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Author(s): Abram L. Harris

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SOMBART[1] AND GERMAN (NATIONAL) SOCIALISM

ABRAM L. HARRIS
Howard University

THE death of Werner Sombart[2] closes the career of a man of whom it may be said, as it was of the philosopher Fichte, "his life was the life of a nation."

Born at Emersleben am Harz, January 19, 1863, Sombart was four years old when Ferdinand Lassalle inaugurated the German labor movement with the founding of the Universal German Workingmen's Association. He was eight when the century-old dream of an empire of German states under Prussian hegemony was realized on the defeat of France in 1870. He was in his fourteenth year when Bismarck, the Iron Chancellor, ushered in state socialism. In 1882, when he entered the University of Berlin, the leadership of Marx had been virtually established in the German socialist movement. In his youth he witnessed the transformation of revolutionary Marxism into social reform and the

[1] This essay is a continuation of the author's earlier research in the field of institutional economics (see, e.g., "Types of Institutionalism," *Journal of Political Economy*, December, 1932; "Economic Evolution: Dialectical and Darwinian," *ibid.*, February, 1934; and "Pure Capitalism and the Disappearance of the Middle Class," *ibid.*, June, 1939). The research has been aided at various stages by grants from the John Simon Guggenheim Foundation, the Julius Rosenwald Fund, and the Social Science Research Council.

[2] Obituary and editorial, *New York Times*, May 20 and 22, 1941.

rise of the Socialist party as a force in the German Reichstag. In middle age he saw the defeat of German militarism in the first World War and the collapse of the Weimar Republic, Germany's first democratic government. Finally, he lived to see the emergence of naziism, the rebuilding of the German military machine, and the establishment of Hitler's dictatorship. In brief, his life began at the dawn of German capitalism; it ended at the high noon of German fascism. Spanning more than a half-century of momentous changes in German history, Sombart's work bears significantly upon the present crisis in the liberal-democratic world.

I. FROM INSTITUTIONALIST TO NATIONAL SOCIALIST

In 1917, Sombart succeeded his former teacher, Adolph Wagner, in a chair of economics at the University of Berlin. He had already distinguished himself as a scholar by his first volumes on the development of capitalism.[3] But university recognition had been withheld, it is thought, because of his pro-Marxian bias.[4] His investigations, brought to a close in 1927 with the appearance of *High Capitalism* ("Hochkapitalismus"),[5] combine economic interpretation, or what passed in his thinking for "economic theory," with a vast amount of historical research. And they serve as the basis for ranking Sombart as a leading exponent of what may be termed a "critical-genetic" type of institutional economics, largely shaped by peculiarly German philosophical or sociological tendencies.[6] Although it is not the purpose of this essay to attempt an evaluation of Sombart's contribution to our knowledge of the development of enterprise or capitalist economy, it

[3] *Der moderne Kapitalismus*, Vols. I and II (Leipzig, 1902); and *Der Bourgeois: zur Geistesgeschichte des modernen Wirtschaftsmenschen* (Munich and Leipzig, 1913) (English title: *The Quintessence of Capitalism*, trans. and ed. M. Epstein [London, 1915]).

[4] M. J. Plotnik, *Werner Sombart and His Type of Economics* (New York, 1937), p. 33.

[5] *Der moderne Kapitalismus*, Vol. III: *Das Wirtschaftsleben im Zeitalter des Hochkapitalismus* (Munich and Leipzig, 1928).

[6] See Talcott Parsons, *The Structure of Social Action* (New York, 1937), chaps. xiii and xvi.

should be noted that his "evolutionary approach" shares the confusion which seems characteristic of institutionalism generally. This confusion arises from the failure to appreciate the scope and function of theoretical economics in contrast with "economics" of the institutional sort.[7] Theoretical economics is, in the nature of the case, an abstract discipline whose method is mainly static and whose central problem is economy or economizing in the sense of maximizing utility under given resource-and-want conditions. Institutionalism is concerned with economic progress or development and claims to be "dynamic," not, however, in the mechanical but rather in the historical, biological, or organic sense.[8] In making the theory of economic progress the major theme of his brand of economics, Sombart denies, although not consistently, that *Wirtschaft*, or "economy," constitutes a valid basis for a scientific economics.[9] This denial stems from the general sociological framework of his inquiries, which prevents an appreciation of the significance of a theoretical economics and gives his theory of economic progress many of its characteristic, not to say aberrant, features. The feature of this theory of development, which constitutes the theme of this essay, is the relation that it bears (1) to the organic or totalistic conception of the individual and society as opposed to the libertarian or individualistic conception and (2) to National, or German, Socialism as the expression of this organic or totalistic view of society, more or less modified by the exigencies of practical politics.

Prior to the advent of National Socialism in Germany, Sombart was looked upon as an academic exponent of Marx. Indeed, his early interpretation of Marx's *Capital* earned him the blessing of the aging Engels. And Sombart once spoke of himself as a "convinced Marxist." Yet he spent the last years of his life ex-

[7] This confusion is to some extent present in the work of some of the leading theoretical economists, notably in that of Alfred Marshall (see George J. Stigler, *Production and Distribution Theories* [New York, 1941], chap. iv).

[8] See Frank H. Knight, "Statics and Dynamics" in his *The Ethics of Competition* (New York and London, 1936).

[9] Werner Sombart, *Die drei Nationalökonomien: Geschichte und System der Lehre von der Wirtschaft* (Munich and Leipzig, 1930), chaps. i and ii.

pounding the principles of naziism, or "German socialism," as he termed it. Was this a conversion and repudiation of his earlier ideas? The author does not think that it was. In the first place, the leitmotiv of institutionalism is the justification of social reform which proceeds from an open or implied critique of the liberal-capitalist order and involves the belief that a fundamental change in the ethical and legal position of the individual in relation to the state and society is desirable and/or inevitable.[10] If this view is well founded—and the author thinks it is—it is not surprising that Sombart's institutionalism should lead him in the end to support the establishment of a social and economic organization radically different from the kind which had formed the subject of his theory of progress or development. The question to be raised is why the espousal of National Socialism rather than of some other social order should be taken as the logical sequence in Sombart's theory of development. The answer is that this theory was influenced not alone by Marx and the German historical school of economics,[11] but by nineteenth-century German antilibertarianism. In this influence, variously expressed in German idealist philosophies and nationalistic movements, are also to be found the seeds of present-day German fascism. Before discussing the effect of this influence upon Sombart's work, his espousal of naziism should be considered.

In *Deutscher Sozialismus*, published in 1934, Sombart states that " 'a new spirit' is beginning to rule mankind."[12] This spirit

[10] In this connection note, e.g., J. R. Commons, *Institutional Economics* (New York, 1934), chaps. i, ii, viii, and xi; and Thorstein Veblen, *The Engineers and the Price System* (New York, 1921) and *Absentee Ownership* (New York, 1923).

[11] Cf. Wesley C. Mitchell, "Sombart's Hochkapitalismus," *Quarterly Journal of Economics*, February, 1929, pp. 303–23; reprinted in Mitchell, *The Backward Art of Spending Money and Other Essays* (New York, 1937).

[12] (Berlin and Charlottenburg, 1934) (English title: *A New Social Philosophy*, trans. and ed. Karl F. Geiser [Princeton, 1937]), p. 43. In many places the English translation is defective and for this reason was not used in the final draft of this paper. Only two examples of these defects can be cited here. In *Deutscher Sozialismus*, p. 212, Sombart speaks of "das Wohl des Ganzen." Geiser (*op. cit.*, p. 193) translates this as "the welfare of all" instead of "the welfare of the whole" or, perhaps, "the welfare of the community." Again, Sombart explains his conception of socialism as "einen Zustand des gesellschaftlichen Lebens, bei dem das Verhalten

marks the end of the "economic age"—the epoch of capitalism and proletarian socialism—materialistic, egoistic, and godless in its values. The order which embodies the "new spirit" is German socialism. This brand of socialism, he explains, differs from others, especially the proletarian or Marxian, which to him, as to the Nazi politicians, is essentially evil. Above all, German socialism is national in character. It is based upon the idea that "there can be no universally valid social order (*allgemeingültige Ordnung*) but only one that is suited to a particular nation (*Volk*)."[13] Sombart takes as past exponents of this type of socialism such figures as Plato, Goethe, Fichte, Adolph Wagner, Ferdinand Lassalle, Nietzsche, Lorenz von Stein, and Adolph Stoecker. The present-day exponents, Sombart informs us, are to be found among the Italian Fascists and German Nazis. Since German socialism is primarily national in character, it expresses those spiritual traits peculiar to Germans—their *Volksgeist*, or national spirit. Chief among these traits is the concern for community well-being or the public good. Accordingly, German socialism in contrast with liberalism places the "welfare of the whole above the welfare of the individual."[14] It conceives of society as an organic totality of which the individual is but a cell. Thus it seeks to create "a condition of social life in which the conduct of the individual is basically determined by obligatory norms which have their origin in a universal reason imbedded in the political community and which find their expression in custom (*nomos*)."[15] In conformity with the traits of the German people, German socialism demands a strong state *managed* by an élite[16] but *guided* by a leader (*Fuehrer*)

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des Einzelnen grundsätzlich durch verpflichtende Normen bestimmt wird, die einer allgemeinen im politischen Gemeinwesen verwurzelten Vernunft ihren Ursprung verdanken und im Nomos ihren Ausdruck finden" (*op. cit.*, p. 60). Geiser translates this passage as follows: "a condition of social life in which the conduct of the individual is determined by obligatory norms which have their origin in a universal political community based on reason . . . ." (*op. cit.*, p. 58). But as will be noted in the passage quoted above, Sombart does not speak of "a universal political community based on reason," as rendered by Geiser. He speaks of "a universal reason imbedded in the political community."

[13] *Deutscher Sozialismus*, p. 120.

[14] *Ibid.*, p. 212. [15] *Ibid.*, p. 60. [16] *Ibid.*, p. 214.

to whom alone God expresses the will of the people.[17] Sombart believed that his conception of the state (*Grossverband*) as the general all-embracing political association (*Verband*) was being realized in the present German Reich. "This German Reich," he states, "and this only is also the field of German Socialism."[18]

The aims of German socialism, Sombart explains, are not confined to the economic sphere[19] but embrace all phases of social life and thus involve a "total ordering of life" and an "articulation" or co-ordination of people according to estates.[20] In Sombart's conception, the estate (*Stand*) possesses a twofold meaning —the social and the political. In the social sense "the estate forms 'a part of the whole' ('*ein Teilganzes*'), which, together with the other parts make up the social organism (*gesellschaftlichen Organismus*)."[21] From this standpoint the estate may be a "purely statistical group with definite objective characteristics or an association which under the circumstances is animated by an estate-consciousness (*Standesbewusstsein*), estate-honor (*Standesehre*), and so forth."[22] According to Sombart, the estate in the social sense is divorced from its relation to the political state,[23] that is, from its function of co-operating in the formation of the state-will. Thus he thinks that the term should be applied only in the political sense.[24] Politically, the term designates "a group, recognized as such by the state, articulated in the state and entrusted by the state with definite tasks."[25]

One of the primary duties of the estate is "the cultivation of a definite sentiment (*Gesinnung*), of a definite spirit."[26] The peculiar spirit common to the members of an estate "should find expression in a larger number of persons in the same life situation."[27] And it should be "elevated to general significance so that it will thereby come to be recognized and accepted as a necessary ingredient of community life or, of the so-called whole."[28] Through the receipt of special privileges and the withdrawal of certain

[17] *Ibid.*, p. 213; also p. 242.
[18] *Ibid.*, p. 176.
[19] *Ibid.*, p. 244.
[20] *Ibid.*, p. 224.
[21] *Ibid.*, p. 220.
[22] *Ibid.*
[23] *Ibid.*
[24] *Ibid.*, p. 221.
[25] *Ibid.*
[26] *Ibid.*
[27] *Ibid.*
[28] *Ibid.*

rights by the state, the estate establishes the principle of inequality within the hierarchy of callings and ranks. In political and social life the functions of the estate are ethical-educational and economic. The ethical function involves "the cultivation of the honor and morals of the estate" and "the education of the youth to this end."[29] The economic function consists of effecting a "planned economy in accordance with state regulations."[30]

In developing the estate-structure and in "articulating" people accordingly, many institutions inherited from the past are temporarily to be retained, at least in outward form. Thus, in the immediate future or the transitional stage between "late capitalism" and "early socialism" the structure of capitalist enterprise will continue to exist, but it will be harnessed to the purposes of the state. Although some of the old institutional furniture is retained, the legal and moral setting is rapidly to be dismantled. While this dismantling of the old framework is going on, a new order of law and moral values will be under construction. This new order, Sombart insists, is the first condition of the estate-system and estate-articulation, that is, of German socialism itself.

In the new legal order which Sombart projects, "the individual, as a citizen, will have no rights but only duties."[31] The "ruling principle" in the new legal scheme will be "superindividual reason" rather than the "arbitrary will of the individual,"[32] which, according to Sombart, characterizes the liberal-democratic community. This principle of superindividual reason directs the common will, and the state is its incarnation. The new moral order is to be similarly nonindividualistic. According to its canons, "the state should never evaluate individual persons as such, but only the group which represents these persons."[33] The new moral values will thus supplement and reinforce the order of law. In this legal-moral order the group becomes a superpersonality endowed with a life of its own. A group ethic supplants one based upon "individualism"; and the groups that make up the social hierarchy come to be ranked according to their importance to the

[29] *Ibid.*

[30] *Ibid.*

[31] *Ibid.*, p. 229.

[32] *Ibid.*, p. 228.

[33] *Ibid.*, p. 229.

ends of life, as these are determined by the supreme authority, the state. Not only the groups in the different spheres or fields of activity but those in the same sphere as well are to be thus evaluated.

The purpose behind this transposition of values is the destruction of free economic institutions, as well as the free legal and political system. And of the free economic institutions it is not alone freedom of enterprise and private ownership of the means of production that are to be abolished but also the free market for labor, other services, and goods. That this is the chief end to be accomplished is evident in Sombart's grading of human life according to the value scale of the socialism he advocates. Of all groups or estates, the military, he contends, should hold first place, while the economic should hold last place. In the economic field, agriculture is ranked highest, since he holds it to be the most honorable of all economic pursuits. Among the agricultural groups those devoted to peasant farming mixed with handicraft production are given first place. But does not the establishment of a peasant economy on this basis require the breaking-up of the large holdings of the Junkers, Germany's great landowners? Sombart does not think so. All that is necessary, he believes, is to revive the feudal principle, whereby all land would henceforth be held as a fief or a privilege conditioned on rendering "noble" service to the state.[34] In the commercial and industrial sphere, small business groups are to be valued above large enterprises. Big business, especially in the modern industrial form, is "in every case to be regarded as an evil, even if, under certain conditions, a necessary evil."[35]

Now one would think that a purely German socialism, that is, one that expresses the German *Volksgeist*, would seek realization only within the language frontiers of pre-Nazi Germany. This, however, does not appear to be the case. As explained by Sombart, *Volksgeist* is not primarily a matter of race in the biological sense or of the nation as a political unit. It comprises *metaphysical* attributes. While these attributes predominate among people

[34] *Ibid.*, p. 316.

[35] *Ibid.*, p. 230.

of the same biological heredity and political history, they may be found among people of a different racial origin and political experience. Accordingly, "the German spirit in a Negro," Sombart reasons, "is quite as much within the realm of possibility as the Negro spirit in a German. The only thing that can be shown is, that men with a German spirit are far more numerous among the German people than among the Negro people, and the reverse."[36] This *Volk* theory which Sombart thus embraces has had a long history in German thought, as we shall note, and has served as a basis for nationalism, pan-Germanism, and anti-Semitism. In Sombart's definition, as in that of Fichte, Chamberlain, Gobineau, and Adolph Wagner in the nineteenth century, *Volksgeist* comprises spiritual qualities, which can be recognized, it seems, only by the intuition of certain German philosophers. Thus, the German *Volksgeist* is the antithesis of the Jewish spirit. Possessing the Jewish spirit is not mainly a matter of being born of Jewish parents or of being reared in conformity with the Hebrew religion. The Jewish spirit is capitalistic.[37] The English are said to possess the capitalist and, accordingly, the Jewish spirit.[38] And Sombart thinks that the chief task of the German people and, above all, of National Socialism is the annihilation of the Jewish spirit,[39] for "what we have characterized as the spirit of this economic age . . . . is in many respects a manifestation of the Jewish spirit," which "to a great extent dominates our entire era."[40] Thus to rid mankind of this spirit "the institutional culture" must be so transformed that "it will no longer serve as a bulwark for the Jewish spirit."[41]

Since the *Volksgeist* has no definite relation to race or nation in the ordinary meaning of these terms, it should, because of its "superior" traits, permeate the life of other peoples and lands as the expression of a universal or world spirit. It thus leads to the idea of *Herrenvolk* and the justification of colonization and conquest or, in other words, to the notion of a world state. It is true

[36] *Ibid.*, p. 191.

[37] *Ibid.*, p. 195.

[38] See below, pp. 831–32.

[39] *Deutscher Sozialismus*, p. 195.

[40] *Ibid.*

[41] *Ibid.*

that Sombart does not explicitly give the term *Volksgeist* this meaning; but, when discussing the new German Reich and the imperialism of the democratic powers, the notion of world spirit and world state seems to lie in the shadows of his thinking. He states:

> The idea of the "Reich" does not properly belong within the orbit of a presentation of imperialism, as it is presented by so many, and . . . . at present by Wilhelm Stapel who anticipates the future in the return of the "Roman empire of the German nation" . . . . , and who frankly characterizes the establishment of this "Reich" as the most important problem of mankind. "Every people in the Reich forms a natural estate. Every estate has its morality. But the decision concerning the highest law, as well as the determination of the friend-enemy relation, will remain with the people of the Reich." The realization of this idea of the Reich would not signify a new imperialism, but as I have already said, an apparently new form of nation. It would put an end to the democratic idea—connected with the modern nation-idea by an historical accident—according to which all, even the most inconsequent nations, claim equal right to existence and action.[42]

It appears, then, that the old German dream of empire, expressed in such shibboleths as *Drang nach Osten*, *Deutschland über Alles*, *Mitteleuropa*, and *Lebensraum*, is an essential ingredient of Sombart's "purely-German socialism."

There appears to be a close affinity between the German socialism of Sombart and *der wahre Sozialismus* ("the true socialism") of Germany, which was advocated in the 1840's by such men as Moses Hess, Karl Grün, and George Kühlmann.[43] *Der wahre Sozialismus* was similar to Sombart's in that it was nationalistic and German. Although not wholly divorced from material or economic ends, it aimed at a "spiritual" revolution. It thus sharply contrasted with the proletarian socialism of Marx and Engels, who polemicized against it for the "narrow-minded nationalistic outlook" underlying its "sham universalism and cosmopolitanism." The following stanza was taken by Marx and Engels as a typical expression of the "spiritual," and therefore national, superiority claimed for Germany by these socialists:

[42] *Ibid.*, p. 203.

[43] For an account of the movement and its leaders see Karl Marx and Friedrich Engels, *Die deutsche Ideologie*, herausgegeben von V. Adoratsky (Moscow, 1932), pp. 435–527.

Franzosen and Russen gehört das Land
Das Meer gehört den Britten,
Wir aber besitzen in Luftreich des Traums
Die Herrschaft umbestritten.
Hier üben wir die Hegemonie,
Hier sind wir unzerstückelt;
Die andern Völker haben sich
Auf platter Erde entwickelt.[44]

Marx and Engels observed:

This Lofty Kingdom of Dreams (*Luftreich des Traums*), the kingdom of "real humanity," is held by these Germans [the true socialists] before the other nations with overwhelming self-satisfaction as the consummation and the purpose of world history; in each field they consider their day-dreams as the definitive and final judgment concerning the deeds of other nations. . . . . They think that they have been chosen to sit in judgment over the whole world and that the whole of history allows its final purpose to be realized in Germany.[45]

As to the relation between Sombart's socialistic views and the program of the Nazi political party, it is clear from his own words that he looked upon the party as the means of realizing the principles he espoused. This, of course, is not to say that he supported or even approved the violent and inhuman practices of the party leaders and their associates. Nor is it to say that Nazi politicians are overmuch concerned about the ideals or ethical canons of the new order of National Socialism, except in so far as they can be made to serve the end of maintaining personal power. But this political and moral nihilism of the present Nazi leaders, while an urgent consideration from some standpoints, is not directly germane to the question of the relation of Sombart's views to the Nazi party program considered as a social movement. Both the program[46] and Sombart's views have a common ground in (1) the

[44] *Ibid.*, pp. 453–54. Translation: "France and Russia possess the land,/The sea belongs to the Britain,/We, however, possess in the Lofty Kingdom of Dreams,/The uncontested Mastery./Here we exercise the Hegemony,/Here we are not broken into pieces;/The other nations have developed on the vulgar earth."

[45] *Ibid.*, p. 454.

[46] Among the works of the founding fathers or forerunners of National Socialism that might be consulted in this connection are: Gottfried Feder, *Das Program der N.S.D.A.P.* (Munich, 1932); Moeller van den Bruck, *Das Dritte Reich* (Hamburg,

repudiation of nineteenth-century liberalism and its "atomistic" or individualistic conception of society; (2) the idealization of the Middle Ages; (3) the proposal to reconstruct society on the model of estates; and (4) folk nationalism and its corollary, pan-Germanism. This basic agreement is by no means accidental. National Socialism as espoused by Sombart and as the program of a political party was evolved under the stress of the same pattern of thought.[47] Or, as stated above, this pattern of thought exerted a potent influence on Sombart's theory of economic development, and his National Socialism which coincides with the party program is a natural climax to that theory.

II. THE GERMAN OR ANTILIBERTARIAN PATTERN OF THOUGHT

The complex of influences which gives Sombart's theory its characteristic features and which determines its outcome has been termed the "specifically 'German' way of thought." According to the historian Troeltsch, the inventor of the term, this mode of thinking embodies a viewpoint concerning the nature of man and the social order which is essentially different from the "Western" or libertarian viewpoint.[48] This "German way of thought" is "organic," "universalistic," "nationalistic," or authoritarian, whereas the outlook characteristically denoted "Western" is "individualistic," "atomistic," or democratic.[49] To German nationalists like Troeltsch the German pattern denotes admirable qualities.

1931); Oswald Spengler, *Preussentum und Sozialismus* (Munich, 1920); Othmar Spann, *Der wahre Staat* (3d ed.; Jena, 1931); and Max Frauendorfer, *Der ständische Gedanke im Nationalsozialismus* (3d ed.; Munich, 1933).

[47] A discussion of the development of the Nazi party program from this pattern of ideas lies outside the scope of this essay. For such a discussion see William J. McGovern, *From Luther to Hitler* (Cambridge, Mass., 1941); and Rohan Butler, *The Roots of National Socialism* (New York, 1942). Highly suggestive is Professor John Dewey's much earlier *German Philosophy and Politics* (New York, 1915).

[48] See Ernst Troeltsch, "Lecture on the Ideas of Natural Law and Humanity," in Otto von Gierke, *Natural Law and the Theory of Society, 1500 to 1800*, trans. Ernest Barker (Cambridge, 1934), pp. 201–22.

[49] See Frank H. Knight, "Ethics and Economic Reform," Part II, *Economica*, August 1939, p. 297; and Barth Landheer, "Othmar Spann's Social Theories," *Journal of Political Economy*, XXXIX (1931), 239.

To others it may signify attributes of a very different character. But one can speak of a "specifically" German intellectual pattern only in the sense that in Germany, as in no other country, the characteristic traits of the pattern found a soil peculiarly adapted to its growth. And, while the traits never became firmly rooted in other countries, their influence even in these countries was significant. It was the manifestation of these traits in English literary and reform movements in the eighteenth and nineteenth centuries which led J. S. Mill to speak of the "Germano-Coleridgean doctrine" or the reaction in England against the Locke-Hartley-Bentham heritage and its French counterpart. The doctrine—or, rather, influence—was best expressed in the works of Wordsworth, Coleridge, Southey, Carlyle, and Ruskin. It appears also to have conditioned the "new liberalism" of the mid-nineteenth century, in which the elements of Tory "radicalism" and Christian socialism were frequently blended. One might say, then, that since the seventeenth century the history not alone of Germany but of the so-called "Western" powers has involved a conflict between these two opposing patterns of thought and conduct.[50] Relentlessly, though perhaps unobtrusively, the conflict still goes on inside the democratic powers. Herein lies the present liberal-democratic crisis, which, of course, is not to discount the importance of external military threat. The difference between Germany and the Western powers, however, is that in Germany the conflict between the patterns has been rather one-sided, the scales being weighted in favor of the "universalist," "authoritarian," or "antilibertarian" outlook.

We have taken Western thought to mean the liberal-democratic scheme of ideals and values. In much of the current popu-

[50] In viewing the past in the perspective of the problems of today, one is inclined to say that history, instead of being a succession of class conflicts, as Marx thought, is a succession of conflicts in various forms between groupism and authoritarianism, on the one hand, and individual and political freedom, on the other. An interesting autobiographical account of the conflict between the two types of thought in recent German history is found in Heinrich Hauser, *Time Was: Death of a Junker* (New York, 1942). Von Gierke's *Genossenschaftstheorie* strikes the author of this essay as an attempt to effect a synthesis between the conflicting patterns (see John D. Lewis, *The Genossenschaftstheorie of Otto von Gierke* [Madison, 1935]).

lar discourse such a scheme seems simply to mean representative or free government and freedom of speech, religion, and assembly. While the "Four Freedoms" are highly important in the practical realization of the liberal-democratic way of life, they are in fact secondary to or derived from abstract principles of an ethical nature. These principles declare (1) that the human personality is a supreme value and (2) that the individual has therefore an imprescriptible or "natural" right to freedom. Because of the significance it imputes to individual as over against social or group life, Western or liberal thought looks upon society as an *association of individuals* and makes a clear distinction between society and its organized expression, the state. Favoring voluntary action, that is, action by "mutual consent" among individuals rather than that compelled by force and authority, it has sought to fix within narrow limits the powers and rights of the organs of group authority vis-à-vis the individual. It makes the individual rather than the group "the real repository or locus of value, and the real choosing or moral agent."[51] This view of the individual and the social order found its classical expression in the laissez faire policies of economics and government of eighteenth- and nineteenth-century liberalism. Under pressure of interventionist tendencies of social reformers representing a new liberalism this viewpoint has lost much of its influence in the making of social policies. In the present state of public opinion its future appears to be dubious, to say the least.

In contrast with the libertarian outlook, the "German" outlook places the group rather than the individual in the center of the value scale. The exponents of the German viewpoint have found unhistorical and irrational the liberal conceptions of individual life as something distinct from social or group life and of society as a mere association of individuals. They have tended to think of society as a *Gemeinschaft* rather than as a *Gesellschaft*. As a *Gemeinschaft*, society is considered an organism and the individual somewhat akin to a cell. Accordingly, individual life becomes inseparable from that of the group and has no meaning apart from the group. Furthermore, in this approach the distinction that

[51] Knight, "Ethics and Economic Reform," *op. cit.*

liberalism makes between society and the state tends to be reasoned away. The state is regarded as the all-embracing organ of group life endowed with superpersonal existence. Such a conception of the individual and society must destroy freedom and individual rights in the libertarian meaning. It might be more accurate to say that it gives rise to a wholly different idea of freedom and individual right—that is, an idea compatible with the supremacy of group life and thus with an authoritarian, a nationalistic, or a collectivist organization of society.

In Germany the antilibertarian mode of thought was crystallized by the Romantic movement which swept the country in the first decades of the nineteenth century. The roots of the movement were in the German Middle Ages and probably more remotely in the Teutonic tribal past. Although stimulated by the nationalistic feeling following the Napoleonic defeat of Prussia, romanticism first came to life as a literary movement shortly before the French Revolution. And, while directed against the currents of thought set in motion by the Age of Reason and the Enlightenment, romanticism under Herder's influence appropriated Rousseau's idea of a state of nature and used it as the basis of its *Volk*-philosophy of nationality.[52] The kernel of this philosophy was the half-mystical idea of *Volk*, a being that originated in common traditions and experiences. Language was the peculiar creation of the *Volk* and served to unite people of the same *Volk* background and experience into a race and nation. Rousseau's man of nature was thus transformed into an *Urvolk* or "original folk." Following the defeat of Prussia by Napoleon at Jena in 1806, the movement assumed a political significance. The *Volk*-idea was still the kernel of the movement whose guiding geniuses used it as a counterrevolution to English and French liberalism (materialism). In its broad significance, romanticism was a reaction against the influences which had shaped the Western world since the fifteenth century.

The first of these influences was a reorganization of economic

[52] See Robert Reinhold Ergang, *Herder and the Foundation of German Nationalism* (New York, 1931), p. 60; and also Irving Babbit, *Rousseau and Romanticism* (Boston, 1919).

life on the basis of markets, individual enterprise, and competition, which resulted from the industrial and commercial transformation of the sixteenth to the nineteenth centuries. The second was the politico-ethical ideals of individual freedom and political equality which, espoused in the doctrine of natural rights, found expression in the American Declaration of Independence and the French Declaration of the Rights of Man. The third influence was the rise of natural science on the basis of the work of Galileo, Kepler, and Newton. The second and third influences are usually pictured by historical materialism as the outcome of the first—that is, of capitalism. What is more likely is that the influences were mutually determining. Thus seventeenth- and eighteenth-century natural science laid the technological basis for the economy of enterprise and markets. Furthermore, the natural-science view of the relation of mind and spirit to the physical universe tended to color the principles of the liberal politico-moral order. The idea of a social order governed by natural law reflected the scientific conception of an external physical universe moving according to mechanical laws. The principles of individual freedom and natural rights were thought to be corollaries of the natural-science tenet—that man is a free or autonomous agent who knows the external physical world through his sense organs governed by reason. Thus, when German romanticism sought to invalidate the world of reality depicted by eighteenth-century natural science,[53] it likewise sought to invalidate the doctrine and

[53] To German romanticism, reality is ideal in the metaphysical sense and not the hard, external world of matter described by eighteenth-century natural science. It thus opposed the eighteenth-century principle of "mechanical causality" and sought to supplant this "logocentric" approach with a "genetic" or "biocentrically oriented" interpretation of events. No statement, even if this author were competent to give one, need be made here of the defects of the eighteenth-century conception of causality. But today it is generally recognized among social scientists who take a "Western view of things" that it is not a question of the exclusive use of either the biological or the causal method as modified in scientific thought since the nineties. Each method has its appropriate use. If, however, it is contended that an exclusively "mechanical-causal" approach leads to a *static* and therefore a "conservative" view of social problems, it should also be noted that an exclusively biocentric one tends toward a "totalitarian" outlook because it subordinates individual being to that of the organism and group. It eliminates freedom of the individual as a thinking and, likewise, as a political agent. Long ago Rade-

ideal of individualism as taught by ethical liberalism. And, when it combated individualism as a politico-ethical theory and policy, it perforce attacked competition and private enterprise, the economic phases of individualism. Thus under the stress of a nationalism quickened by Napoleon's defeat of Prussia and the urge for German unification, German romanticism became a counterrevolution to liberal modes of thought and democratic institutions. Inside Germany the setting for this counterrevolution was furnished by the clash between the new and old institutions—business enterprise and scientific technology, on the one hand, and the Prussian-imperial (military) order, on the other.[54] The dominant tendencies of the counterrevolution were expressed in (1) the Fichtean-Hegelian schools of philosophy, (2) the school of historical jurisprudence or law, and (3) the Romantic school of economics.

III. THE ROMANTIC INFLUENCE

Abandoning his early admiration for the ideas of the French Revolution, Fichte became the ardent champion of a "new" freedom. Individual freedom in the libertarian sense was simply the desire to do as one pleases. True freedom, he argued, is not the so-called freedom of the individual will. It is freedom to do the right thing, and this arises from the mores and habits of the *Volk*. The plan of history is revealed through the nation or the state, the supreme organ of the *Volk*. True freedom, therefore, consists in the identification of the individual's will with the purposes of the state, by means of force, if need be. The doctrine of the rights of man, the theory of competition, and governmental laissez faire are cold rationalizations of sordid selfishness. And the application of

macher, a physician of the Romantic era, noted that "a certain totalitarianism is a basic characteristic of all romanticism" (Alexander Gode-von Aesch, *Natural Science in German Romanticism* [New York, 1941], p. 11).

[54] Compare Thorstein Veblen, *Imperial Germany and the Industrial Revolution* (New York, 1915). Also note Gode-von Aesch's quotation of Nadler that "German romanticism" is the "culmination of East Elbian colonization. Germanization of the soil and its people preceded, and romanticism appears then as the final Germanization of soul and thought." Thus, "romanticism might be defined as the classicism of the German East, i.e., a final maturity of the western spirit in East Elbian blood" (Gode-von Aesch, *op. cit.*, p. 61).

these individualistic principles causes society to disintegrate into mutually destructive atoms.[55] To avoid these disintegrating results of the Industrial Revolution and the French Revolution, Fichte thus proposes a "rational" or planned economy. This proposal is set forth in his *Closed Commercial State*.[56] This state is essentially autarchical. In the interest of the social whole, the "rational" state must determine the use of property, regulate the supply of different types of labor, and fix economic rewards. As Butler notes, the *Closed Commercial State* contains an early expression of the "geo-political imperative,"[57] for it gradually develops into a supernational empire. This was in keeping with Fichte's pan-Germanism, the two main ingredients of which are (1) Herder's idea that "the members of a nationality and state are joined together by inner spiritual bonds"[58] and (2) the conception of the German nation as an original folk (*Urvolk*) whose "natural" qualities are to be found in its language. Thus Fichte argues that the destiny of the German race is "to be united into one body completely in accord with itself and uniformly developed." All persons speaking the same language, whatever their present political allegiance, belong to one race or nation. Constituting a single people or *Volk*, they should be united in one state. Accordingly, all people who speak the German language should be united in a German state—that is, all but Jews. The Jews he considers unassimilable by nature. Even though they may have lived in Germany for centuries and have spoken only the German tongue, Fichte thinks they should be exiled to a state of their own.[59]

Fichte's metaphysical theory of freedom supposes an identity between the ego and nonego—between subject and object. It thus leads to an organic or totalistic conception of society in which the

[55] Fichte's general philosophy and his political ideas are set forth, respectively, in his *Wissenschaftslehre* ("The Science of Knowledge"), trans. A. C. Kroeger (London, 1889) and *Grundlage des Naturrechtes* ("Science of Rights"), trans. A. C. Kroeger (London, 1889). The above summary is based on McGovern, *op. cit.*

[56] J. G. Fichte, "Der geschlossene Handelstaat," *Sämmtliche Werke* (Berlin, 1845–46).

[57] *Op. cit.*, pp. 42 ff.

[58] Ergang, *op. cit.*, p. 102.

[59] English title: *Addresses to the German Nation*, trans. R. F. Jones and G. H. Turnbull (Chicago, 1922). For summary in text see McGovern, *op. cit.*, pp. 238–39.

reality of the individual as such is assumed to be nonexistent. His theory of the *Volk* supports authoritarianism and state socialism. These ideas were refined by Hegel and made their appearance in economics and law.

Hegel, it has been observed, was a "harvester of the romantic crop."[60] His theory of the state contains a mystical formulation of the *Volk*-idea. He converted *Volk* into Spirit (*Geist*), which in time and space is but a manifestation of an Eternal Spirit or God. Thus the state, the highest expression of *Volksgeist*, is divine. "The State is the Divine Idea as it exists on Earth."[61] It is therefore final and right. Freedom in its noblest and highest sense consists in the subservience of the individual to the supreme will of the state. Free action, according to Hegel, is action according to reason. As the state is the embodiment of universal reason, rational action on the part of individuals demands that they unquestioningly obey the laws of the state. Hegel's views, like those of Fichte, were essentially antilibertarian and supported authoritarianism. Furthermore, like Fichte, Hegel was no admirer of a system of competitive enterprise. Wallace, in his lectures on Hegel, stated that Hegel thought that "when society is left to its own unregulated activity, the growing interdependence of men upon each other leads to the generation . . . . of a small class of immensely rich, and a numerous class, depressed in its resources below the normal level of subsistence, lost consequently to all sense of law and honesty and honor—a rabble, or . . . . Proletariat."[62] To prevent the development of a proletariat means preventing the accumulation of excessive wealth. This accords with the highest good of society. To check the race for riches, on the one hand, and to prevent the degeneration of the worker, on the other, Hegel proposes that the medieval guilds and corporations be revived in modern form. Above these revived organs of the

[60] Gode-von Aesch, *op. cit.*, p. 208 n.

[61] Hegel, *The Philosophy of History*, trans. J. Sibree (New York, 1900), p. 39.

[62] William Wallace, *Lectures and Essays on Natural Theology and Ethics* (Oxford, 1898), pp. 413–14. According to McGovern, "when we read the writings of Alfreda Rocco, perhaps the most important of the 'official' Fascist philosophers, we almost feel that we are reading Hegel's *Philosophy of Right* denuded of its metaphysical background" (*op. cit.*, p. 268).

Middle Ages would be the all-powerful state which would co-ordinate their purposes and regulate their activities. Hegel's theory of the state forms a connecting link in his philosophy of history, which, in turn, is a product of monistic idealism. In its historical application, monistic idealism required "a unified conception of human life and history as a whole."[63] This conception of human life was symbolized in the *Volk*. History, then, is but the progressive unfolding of the *Geist* of the *Volk* in a continuous process of self-realization. In the process, free will and necessity are harmonized. Hegel's philosophy of history was thus the ultimate source of "historical relativism," which was later to exercise a profound influence upon social thought inside and outside Germany.

Hegel, it is said, lifted the *Volk*-idea into the heaven of metaphysics, where it found abode in transcendental authoritarianism. But the school of historical jurisprudence rescued it from the skies and invested it with earthly robes. According to this school, as led by Savigny in the Romantic period, law, like language, originated in the *Volk* and is therefore an expression of its spirit (*Geist*). A German law conveying the authority of the German state must then be an expression of the spirit peculiar to the German people. This philosophy of law was carried over into the domain of abstract rights. Here it served as a counterweight to liberalism. The members of the school contended that, historically, the group precedes the individual and that the rights and powers of the individual stem from group authority and sanctions rooted in customs and traditions. In consequence, no historical justification can be found for the abstract right of the individual based upon natural law. And to derive the origin of the state from a contract among free rational individuals, as did the eighteenth-century liberals, is absurd. Historical proof exists only for a doctrine of group-right or law (*Volksrecht*).[64] None can be found for individualistic natural rights.

It was, of course, a rather simple task to disprove the historical authenticity of natural rights whether as an explanation of the

[63] Parsons, *op. cit.*, p. 479.

[64] Gierke, *op. cit.*, pp. l–lxxxvii.

origin of society and the authority of the state or as the basis of individual freedom. The plain fact is that as *history* the doctrine is sheer romance. But it was more difficult to reject the ethical implications of the doctrine without at the same time casting overboard the idea of individual autonomy and freedom, of which it was the basis. Although nineteenth-century liberalism under Bentham's influence abandoned the doctrine of natural rights, it necessarily retained its allegiance to the idea of individual autonomy.

It is unnecessary to point out the limitations of the ideal of individual freedom in the eighteenth and nineteenth centuries. The existence of Negro slavery, the conditions of the poor, and the exclusion of women in the application of the doctrine have no doubt already occurred to the reader as being in violent conflict with the libertarian principles of freedom. But it is important to note that these limitations in no way lessened the value of the ethical doctrine and ideal of freedom. They simply showed the necessity of applying the doctrine more realistically and more widely. In its ethical meaning the natural-rights doctrine simply held that all individuals possessed an equal right to freedom. To nullify this right is to destroy the essential nature of man as a human being. In this sense the doctrine is a matter of belief and, indeed, of hope. It is therefore not subject to historical verification. But the purpose of the school of historical law was not merely to expose the unhistorical foundation of natural rights. It was also to annihilate the doctrine that men ought to be free whether they were free in fact or, indeed, wanted to be free in the libertarian meaning of the term.

The Romantic influence took effect in economics as well as in jurisprudence. Typical representatives of the influence in economics were Adam Müller, Ludwig von Haller, and Friederich Gentz.[65] All three writers combated the doctrines of natural rights and social contract. Of the three, Müller is of most consequence. In his views organicism and the *Volk*-theory were attired in eco-

[65] Wilhelm Roscher, "Die romantische Schule der Nationalökonomie in Deutschland," *Zeitschrift für die gesamte Staatswissenschaft*, Vol. XXVI (1870); also see Othmar Spann, *History of Economics* (New York, 1930), pp. 158–70.

nomic garb. His chief contribution, according to Roscher, was that of championing "the doctrine of the organic whole of the state, in general, and of the national economy, in particular. Müller thought that man is unthinkable except as a totality of human affairs, as a relation to a living whole."[66] The living whole is the nation (*Volk*), in which is embodied the spiritual solidarity of mankind.

The state, which effects this spiritual bond between man and man, between the past and the present, is no mere human tool. It is itself a person, a unique free whole in which private and public life are all but indistinguishable. Müller's economic views corresponded with his authoritarian and nationalist political sympathies. Not only the state but the national economy is assured by the spiritual continuity of national (*Volk*) existence. Real economic value and wealth are thus immaterial, since they can be guaranteed only by national (*Volk*) continuity and oneness. "Just as physical capital is expressed primarily through money, spiritual capital is expressed primarily through speech."[67] The most significant spiritual capital is commercial experience. In Müller's estimation the ideal money is paper because it binds one to his country. He attributes to paper money the power of restoring the natural-service economy of the Middle Ages with its moral well-being and its "blending of person and things."[68] In extolling the virtues of the corporate organization of the Middle Ages, Müller exhibits the characteristic longing of romanticism for a revival of feudal principles. Thus true to the Romantic tradition, he was no admirer of the economic system of private property and competitive enterprise. He regarded property as the right of usufruct and thought it should ultimately be held in common.

The Romantic influence as expressed in economics, philosophy, and law nourished early nineteenth-century German nationalism and was, in turn, nourished by it. It was the means of combating the ideals of popular sovereignty and democracy. It furnished the intellectual props of absolutism and caused Prussian paternalism to be sublimated into embryonic "National Socialism." It was

[66] Roscher, *op. cit.*, pp. 78–79. [67] *Ibid.*, pp. 81–87. [68] *Ibid.*

the inspirational source for later rationalizations of state socialism in the Bismarckian era of industrialism, German unification, and emergent "proletarian" socialism. And, finally, it served as the background for the development in late nineteenth-century Germany of "historical relativism" and the theory of group-mind and group personality. Historical relativism found application in Schmoller's economics. The theory of group-mind and group personality made its appearance in Dilthey's *verstehende* psychology.

IV. STATE SOCIALISM, HISTORICAL ECONOMICS, AND THE "*Verstehen*" APPROACH

The state socialism of Bismarck was undoubtedly influenced by the Romantic stream of thought. Bismarck's conception of the state as the supreme organ of group life rested on Hegel and Fichte. His policy of state intervention not only was in keeping with the Romantic heritage but showed the effects of it upon his thinking. This policy was "the protest of collectivism against individualism" and "of nationality against cosmopolitanism."[69] It proceeded "from the axiom that the duty of the State is to maintain and promote the interests, the well-being of the nation as such."[70] When Bismarck was attacked for his "socialistic" reforms in the German Reichstag in the eighties, he explained that his socialism was nothing more than the extension to modern industrial conditions of the "common law" policies of the Great Elector, Frederick William I, and Frederick the Great of Prussia.[71] Indeed, "proletarian" socialism itself was affected by German nationalism and state socialism. No less a figure than Lassalle, a leader of working-class socialism, spoke glowingly of Fichte's Germanism and looked upon Fichte as the source of his conceptions of the state and socialism.[72] He and other Social Democrats of the time, especially Bebel, approved Bismarck's re-

[69] William H. Dawson, *Bismarck and State Socialism* (London, 1891), p. 14.

[70] *Ibid.*

[71] *Ibid.*, pp. 15–16 and 28–35.

[72] See Ferdinand Lassalle, "Die Philosophie Fichtes und die Bedeutung des deutschen Volkgeistes," *Gesamtwerke* (1862), Vol. X; and also Jürgen Bona Meyer *Fichte, Lassalle und der Sozialismus* (Berlin, 1878).

forms on the ground that working-class socialism was supported by them.[73] Bismarck, Bebel remarked, was the student, while they, the Social Democrats, were the teachers of socialism.

In the *Kathedersozialismus* of Schmoller and Wagner, Bismarck's state socialism found its academic equivalent. Although never an advocate of pan-Germanism as Wagner was,[74] Schmoller was an exponent of nationalism, and his theory of social reform was grounded upon nationalistic considerations. Theoretical justification for the doctrine was furnished by historical economics.

As a leader of the younger historical school, Schmoller rejected the abstract-deductive method of Smith, Ricardo, Mill, and their followers. He contended that only a few of the principles derived by this method had been scientifically established. Most of the principles, he thought, were mainly the "party-doctrines of individualism and liberalism."[75] They were, therefore, without universal validity. To meet the needs of a particular people, economic laws had to be derived from that people's experience and history. But Schmoller's "historical relativism" was not purely scientific in its motivation. In this respect it was like that of the school of historical jurisprudence. It was not simply a scientific method that Schmoller opposed but a view of the social order and man's function in it. In a speech before the Verein für Sozialpolitik, which he helped to found, he stated that the task of German political economy was to rid the science of English and French liberal-utilitarianism. Denying that free trade and laissez faire were suitable policies for Germany, he advocated state intervention as a means of promoting industrialism and likewise of improving the condition of labor. His interventionism, like Bismarck's, was stamped in the Prussian die. "A firm monarchy," he said, "is a great blessing when it is bound up with traditions like

[73] William H. Dawson, *German Socialism and Ferdinand Lassalle* (New York, 1899), p. 267.

[74] For an account of Adolph Wagner as a founding father of naziism see Evalyn A. Clark, "Adolph Wagner: From National Economist to National Socialist," *Political Science Quarterly*, Vol. LV (1940).

[75] See Gustav Schmoller, *Ueber einige Grundfrage des Rechts und der Volkswirtschaft* (Jena, 1875).

those of the Prussian monarchy, which recognizes its duties."[76] Thus Schmoller's economic theories were no less opposed to liberalism than to Marx's proletarian socialism.

According to Spann, Schmoller's economics fell away toward positivism in spite of its emergence from romanticism and post-Kantian German idealism.[77] Such an indictment can hardly be brought against Wilhelm Dilthey's *verstehende* psychology. According to Dilthey, the associational psychology of Hume, Hartley, and Mill reasoned about human behavior in the mechanical analogy of Newtonian physics and thus isolated man from his social environment. Conceiving man as an abstract individual, it failed to study the higher plane of consciousness where the individual reflects the soul of the nation. In Dilthey's view man must be studied as the subject of the group's mores and traditions. This requires the *Verstehen* or the cultural as opposed to natural scientific method. Dilthey's was not simply what is termed "social psychology," although he undoubtedly contributed to its development. Under this difficult concept, *Verstehen*, he meant the "understanding" of a "cultural totality" or "whole" in terms of its "meaningful relationships." Such "relationships" are objectified in institutions and the concrete facts of life in which the determining element is the *Geist* or *Volksgeist*. "Meaningful relationships" are to be grasped, however, through intuition rather than by causal analysis or the intervention of formal concepts.[78] Dilthey's method of *Verstehen* and his idea of "culture-wholes" are but a different version of the "organic" social theory which, with its emphasis on group-mind, "ideal reality" and "historical relativeness," harks back to Hegel and nineteenth-century German romanticism. These theories lead inevitably to the sanctioning of a totalitarian social order. And it appears from a cursory examination that Spann's theory of totality,[79] which contributed to intellectual fascism before Hitler, is an offshoot of Dilthey's ideas.

[76] Dawson, *Bismarck and State Socialism*, pp. 1–3.

[77] Spann, *op. cit.*, p. 11.

[78] Parsons, *op. cit.*, pp. 481–87 and 586–91.

[79] See R. Stolzmann, "Die Ganzheitlehre Othmar Spanns," *Jahrbücher für Nationalökonomie und Statistik*, LXXII (3d ser., 1928), 881–918.

V. SOMBART: A RECAPITULATION AND SUMMARY

As a student at the University of Berlin, Sombart came under the influence of Schmoller, Wagner, and Dilthey. It is evident that the ideas of these men exerted a decided influence over him. The imprint of these ideas is to be found not alone in his espousal of National Socialism at the close of his life but also in his early "scientific" work.

At the beginning of this essay it was noted that Sombart saw Germany's National Socialism as the embodiment of a "new spirit" which is "social" and "national" in character. But the idea of a "new spirit" was no sudden discovery with him. It seems to have animated his thinking as far back as the nineties. In the first edition of *Socialism and the Social Movement* he stated that a "new spirit had come into man."[80] Promoted by the teachings of Carlyle and such Christian socialists as Maurice and Kingsley, this spirit was repairing the evils of the "French Revolution and Chartism"—"mammonism, selfishness, forgetfulness of obligations."[81] These evils of "eudemonistic utilitarian philosophy" were being supplanted by "idealism," "faith," and a "social" interest. Even at this early time Sombart's concern for a social, instead of an individualist, view of things was colored by a nationalist outlook. "There is," he noted, "an antithesis around which the whole history of society turns, as around two poles: social and national."[82] Thus he admonished the proletariat of Western Europe that, in the face of Russian and Japanese economic progress, "there can be no talk of an essential repudiation of nationalism"[83] on its part. "An artificial sympathy with the most downtrodden people (coolies) would prove too weak to restrain a sound national self-interest."[84]

With Sombart, as with Fichte and Hegel, nationality was an ever present consideration. And, like Fichte, Sombart was inclined to regard nation (*Volk*) and race more or less synonymous-

[80] Sombart, *Socialism and the Social Movement in the 19th Century*, trans. Anson P. Atterbury (New York and London, 1898), pp. 57–58.

[81] *Ibid.*

[82] *Ibid.*, pp. 1–2.

[83] *Ibid.*, pp. 59–60.

[84] *Ibid.*, pp. 165–68.

ly and to evaluate different nationalities on a rather arbitrary scale of sociopsychological attributes. Thus, during the first World War he described the English and Germans as respectively a nation of merchants and a nation of heroes.[85] It is perhaps true that he made this distinction between the two nations under the spell of wartime patriotism. But the conceptual basis of the distinction had been laid earlier in his analysis of the development of capitalism. In this analysis he thought that the "capitalist spirit" was *inherent* in "Trading Peoples" but absent in "Heroic Peoples."[86] The Scotch, the Jews, the Frisians, and Etruscans are trading peoples; but the "Celts, a few of the German tribes, the Goths in particular," are heroic.[87] Now the qualities that compose the "capitalist spirit" and which thus distinguish "traders" and "heroes" "all spring from certain qualities in the soul."[88] Since the Scotch and the Jews are traders, they have the same kind of "soul." Therefore, "Scotchman and Jew are interchangeable terms."[89] By a similar process of reasoning Sombart concludes that capitalism had a common moral basis for its development in the scholastic, Judaic, and Puritan-Christian attitude to the acquisition of wealth.[90] But, having discovered the "soul" of all trading peoples to be the same, Sombart proceeds to show how essentially different Jews are from other traders. He states: "They [the Jews] derive their profits *from* war, murder, or assassination, while other peoples seek to derive it *by means* of war, etc."[91] What Sombart intended to convey by this contrast between the phrases, "*from* war" and "*by means* of war," is not clear to the writer. However, the statement and, more especially, the metaphysical theory of race and nationality from which it stems lead one to doubt that Sombart's *Jews and Modern Capitalism*[92]

[85] Sombart, *Händler und Helden: patriotische besinnungen* (Munich and Leipzig, 1915).

[86] *The Quintessence of Capitalism*, pp. 213–17.

[87] *Ibid.*

[88] *Ibid.*, pp. 200–201.

[89] *Ibid.*, pp. 100–101.

[90] *Ibid.*, pp. 263–64.

[91] *Ibid.*, pp. 100–101.

[92] *Die Juden und das Wirtschaftsleben* (Leipzig, 1911) (English title: *The Jews and Modern Capitalism*, trans. M. Epstein [London, 1913]).

was simply an objective presentation of the *contribution* of this people to modern economic life. In identifying Judaism as a moral basis of capitalism Sombart closely follows the pattern set by such early pan-Germanists as his teacher, Adolph Wagner, who looked upon English free trade and laissez faire or "Manchesterism" as Jewish. And he considered this Jewish spirit inimical to the German Fatherland of loyal peasants and Junkers.[93]

In his analysis of the development of capitalism, Sombart's main idea is that of *Geist*, or spirit—a term which Hegel and the romantics had long before employed. To Sombart capitalism is a unique arrangement of institutions, an economic system which objectifies an inner spirit—the "capitalist spirit." The bearer of the "capitalist spirit" is the entrepreneur. The elements that make up the "capitalist spirit" are (1) "the spirit of enterprise," which is "a synthesis of the greed of gold, the desire for adventure," and "the love of exploration" and (2) "the bourgeois spirit," which is "composed of calculation, careful policy, reasonableness and economy."[94] Sombart thought that while the "capitalist spirit" may be discovered in other periods of history it is only in the "economic age" that the conditions appropriate for its complete unfolding appear.[95] Thus the "capitalist spirit" and the institutions embodying it are purely transitory episodes in the evolution of society. In consequence, the laws of capitalism, like all economic laws, are neither final nor universal. They are only valid for capitalism. There is, then, no science of "economy," or *Wirtschaft*, in the general or universal meaning of theoretical economics.[96] Here is to be seen the influence of Schmoller's historical economics and, likewise, of Dilthey's *Verstehen* or cultural-scientific method. Capitalism in Sombart's view is not only historical and relative. It is a "cultural-whole," in which a "social mind" (*Geist*) is objectified. As a cultural phenomenon—that is, as man's creation—capitalism should be studied by the method of *Ver-*

[93] See Clark, *op. cit.*

[94] *The Quintessence of Capitalism*, p. 22.

[95] *Der moderne Kapitalismus*, I, 25.

[96] *Die drei Nationalökonomien*, chaps. i, ii, and iii.

stehen rather than by that of natural science as adopted by the various schools of theoretical economics.[97]

By *Verstehen*, Sombart means understanding the sense-context (*Sinnerfassen*). "We make a phenomenon understandable to ourselves by discovering its meaning or sense (*Sinn*). This, again, signifies that we draw the phenomena into a relation known to ourselves."[98] The theory of knowledge which underlies this approach rests upon the old Romantic assumption of identity between the knowing subject and the object of knowing. Like Dilthey, Sombart accepted this assumption. He states:

> . . . . all "verstehende" knowledge is on this account immanent, because the knower and his object belong to the same sphere and that is indeed the sphere of spirit. Culture is objectified *Geist* [Mind], the knowing human being is subjective *Geist*, because in his soul (*psyche*) flows the capacity to think ideas, to fix goals, to set norms which distinguishes him from all living things and enables him alone to create culture, that is to say, to objectify his nature in external institutions and symbols.[99]

While it was only later in life[100] that Sombart attempted definitely to develop an economic system with the *Verstehen* approach, his use of this approach is evident somewhat earlier. In his treatise, *Marxism* (1924), Sombart contends that socialism loses its real meaning when collectivization of property is made its primary test. He thought that socialism should be conceived as a "definite spirit"[101] which manifests itself objectively and subjectively. As an objective condition, socialism signifies "a definite manner of forming a socially unified life which deeply imbeds itself in social institutions."[102] Psychologically, it is the manifestation of the spirit (*Geist*) of socialism in the individual—that is to say, a mental state in which the individual (the socialist) shows a consciousness of the internal unity and goal of socialism.[103] How is the phenomenon of socialism to be studied? In the same manner as that of capitalism or any other such social phenomenon:

[97] *Ibid.*, chap. x.

[98] *Ibid.*, p. 196.

[99] *Ibid.*, p. 198.

[100] *Ibid.*, chap. x.

[101] *Der proletarische Sozialismus* ("Marxismus"), zehnte vergearbeitete Auflage der Schrift "*Sozialismus und soziale Bewegung*" (Jena, 1924), p. 6.

[102] *Ibid.*

[103] *Ibid.*

We must direct our attention away from the external aspects of the phenomenon to the inner organizing principles (*Gestaltungsprinzipien*) of social life.[104] "We must endeavor to comprehend the general organizing wills (*Gestaltungswillen*) of society in its external [objective] expressions and to discover in them the unique organizing-will which we call socialism."[105] Thus socialism must be comprehended in terms of its internal unity (*Einheit*), from which its unique organizing principle is derived. Such comprehension is possible only by means of the *Verstehen* approach. This enables us to *understand* (*verstehen*) socialism in its *meaningfulness* (*noetisches Verstehen*), as well as causally (*genetisches Verstehen*) and historically (*kritisches Verstehen*).[106]

On the basis of the *Verstehen* method Sombart distinguishes two main types of socialism, each embodying a distinct organizing principle. One type is equalitarian; the other is nonequalitarian. The former proceeds from the supreme idea (principle?) "that all should be partners."[107] Proletarian or Marxian socialism comes under this type. The other type "proceeds from the view of the human community as a *whole*, from a concrete organizing idea (*Gestaltungsidee*), whose realization consists in assigning a definite place to the individual in the strata of the whole. It thus leads to an organized association of individuals and, accordingly, to inequality."[108] It is not clear whether Sombart's sympathies were at this time inclined toward this second type of socialism. But the essential harmony between this type and German socialism as espoused by him later is beyond question.

The influence of Marx on Sombart has often been noted. But the manner in which the influence took effect has seldom been made clear. What Sombart took from Marx was the conception of capitalism as a unique "system" of production. He also accepted Marx's thesis of the inevitability of social change, which blended in some respects with Schmoller's "historical relativism." "The theory of Marx," Sombart explains, "affirms the identification of that which is actually observable as the result of economic de-

[104] *Ibid.*

[105] *Ibid.*

[106] *Ibid.*, p. 23.

[107] *Ibid.*, p. 15.

[108] *Ibid.*

velopment."[109] However, to Marx not only change but *progress* was inevitable. Marx therefore *approved* of capitalism as superior to previous economic systems and as a necessary stage in man's upward march to socialism under the banner of the proletariat. Though a child of German romanticism, Marx was an errant one who considered collectivism as the only means for realizing natural rights and individual freedom. Sombart never shared Marx's "cultural optimism"[110] or his political ethics and faith. His reference to the evils of the "French Revolution" and "Chartism" has been noted. It was but a few steps from this position to an open confession of belief in Fichte's and Hegel's ideas of liberty and the authoritarian state. Behind Sombart's "objectivity" there always seems to have lurked a skepticism of the "good" in capitalism. He was similarly skeptical of the proletariat whose socialism he ultimately denounced as destructive of all spiritual values. His doubt as to the moral value of capitalism was paralleled by an admiration of the feudal order. Though not openly stated until late in life, this admiration subtly appears much earlier. For example, in describing the historical background of capitalism and Marxism, he speaks of "the tragic dissolution of the 'enchanted' oneness (*Ganzheit*) of feudalism which stemmed from a collective authority."[111]

If there was ever any confusion about Sombart's relation to Marx, Sombart removed it in 1927 when he published his last volume on capitalism. He stated: "When Marx conceived his ideas, capitalism was a new land. . . . . Then it was morning and the skylark sang. Today the evening draws nearer and the owl of Minerva has begun her flight. . . . ."[112] What Marx spoke was the first proud words on capitalism. In this work is said the modest last word."[113] Seven years later he published his book proclaiming National Socialism to be the next step in social organization.

[109] *Socialism and the Social Movement*, pp. 100–101.

[110] *Ibid.*, pp. 59–60; and also *Hochkapitalismus*, erster Halbband, p. xxi.

[111] *Der proletarische Sozialismus*, p. 31.

[112] *Hochkapitalismus*, erster Halbband, p. xix.

[113] *Ibid.*, p. xxi.