Classical Sociological Theory and Foundations of American Sociology

Classical Sociological Theory and Foundations of American Sociology

ALLISON L. HURST

OREGON STATE UNIVERSITY
CORVALLIS, OR

Download for free at https://open.oregonstate.education/sociologicaltheory

Publication and on-going maintenance of this textbook is possible due to grant support from Oregon State University Ecampus.

Suggest a correction

Contents

PART III

WEBER

1. The Development of Commerce

"The prime mover in the separation of household and business accounting, and hence in the development of the early capitalistic institutions, was the need for credit."

NOTE ON SOURCE: *This passage is from Wirtschaftsgeschicte, a collection of Weber's lecture notes, first published after his death in 1923. The first English translation (General Economic History) was made in 1927, by Frank Knight, an American professor of political economy. It is known as the source of Weber's institutionalist theory of capitalism. The selection below is direct from the Knight translation.*

Introduction – Why this is important and what to look for

This selection is from Part III of the General Economic History, "Commerce and Exchange in the Pre-Capitalist Age." It is a good example of Weber's institutionalist approach. Unlike Durkheim, who evaluated the causes and consequences of existing social institutions, Weber seeks to explain historical and institutional change as the product of several small advances which, taken collectively, provide the possibility of new institutions (such as capitalism). This section has been shortened considerably to focus on these several small advances, with much of the specific historical detail omitted.

Chapter 14: Points of Departure in the Development of Commerce

In the beginnings commerce is an affair between ethnic groups; it does not take place between members of the same tribe or of the same community but is in the oldest social communities an external phenomenon, being directed only toward foreign tribes. It may, however, begin as a consequence of specialization in production between groups. In this case there is either tribal trade of producers or peddling trade in products of a foreign tribe. In any case the oldest commerce is an exchange relation between alien tribes.

The trade of a tribe in its own products may appear in various forms. It usually develops to begin with as an auxiliary occupation of peasants and persons engaged in house industry, and in general as a seasonal occupation.

Here you might think of the example of the farmer who whittles dolls out of wood during the winter and then trades these dolls for extra rations from other farmers later in the year. The point for Weber is that these products are add-ons to the community's main occupation (farming), not the principal enterprise.

Out of this stage grow peddling and huckstering as an independent occupation; tribal communities develop which soon engage in commerce exclusively.

Chapter 15. Technical Requisites for the Transportation of Goods

For the existence of commerce as an independent occupation, specific technological conditions are prerequisite. In the first place there must be regular and reasonably reliable transport opportunities. One must, to be sure, think of these in the most primitive possible terms through long ages. Not only in the Assyrian and Babylonian times were inflated goat skins use for the diagonal crossing of rivers, but even in the Mohammedan period, skin-bag boats long dominated the river traffic.

On land the trader had recourse far into the middle ages to primitive transport media. The first was his own back, on which he carried his goods down to the 13th century; then pack animals or a two-wheeled cart drawn by one or at the most two horses, the merchant being restricted to commercial routes as roads in our sense are not to be thought of. Only in the east and in the interior of Africa does caravan trade with slaves as porters appear to occur fairly early.

Traffic by sea had to make use of equally primitive means of transportation. In antiquity, and likewise in the early middle ages, the boat propelled by oars was the rule.

Chapter 16. Forms of Organization of Transportation and Commerce

The turnover of medieval commerce as measured by modern standards was extremely small. It was carried on by mere small dealers who worked with trifling quantities. The total trade between England and the Hanseatic League in the 14th century, at the time of its highest development, came to less than $4,000 dollars.

On account of the danger from pirates, a single ship was not in a position to determine independently its time of sailing. Ships formed themselves into caravans and were either conveyed by armed vessels or were themselves armed. The average duration of a voyage of a marine caravan in the Mediterranean varied from a half-year to a year. In Genoa only one caravan a year went east to Asia, in Venice two. The voyage in caravans resulted in an extremely slow turnover of the capital.

In the middle ages feudal lords were interested in the maintenance of commercial routes in order to make money. They cared for the roads by putting their peasants to work to maintain them and collected tolls on their use. There was no agreement among the lords establishing a rational layout of the roads; each located the road in a way to make sure of recouping its cost in duties and tolls.

In consequence, the volume of land trade in the middle ages was much smaller even than that of trade by sea.

The second great requirement of commerce was legal protection. The merchant was an alien (foreigner) and would not have the same legal opportunities as a member of the nation or tribe, and therefore required special legal arrangements.

A great step in progress happened was the organization of a large number of merchants in a *hanse*. This was ordinarily a guild of foreign merchants carrying on trade in a distant city, who organized for mutual protection. It goes without saying that the organization presupposed a permit from the ruler of the city.

Finally, it became necessary to establish fixed times for trading: the buyer and seller must be able to find one another. This requirement was met by fixed markets and gave rise to the market concessions. Markets were everywhere established for the foreign traders by concession from the princes – in Egypt, India, and European antiquity, and in the middle ages. The object of such a concession was on the one hand the provision for the needs of the authority granting the concession, and on the other, the promotion of fiscal aims: the prince wished to profit by the trade in the market.

Out of this original relation between the merchants visiting the market and the authority granting the concession, evolved still other institutions. The merchants needed large quarters for having their goods tested, weighed and stored.

A professional trading class of the towns developed in the following way. The resident merchant is to begin with an itinerant trader. He travels periodically in order to market products at a distance or to secure products from a distance and is a peddler who has acquired a fixed residence. The next stage is that in which he has the traveling done for him, either by an employee or servant or by a partner. The third stage is formed by the system of factories.[1] Finally, the resident trader becomes completely fixed in his location and deals with distant regions by correspondence only. This condition did not become possible until the late middle ages because there was not sufficient inter-territorial legal security.

The resident traders as a class had to contend against other groups. One series of such struggles were external, such as the struggle to maintain the monopoly of the urban market. The resident trader also contended with the merchants settled in the country, on the land. The second great object of contention in the merchant class was in regard to internal equality of opportunity. One of the members protected by the group must not have better chances than another, and this applied especially to retailing. This purpose was served by the prohibition of pre-sale or 'forestalling' and the right of sharing. The first of these rules prohibited dealers from selling goods before they had been brought into the town. On the other hand, if one merchant had bought more goods than another, the right sharing became operative; it specified that any member of the association could demand that a part of the goods in question be given up to him on payment of their actual cost.

Finally, the resident merchant class was in conflict with the consumer's interests and was divided internally according as it was interested in the local market or in distant trade. The consumers wished as far as possible to buy at first hand from the foreign traders, while the interest of the great majority of the local merchants was opposed. So began the splitting off of a wholesale trading interest and an opposition of interest within the mercantile group, while the interests of the retailer and the consumer began to draw together.

1. Be careful here! Factories were originally places in which factors, representatives of the seller, were located. Only later did the term come to be associated with places of manufacturing.

Chapter 17. Forms of Commercial Enterprise

Rational commerce is the field in which quantitative reckoning first appeared, to become dominant finally over the whole extent of economic life. The necessity of exact calculation first arose wherever business was done by companies. In the beginning commerce was concerned with a turnover so slow and a profit so large that exact computation was not necessary. Goods were bought at a price that was fixed traditionally, and the trader could confine his efforts to getting as much as he could in sale. When trade was carried on by groups it was necessary to proceed to exact bookkeeping in order to render and accounting.

The technical means of computation were crude, down almost to the beginning of the modern period. Our system of characters, with values depending on their position, was an invention of the Hindus, from whom the Arabs took it over and was perhaps brought to Europe by the Jews. But not until the time of the crusades was it really known generally enough to serve as a method of computation; yet without this system, rational planning was impossible. All peoples who used a literal system of notation like that of antiquity and of the Chinese, had to have in addition some mechanical aid to computation. In antiquity and down to the late middle ages, the counting frame or *abacus* served this purpose. As the column system made its way into Europe it was at first viewed as a disreputable means of securing an immoral advantage in competition, since it worked in favor of the competitors of the virtuous merchant who disdained its use. Consequently, it was first sought to exclude it by prohibition. Down to the 15th and 16th century, the position system of notation struggled for official recognition.

It is true that there was bookkeeping in antiquity, in the banking business. The entries, however, were documentary in character; they were not designed as an instrument of control in connection with income. Genuine bookkeeping first arose in medieval Italy, and as late as the 16th century, a German clerk traveled to Venice to secure instruction in the art.

Bookkeeping grew up on the basis of the trading company. The family is everywhere the oldest unit supporting a continuous trading activity, in China and Babylonia, in India, and in the early middle ages. The son of a trading family was the confidential clerk and later the partner of the father. So, through generations one and the same family functioned as capitalists and lenders, as did the house of Igibi in Babylonia in the 6th century B.C.

The first form of group organization was occasional in character, the *commenda*. The continual participation in such ventures might gradually lead to a permanent enterprise. Permanent industrial enterprise developed with the spread of the *commenda* organization. Accountability penetrated into the family circle due to business connections outside of the family. Indeed, the prime mover in the separation of household and business accounting, and hence in the development of the early capitalistic institutions, was the need for credit. As long as dealing were in cash only, business remained a family affair. But as soon as transactions were suspended over a long interval, the question of guaranteeing credit intruded. To provide this guarantee, various means were used. The first was to make all members of a trading family liable for losses. This joint responsibility grew out of traditional criminal liability: in the case of high treason the house of the guilty person was razed and his family destroyed as suspect. Eventually, however, the most effective means for securing credit, and the method that outlived all others, was separation of the property of the trading company from the private wealth of its associates. This separation is found at the beginning of the 14th century in Florence. The step was unavoidable because more and more non-family members belonged to trading units. Out of the property of the firm evolved the concept of capital.

Chapter 21. Interests in the Pre-Capitalistic Period

In the beginnings interest is a phenomenon either of international or feudal law. Within a tribal village, or clan community, there is neither interest nor lending, since transfers of value in consideration for a payment are unknown. Where outside resources are used in economic life it is done under the form of neighborly help, such as house building.

The prohibition in the Torah against taking interest or usury against a brother rests partly on military and partly on religious grounds. The prohibition of interest taking from a brother is also characteristic of early Islam and Brahminism. Interest everywhere arises in the field of lending to foreigners outside the tribe or that of loans between classes. In this connection the contrast between creditor and debtor was originally always a contrast between a town-dwelling patriciate and rural peasants; it was so in China, India, and Rome, and so it is in the Old Testament as well.

The occasion for breaking through the prohibition against interest was provided by the loan of concrete property. In northern Europe the prohibition against usury was broken up by Protestantism, although not immediately.

Questions for Contemplation and Discussion

1. Look up the standard dictionary meaning of "commerce." What is the etymological root of this word? How does Weber's explanation for its historical origin accord with this original meaning?
2. This section can be read as a long list of requirements for trade, as we understand it, to be possible. Many of these prerequisites, such as roads, we take for granted now. Write down the complete list of items mentioned by Weber here. Do any surprise you? Can you think of any advances *since the time of this writing*(1923) that have helped advance commerce?
3. Weber's historical description of the rise of trade demonstrates that there has not been much "free" about this activity. What legal and political institutions supported the rise of commerce?
4. Why would the consumer want to buy directly from foreign traders, rather than the local merchant? (*Chapter 16*) Do you see similar struggles today? Which faction of the trading class is served by current economic policies?
5. What is the position system of notation? Why was this at first prohibited? What was so revolutionary/ threatening about this system? Note that Weber claims this as one of the primary perquisites for the development of capitalism in PESOC.
6. This section ends with a short description of the traditional prohibitions against charging interest and a statement that these prohibitions were relaxed under Protestantism. For much more on why this was so, read PESOC. Consider the viability of currently existing capitalism had the prohibition never been lifted.

Concepts

Rational Commerce

Bookkeeping

Interest