

## Chapter II

# The Spirit of Capitalism

In the title of this study is used the somewhat pretentious phrase, the spirit of capitalism. What is to be understood by it? The attempt to give anything like a definition of it brings out certain difficulties which are in the very nature of this type of investigation.

If any object can be found to which this term can be applied with any understandable meaning, it can only be an historical individual, i.e. a complex of elements associated in historical reality which we unite into a conceptual whole from the standpoint of their cultural significance.

Such an historical concept, however, since it refers in its content to a phenomenon significant for its unique individuality, cannot be defined according to the formula *genus proximunt, differentia specifica*, but it must be gradually put together out of the individual parts which are taken from historical reality to make it up. Thus the final and definitive concept cannot stand at the beginning of the investigation, but must come at the end. We must, in other words, work out in the course of the discussion, as its most important result, the best conceptual formulation of what we here understand by the spirit of capitalism, that is the best from the point of view which interests us here. This point of view (the one of which we shall speak later) is, further, by no means the only possible one from which the historical phenomena we are investigating can be analyzed. Other standpoints would, for this as for every historical phenomenon, yield other characteristics as the essential ones. The result is that it is by no means necessary to understand by the spirit of capitalism only what it will come to mean to us for the purposes of our analysis. This is a necessary result of the nature of historical concepts which attempt for their methodological purposes not to grasp historical reality in abstract general formulae, but in concrete genetic sets of relations which are inevitably of a specifically unique and individual character.

Thus, if we try to determine the object, the analysis and historical explanation of which we are attempting, it cannot be in the form of a conceptual definition, but at least in the beginning only a provisional description of what is here meant by the spirit of capitalism. Such a description is, however, indispensable in order clearly to understand the object of

the investigation. For this purpose we turn to a document of that spirit which contains what we are looking for in almost classical purity, and at the same time has the advantage of being free from all direct relationship to religion, being thus for our purposes, free of preconceptions.

“Remember, that time is money. He that can earn ten shillings a day by his labor, and goes abroad, or sits idle, one half of that day, though he spends but sixpence during his diversion or idleness, ought not to reckon that the only expense; he has really spent, rather thrown away, five shillings, besides.

“Remember, that credit is money. If a man lets his money lie in my hands after it is due, he gives me interest, or so much as I can make of it during that time. This amounts to a considerable sum where a man has good and large credit, and makes good use of it.

“Remember, that money is of the prolific, generating nature. Money can beget money, and its offspring can beget more, and so on. Five shillings turned is six, turned again it is seven and three pence, and so on, till it becomes a hundred pounds. The more there is of it, the more it produces every turning, so that the profits rise quicker and quicker. He that kills a breeding sow, destroys all her offspring to the thousandth generation. He that murders a crown, destroys all that it might have produced, even scores of pounds.”

“Remember this saying, *The good paymaster is lord of another man's purse*. He that is known to pay punctually and exactly to the time he promises, may at any time, and on any occasion, raise all the money his friends can spare. This is sometimes of great use. After industry and frugality, nothing contributes more to the raising of a young man in the world than punctuality and justice in all his dealings; therefore never keep borrowed money an hour beyond the time you promised, lest a disappointment shut up your friend's purse for ever.

“The most trifling actions that affect a man's credit are to be regarded. The sound of your hammer at five in the morning, or eight at night, heard by a creditor, makes him easy six months longer; but if he sees you at a billiard table, or hears your voice at a tavern, when you should be at work, he sends for his money the next day; demands it, before he can receive it, in a lump. ‘It shows, besides, that you are mindful of what you owe; it makes you appear a careful as well as an honest man, and that still increases your credit.’

“Beware of thinking all your own that you possess, and of living accordingly. It is a mistake that many people who have credit fall into. To prevent this, keep an exact account for some time both of your expenses and your income. If you take the pains at first to mention particulars, it will have this good effect: you will discover how wonderfully small, trifling expenses mount up to large sums, and will discern what might have been, and may for the future be saved, without occasioning any great inconvenience.

“For six pounds a year you may have the use of one hundred pounds, provided you are a man of known prudence and honesty.

“He that spends a groat a day idly, spends idly above six pounds a year, which is the price for the use of one hundred pounds.

“He that wastes idly a groat’s worth of his time per day, one day with another, wastes the privilege of using one hundred pounds each day.

“He that idly loses five shillings’ worth of time, loses five shillings, and might as prudently throw five shillings into the sea.

“He that loses five shillings, not only loses that sum, but all the advantage that might be made by turning it in dealing, which by the time that a young man becomes old, will amount to a considerable sum of money.”

It is Benjamin Franklin who preaches to us in these sentences, the same which Ferdinand Kurnberger satirizes in his clever and malicious *Picture of American Culture* as the supposed confession of faith of the Yankee. That it is the spirit of capitalism which here speaks in characteristic fashion, no one will doubt, however little we may wish to claim that everything which could be understood as pertaining to that spirit is contained in it. Let us pause a moment to consider this passage, the philosophy of which Kurnberger sums up in the words, “They make tallow out of cattle and money out of men.” The peculiarity of this philosophy of avarice appears to be the ideal of the honest man of recognized credit, and above all the idea of a duty of the individual toward the increase of his capital, which is assumed as an end in itself. Truly what is here preached is not simply a means of making one’s way in the world, but a peculiar ethic. The infraction of its rules is treated not as foolishness but as forgetfulness of duty. That is the essence of the matter. It is not mere business astuteness, that sort of thing is common enough, it is an ethos. This is the quality which interests us.

When Jacob Fugger, in speaking to a business associate who had retired and who wanted to persuade him to do the same, since he had made enough money and should let others have a chance, rejected that as pusillanimity and answered that “he (Fugger) thought otherwise, he wanted to make money as long as he could,” the spirit of his statement is evidently quite different from that of Franklin. What in the former case was an expression of commercial daring and a personal inclination morally neutral, in the latter takes on the character of ethically colored maxim for the conduct of life. The concept spirit of capitalism is here used in this specific sense, it is the spirit of modern capitalism. For that we are here dealing only with Western European and American capitalism is obvious from the way in which the problem was stated. Capitalism existed in China, India, Babylon, in the classic world, and in the Middle Ages. But in all these cases, as we shall see, this particular ethos was lacking.

Now, all Franklin's moral attitudes are colored with utilitarianism. Honesty is useful, because it assures credit; so are punctuality, industry, frugality, and that is the reason they are virtues. A logical deduction from this would be that where, for instance, the appearance of honesty serves the same purpose, that would suffice, and an unnecessary surplus of this virtue would evidently appear to Franklin's eyes a unproductive waste. And as a matter of fact, the story in his autobiography of his conversion to those virtues, or the discussion of the value of a strict maintenance of the appearance of modesty, the assiduous belittlement of one's own deserts in order to gain general recognition later, confirms this impression. According to Franklin, those virtues, like all others, are only in so far virtues as they are actually useful to the individual, and the surrogate of mere appearance is always sufficient when it accomplishes the end in view. It is a conclusion which is inevitable for strict utilitarianism. The impression of many Germans that the virtues professed by Americanism are pure hypocrisy seems to have been confirmed by this striking case. But in fact the matter is not by any means so simple.

Benjamin Franklin's own character, as it appears in the really unusual candidness of his autobiography, belies that suspicion. The circumstance that he ascribes his recognition of the utility of virtue to a divine revelation which was intended to lead him in the path of righteousness, shows that something more than mere garnishing for purely egocentric motives is involved.

In fact, the *summum bonum* of his ethic, the earning of more and more money, combined with the strict avoidance of all spontaneous enjoyment of life, is above all completely devoid of any eudaemonistic, not to say hedonistic, admixture. It is thought of so purely as an end in itself, that from the point of view of the happiness of, or utility to, the single individual, it appears entirely transcendental and absolutely irrational. Man is dominated by the making of money, by acquisition as the ultimate purpose of his life. Economic acquisition is no longer subordinated to man as the means for the satisfaction of his material needs. This reversal of what we should call the natural relationship, so irrational from a naive point of view, is evidently as definitely a leading principle of capitalism as it is foreign to all peoples not under capitalistic influence. At the same time it expresses a type of feeling which is closely connected with certain religious ideas. If we thus ask, *why* should "money be made out of men," Benjamin Franklin himself, although he was a colorless deist, answers in his autobiography with a quotation from the Bible, which his strict Calvinistic father drummed into him again and again in his youth: "Seest thou a man diligent in his business? He shall stand before kings" (Prov. xxii. 29). The earning of money within the modern economic order is, so long as it is done legally, the

result and the expression of virtue and proficiency in a calling; and this virtue and proficiency are, as it is now not difficult to see, the real Alpha and Omega of Franklin's ethic, as expressed in the passages we have quoted, as well as in all his works without exception.

And in truth this peculiar idea, so familiar to us today, but in reality so little a matter of course, of one's duty in a calling, is what is most characteristic of the social ethic of capitalistic culture, and is in a sense the fundamental basis of it. It is an obligation which the individual is supposed to feel and does feel towards the content of his professional activity, no matter in what it consists, in particular no matter whether it appears on the surface as a utilization of his personal powers, or only of his material possessions (as capital).

Of course, this conception has not appeared only under capitalistic conditions. On the contrary, we shall later trace its origins back to a time previous to the advent of capitalism. Still less, naturally, do we maintain: that a conscious acceptance of these ethical maxims on the part of the individuals, entrepreneurs or laborers in modern capitalistic enterprises, is a condition of the further existence of present day capitalism. The capitalistic economy of the present day is an immense cosmos into which the individual is born, and which presents itself to him, at least as an individual, as an unalterable order of things in which he must live. It forces the individual, in so far as he is involved in the system of market relationships, to conform to capitalistic rules of action. The manufacturer who in the long run acts counter to these norms, will just as inevitably be eliminated from the economic scene as the worker who cannot or will not adapt himself to them will be thrown into the streets without a job.

Thus the capitalism of today, which has come to dominate economic life, educates and selects the economic subjects which it needs through a process of economic survival of the fittest. But here one can easily see the limits of the concept of selection as a means of historical explanation. In order that a manner of life so well adapted to the peculiarities of capitalism could be selected at all, i.e. should come to dominate others, it had to originate somewhere, and not in isolated individuals alone, but as a way of life common to whole groups of men. This origin is what really needs explanation. Concerning the doctrine of the more naive historical materialism, that such ideas originate as a reflection or superstructure of economic situations, we shall speak more in detail below. At this point it will suffice for our purpose to call attention to the fact that without doubt, in the country of Benjamin Franklin's birth (Massachusetts), the spirit of capitalism (in the sense we

have attached to it) was present before the capitalistic order. There were complaints of a peculiarly calculating sort of profit-seeking in New England, as distinguished from other parts of America, as early as 1632. It is further undoubted that capitalism remained far less developed in some of the neighboring colonies, the later Southern States of the United States of America, in spite of the fact that these latter were founded by large capitalists for business motives, while the New England colonies were founded by preachers and seminary graduates with the help of small bourgeois, craftsmen and yeomen, for religious reasons. In this case the causal relation is certainly the reverse of that suggested by the materialistic standpoint.

But the origin and history of such ideas is much more complex than the theorists of the superstructure suppose. The spirit of capitalism, in the sense in which we are using the term, had to fight its way to supremacy against a whole world of hostile forces. A state of mind such as that expressed in the passages we have quoted from Franklin, and which called forth the applause of a whole people, would both in ancient times and in the Middle Ages have been proscribed as the lowest sort of avarice and as an attitude entirely lacking in self-respect. It is, in fact, still regularly thus looked upon by all those social groups which are least involved in or adapted to modern capitalistic conditions. This is not wholly because the instinct of acquisition was in those times unknown or undeveloped, as has often been said. Nor because the *auri sacra fames*, the greed for gold, was then, or now, less powerful outside of bourgeois capitalism than within its peculiar sphere, as the illusions of modern romanticists are wont to believe. The difference between the capitalistic and pre-capitalistic spirits is not to be found at this point. The greed of the Chinese Mandarin, the old Roman aristocrat, or the modern peasant, can stand up to any comparison. And the *auri sacra fames* of a Neapolitan cab-driver or *barcaiuolo*, and certainly of Asiatic representatives of similar trades, as well as of the craftsmen of southern European or Asiatic countries is, as anyone can find out for himself, very much more intense, and especially more unscrupulous than that of, say, an Englishman in similar circumstances.

The universal reign of absolute unscrupulousness in the pursuit of selfish interests by the making of money has been a specific characteristic of precisely those countries whose bourgeois-capitalistic development, measured according to Occidental standards, has remained backward. As every employer knows, the lack of *coscienziosita* of the labourers of such countries, for instance Italy as compared with Germany, has been, and to a certain extent still is, one of the principal obstacles to their capitalistic development. Capitalism cannot make use of the labor of those who practice the doctrine of undisciplined *liberum*

*arbitrium*, any more than it can make use of the business man who seems absolutely unscrupulous in his dealings with others, as we can learn from Franklin. Hence the difference does not lie in the degree of development of any impulse to make money. The *auri sacra fames* is as old as the history of man. But we shall see that those who submitted to it without reserve as an uncontrolled impulse, such as the Dutch sea captain who "would go through hell for gain, even though he scorched his sails," were by no means the representatives of that attitude of mind from which the specifically modern capitalistic spirit as a mass phenomenon is derived, and that is what matters. At all periods of history, wherever it was possible, there has been ruthless acquisition, bound to, no ethical norms whatever. Like war and piracy, trade has often been unrestrained in its relations with foreigners and those outside the group. The double ethic has permitted here what was forbidden in dealings among brothers.

Capitalistic acquisition as an adventure has been at home in all types of economic society which have known trade with the use of money and which have offered it opportunities, through *commenda*, farming of taxes, State loans, financing of wars, ducal courts and office-holders. Likewise the inner attitude of the adventurer, which laughs at all ethical limitations, has been universal. Absolute and conscious ruthlessness in acquisition has often stood in the closest connection with the strictest conformity to tradition. Moreover, with the breakdown of tradition and the more or less complete extension of free economic enterprise, even to within the social group, the new thing has not generally been ethically justified and encouraged, but only tolerated as a fact. And this fact has been treated either as ethically indifferent or as reprehensible, but unfortunately unavoidable. This has not only been the normal attitude of all ethical teachings, but, what is more important, also that expressed in the practical action of the average man of pre-capitalistic times, pre-capitalistic in the sense that the rational utilization of capital in a permanent enterprise and the rational capitalistic organization of labor had not yet become dominant forces in the determination of economic activity. Now just this attitude was one of the strongest inner obstacles which the adaptation of men to the conditions of an ordered bourgeois-capitalistic economy has encountered everywhere.

The most important opponent with which the spirit of capitalism, in the sense of a definite standard of life claiming ethical sanction, has had to struggle, was that type of attitude and reaction to new situations which we may designate as traditionalism. In this case also every attempt at a final definition must be held in abeyance. On the other hand, we must try to make the provisional meaning clear by citing a few cases. We will begin from below, with the laborers.

One of the technical means which the modern employer uses in order to secure the greatest possible amount of work from his men is the device of piece rates. In agriculture, for instance, the gathering of the harvest is a case where the greatest possible intensity of labor is called for, since, the weather being uncertain, the difference between high profit and heavy loss may depend on the speed with which the harvesting can be done. Hence a system of piece rates is almost universal in this case. And since the interest of the employer in a speeding up of harvesting increases with the increase of the results and the intensity of the work, the attempt has again and again been made, by increasing the piece rates of the workmen, thereby giving them an opportunity to earn what is for them a very high wage, to interest them in increasing their own efficiency. But a peculiar difficulty has been met with surprising frequency: raising the piece rates has often had the result that not more but less has been accomplished in the same time, because the worker reacted to the increase not by increasing but by decreasing the amount of his work. A man, for instance, who at the rate of 1 mark per acre mowed  $2\frac{1}{2}$  acres per day and earned  $2\frac{1}{2}$  marks, when the rate was raised to  $1\frac{1}{4}$  marks per acre mowed, not 3 acres, as he might easily have done, thus earning  $3\frac{3}{4}$  marks, but only 2 acres, so that he could still earn the  $2\frac{1}{2}$  marks to which he was accustomed. The opportunity of earning more was less attractive than that of working less. He did not ask: how much can I earn in a day if I do as much work as possible? but: how much must I work in order to earn the wage,  $2\frac{1}{2}$  marks, which I earned before and which takes care of my traditional needs? This is an example of what is here meant by traditionalism. A man does not "by nature" wish to earn more and more money, but simply to live as he is accustomed to live and to earn as much as is necessary for that purpose. Wherever modern capitalism has begun its work of increasing the productivity of human labor by increasing its intensity, it has encountered the immensely stubborn resistance of this leading trait of pre-capitalistic labor. And today it encounters it the more, the more backward (from a capitalistic point of view) the laboring forces are with which it has to deal.

Another obvious possibility, to return to our example, since the appeal to the acquisitive instinct through higher wage rates failed, would have been to try the opposite policy, to force the worker by reduction of his wage rates to work harder to earn the same amount than he did before. Low wages and high profits seem even today to a superficial observer to stand in correlation; everything which is paid out in wages seems to involve a corresponding reduction of profits. That road capitalism has taken again and again since its beginning. For centuries it was an article of faith, that low wages were productive, i.e. that they increased the material results of labor so that, as Pieter de la Cour, on this point, as we shall see, quite in the spirit of the old Calvinism, said long ago, the people only



work because and so long as they are poor.

But the effectiveness of this apparently so efficient method has its limits. Of course the presence of a surplus population which it can hire cheaply in the labour market is a necessity for the development of capitalism. But though too large a reserve army may in certain cases favor its quantitative expansion, it checks its qualitative development, especially the transition to types of enterprise which make more intensive use of labor. Low wages are by no means identical with cheap labor. From a purely quantitative point of view the efficiency of labor decreases with a wage which is physiologically insufficient, which may in the long run even mean a survival of the unfit. The present-day average Silesian mows, when he exerts himself to the full, little more than two thirds as much land as the better paid and nourished Pomeranian or Mecklenburger, and the Pole, the further East he comes from, accomplishes progressively less than the German. Low wages fail even from a purely business point of view wherever it is a question of producing goods which require any sort of skilled labor, or the use of expensive machinery which is easily damaged, or in general wherever any great amount of sharp attention or of initiative is required. Here low wages do not pay, and their effect is the opposite of what was intended. For not only is a developed sense of responsibility absolutely indispensable, but in general also an attitude which, at least during working hours, is freed from continual calculations of how the customary wage may be earned with a maximum of comfort and a minimum of exertion. Labor must, on the contrary, be performed as if it were an absolute end in itself, a calling. But such an attitude is by no means a product of nature. It cannot be evoked by low wages or high ones alone, but can only be the product of a long and arduous process of education. Today, capitalism, once in the saddle, can recruit its laboring force in all industrial countries with comparative ease. In the past this was in every case an extremely difficult problem. And even today it could probably not get along without the support of a powerful ally along the way, which, as we shall see below, was at hand at the time of its development.

What is meant can again best be explained by means of an example. The type of backward traditional form of labor is today very often exemplified by women workers, especially unmarried ones. An almost universal complaint of employers of girls, for instance German girls, is that they are almost entirely unable and unwilling to give up methods of work inherited or once learned in favor of more efficient ones, to adapt themselves to new methods, to learn and to concentrate their intelligence, or even to use it at all. Explanations of the possibility of making work easier, above all more profitable to themselves, generally encounter a complete lack of understanding. Increases of piece

rates are without avail against the stone wall of habit. In general it is otherwise, and that is a point of no little importance from our viewpoint, only with girls having a specifically religious, especially a Pietistic, background. One often hears, and statistical investigation confirms it, that by far the best chances of economic education are found among this group. The ability of mental concentration, as well as the absolutely essential feeling of obligation to one's job, are here most often combined with a strict economy which calculates the possibility of high earnings, and a cool self-control and frugality which enormously increase performance. This provides the most favorable foundation for the conception of labor as an end in itself, as a calling which is necessary to capitalism: the chances of overcoming traditionalism are greatest on account of the religious upbringing. This observation of present-day capitalism in itself suggests that it is worth while to ask how this connection of adaptability to capitalism with religious factors may have come about in the days of the early development of capitalism. For that they were even then present in much the same form can be inferred from numerous facts. For instance, the dislike and the persecution which Methodist workmen in the eighteenth century met at the hands of their comrades were not solely nor even principally the result of their religious eccentricities, England had seen many of those and more striking ones. It rested rather, as the destruction of their tools, repeatedly mentioned in the reports, suggests, upon their specific willingness to work as we should say today.

However, let us again return to the present, and this time to the entrepreneur, in order to clarify the meaning of traditionalism in his case. Sombart, in his discussions of the genesis of capitalism, has distinguished between the satisfaction of needs and acquisition as the two great leading principles in economic history. In the former case the attainment of the goods necessary to meet personal needs, in the latter a struggle for profit free from the limits set by needs, have been the ends controlling the form and direction of economic activity. What he called the economy of needs seems at first glance to be identical with what is here described as economic traditionalism. That may be the case if the concept of needs is limited to traditional needs. But if that is not done, a number of economic types which must be considered capitalistic according to the definition of capital which Sombart gives in another part of his work, would be excluded from the category of acquisitive economy and put into that of needs economy. Enterprises, namely, which are carried on by private entrepreneurs by utilizing capital (money or goods with a money value) to make a profit, purchasing the means of production and selling the product, i.e. undoubted capitalistic enterprises, may at the same time have a traditionalistic character. This has, in the course even of modern economic history, not been merely an occasional case, but rather the rule, with continual interruptions from repeated and increasingly

powerful conquests of the capitalistic spirit. To be sure the capitalistic form of an enterprise and the spirit in which it is run generally stand in some sort of adequate relationship to each other, but not in one of necessary interdependence. Nevertheless, we provisionally use the expression spirit of (modern) capitalism to describe that attitude which seeks profit rationally and systematically in the manner which we have illustrated, by the example of Benjamin Franklin. This, however, is justified by the historical fact that that attitude of mind has on the one hand found its most suitable expression in capitalistic enterprise, while on the other the enterprise has derived its most suitable motive force from the spirit of capitalism.

But the two may very well occur separately. Benjamin Franklin was filled with the spirit of capitalism at a time when his printing business did not differ in form from any handicraft enterprise. And we shall see that at the beginning of modern times it was by no means the capitalistic entrepreneurs of the commercial aristocracy, who were either the sole or the predominant bearers of the attitude we have here called the spirit of capitalism. It was much more the rising strata of the lower industrial middle classes. Even in the nineteenth century its classical representatives were not the elegant gentlemen of Liverpool and Hamburg, with their commercial fortunes handed down for generations, but the self-made parvenus of Manchester and Westphalia, who often rose from very modest circumstances. As early as the sixteenth century the situation was similar; the industries which arose at that time were mostly created by parvenus.

The management, for instance, of a bank, a wholesale export business, a large retail establishment, or of a large putting-out enterprise dealing with goods produced in homes, is certainly only possible in the form of a capitalistic enterprise. Nevertheless, they may all be carried on in a traditionalistic spirit. In fact, the business of a large bank of issue cannot be carried on in any other way. The foreign trade of whole epochs has rested on the basis of monopolies and legal privileges of strictly traditional character. In retail trade – and we are not here talking of the small men without capital who are continually crying out for Government aid – the revolution which is making an end of the old traditionalism is still in full swing. It is the same development which broke up the old putting-out system, to which modern domestic labor is related only in form. How this revolution takes place and what is its significance may, in spite of the fact these things are so familiar, be again brought out by a concrete example.

Until about the middle of the past century the life of a putter-out was, at least in many of the branches of the Continental textile industry, what we should today consider very

comfortable. We may imagine its routine somewhat as follows: The peasants came with their cloth, often (in the case of linen) principally or entirely made from raw material which the peasant himself had produced, to the town in which the putter-out lived, and after a careful, often official, appraisal of the quality, received the customary price for it. The putter-out's customers, for markets any appreciable distance away, were middlemen, who also came to him, generally not yet following samples, but seeking traditional qualities, and bought from his warehouse, or, long before delivery, placed orders which were probably in turn passed on to the peasants. Personal canvassing of customers took place, if at all, only at long intervals. Otherwise correspondence sufficed, though the sending of samples slowly gained ground. The number of business hours was very moderate, perhaps five to six a day, sometimes considerably less; in the rush season, where there was one, more. Earnings were moderate; enough to lead a respectable life and in good times to put away a little. On the whole, relations among competitors were relatively good, with a large degree of agreement on the fundamentals of business. A long daily visit to the tavern, with often plenty to drink, and a congenial circle of friends, made life comfortable and leisurely.

The form of organization was in every respect capitalistic; the entrepreneur's activity was of a purely business character; the use of capital, turned over in the business, was indispensable; and finally, the objective aspect of the economic process, the book-keeping, was rational. But it was traditionalistic business, if one considers the spirit which animated the entrepreneur: the traditional manner of life, the traditional rate of profit, the traditional amount of work, the traditional manner of regulating the relationships with labor, and the essentially traditional circle of customers and the manner of attracting new ones. All these dominated the conduct of the business, were at the basis, one may say, of the ethos of this group of business men.

Now at some time this leisureliness was suddenly destroyed, and often entirely without any essential change in the form of organization, such as the transition to a unified factory, to mechanical weaving, etc. What happened was, on the contrary, often no more than this: some young man from one of the putting-out families went out into the country, carefully chose weavers for his employ, greatly increased the rigor of his supervision of their work, and thus turned them from peasants into laborers. On the other hand, he would begin to change his marketing methods by so far as possible going directly to the final consumer, would take the details into his own hands, would personally solicit customers, visiting them every year, and above all would adapt the quality of the product directly to their needs and wishes. At the same time he began to introduce the principle of low prices

and large turnover. There was repeated what everywhere and always is the result of such a process of rationalization: those who would not follow suit had to go out of business. The idyllic state collapsed under the pressure of a bitter competitive struggle, respectable fortunes were made, and not lent out at interest, but always reinvested in the business. The old leisurely and comfortable attitude toward life gave way to a hard frugality in which some participated and came to the top, because they did not wish to consume but to earn, while others who wished to keep on with the old ways were forced to curtail their consumption.

And, what is most important in this connection, it was not generally in such cases a stream of new money invested in the industry which brought about this revolution – in several cases known to me the whole revolutionary process was set in motion with a few thousands of capital borrowed from relations – but the new spirit, the spirit of modern capitalism, had set to work. The question of the motive forces in the expansion of modern capitalism is not in the first instance a question of the origin of the capital sums which were available for capitalistic uses, but, above all, of the development of the spirit of capitalism. Where it appears and is able to work itself out, it produces its own capital and monetary supplies as the means to its ends, but the reverse is not true. Its entry on the scene was not generally peaceful. A flood of mistrust, sometimes of hatred, above all of moral indignation, regularly opposed itself to the first innovator. Often – I know of several cases of the sort – regular legends of mysterious shady spots in his previous life have been produced. It is very easy not to recognize that only an unusually strong character could save an entrepreneur of this new type from the loss of his temperate self-control and from both moral and economic shipwreck. Furthermore, along with clarity of vision and ability to act, it is only by virtue of very definite and highly developed ethical qualities that it has been possible for him to command the absolutely indispensable confidence of his customers and workmen. Nothing else could have given him the strength to overcome the innumerable obstacles, above all the infinitely more intensive work which is demanded of the modern entrepreneur. But these are ethical qualities of quite a different sort from those adapted to the traditionalism of the past.

And, as a rule, it has been neither dare-devil and unscrupulous speculators, economic adventurers such as we meet at all periods of economic history, nor simply great financiers who have carried through this change, outwardly so inconspicuous, but nevertheless so decisive for the penetration of economic life with the new spirit. On the contrary, they were men who had grown up in the hard school of life, calculating and daring at the same time, above all temperate and reliable, shrewd and completely devoted

to their business, with strictly bourgeois opinions and principles. One is tempted to think that these personal moral qualities have not the slightest relation to any ethical maxims, to say nothing of religious ideas, but that the essential relation between them is negative. The ability to free oneself from the common tradition, a sort of liberal enlightenment, seems likely to be the most suitable basis for such a business man's success. And today that is generally precisely the case. Any relationship between religious beliefs and conduct is generally absent, and where any exists, at least in Germany, it tends to be of the negative sort. The people filled with the spirit of capitalism today tend to be indifferent, if not hostile, to the Church. The thought of the pious boredom of paradise has little attraction for their active natures; religion appears to them as a means of drawing people away from labor in this world. If you ask them what is the meaning of their restless activity, why they are never satisfied with what they have, thus appearing so senseless to any purely worldly view of life, they would perhaps give the answer, if they know any at all: "to provide for my children and grandchildren." But more often and, since that motive is not peculiar to them, but was just as effective for the traditionalist, more correctly, simply: that business with its continuous work has become a necessary part of their lives. That is in fact the only possible motivation, but it at the same time expresses what is, seen from the viewpoint of personal happiness, so irrational about this sort of life, where a man exists for the sake of his business, instead of the reverse.

Of course, the desire for the power and recognition which the mere fact of wealth brings plays its part. When the imagination of a whole people has once been turned toward purely quantitative bigness, as in the United States, this romanticism of numbers exercises an irresistible appeal to the poets among business men. Otherwise it is in general not the real leaders, and especially not the permanently successful entrepreneurs, who are taken in by it. In particular, the resort to entailed estates and the nobility, with sons whose conduct at the university and in the officers' corps tries to cover up their social origin, as has been the typical history of German capitalistic parvenu families, is a product of later decadence. The ideal type of the capitalistic entrepreneur, as it has been represented even in Germany by occasional outstanding examples, has no relation to such more or less refined climbers. He avoids ostentation and unnecessary expenditure, as well as conscious enjoyment of his power, and is embarrassed by the outward signs of the social recognition which he receives. His manner of life is, in other words, often, and we shall have to investigate the historical significance of just this important fact, distinguished by a certain ascetic tendency, as appears clearly enough in the sermon of Franklin which we have quoted. It is, namely, by no means exceptional, but rather the rule, for him to have a sort of modesty which is essentially more honest than the reserve

which Franklin so shrewdly recommends. He gets nothing out of his wealth for himself, except the irrational sense of having done his job well.

But it is just that which seems to the pre-capitalistic man so incomprehensible and mysterious, so unworthy and contemptible. That anyone should be able to make it the sole purpose of his life-work, to sink into the grave weighed down with a great material load of money and goods, seems to him explicable only as the product of a perverse instinct, the *auri sacra fames*.

At present under our individualistic political, legal, and economic institutions, with the forms of organization and general structure which are peculiar to our economic order, this spirit of capitalism might be understandable, as has been said, purely as a result of adaptation. The capitalistic system so needs this devotion to the calling of making money, it is an attitude toward material goods which is so well suited to that system, so intimately bound up with the conditions of survival in the economic struggle for existence, that there can today no longer be any question of a necessary connection of that acquisitive manner of life with any single *Weltanschauung*. In fact, it no longer needs the support of any religious forces, and feels the attempts of religion to influence economic life, in so far as they can still be felt at all, to be as much an unjustified interference as its regulation by the State. In such circumstances men's commercial and social interests do tend to determine their opinions and attitudes. Whoever does not adapt his manner of life to the conditions of capitalistic success must go under, or at least cannot rise. But these are phenomena of a time in which modern capitalism has become dominant and has become emancipated from its old supports. But as it could at one time destroy the old forms of medieval regulation of economic life only in alliance with the growing power of the modern State, the same, we may say provisionally, may have been the case in its relations with religious forces. Whether and in what sense that was the case, it is our task to investigate. For that the conception of money-making as an end in itself to which people were bound, as a calling, was contrary to the ethical feelings of whole epochs, it is hardly necessary to prove. The dogma *Deo placere vix potest* which was incorporated into the canon law and applied to the activities of the merchant, and which at that time (like the passage in the gospel about interest) was considered genuine, as well as St. Thomas's characterization of the desire for gain as *turpitude* (which term even included unavoidable and hence ethically justified profit making), already contained a high degree of concession on the part of the Catholic doctrine to the financial powers with which the Church had such intimate political relations in the Italian cities, as compared with the much more radically anti-chrematistic views of comparatively wide circles. But even

where the doctrine was still better accommodated to the facts, as for instance with Anthony of Florence, the feeling was never quite overcome, that activity directed to acquisition for its own sake was at bottom a *pudendum* which was to be tolerated only because of the unalterable necessities of life in this world.

Some moralists of that time, especially of the nominalistic school, accepted developed capitalistic business forms as inevitable, and attempted to justify them, especially commerce, as necessary. The *industria* developed in it they were able to regard, though not without contradictions, as a legitimate source of profit, and hence ethically unobjectionable. But the dominant doctrine rejected the spirit of capitalistic acquisition as *turpitude*, or at least could not give it a positive ethical sanction. An ethical attitude like that of Benjamin Franklin would have been simply unthinkable. This was, above all, the attitude of capitalistic circles themselves. Their life-work was, so long as they clung to the tradition of the Church, at best something morally indifferent. It was tolerated, but was still, even if only on account of the continual danger of collision with the Church's doctrine on usury, somewhat dangerous to salvation. Quite considerable sums, as the sources show, went at the death of rich people to religious institutions as conscience money, at times even back to former debtors as *usura* which had been unjustly taken from them. It was otherwise, along with heretical and other tendencies looked upon with disapproval, only in those parts of the commercial aristocracy which were already emancipated from the tradition. But even skeptics and people indifferent to the Church often reconciled themselves with it by gifts, because it was a sort of insurance against the uncertainties of what might come after death, or because (at least according to the very widely held latter view) an external obedience to the commands of the Church was sufficient to insure salvation. Here the either non-moral or immoral character of their action in the opinion of the participants themselves comes clearly to light.

Now, how could activity, which was at best ethically tolerated, turn into a calling in the sense of Benjamin Franklin? The fact to be explained historically is that in the most highly capitalistic center of that time, in Florence of the fourteenth and fifteenth centuries, the money and capital market of all the great political powers, this attitude was considered ethically unjustifiable, or at best to be tolerated. But in the backwoods small bourgeois circumstances of Pennsylvania in the eighteenth century, where business threatened for simple lack of money to fall back into barter, where there was hardly a sign of large enterprise, where only the earliest beginnings of banking were to be found, the same thing was considered the essence of moral conduct, even commanded in the name of duty. To speak here of a reflection of material conditions in the ideal superstructure



would be patent nonsense. What was the background of ideas which could account for the sort of activity apparently directed toward profit alone as a calling toward which the individual feels himself to have an ethical obligation? For it was this idea which gave the way of life of the new entrepreneur its ethical foundation and justification.

The attempt has been made, particularly by Sombart, in what are often judicious and effective observations, to depict economic rationalism as the salient feature of modern economic life as a whole. Undoubtedly with justification, if by that is meant the extension of the productivity of labor which has, through the subordination of the process of production to scientific points of view, relieved it from its dependence upon the natural organic limitations of the human individual. Now this process of rationalization in the field of technique and economic organization undoubtedly determines an important part of the ideals of life of modern bourgeois society. Labor in the service of a rational organization for the provision of humanity with material goods has without doubt always appeared to representatives of the capitalistic spirit as one of the most important purposes of their life-work. It is only necessary, for instance, to read Franklin's account of his efforts in the service of civic improvements in Philadelphia clearly to apprehend this obvious truth. And the joy and pride of having given employment to numerous people, of having had a part in the economic progress of his home town in the sense referring to figures of population and volume of trade which capitalism associated with the word, all these things obviously are part of the specific and undoubtedly idealistic satisfactions in life to modern men of business. Similarly it is one of the fundamental characteristics of an individualistic capitalistic economy that it is rationalized on the basis of rigorous calculation, directed with foresight and caution toward the economic success which is sought in sharp contrast to the hand-to-mouth existence of the peasant, and to the privileged traditionalism of the guild craftsman and of the adventurers' capitalism, oriented to the exploitation of political opportunities and irrational speculation.

It might thus seem that the development of the spirit of capitalism is best understood as part of the development of rationalism as a whole, and could be deduced from the fundamental position of rationalism on the basic problems of life. In the process Protestantism would only have to be considered in so far as it had formed a stage prior to the development of a purely rationalistic philosophy. But any serious attempt to carry this thesis through makes it evident that such a simple way of putting the question will not work, simply because of the fact that the history of rationalism shows a development which by no means follows parallel lines in the various departments of life. The rationalization of private law, for instance, if it is thought of as a logical simplification

and rearrangement of the content of the law, was achieved in the highest hitherto known degree in the Roman law of late antiquity. But it remained most backward in some of the countries with the highest degree of economic rationalization, notably in England, where the Renaissance of Roman Law was overcome by the power of the great legal corporations, while it has always retained its supremacy in the Catholic countries of Southern Europe. The worldly rational philosophy of the eighteenth century did not find favor alone or even principally in the countries of highest capitalistic development. The doctrines of Voltaire are even today the common property of broad upper, and what is practically more important, middle class groups in the Romance Catholic countries. Finally, if under practical rationalism is understood the type of attitude which sees and judges the world consciously in terms of the worldly interests of the individual ego, then this view of life was and is the special peculiarity of the peoples of the *liberum arbitrium*, such as the Italians and the French are in very flesh and blood. But we have already convinced ourselves that this is by no means the soil in which that relationship of a man to his calling as a task, which is necessary to capitalism, has pre-eminently grown. In fact, one may – this simple proposition, which is often forgotten, should be placed at the beginning of every study which essays to deal with rationalism – rationalize life from fundamentally different basic points of view and in very different directions. Rationalism is an historical concept which covers a whole world of different things. It will be our task to find out whose intellectual child the particular concrete form of rational thought was, from which the idea of a calling and the devotion to labor in the calling has grown, which is, as we have seen, so irrational from the standpoint of purely eudaemonistic self-interest, but which has been and still is one of the most characteristic elements of our capitalistic culture. We are here particularly interested in the origin of precisely the irrational element which lies in this, as in every conception of a calling.

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