it has such beneficial effects for the society. This is especially the case with the modern neo-liberal political theorists and especially with the economists in the neo-classical tradition, who make use of Smith’s ideas for justifying their view on human being as *homo oeconomicus*, the rational selfish utility maximising individual and for promoting the unrestrained manifestation of pure self-interest and of material gain and profit seeking. As economist George Stigler, a prominent figure of the so-called neo-classical “Chicago School” famously said in the opening of his speech at the *Wealth of Nations* bicentennial celebration held at Glasgow University in 1976, “I bring you greetings from Adam Smith, who is alive and well and living in Chicago”.⁴

But, as Bertram pointed out, *The Wealth of Nations* is not an apologetic work, “not an exercise in moral prescription; it is a lesson in what would later be called «positive economics»”, an empirical work of economic inductive and descriptive analysis.⁵ Smith keenly observes what real people are doing in their everyday life

² G. Bertram, *Is economics still a branch of moral philosophy? Reflections on the history of economic thought*, available on-line at http://www.nzae.org.nz/wp-content/uploads/2012/07/Bertram_Economics-and-moral-philosophy.pdf

³ A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Petersfield, Harriman House, 2007, pp. 9, 10, 293.

⁴ Quoted in R.L. Meek, *Smith, Marx, & After: Ten Essays in the Development of Economic Thought*, London, Chapman & Hall, 1977, p. 3.

⁵ G. Bertram, *op. cit.*

and draws his conclusions from those observations: he sees that every man has a natural propensity to “truck and barter”, that leads to the division of labour and finally to greater prosperity for the whole society, and marvels how this pursuing of self-interest by every individual is leading to increasing complexity and order and not to a hobbesian *bellum omnium contra omnes*, and the destruction of society. Not being able to explain this outcome otherwise, he comes up with his hypothesis of the “invisible hand” that regulates any free market. The “support for *laissez-faire* in Smith is not a matter of basic moral or ideological principle: it is a pragmatic judgment reflecting his comparative analysis of different forms of economic organisation, and his realisation that an unregulated market economy tends not to chaos (as many before and since Smith supposed) but to order.”⁶

Au contraire, contemporary economics is not anymore a descriptive and inductive science, but a deductive and normative one. The task of describing the economic behaviour belongs now to a newer, trans-disciplinary science, namely economic anthropology. As anthropologist Stuart Plattner puts it, “microeconomics uses a well-developed body of theory to identify economic decisions for individuals or firms. It is a *prescriptive* (sometimes called «normative») theory, meaning it specifies how people should act if they want to make efficient economic decisions. This is in stark contrast to most anthropological theory, which is *descriptive*, meaning it analyses what people actually do.”⁷ What Plattner is trying to say is that while economics and economic anthropology share the same subject-matter, namely human economic behaviour, the difference between the two disciplines is a methodological one: economics is a normative theory, while economic anthropology does prefer a descriptive approach.

Normative or prescriptive sciences are concerned with describing how things should happen if certain conditions are met, while the descriptive ones endeavour to find out inductively how things actually happen. Microeconomics, making the assumption that people are perfect rational agents, shows how individuals should act or firms should make effective decisions, i.e. to achieve maximum profit in a given theoretical situation (i.e. an abstract model of reality). In turn, economic anthropology describes how real people, who are far from being perfectly rational, do act in real and complex situations of everyday life. Economists are not anymore interested to know if people really are rational agents who make effective decisions to maximize utility, but try to find out how people should act in an ideal world, if they would be such rational agents, so as to obtain maximization. Economic anthropologists, on the other hand, do not assume from the beginning that people are rational in an abstract way, but try to offer a description and an explanation of their actions, in order to discover their specific, actual rationality (if any) and the various and often seemingly irrational motives of their actions.

⁶ *Loc. cit.*

⁷ S. Plattner, *Introduction*, in S. Plattner (ed.), *Economic Anthropology*, Stanford, Stanford University Press, 1989, p. 7.

All these seem to suggest that economic science began as an inductive inquiry into fundamental problems concerning human nature, but slowly began to lose interest in them. The first “economic philosophers” were concerned with questions as: are human beings fundamentally selfish or are they altruistic? Is human tendency towards cooperation natural, innate, or is it socially induced and a product of coercion? Do people always put their own self-interest above those of the others, do they have a tendency towards self-sacrifice and altruism? If the latter is the case, is this tendency natural, or is it a result of education? Contemporary economists seem to have lost interest in these questions, and so they became the subject-matter of other disciplines, such as business ethics, philosophy of economy and economic anthropology. In this paper, I will be concerned only with the latter.

Economic anthropologists Richard Wilk and Lisa Cliggett believe that in the field of contemporary economic anthropology three main orientations can be identified, each of which embraces a different understanding of human nature: “We think that it is possible to divide theoretical camps in economic anthropology into three different groups, each of which represents a different idea about fundamental human nature. We call these ideas *assumptions* because they are where people start their analysis; they are like the axioms of geometry, which are themselves unprovable. Once an anthropologist accepts a set of assumptions, he or she can reason from them to the solutions of all kinds of problems without ever trying to prove or challenge the assumptions themselves. The real heat and argument in economic anthropology comes from underlying disagreement over these starting assumptions.”⁸

The three different conceptions about human nature that can be identified in economic anthropology are in fact three models of human economic behaviour and economic decision-making. According to Wilk and Cliggett, these are: (1) the self-interested model, (2) the moral model and (3) the social model. In this paper, I will deal with the first two models, as I believe they are closely connected with the two main schools of thought that dominated the field of economic anthropology in the second half of the last century, formalism and substantivism.

(1) The self-interested model represents a conception on human nature that was borrowed by economic anthropologists from the contemporary neo-classical microeconomic theory, where it is known as the paradigm of self-interested rational agent, or *homo oeconomicus*.

According to French sociologist Alain Caillé, one of the founders of “The Anti-utilitarian Movement in the Social Sciences” (*Le Mouvement Anti-Utilitariste dans les Sciences Sociales – MAUSS*), in all contemporary social sciences it can be easily identified an overwhelming influence and even an imperialism of what he called “the utilitarian paradigm”. From the beginning, he identified the utilitarian way of thinking with the “generalized economism” of the years 1960–1970

⁸ R.R. Wilk, L.C. Cliggett, *Economies and Cultures. Foundations of Economic Anthropology*, Boulder, Westview Press, 2007, p. 40.

(*l'économisme généralisé des années 1960–1970*), i.e. the general tendency to use the economic explicative model in all social sciences: “At first for us, utilitarianism was another way of referring to economism, and the work of MAUSS was then, for ten years, primarily a critical work on the intellectual and political mutation that had occurred in the West in the years 1970–1980.”⁹ According to Caillé, the economism of economists, anthropologists, biologists, psychoanalysts and sociologists of the time was the result of a much more general movement of ideas. Until the years 1960–1970, in the last two centuries, economists have considered that what might be called the economic model, based on the figure of *homo oeconomicus*, understood as a rational agent, was helpful and efficient in explaining what is happening in the realm of economy, of the market for goods and services. But from the years 1960–1970, the economists had begun to generalize their model and think that, after all, the model of *homo oeconomicus* does not explain just what is happening in the market for goods and services, it does not explain only the social relations mediated by the purchase, sale and money but also what is happening in the entire society and social life of people. Therefore we can (and we have to), formulate an economic theory of love, an economic theory of crime, an economic theory of education and so on. One can make an economic theory of religious belief. Is it profitable or not to believe in God? Is it profitable or not to love, to have children, to get married, to enlist in the armed forces?

The utilitarian economism got its momentum from the work of Chicago School of Economics, and especially of the leading figure of this movement, the Nobel Prize laureate (1992), Gary Becker, one of the most original economists of the late twentieth century. His unique approach involves taking the economic assumption of rationality and applying it to a large number of social problems normally not studied by economists. This approach has led to many new areas of specialization within economics – the economics of crime and punishment, the economics of addiction, the economics of the family, human capital theory, and the economics of discrimination.

Becker has made two key contributions to economics.¹⁰ First, he has done extensive research on the way that labor markets work. He has helped develop the notion of human capital and he has helped economists to better understand discrimination in labor markets.¹¹ Second, and more interesting in this context, he has taken the assumptions economists make about human rationality and applied them to all forms of behaviour, including non-economic matters or subjects that do not involve market transactions between individuals. Starting with the assumptions that human beings act rationally and attempt to maximize utility, Becker analyzed decisions regarding fertility, marriage and divorce, crime and punishment, and

⁹ A. Caillé, “Ouverture maussienne”, *Revue du MAUSS*, 2010/2, no. 36, p. 25–33.

¹⁰ Cf. S. Pressmann, *Fifty Major Economists*, London, Routledge, 1999, p. 186.

¹¹ G. Becker, *Human Capital*, New York, Columbia University Press, 1964; *The Economics of Discrimination*, Chicago, Illinois, University of Chicago Press, 1957.

addiction.¹² As he himself states, “an important step in extending the traditional theory of individual rational choice to analyze social issues beyond those usually considered by economists is to incorporate into the theory a much richer class of attitudes, preferences, and calculations. While this approach to behaviour builds on an expanded theory of individual choice, it is not mainly concerned with individuals. It uses theory at the micro level as a powerful tool to derive implications at the group or macro level [...] My research uses the economic approach to analyse social issues that range beyond those usually considered by economists.”¹³

Becker’s theory, unlike Marxian analysis, does not assume that individuals are motivated solely by selfishness or material gain. It is a method of analysis, not an assumption about particular motivations: “Along with others, I have tried to pry economists away from narrow assumptions about self-interest. Behaviour is driven by a much richer set of values and preferences.”¹⁴ The analysis assumes that individuals maximize welfare as they conceive it, whether they are selfish, altruistic, loyal, spiteful, or masochistic. Their behaviour is forward-looking, and it is also assumed to be consistent over time. In particular, they try as best they can to anticipate the uncertain consequences of their actions. Forward-looking behaviour, however, may still be rooted in the past, for the past can exert a long shadow on attitudes and values. Actions are constrained by income, time, imperfect memory and calculating capacities, and other limited resources, and also by the opportunities available in the economy and elsewhere. These opportunities are largely determined by the private and collective actions of other individuals and organizations. Different constraints are decisive for different situations, but the most fundamental constraint is limited time. Economic and medical progress has greatly increased length of life, but not the physical flow of time itself, which always restricts everyone to 24 hours per day. So while goods and services have expanded enormously in rich countries, the total time available to consume has not. Thus wants remain unsatisfied in rich countries as well as in poor ones. For while the growing abundance of goods may reduce the value of additional goods, time becomes more valuable as goods become more abundant. The welfare of people cannot be improved in a utopia in which everyone’s needs are fully satisfied, but the constant flow of time makes such a utopia impossible.¹⁵

¹² G. Becker, *The Economic Approach to Human Behavior*, Chicago, Illinois, University of Chicago Press, 1976; “A Theory of Marriage: Part I,” *Journal of Political Economy*, 81, 4 (July/August 1973), pp. 813–46; “A Theory of Marriage: Part II,” *Journal of Political Economy*, 82, 2 (March/April 1974), Part 2, S11–S26; “An Economic Analysis of Marital Instability,” *Journal of Political Economy*, 85, 6 (December 1977), pp. 1, 153–89; “A Theory of Rational Addiction,” *Journal of Political Economy*, 96, 4 (August 1988), pp. 675–700 (with Kevin M. Murphy); “Rational Addiction and the Effect of Price on Consumption,” *American Economic Review*, 81, 2 (May 1991), pp. 237–41 (with Michael Grossman and Kevin M. Murphy).

¹³ G. Becker, “Nobel Lecture: The Economic Way of Looking at Behavior,” *Journal of Political Economy*, Vol. 101, No. 3 (Jun., 1993), pp. 385–409.

¹⁴ *Ibidem*, p. 385.

¹⁵ *Ibidem*, p. 386.

For example, Becker uses his method for analyzing marriage decisions and family relationships in a manner analogous to the traditional theory of the business firm. Individuals spend time searching for the spouse who will provide them with the maximum amount of utility just as firms search for the best possible employee. Longer searches lead to better information about whether any possible spouse would be the most desirable one. Consequently, this theory predicts that those marrying young would be more likely to get divorced, a prediction that receives considerable support from data on marital stability. Also, the theory predicts that disappointments regarding expectations, and changes in expectations, will lead to divorce.

And like a firm wanting to maximize profits, a family can maximize utility through specialization; thus the husband typically specializes in market production and the wife typically specializes in household production. One consequence of such specialization is that women will receive lower market wages. According to Becker, this is due not to discrimination, but results from decisions made within the household about which job will be performed by different family members.

Family decisions about having children can also be analyzed using the logic of economic analysis. In contrast to Malthus, who held that people could not control their reproductive urges, Becker looks at the decision to have children as analogous to consumer decisions about purchasing goods like cars and vacations. Raising children involves many costs. Parents must pay for food, shelter, clothing, toys, and education. Most important of all, the parent must spend time raising the child, which reduces the time available to earn income and consume goods. Parents must be compensated for these losses with greater utility or pleasure from their children otherwise they will not choose to have children. This compensation can come from the joy of having and raising children, the desire for offspring, or the desire to have someone care for you in your old age. But whatever the cause of this additional utility, according to Becker children must compete with cars and vacations (which also give pleasure) for each dollar of family income.

Given this perspective, it is possible to formulate many testable hypotheses about birth rates. Greater costs of child rearing should reduce fertility; greater family incomes should allow the family to purchase more of everything, including children. Higher incomes for women will increase the costs of rearing children, because the time spent at home with children results in a greater income loss, and will therefore reduce fertility. Finally, government income guarantees to the elderly should reduce fertility rates since one benefit of children is that they will be around to support you in your old age.¹⁶

According to Caillé, this way of thinking about virtually any aspect of social life is the expression of the overwhelming triumph of the economism. And the most surprising fact is not that economists came to believe that their Rational Action (or Choice) Theory was likely to explain not only what is going on the market and through monetary exchanges, but any kind of social behaviour:

¹⁶ S. Pressman, *op. cit.*, pp. 186–187.

learning, wedding, religious belief, love or crime etc. What is more intriguing, is the fact that the other social sciences, starting with sociology, have at this time largely agreed with this contention, that almost all the social sciences gave reason for the unprecedented hegemony of economic thought. In fact, Caillé believes, this enlargement of the traditional scope of economic science has been the intellectual and ideological prelude and the starting point to neo-liberalism which is nowadays triumphing as well in academic economic science as in the real world and asks himself what, if anything, can be opposed on a theoretical level to this overwhelming victory of the economic model?¹⁷

According to Caillé, one must understand first that the vision of Man as a *homo oeconomicus*, which underlies this economic model, is the crystallization and the condensation of a broader and more ancient anthropology and philosophy: utilitarianism. One must remember that the main theoretical underlying base of MAUSS movement is to be found in the discovery made in 1923–24 by the French anthropologist Marcel Mauss (the nephew and intellectual heir of Emile Durkheim) of the fact that primitive, archaic and traditional societies – and in some sense modern societies too – are not fundamentally utilitaristic, do not rely upon contract and commercial exchange but on what he terms the gift or, more precisely, the triple obligation to give, take and return, namely the obligation to display one's generosity.

Now, what exactly means this discovery? It can be resumed using a quote from his famous book *The Gift (Essai sur le don)*, (1924), where Mauss states that "Man has not always been an economic animal." True, man has not always been an economic animal, but only a little time needs to pass, and he will become just that. The economic man, Mauss added, is not behind us, but before us. And Caillé stresses that "he was right, he wrote this in 1924, and economic man was well ahead. It is now present, it is rather, this is the real novelty, ubiquitous, but is not naturally present always. This is the fundamental point."¹⁸

(2) This remark brings us to the second explanation of human economic behaviour, the moral model, or the cultural perspective.¹⁹ According to Willk and Cliggett, "a moral model of human behaviour looks mainly at what people think and believe about the world in order to explain their actions. This perspective underlies what can be called *cultural economics*. The moral person's motivations are shaped by culturally specific belief systems and values. Their behaviour and choices are guided by a desire to do what is right, and these moral values flow

¹⁷ A. Caillé, *Anti-utilitarianism, economics and the gift-paradigm*, available on-line at <http://www.revuedumauss.com.fr/media/ACstake.pdf>

¹⁸ A. Caillé, "Ouverture maussienne", *Revue du MAUSS*, 2010/2, no. 36, p. 29.

¹⁹ For a more detailed presentation of Caillé's critique of economism and also for his own version of alternative cultural explanation, see S. Bălan, *Homo Oeconomicus and the Critique of Utilitarian Reason*, in M. Nicolae, T. Șerban-Opreșcu (editors), *Communication Matters*, Bucharest, Editura ASE, 2012, pp. 11-20.

ultimately from a cosmology – a culturally patterned view of the universe and the human place within it. Moral human beings are «believers» whose actions are real – ways guided by ideas of right and wrong, ideas they learn along with the rest of their culture as they grow up.”²⁰

The most representative approach of economic behaviour from this perspective is that of the German scholar Max Weber (1864–1920), and is being laid out in a series of books starting with *The Protestant Ethic and the Spirit of Capitalism* (1904–1905)²¹ and including, among others, *The Religion of China: Confucianism and Taoism* and *The Religion of India: The Sociology of Hinduism and Buddhism*. Weber’s main goal in these works is to understand and explain, leaving aside value judgements, the different manner in which the Western civilization developed, compared to the Eastern one, highlighting the original and distinctive elements of the former. According to Weber, the specific features of the Western civilization are the rationalist approach of natural science (using observation, experiment and mathematical organization of the results) and a rational concept of jurisprudence, of administration, of government and of economic activities. Not last, the Western religion is also rationalized, i.e. freed of magical thinking, through the so-called “un-bewitching of the world”. The paradigm of this tendency is the Protestant or Reformed Christianity, especially the Calvinist one, of which Weber thinks that played a major role (although not exclusive) in shaping the distinctive features of the Western civilization. Because I am here interested in the relationship between culture, and especially religion and economy, I will mainly discuss *The Protestant Ethic and the Spirit of Capitalism*, Weber’s most renowned work. Its fundamental thesis is that the religious ethic of the Calvinist Protestantism strongly influenced the birth and the development of capitalism in Western countries, especially in the Northern European ones. Because, as we have seen, the fundamental feature of all the characteristic elements of the Western civilization is their rationalism, Weber wants to identify the source of this rational tendency, and his conclusion is that it can be found in the religious ethic of the ascetic Protestantism.

The declared goal of the German thinker is that of understanding the “spirit” of capitalism, essentially determined by a rational approach of economic activities, by using rationally the formally free labour force, by industrial organization of labor, by separating private money from business money, by understanding profit as an end in itself, and by regarding effort towards economic success as a praiseworthy virtue.²² For this, he introduces as main explanation the Protestant Christian mentality. One of its key features is Martin Luther’s (1483–1546) view of salvation. According to Luther, salvation is exclusively determined by belief and by the individual’s personal relationship with God, as well as by the sacred text (*sola fide*,

²⁰ R.R. Wilk, L.C. Cliggett, *op. cit.*, p. 41.

²¹ Cf. M. Weber, *The Protestant Ethic and the Spirit of Capitalism*, trans. by T. Parsons, with a Foreword by R.H. Tawney, London, Allen & Unwin.

²² Cf. M. Weber, *op. cit.*, ch. 2, “The Spirit of Capitalism”, available on-line at <http://www.marxists.org/reference/archive/weber/protestant-ethic/ch02.htm>

sola Scriptura), thus rendering useless the intercession of the Church (considered essential in the Catholic and Orthodox Christianity). The emphasis moves strongly on the believer's individual action, which is decisive for his salvation.

On the other hand, notes Weber, one Protestant denomination, which originated from the activity of Jean Calvin (1509–1564), suggests a special form of the salvation doctrine, based on predestination: people are predestined from birth to be either saved or damned, and that will happen no matter how they act during life. From this, there is a psychological urge to discover clues regarding each one's individual destiny: people want to know if they are saved or damned. Calvinists thus consider that individual worldly success is a sign of divine favour. For them (and for others, such as Pietists, Methodists and Baptists), economic success came to mean not only a positive fact, but also a sign of divine predestination for salvation. This attitude, believes Weber, contributed decisively to a change in the traditional mentality and to the birth of modern capitalism.

Max Weber resorts to this kind of explanation because he noticed that, in European countries where Catholic and Protestant priests co-exist, it is obvious “the fact that business leaders and owners of capital, as well as the higher grades of skilled labour, and even more the higher technically and commercially trained personnel of modern enterprises, are overwhelmingly protestant.”²³ This could mean either that the Reform was successful mainly among those who had the necessary qualities for being capitalists, or that the Reform itself encouraged the birth and development of capitalism. Either way, there is a direct correlation between being a Protestant Christian and being inclined to that particular kind of rationalism, which is the mark of capitalism. So we need to clarify this relationship by looking into religious aspects that distinguish various Christian confessions, to see if they indeed play an important role in determining economic behaviour.

One of Luther's important ideas, which singles-out Protestantism among other religious doctrines, is that of “vocation” or “calling” (*Beruf*), through which “a religious conception, that of a task set by God, is at least suggested”. Compared to the pre-capitalist mentality, this introduces the new idea of “the valuation of the fulfilment of duty in worldly affairs as the highest form which the moral activity of the individual could assume”, in the sense that it gave “everyday worldly activity a religious significance, and first created the conception of a calling in this sense.”²⁴ According to this doctrine, each person has an individual calling, determined by his or her place in the world, set at birth, and also has the duty to fulfil this calling, as in the face of God there is no hierarchy of callings, no calling being superior to other. The duty to fulfil one's calling comes from Luther's belief that obeying the divine will – which sets these callings – has to be an absolute one. Nevertheless, Weber thinks that we should not regard Luther as a conscious promotor of capitalism, because none of the religious reformers was mainly guided by economic motivations;

²³ *Ibidem*, <http://www.marxists.org/reference/archive/weber/protestant-ethic/ch01.htm>

²⁴ *Ibidem*, <http://www.marxists.org/reference/archive/weber/protestant-ethic/ch03.htm>

the economic consequences of their actions come from the general social impact that new religious doctrines eventually have.

Next, Weber examines a series of traits common to the “ascetic” forms of Protestantism, namely Calvinism, Pietism, Methodism and the sects originated from the Anabaptist movement – of which, as previously said, he considers that they are more closely related to the birth of capitalism. He is less preoccupied with the official teachings from the religious ethical books, and more interested in “the influence of those psychological sanctions which, originating in religious belief and the practice of religion, gave a direction to practical conduct and held the individual to it.”²⁵ There are dogmatic similarities and differences between these cults, but there are also similarities regarding their ethical consequences, because often similar moral rules are derived from quite different dogmatic bases. Here we shall pay a closer look only to Calvinism, because Weber’s conclusions regarding it are valid for the other confessions too.

The Calvinism’s specific feature is, as previously shown, the doctrine of predestination or of being chosen by divine grace. This idea is derived exclusively through rational, logical means. Calvinists think that humans exist only through divine grace and for the glory of God, and to apply human standards of justice and fairness to God would be absurd and offensive. It follows that one’s destiny is pre-determined, and “to assume that human merit or guilt play a part in determining this destiny would be to think of God’s absolutely free decrees, which have been settled from eternity, as subject to change by human influence, an impossible contradiction. (...) God’s grace is, since His decrees cannot change, as impossible for those to whom He has granted it to lose as it is unattainable for those to whom He has denied it.”²⁶ Humans do not have the power or the right to question or to change the divine decisions, they only know that some are predestined for salvation, and others for damnation. To complain about this is absurd, because it is like an animal would complain about not being human. God is not seen, as in Catholicism, as a deity close to people, who is happy when someone repents and whose decisions can be influenced through various methods, but becomes an absolute transcendent deity, opaque, mysterious and inaccessible.

The consequence that this idea must have had, thinks Weber, is a dramatic one: it led to “a feeling of unprecedented inner loneliness of the single individual.”²⁷ Each individual has to face alone the most important problem of his destiny: salvation. Each has to solitarily face his or her destiny and nothing can help or console, because the intercession of the Church, the saints or the sacraments is no longer possible. There is no way for an individual to obtain the divine grace, once God has already decided not to grant it to him/her.

On the other hand, this doctrine of predestination came up in an age when the problem of salvation was more important than ever. The fundamental question each

²⁵ *Ibidem*, <http://www.marxists.org/reference/archive/weber/protestant-ethic/ch04.htm>

²⁶ *Loc. cit.*

²⁷ *Loc. cit.*

believer asked inevitably was if he or she was among the chosen ones. Calvin himself, who thought of himself as being chosen, stated that in principle humans could not find the answer to this question, because this would mean an attempt to unveil God's secrets. But his followers tried to answer this acute psychological urge to find ways of identifying those who were blessed in the first place. Firstly, it was said that it was anyone's duty to consider himself/herself chosen and to regard any doubt about this as an evil temptation. Secondly, involvement in worldly activities was encouraged, this being considered the best way of heightening one's self-confidence.

The emphasis on success in profane activities stems from the fact that Calvinists rejected the Lutheran mystic, according to which man is just a passive recipient filled by God, so they had to conceive an active relation between man and God. This means that God himself is manifest into human actions, and man is nothing but an instrument for this manifestation of divine will. Belief is verified through the results of mundane activities, and their ultimate goal is to heighten the divine glory. Therefore, human success is not a way of achieving salvation, but a sign of being chosen.

The moral consequence of this view is an ascetic ethic. There is no room for weakness or error, because each deed has to find its place into a coherent whole in which God manifests himself. This is why the believer is compelled to a permanent self-control and to approach life holistically, rationally and systematically; and his/her ethic has to be methodic and rational.

Weber thinks that, in order to better understand how these Protestant ascetic ideas led to the development of capitalism, we have to study mainly those writings stemming from clerical practice, especially the sermons – because they had the most practical impact on shaping the people's character.²⁸ Good examples are the sermons of Richard Baxter (1615–1691), a Puritan pastor, which contain all the elements of the Protestant ascetic ethic. Baxter thought that the greatest danger to man is inactivity, excessive relaxation, together with forgetting the fact that man's fundamental duty is to a virtuous life. In this sense, and only in this sense, wealth can be bad: when it leads to idleness and inactivity. Inactivity is the greatest sin because it wastes precious time, which should be dedicated to fulfilling the divine will, according to each person's calling. Baxter praises hard and untiring work, seen as an ascetic exercise, and recommends it to anyone, poor or rich, because each has a calling to fulfil. Exploiting lucratively an opportunity of material gain is good, because it is part of fulfilling one's calling. Wanting to be poor is morally blameworthy, as is the fact of wanting to be ill.

Trying to clarify how the ascetic Protestantism (Puritanism) and the idea of calling influenced the development of capitalism, Weber firstly notes that asceticism comes against the human tendency to enjoy life spontaneously, because such an attitude would distract one from fulfilling his or her calling. From there originates

²⁸ *Loc. cit.*

the “powerful tendency toward uniformity of life, which today so immensely aids the capitalistic interest in the standardization of production”, and which “had its ideal foundations in the repudiation of all idolatry of the flesh.”²⁹

Secondly, Weber points out that, according to Puritanism, man is not the true owner of his material wealth, but a simple trustee of it. The true owner is God, who, through his grace, lends this wealth temporarily to man, so man “must, like the servant in the parable, give an account of every penny entrusted to him, and it is at least hazardous to spend any of it for a purpose which does not serve the glory of God but only one’s own enjoyment.”³⁰ Ascetic Protestantism had set an ethical foundation for the idea that acquiring and owning goods is advisable, even a duty, as far as it does not become an end in itself, but a means to fulfil the divine will and to heighten the divine glory – in this case acting as a sign of being chosen. But getting rich for the sake of it, as well as greediness and dishonesty, are morally wrong.

In this way, thinks Weber, Puritan mentality favoured the development of the capitalist economy. But it should be noted that economic success, once achieved, has a negative effect on religiosity, thus speeding the tendency towards secularization. The religious roots of the capitalism died out slowly, leaving room for the unbound pragmatism and utilitarianism characteristic for the modern capitalist economy. Religious ethics has been replaced by a secular ethics of labor, where material values came to dominate the individual without any other reference beyond them, towards the transcendent.³¹

As I have already mentioned, economism and culturalism can be seen as manifestations of the formalist and substantivist perspectives in economic anthropology. The dispute between the two schools originated in the distinction operated by Karl Polanyi between the formal and substantive meanings of economic. As Polanyi puts it, “the substantive meaning of economic derives from man’s dependence for his living upon nature and his fellows. It refers to the interchange with his natural and social environment, in so far as this results in supplying him with the means of material want satisfaction. The formal meaning of economic derives from the logical character of the means-ends relationship, as apparent in such words as ‘economical’ or ‘economizing’. It refers to a definite situation of choice, namely, that between the different uses of means induced by an insufficiency of those means. If we call the rules governing choice of means the logic of rational action, then we may denote this variant of logic, with an improvised term, as formal economics. The two root meanings of ‘economic’, the substantive

²⁹ *Ibidem*, <http://www.marxists.org/reference/archive/weber/protestant-ethic/ch05.htm>

³⁰ *Loc. cit.*

³¹ For a more detailed discussion on the interplay between religion and economic life, see S. Bălan, “Religious Life and Economic Behaviour”, in *Cogito. Multidisciplinary Research Journal*, Vol. II, no. 1, March, 2010, pp. 92–99.

and the formal, have nothing in common. The latter derives from logic, the former from fact.”³²

Consequently, Polanyi’s opinion is that the two original meanings of the term "economic", the formal and substantive, are heterogeneous. One is based on a deductive and logical mode of thinking, whereas the other is descriptive and built on experience. The formal meaning presupposes a set of rules that determine the choice between alternative uses of scarce resources. The substantive meaning does not necessarily presuppose choice, or scarcity of resources: human existence does not essentially mean the necessity of making choices, and if however choices are to be made, they may not be determined by the limiting effect of scarcity of resources. Indeed, some of the most important physical and social conditions of human existence, such as the availability of air and water or a mother’s devotion to her child, are not usually scarce resources. The laws and principles that apply in each of the two cases differ in the same way that strength of logical laws of syllogism differs from the force of natural laws of gravity. In the first case, we are talking about laws of thought, whereas in the second the laws are those of nature.

Polanyi’s view is that only by adopting the substantive meaning of ‘economic’, we will be able to provide the social sciences with the necessary categories for an investigation of all real economies of the past and present. Unfortunately, in today’s use of terminology, the two meanings, the substantive and the formal, are naively substituted for each other: “the current concept of economic fuses the ‘subsistence’ and the ‘scarcity’ meaning of economic without a sufficient awareness of the dangers to clear thinking inherent in that merger.”³³

As can be easily seen, the formal meaning of economy is nothing more than the explicative model formulated by neo-classical economics: the economy is the field of decisions regarding the choice of allocating scarce resources to satisfy unlimited needs, with the final purpose of maximizing utility. The substantial meaning does not deny the existence of choices, but whenever we talk about economic behaviour of people in non-Western societies and interpreting it in terms of rational choice theory, we have to remember that it takes place in a social context determined by the fact that here economy is embedded in society, and not vice versa, as is the case in the Western society.

Polanyi’s ideas led to the birth of a new school of thinking in economic anthropology, the so-called ‘substantivist’ orientation. Substantivists argue mainly that the formal meaning of economy, specific for neo-classical microeconomics, provides a conceptual apparatus adequate only for the study of contemporary Western economy. In the case of non-capitalist economies, using concepts such as

³² K. Polanyi, *Economics as Instituted Process*, in K. Polanyi, C. Arensberg, H. Pearson (eds.), *Trade and Markets in the Early Empires*, Glencoe, The Free Press, 1957, pp. 243–270, republished in E.E. LeClair, H.K. Schneider (eds.), *Economic Anthropology. Readings in Theory and Analysis*, New York, Holt, Rinehart and Winston, Inc., 1968, p. 122–142.

³³ *Ibidem*, p. 123.

demand, supply, marketing, rational choice, profit and others alike, which are appropriate in the context of market economy, is not recommended because they have different meanings in this context, or even simply have no meaning at all. The reason those concepts do not have a universal meaning and validity is the fact that “primitive economy is different from market industrialism not in degree but in kind. The absence of machine technology, pervasive market organization, and all-purpose money, plus the fact that economic transactions cannot be understood apart from social obligation, create, as it were, a non-Euclidean universe to which Western economic theory cannot be fruitfully applied. The attempt to translate primitive economic processes into functional equivalents of our own inevitably obscures just those features of primitive economy which distinguish it from our own.”³⁴

Unlike substantivists, formalists adopted an individualistic methodology, because their interest is always directed to the problem of choice, and choice is seen as a rational individual agent’s action, so attention is now directed to individual behavior, not institutions. Methodological opposition between the two orientations was presented for the first time in an article by Scott Cook, where he calls his opponents with the slightly derogatory term of ‘romanticists’: “The Formalists may be characterized as those who focus on abstractions unlimited by time and place, and who are prone to introspection or are synchronically oriented; they are scientific in outlook and mathematical in inclination, favor the deductive mode of inquiry, and are basically analytic in methodology (i.e., lean toward the belief that parts determine the whole). The Romanticists, on the other hand, may be characterized as those who focus on situations limited in time and space, and who are prone to retrospection or are diachronically oriented; they are humanistic in outlook and nonmathematical in inclination, favor the inductive mode of inquiry, and are basically synthetic in methodology (i.e., lean toward the belief that the whole determines its parts).”³⁵

The controversy between formalists and substantivists is one of many episodes of an ongoing philosophical and methodological debate between the two major schools in the social sciences.³⁶ Barry Isaac puts together multiple sources and provides a picture of this methodological opposition, compiling a list of categorical couples that represent each of the two directions. We can see the quarrel between substantivists and formalists as another episode of the long methodological dispute between idealists and materialists, descriptivists and normativists, individualists and

³⁴ G. Dalton, *Economic Theory and Primitive Society*, in E.E. LeClair, H.K. Schneider, *Economic Anthropology. Readings in Theory and Analysis*, New York, Holt, Rinehart and Winston, Inc., 1968, p. 164.

³⁵ S. Cook, “The Obsolete Anti-Market Mentality: A Critique of the Substantive Approach to Economic Anthropology”, in *American Anthropologist*, New Series, Vol. 68, No. 2, Part 1, Apr., 1966, pp. 323–345.

³⁶ For a more detailed discussion of the dispute between formalists and substantivists, see S. Bălan, “Substantivism, Culturalism and Formalism in Economic Anthropology”, in *Cogito. Multidisciplinary Research Journal*, Vol. IV, no. 2, June, 2012, pp. 27–38.

holists, positivists and humanists, generalists and particularists and so on.³⁷ This methodological opposition, which can be found in economics in the dispute between institutionalism and neo-classical microeconomics, is the expression of a perennial philosophical dilemma that cannot be ultimately solved in definitive manner, but is a matter of choice in each investigated case, provided that it has no final solution.

The impossibility to definitively settle this kind of philosophical and methodological controversy explains why the dispute between formalists and substantivists ended with no final victory of either side but gradually faded away and ended in indecision. However, if we were to choose a winner, we could say that ultimately formalist point of view seems to have prevailed, as the leader of the other school, George Dalton, eventually came to agree that substantivism is adequate only at the study of pre-colonial, tribal, primitive, traditional economies, and generally for those in pre-state societies, which would have shocked Polanyi, who was interested in investigating non-European economies precisely with the goal of building a truly universal framework for comparative study of the economy.

³⁷ B. Isaac, *Karl Polanyi*, in J. Carrier (ed.), *A Handbook of Economic Anthropology*, Cheltenham/Northampton, MA, Edward Elgar Publishing Limited, 2005, pp. 14–25.