

Elective affinities and economic thought: 1870-1914

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ABSTRACT

This article seeks to demonstrate that the concept of "elective affinities" can be applied to the relations between economic thought, literature, and philosophy. Emphasis is given to Institutional thought, the German historical school, and neoclassical thought.

Keywords: Economic Thought, Classical Political Economy, Neoclassical Economics, German Historical School, Institutionalism, Elective Affinities

Introduction

It has been said, and there is some truth to it, that we resemble the time we live in more closely than we resemble our parents. This idea, if taken to its logical conclusions, allows us to approach the problematical issue of the historical and material determinants of knowledge with greater understanding. This is an issue which, due to its complexity, tends to confound both scholars and different methods. At the center of this confusion, which ends up leading to reductionist and mechanical interpretations, is the inability to recognize the existence of a *complex of measurements*, which would come between historical reality and its symbolic forms of representation in the fields of philosophy, art and science.

Thus, if it is essential to begin with the discovery that the ways to represent the world are in some manner determined by the world itself, then it is also decisive to recognize that this relation between the material world and the symbolic world is not direct, linear or immediate. In other words, it is necessary to accept as given the intercurrent of darkening, of disorder between certain objective moments, or interests; between certain strong historical determinations that are the consequence of the monopoly of force or legitimacy, and the concrete manifestations of these intentionalities in the form of symbols, values and ideas.

There are many different ways to try to understand these divergences. On one level, some will attribute this effect to the precariousness and nebulosity of language, and to confront it, they will seek out a perfect language, a universal grammar that is immune to ambiguousness; this is the case of the Anglo-Saxon tradition of analytical philosophy. On the other hand, others will look to Freud, to psychoanalysis, and will postulate the impossibility of reducing things by any linear logic; they point to the unconscious and

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desires. The Marxist response will also be significant; this will invoke, with its best representatives, the inescapability of contradictions and the meaning-producing "shadow" of alienation, as the essential dimensions of the tense and complex relationship between the world and its representations. Thus, in the contemporary world, based on different conceptual matrices, it is no longer possible to believe in the existence of a transparent, uniform, linear and immediate relationship between reality and its symbols. Even the quantitative methods, which are so proud of their statistical rigor, are obliged to leave a door open to the unforeseen.

The following text is an attempt to examine the subtle and complex historical and material determinations that will mark in some way, although not always with clear signals, an entire symbolic universe: philosophy, arts and science, with emphasis on economic thought, between 1870 and 1914.

This period is, of course, a moment of great historical and cultural transformation, one in which economic thought will be particularly shaken up by the emergence of great currents and schools, which even today leave their mark on the field of economic study.

If the period is recognized as important and has merited many studies by authors dedicated to the history of economic thought, this study claims a certain originality insofar as it seeks to understand the question of the historical and material determinants of knowledge from a broad, interdisciplinary perspective. Above all, it does so by the use that will be made of *elective affinities*, inspired by a text by Michael Löwy (1989, chap. 1).

The Concept of Elective Affinities

The expression "elective affinities" does not appear in the *Enciclopédia Internacional de Ciências Sociais*, nor can it be found in Ferrater Mora's *Dictionary of Philosophy*. It is easier to find it in natural science and esoteric encyclopedias. Of course, this fact may justify a certain surprise that a mysterious expression like this should appear in a text on economic thought.

It was Saint Albert Magnus, Saint Thomas Aquinas's teacher who, in the 18th century, used the Latin word *affinitas* with the meaning of "attraction, analogous to the molecular attraction that produces chemical combinations" (Lalande, 1953, v. I, p. 37). The following criticism is also from Lalande:

Affinities, a vague term that has only two more or less defined uses: 1^o) Elective Affinities, the title of a novel by Goethe — (*Wahlverwandtschaften*) was primitively a chemical expression attributed to Bergmann that designates the affinities that destroy a compound in favor of new combinations; 2^o) Natural affinity of ideas — the property that psychic phenomena have to become mutually attracted in the realm of the conscience through the association of ideas (with or without similarities). (Lalande, 1953, v. I, p. 37-38).

Although Lalande does not state it, the insinuation of Freud and his method of association of ideas is strong in this second sense. It is also here that its use by Max Weber can be envisioned. According to Löwy:

The itinerary of this term is interesting: it goes from alchemy to sociology, passing through Romanesque literature. Among its sponsors are Albert the Great (18th century), Wolfgang Goethe and Max Weber. In our use of the concept, we have tried to integrate the different meanings that have been attributed to the expression over the

centuries. We use the term "*elective affinity*" to refer to a very special kind of dialectical relation that occurs between two social or cultural configurations that cannot be reduced to direct causal determination or to "influence" in the traditional sense (Löwy, 1989, p. 13, emphasis in the original).

The expression “elective affinity” seems to have been used for the first time in 1775 by the Swiss chemist-mineralogist-mathematician Torbern Bergmann, in his book *De attractionibus electivis*, translated into German under the title *Wahlverwandschaft*, in 1785, and was taken up again by Goethe in his novel *Wahlverwandtschaften*, written between 1808 and 1809 and published in 1809.

In this novel, Goethe returns to the central theme of his famous book *Werther*, of 1774, to give it almost a meaning of a general law. It deals with the dilacerating confrontation faced by the hero, Werther, on the one side, and Edward, on the other; between the amorous impulse and the prohibition imposed by morality, by the decency that ethics imposes. The hero oscillates and suffers, without respite, torn between the imperative of nature, which requests and desires, and the moral imperative, which holds back and dignifies. In one case, love does not come to fruition due to Werther’s suicide, and in the other, by the death of Ophelia, Edward’s beloved, who was tormented by a guilt that was not hers.

Such is the tone of German romanticism: a romanticism that cannot be explosive, revolutionary, as in France; one that is contained by the same forces that led Kant to speak of a “categorical imperative,” and that is philosophically and culturally contiguous with the domain of tradition, ethics and aestheticism. As Rafael Cansinos Assens said: “There is no need to fear cataclysms, nor catastrophes in this solid German land. Number and measure reconcile and maintain the immensity of their space and the extraordinary activity, hand and brains. Germany is fertile and prudent. (...)” (Cansinos, 1968, t. II, p. 757)

Werther was published in 1774, when Goethe was 25 years old; *Elective Affinities*, published in 1809, is the work of a sexagenarian. This great man lived, loved and studied much, and yet he did not abandon the same restlessness, the renewed pain over the loss of love, the open wound of desire that has no limits and that finds itself censured by the highest voice of conventions, of convenience, of decrepitude. The young and the old Goethe are the subjects-objects of the same, imperious impulse; an amorous attraction of such a degree that Goethe will not hesitate in giving it the place of a certain universality, the *elective affinity* which, for him, exists when two beings or elements “seek each other out, attract each other, are linked to each other and from whose intimate union, another renewed and improvised form (Gestalt) arises” (Goethe *apud* Löwy, 1989, p. 15).

From philosophy to chemistry, without abandoning alchemy, from chemistry to literature, and from there to sociology through the transmutation operated by Max Weber, Löwy says:

From the old meaning, he kept the connotations of reciprocal choice, attraction and combination, but the dimension of newness seems to disappear. The concept of *Wahlverwandtschaft*— like the following concept, with a close meaning: *sinnaffinitäten* (affinities of feeling) — appear in three precise contexts in Weber’s writings. In its main meaning in Weber, the concept of elective affinities seeks “to analyze the relationship between religious doctrines and forms of economic *ethos*” (Löwy, 1989, p.15).

Much has been written and argued about concerning the real meaning of these relations. Today there is a certain following for the position that Weber *never*, and they insist on the never, established any relation of singular cause and direct determination between the Protestant, Calvinist ethic and capitalism. On the other hand, several important authors, like Joseph Gabel and Gabriel Cohn, among others, have shown a relatively simple spectrum of convergence and complementary aspects, without this meaning the erasure of differences, between Marx and Weber (Gabel, 1973; Cohn, 1979).

But this is not the issue that we wish to emphasize here. What is important to point out is how the concept of *elective affinity* opens the way to the possibility of comprehending complex realities and complex relations, by overcoming “correlationist reductionism,”

(pardon the neologism) which is typical of that which is dominant in quantitative methods and their applications in social sciences, as can be seen in the following passage:

It is not strange that this expression has not been understood in Max Weber's Anglo-Saxon positivist reception. An almost caricatural example is the English translation of *The Protestant Ethic* by Talcott Parsons (in 1930): *Wahlverwandschaft* is rendered (...) at times by *certain correlations*, and other times by *those relationships*. While the Weberian concept refers to a rich and significant internal relationship between the two configurations, the "betrayal-translation" of Parsons substitutes it with a banal exterior and meaningless relation (or correlation). Nothing could better illustrate that this concept is inseparable from a certain cultural context, from a tradition that gives it total expressive and analytical force. (Löwy, 1989, p. 15-16, emphasis in the original)

In other words, the production and reception, as well as the appropriation of the concepts, including the very concept of elective affinity, have always been the result of a complex web of approximations and rejections, of affinities and prohibitions, of convergence, of mutual attraction, of combination which can reach the point of merger (*Ibidem*, p. 18), in multiple scales and times. For Löwy, it is the concept of elective affinities that makes it possible to understand the invisible and powerful ties that bind:

1. chivalry and Church doctrine;
2. kabbalah and alchemy;
3. traditionalist conservatism and romanticism;
4. Darwinism and Malthusianism;
5. Kantian moral and positivist epistemology;
6. psychoanalysis and Marxism;
7. surrealism and anarchism.

And to conclude and place the issue in its terms, that *elective affinity*, in the sense in which it structures the previous pairs, is *not an ideological affinity; it is neither correlation nor influence*. (Löwy, 1989).

Max Weber said that the determinants of the process of Western rationalization should have an anthropological foundation:

When we repeatedly see that in the West, and only in the West, and in areas of life that are apparently independent from each other, certain types of rationalization are developed, it would seem natural to suppose that hereditary characteristics constitute its decisive substratum. (Weber, 1992, v. I p. 24)

Nonetheless, according to him, anthropological research had not advanced enough to help clarify this question. Thus, even to this day, the following question has not been entirely and satisfactorily answered: "What chain of circumstances led to the appearance in the West, and only in the West, of cultural phenomena that (at least as we tend to represent them) place themselves in an evolutionary direction of universal reach and validity?" (*Ibidem*, p. 11).

The reply that we will attempt to give here, based on Weber's challenge, recognizing the contribution of his proposal of reaffirmation of the concept of *elective affinity* as a healthy and necessary counterpoint to positivist epistemology, denies this same Weberian starting point insofar as it becomes narrow and small with respect to its use of the concept of "West" taken in a purely spatial dimension. To limit the concept of *West* to its geographical expression is to ignore the extent to which non-Western cultures/civilizations were decisive in the constitution of Hellenic culture; it ignores the essential role played by Islamic culture/civilization in the development of Hellenic and Hellenistic culture, which are the decisive bases for Western modernity.

In this sense, the criticism that should be made of Weber is that he did not extract all the necessary consequences from the concept of elective affinity, which is, above

all, a dialectic concept. In other words, it is a concept that becomes realized through mediation, interaction, merger, metamorphosis. According to Löwy:

It is a concept that allows us to justify processes of interaction that do not depend on either direct causality, nor on the “expressive” relation between form and content (for example, religious form as the “expression” of political or social content). (...) Naturally, an elective affinity does not arise out of nowhere or from the serenity of pure spirituality: it is encouraged (or discouraged) by historical or social conditions. (...) In this sense, an analysis in terms of elective affinity is perfectly compatible with the recognition of the determining roles played by economic and social conditions. (Löwy, 1989, p. 18).

The Historical Determinants of Economic Thought

The history of economic thought has been the history of certain controversies. Some of them are as old as the very emergence of the set of problems that will identify the field of economic knowledge in modernity. This is the case, for example, for the referential to the theory of value. According to Foucault:

(...) economics knows just one theoretical segment, but which is simultaneously sustainable from two readings made from opposite directions. An analysis of value based on the exchange of necessary objects, *useful objects*; the other based on the formation and creation of the objects, whose exchange will then define their value (...) Between these two possible interpretations, there is a point of heresy that is familiar to us, which separates what is called the “psychological theory” of Condillac, of Galiani, of Graslin, from the theory of the physiocrats, with Quesnay and his school of thought (Foucault, [s.d.], p. 255, emphasis in the original).

Another dichotomy, which also leaves its mark on economic thought, from its birth to modernity, is that which profiles on one side the followers of a vision that attributes to the marketplace, to the freely exercised reign of individual interest, unsurpassable regulatory virtues that are at the same time providers of economic prosperity; and on the other side, those who see government intervention as a necessary instrument to ensure the functioning of the economy, which, if it were handed over to the appetites of individual agents, would be permanently subject to crises and to disruption.

In any event, it is a good idea to begin by recognizing that there is no strict coherence, in any sense, in the interior of these currents, and that there are countless hybrid situations, like the one represented by Marshall, which sought to merge the subjective and objective theories of value, through the concept of *subjective real cost*, and the equally hybrid claim of the Fabian socialists, who, believing in the perspective of socialism through the action of a Social Welfare State, merge their theses into the neoclassical theory of value.

Besides, it is fundamentally important to recognize that, although they are similar in structural aspects (for example, the theories identified with the so-called marginalist revolution), they differ significantly from each other through the manifestation of “national characteristics”, of “national styles of thinking”, determining at the same times, similarities and differences that mark the works of Jevons, Menger and Walras.

This text seeks to discuss the conditions of the production of knowledge in the field of economic thought during the period between 1870 and 1914. This is, in Hobsbawm’s periodization, the age of empires. This is the time period that this article focuses on. Nonetheless, for the sake of clarity, a certain step backwards in time is necessary to contemplate two other periods thematized by Hobsbawm — the age of revolutions, from 1789 to 1848; and the age of capital, from 1848 to 1875.

Each of these ages is examined by Hobsbawm based on the centrality of the class struggle, which has an impact on both the construction of economic and political hegemony, and on the construction of symbolic hegemonies. In this sense, the period

from 1789 and 1848 is the age of the victory of the bourgeoisie revolution in many aspects. In the specifically economic-material field, it is the moment of consolidation of the British industrial revolution, of the consolidation of the *specifically* capitalist way of production. With respect to political institutions, it is the moment of the constitution of the Bourgeoisie State by antonomasia with the French Revolution. In the philosophical plane, Hegel's work is the equivalent, in the field of ideas, to the celebration of the daring of the bourgeoisie, which, in an "attack on the skies," does not hesitate to assert its claim to be the subject of human emancipation. In the artistic field, Romanticism is the noble challenge to all formal conventions.

This was not only a time of revolution, but also of reaction, *et pour cause*. And thus, France, which radically deconstructed the *Ancien Regime*, also recreated it, with the restoration in 1815 and the works of De Bonald (1759-1840) and De Maistre (1753-1821).

However, the short Bourbon restoration (1815-1830) did not prevent the imposition of a general tendency, that of revolution. It is somewhat surprising to find it in the works of aristocrats who, having been at some point in time royalists and conservative Catholics like Chateaubriand (1768-1848), Lamartine (1790-1869), Lamennais (1782-1854), Benjamin Constant (1767-1830), experienced acute ideological tensions. In Carpeaux's view, "the ambiguous attitude about Napoleon and the monarchical institutions, moderate liberalism, the religious anguish over the bottom of an incurable irreligiousness (...)" (Carpeaux, 1962, v. IV, p. 1684).

The age of revolutions, 1789-1848, begins with the great French Revolution and ends with the cycle of revolutions of 1848-1849, which shook almost all of Europe.

If in some countries, like Germany, the revolution meant democratic/national claims, in others, like France, the revolution assumed the meaning of a goodbye; the goodbye of the bourgeoisie to its progressive moment, and the victory of conservatism, a victory made from violence against workers, "the original sin of the French bourgeoisie," as Sartre said, which paved the way for the consolidation, in all lines, of the interests of capital.

One field in which this problematic issue is particularly expressive is that of political economics. At the center of the question is the "reaction against Ricardo", as Maurice Dobb put it, beginning in the 1830s, and which Marx was to call an emergence of "vulgar economy." It is the process of questioning and abandoning the rich tradition, which began in the 17th century with Petty, and which had its highest moments with Adam Smith and David Ricardo. In 1831, in the *Political Economy Club*, Robert Torrens was to say: "(...) all the great principles of the works of Ricardo were successively abandoned and his theories of value, income and profit were now considered to have been essentially wrong". (Torrens *apud* Dobb, 1975, p. 111). In this sense, the defense of Ricardo made by John Stuart Mill in his *Principles* of 1848, is almost an act of innocuous retaliation at a time when *classical political economy*, with the book itself by Stuart Mill, is dying, incapable of marking the economic thought that was then developing.

Marx was to consider the question in his book *Theories of Surplus Value*, written between 1862 and 1863 and published by Kautsky, between 1905 and 1910. In it, after praising the great tradition of classical political economy, Marx recognized the presence of a contradiction, which results in the very conclusion-realization of his historic role. For him, this is a complex and subtle process of "autonomization" and "exteriorization" of certain vulgar elements, which, found even in the works of Smith and Ricardo, were appropriated by *vulgar economics* in such a way as to transform them from secondary and contingent into principal and determining. Marx said:

Ricardo and the further advance of political economy caused by him provide new

nourishment for the vulgar economist (who does not produce anything himself): the more economic theory is perfected, that is, the deeper it penetrates its subject-matter and the more it develops as a contradictory system, the more is it confronted by its own, increasingly independent, vulgar element, enriched with material which it dresses up in its own way until finally it finds its most apt expression in academically syncretic and unprincipled eclectic compilations (Marx, 1980, v. III, p. 443-444, emphasis added).

For Marx, this is a cumulative process, one in sync with the general rhythm of class struggle "(...) the evolution of political economics and of the reaction that it generates (against itself) is in consonance with *real* development of social antagonisms and of the class struggles inherent to capitalist production" (Marx, 1980, v. III, p. 443, emphasis in the original).

Thus, there was a time in which Say, who is perhaps the father of vulgar economics, could appear to Marx as a "critical and impartial economist, because he found the contradictions relatively little developed in A. Smith, if compared, for example, to Bastiat, the professional harmonicist and defender (...)" (*Ibidem*, p. 444).

In essence, it is a question of understanding, in this era of revolutions, the existence of two independent nuclei of contradictions; one that arises from its own historical development, which will reach a peak during the Revolutions of 1848-1849; and the other that is the result of the pushing back of these contradictions over the specifically symbolic plane, a plane that in no way should be seen only as an ebbing reality, one that was determined exclusively by the vicissitudes of the class struggle.

In any event, the Revolutions of 1848-1849 would determine a new time for Europe. The weakened workers' and socialist movement would experience an ebbing. The spectrum that haunted Europe seemed exorcised, and the bourgeoisie could launch the great railway investments that definitively consolidated the Industrial Revolution.

And it was the age of capital, (1848-1875), Hobsbawm said. In the symbolic plane, its highlights were the inauguration of the Crystal Palace, in London, in 1851, and the urban reforms led by the Baron of Haussmann, in Paris, during the 1860s. In the political area, its greatest triumphs are the victory of the North in the American civil war (1861-1865) and the national unification of Italy and Germany between 1861 and 1870.

At the end of the period in question, 1848/1875, two important events were to redefine the social/economic/political/cultural scene: the Paris Commune, in 1871, which was the tragic and heroic consolidation of the force of the workers and of the socialist ideology between them, and the Great Depression, which began in 1873 and which made explicit the crisis of the mode of capital accumulation that was typical of the Industrial Revolution that began in Great Britain.

Both the Paris Commune and the Great Depression are indicative of the important transformations that occurred, not only in the political and cultural plane, but also in the functioning of the capitalist economy. Actually, it would not be an exaggerated anachronism to say that it is the way these events/challenges were faced that defined the physiognomy of the new age that was dawning: the age of empires, 1875-1914.

The discussion will be restricted to the specifics of economic thought. The age of empires, from the point of view of economic thought, was the time of: consolidation of the marginalist revolution; of Marxism; of the emergence of the so-called new German historical school, led by Schmoller; and of the emergence of institutionalist economics. This profusion of theories is far from being trivial, and forces us to recognize this period as a special moment in the history of ideas, and in history in general.

And here we return to the concept of elective affinity. Newtonian physics was so fascinating that it attracted a considerable part of Western thought of the 18th century. It was a decisive influence, an irresistible attraction over a wide spectrum. Newton and his physics were the basis for the fundamentals of Kant's critical project. Also from Newton came the structural reference; the model-metaphor, for Adam Smith's political economy as well as for Walras's pure economy in the 19th century. Walras registered how decisive Lois Poincaré's work,

and his Newtonian manual of static theory, was for his theory. (Paula, 2002). And yet, the environments and motivations of Smith's Great Britain (1723-1790) were quite different from those of Walras's France/Switzerland (1834-1910): A Great Britain that was experiencing the Industrial Revolution, and a France that was already living the consequences of the socialist response to bourgeoisie domination. The bond of elective affinity is woven between the two moments, the two cultures, the two personalities; it is the domination of a certain perspective, seen thusly by Koyré:

At the end of the century, Newton's triumph was complete. The Newtonian God reigned supreme, infinite in absolute space, in which the force of universal attraction interlinked the atomistically structured bodies in the vast universe and made them move in accordance with rigid mathematical laws. (Koyré, 1979, p. 255).

This universe of isolated bodies, interlinked by the force of universal attraction, would become the basic metaphor-model of both physics and classical and neoclassical economics, sociology, Comte, in the 19th century: elective affinities that are the expression, in the symbolic field, of the dominance of individualism, of liberalism in the field of economic/political relations, of social institutions, against the *Ancien Regime* and the old metaphysics, for Newton, Kant and Adam Smith, as well as for Comte and Walras.

There is a basis of anachronism and explicit ideological commitment in the project of neoclassical currents that arise, simultaneously and independently, in England, Austria and France, between 1871 and 1874.

After all, continuing to think of economics as the *Ersatz* of a "universe composed of isolated bodies governed by a force of universal attraction", the individual interest taken as a moving principle that is the basis of economic relations is, in truth, a petition of principle that is totally distant from the concrete actions taken by States, companies and individuals, as proven by the unsuspected example of the United States and the protectionist-interventionist action of Alexander Hamilton.

The second half of the 19th century will be marked by: industrialization commanded by the combined action of banks and the State, as shown by Gerschenkron (1968); the consolidation of monopolies, oligopolies and imperialisms; the advance of the socialist movement and labor unions; the emergence of the Welfare State, historical/material and cultural conditions that would present/feed other elective affinities. It is the time that would arise the questioning, whether partial or total, of the classic-neoclassical paradigm in economics, of Marxism, the new German historical school, and the institutionalist school.

Irresistible and Unsuspected Attractions

Explicitly, almost always, both the German historic school and institutionalist economics are critical efforts in the tradition of classical and neoclassical economics. Nevertheless, it would be wrong to presuppose that there are relations of linear determination, uniform among historical contexts and typical and necessary symbolic forms of these contexts. While the German historical school has a history that mingles with the peculiarities of German industrial development, and its latecomer character is strongly supported by state intervention; the most characteristic American current of economic thought is institutionalism. In a certain sense, this is unsettling, insofar as it is, in some ways, a vehement criticism of the exuberant, hedonistic and privatizing individualism that is almost synonymous with the dominant *ethos* in that country.

The picture becomes even more complex when we remember that it was in Germany, with Hermann Heirinch Gossen, in 1854, that the real inaugural work of

the neoclassical perspective was to arise, which would be consolidated between 1871 and 1874. According to Eric Roll: "Thus, Gossen's book contains the principal elements of the theory of Jevons and the Austrian. In it, the geometric and algebraic mechanism is shown. But the conditions of that time were not yet prepared to make such decisive use of the subjective method." (Roll, 1972, p. 374). The recognition of how much the United States, which saw the birth of institutionalism, was also prodigal in the development of neoclassical orthodoxy, also attests to the absence of easy determinisms.

According to Screpanti and Zamagni:

During the 1890s, classical economics almost completely disappeared from the scene. At the same time, during this same decade, the attacks on political economics, which also criticized neoclassical economics, began. And this took place in the United States with the institutionalist school. This line of thought began with Veblen in the 1890s and was developed by many generations of institutionalists during the following decades. In the United States, these developments and their critics were always accompanied (perhaps due to the weak development of Marxist critics) by the development of neoclassical orthodoxy. (Screpanti and Zamagni, 1993, p. 280)

In other words, the same Germany that is the champion of resistance to the classical and neoclassical tradition, is also the *locus* of the a pioneering emergence of the neoclassical theory, while the United States, the place that most enthusiastically received neoclassical theory, also produced institutionalism, which in many aspects, is a questioning of the basis of the neoclassical tradition.

Marx's criticism of classical thought is of a different nature. Marx explicitly placed himself in a different position, the place of "overcoming", in the Hegelian sense, with respect to the classical tradition in economics. He gave the name *critique of political economy* to his work in the field of economics, and with this, he meant that the problems, as well as the categories and methods used in his approach to economic questions were not a simple repositioning of classical thought. Recognizing the merits of this school, Marx did not just give different answers to the questions arising from classical thought, but also "invented" new questions, like for example, the one referring to the form of value (Rubin, 1974).

In this sense, Marx's path of criticism is radically different from that of the historicists and institutionalists. Actually, for Marx, what is in question, with respect to classical thought, is not a possible conceptual mistake, a factual error, or a flaw in logic. It is significant that Marx has, at a certain time, shared the same doubts that the German historical school had in relation to the theory of value. Ernest Mandel showed that before the book *The Misery of Philosophy* was written in 1847, Marx criticized the Ricardian theory of value from a point of view similar to that of the historicists (Mandel, 1968, chap. 3). Later, he would accept Ricardian theory, and then surpass it, in an operation in which at the same time certain elements of the labor theory of value are conserved while others are rejected, thus creating an original synthesis of the entire tradition of the labor theory of value. This distinguishes Marx from the historicists in an essential aspect: Marx's critique of the classics is not a critique via external rejection, like that of the historicists, but rather a critique which, having dived into the material about the theory of value, covers and surpasses it by establishing its limits. Likewise, when compared with institutionalist thought, what stands out is the difference of breadth and depth of Marxist criticism of classical-neoclassical thought. A. Gruchy, quoted by Screpanti and Zamagni, says of the institutionalist authors: "[they] are concerned with problems such as the impact of technological change on the structure and functioning of the economic system, the relations of power among interest groups, the logic of the industrialization process and the determination of notions of goals and priorities". (Gruchy *apud* Screpanti and Zamagni, 1993, p. 281).

No doubt these questions are important and represent advances in comparison to the neoclassical tradition. Nonetheless, from the point of view of Marxist theory, these

advances have a decisive limit. Actually, what Marxism would say about this cast of relevant questions is that it can only be effectively understood when considered in the context of the general picture of economic/social relations. More decisively, this can only happen when each of the individual questions is considered in its historical/material determinants; that is, when we try to understand the social production of these event-questions, in such a way that for Marxism, the institutionalist "agenda" itself can only be viewed, theoretically, when it is itself understood as a "problem." Otherwise, if it is not considered in its historical-social connections, it may result in an arbitrary set.

But here we have not set out to compare theories, nor evaluate merits and limits. The objective of this part of the study is to point to unsuspected elective affinities between economic thought and certain cultural manifestations of the end of the 19th and the beginning of the 20th century. As an initial warning, we must recognize that it is neither possible nor desirable to establish direct and immediate relations between concrete history and the symbolic forms that it gives rise to and receives, nor among these in an equally direct and immediate manner, even when these relations exist and are determinant in some way.

What can be said is that there are elective affinities between certain artistic/philosophical currents and currents of economic thought. Thus, it would not be an exaggeration to recognize the spiritual relationship between empiricism, rationalism, the Enlightenment, Classicism, Realism, Naturalism, Positivism and classical and neoclassical economic thought. Likewise, it would not be artificial to see continuity between philosophical/literary Romanticism: Herder, Fichte, Novalis, Goethe and the German historical school in its three stages: the old school, with Roscher, in the 1840s; the new school in the 1880s, with Schmoller; and the newest school, at the beginning of the 20th century, with Werner Sombart and Max Weber.

As to institutionalism, it can be seen as a counterpoint, in the field of economic thought, to what in art, literature, music, but also in physics, was represented by Symbolism, by Impressionism, by quantum physics and by probability physics. That is, the search to represent the world through the changing perceptions of color, light, time, sensations; the world of Monet, of Manet, Bergson, Debussy, Mahler, Mallarmé, Rimbaud, Verlaine, Valéry, Proust, Joyce, Planck, Boltzmann; a world in which the monological intent of strict determinism is mitigated by the recognition of indetermination, of chance, of uncertainty.

It would not be a mistake to present institutionalist thought this way: the theme, the central object of economics would be the behavior of individuals and institutions, considered as parts of an organic and dynamic whole, whose basic reverential matrix is, contrary to Newtonian metaphor present in classical-neoclassical thought, the theory of evolution. See the following quote:

Institutionalism and behaviorism, which is strictly related to it, began with the assumption that economic acts are governed not just by the hedonistic principle. Man's economic behavior, his desires, needs, his way of acting and his means are simpler functions of a constantly changing evolution, one that is infinitely complex, molded by concrete social institutions and, in this sense, "institutional". (Surányi-Unger, 1975, v. 7, p. 751).

The great name and creator of institutionalist thought is Thorstein Veblen (1857-1929). A learned American thinker, Veblen studied natural sciences, philology, philosophy and economics. His works demonstrate the influence of and affinity with American pragmatism (Dewey, William James and Peirce), with evolutionism, (like that of Darwin and Spencer). His works have a certain ethnological use, the ethnology of the American bourgeoisie. They have, technically speaking, three large fields of reflection, articulated by dichotomous conceptual pairs. With respect to *psychology*, the structure of Veblen's argument is given by the dichotomy between the "predatory-destructive instinct vs. the constructive instinct". In the field of *sociology*, the dichotomy is between the

concepts of the "leisure – conspicuous consumption class vs. common man-worker". In the world of *economics*, the dichotomy is between "business vs. industry". These concepts and their developments were formulated in two decisive books by Veblen: *The theory of the leisure class*, from 1899, and *Theory of Business Enterprise*, of 1904.

A chart of Veblen’s conceptual structures evokes Freudian themes, in particular, the dichotomy Eros X Thanatos, as can be seen in the following chart:

	Predatory/Destructive Institute	Constructive Institute
Psychology	Destruction Domination Exploitation Aggressiveness	Group Instinct Disinterested Curiosity Affective Creativity
	Leisure Class	Common Man
Sociology	Bankers/brokers Lawyers/bureaucrats Pecuniary Emulation Conspicuous Idleness Conspicuous Consumption Conspicuous Leisure	Engineers Technicians Workers
	Business	Industry
Economics	Acquisition of Profit Private property Money	Construction Production Collective property Cooperation

Source: Prepared by João Antônio de Paula, based on the work of Veblen (1965 and 1967).

Carl Schorske and others have already shown the rich cultural interlacing that the *fin-de-siècle* Austrian/Vienna culture underwent. Mahler, Schönberg and Berg, in music; Kokoschka, Münch and Klimt, in painting; Schnitzler, Musil and Kafka, in literature; Mach, Wittgenstein and Popper, in philosophy; Freud, in psychoanalysis; and Boltzmann, in physics, are the spiritual offspring of a city, of a civilization, of a crepuscular age (Schorske, 1988).

How much did the prostration of the Austro-Hungarian Empire, during that pre-1914 time, determine this multiple and complex eruption, which in its diversity, holds a significant unity? It is not possible to say. However, it would not be wrong to recognize a common theme in these varied tendencies and works: the abandonment of certainty, the sensation of fraying of the traditional forms of representation, the valuation of subjectivity, the discovery of the unconscious, of how much we are moved by hidden motivations and projects that are hostile to strict reality... Mahler’s music and his chromatism, which, expanded, announces atonalism; the expressionism of Kokoschka and Münch and the ultra-decorativism of Klimt, which foretold the explosion of figuration; the literature of extremisms from the works of Schnitzler, Musil and Kafka, which are the record of a new hell, made of vast and asphyxiating bureaucracies, of the victory of the emptying of meaning of life; philosophical neo-positivism and its impasses, from which both Wittgenstein’s mystical dive and Popper’s relativism would result; Boltzmann’s probabilistic physics, the best translation of the limits of determinism of classical physics; Freud’s psychoanalysis; the explication of the limits of rationalist self-conscious.

In this step, someone may remember the Austrian neoclassical school, which was contemporary to the movements considered here, and in so remembering, may problematize the question. After all, if “endofthecentury” Vienna seemed to assume ambiguity and chromatism, the changing rhythms, it was also a

place of neo-positivist vocation in philosophy, and neoclassical vocation in economics. However, in spite of the strong and decisive similitudes between the three pioneering versions of neoclassicism, it is important to recognize the singularities of the contributions of Menger and his successors Von Wieser, Böhm-Bawerck, Von Mises and Hayek.

In spite of differences of nuance among the different generations, the Austrian school was characterized by the radical centrality that it attributed to *subjectivity* in the construction of its theory of value, which was the basis, by derivation, of its theory of production. It is this same attribution of centrality to subjectivity that is at the bottom of another Austrian contribution to neoclassical thought: *methodological individualism*. Hayek saw the question in these terms, and emphasized the importance of Menger’s 1883 *Problems of Economics and Sociology*, a work that was, in some ways, “as important for the development of the Austrian school as his previous work, the *Grundsätze*, even though details of his methodological opinions were not fully accepted, not even in his own school. However, the systematic justification that was later called by Schumpeter (1908) as “methodological individualism” and the analysis of the evolution of social institutions (in which some ideas originally proposed by Bernard Mandeville and David Hume were resuscitated), had a profound influence on all the members of the school, and later, far beyond the limits of the school. (Hayek, 1975, v. 7, p. 754).

What we wish to underline here is that, if methodological individualism was incorporated into the neoclassical tradition, as one of its fundamentals, then at the very least, its full compatibility with the other decisive fundamental of neoclassical thought, which is the theory of general equilibrium, is questionable. Actually, it may be the case to recognize that the three pioneering works of the so-called marginalist revolution, the works of Jevons, Menger and Walras, will make three paths possible. These three paths, which are confluent, in some way, will in fact result in differentiated perspectives. In the case of Jevons, via the Marshallian tradition, a perspective was inaugurated that opened towards both Pigou’s economics of well-being, as in the decade of 1920/1930, towards forms of questioning of the equilibrium of markets with Sraffa, Chamberlain, Joan Robison and Keynes. The case of Walras, and his contemporary developments, represents the dominant and orthodox aspects of neoclassical research programs. In its Austrian version, the neoclassical tradition will develop, with Hayek, into a posture which, while conservative, is so in a way different from that arising from the Walrasian tradition, since it does not begin with the assumption of the existence of a natural and exhaustive equilibrium, but with the *possibility of order* beginning with an initial situation of *absolute disorganization*. In this sense, Hayek and his theory of “spontaneous social order” has parallels with decisive contemporary epistemologies, like the “self-poietic systems” of Maturana and Varela, and the “dissipative structures” of Prigogine (Dupuy, 1997, v. I, p. 260).

Thus, we see the relations among philosophical thought, literature and economic thought as markedly complex and open, quite distant from any reductionisms.

This is illustrated in the following chart:

Period	Philosophical	Literary Currents	Economic Thought
1776 1817	Empirical Rationalism	Classicism	Classical political economy

1843 1883	Romanticism Historicism	Romanticism	German historical school
1803 1874	Utilitarianism Positivism	Realism Naturalism	Marginalist neoclassical economy
1899 1914	Pragmatism Evolutionism	Naturalism Symbolism	Institutionalism

Source: Prepared by João Antônio de Paula.

From a symbolic point of view, it is a matter of recognizing the ties, the irresistible attraction between certain tendencies of manifestation of the spirit, between certain conceptions of the world and its historical and material determinants. Thus, the world that overcomes feudal restrictions and particularisms must affirm itself through the instauration of a universalism, which, since it is absolute, must cover and be a reference for everything. This is the function of Cartesian philosophy and of the Newtonian paradigm, which apply to both economics, with Smith, and to philosophy, with Kant. But it is also this same rationalist universalism that is at the basis of a literary tradition that goes from Racine to Flaubert:

Ibsen's plays or Flaubert's novels are the masterpieces of this second period of modern classicism, as were the works of Racine and Swift in the first. The art of Flaubert and Ibsen is once again, like the art of the writers of the 18th century, scrupulously impersonal; it is objective and insists on precision of language and economy of form. (Wilson, 1967, p. 14).

This description of the literary form of Classicism is not far from describing the procedures and proposals of a theory like that of the economist David Ricardo, nor the formal aim of the economist Walras.

Yet, it is almost a different spiritual universe that arises with institutionalist thought, in economics, and what is more unsettling, with the Austrian neoclassical school. It is these currents, which are different in their ideological proposals, which are the reverberations of another elective affinity. They are chapters of the general movement of *Symbolism*, which, contrary to that which is magnetized by Classicism-Realism-Naturalism, is the reign of sensations, of changing perceptions, of chromatisms, of sounds and colors... According to Wilson:

Therefore, insinuating things, instead of formulating them in an ostensive way, was one of the main objectives of symbolism. (...) Every single perception or sensation we have, at each moment of consciousness, is different from all others; therefore, it becomes impossible to communicate our sensations as we actually experience them, through the conventional and universal language of ordinary literature (...) That which is so special, so fleeting and so vague cannot be expressed by exposition or direct description, but only through a succession of words and images that serve to suggest it to the reader. (Wilson, 1967, p. 22).

If this is the universe of Valéry, of Proust, of Joyce, it is also the universe of Commons, of Ely; as well as Veblen and Mitchell, central theorists of institutionalism at its beginning.

Mitchell declared that "economics is necessarily one of the human behavioral sciences, (...) and can only be understood by a genetic study of the institutions and economic behavior"; he wants to substitute the "mechanicist deductive" method of the classics with an experimental statistical method, together with cooperation with other social sciences (Normano, 1945, p. 195).

The German historical school also manifested itself by denouncing the false universalism of classical-neoclassical economics. In this sense, there is a clear and strong resonance of German historicism on American institutionalism (Surányi-Unger, 1975, v. 7, p. 750).

But if institutionalist thought is the denunciation of a victory, the victory of the great predatory American capital, then the German historical school is a call to try to

overcome the relative backwardness, based on the mobilization of the strong German statistical tradition. Parsons said:

It is doubtless significant that classical economics has never really taken root in German universities; since, having never been just a technical discipline, but rather an *ideology*, it expressed an ideal of independence of “companies” from the State and other “social” interests, that is precisely everything that does not have an affinity with the German mentality. (Parsons, 1967, p. 97, my emphasis).

For the Germans, once again, the strategy to overcome their relative backwardness lay in the search for alternative matrices to those of the more advanced countries. In the field of literary/artistic studies, the German strategy at the end of the 18th century, to counteract French hegemony on the monopoly of proximity to the classical tradition that France claimed because of its Roman/Latin culture, was based on a return to the Greek matrix, which was the basis of Roman/Latin culture. In this sense, the German strategy is a step back that enabled it to move forward, insofar as the Greek tradition is broader and more advanced than the Latin tradition, allowing a rereading that authorized the claim of superiority of German appropriation of classical culture and its modern reverberations.

This is how Germans like Hölderlin, Nietzsche, Heidegger, among the many other, position themselves as great masters of classical culture, and therefore, masters of Western culture.

In the field of economic thought, the German strategy follows the essential aspect of the movement described, which is the rejection of the hegemonic tradition and the search to overcome it by claiming a different paradigm. In this case, here, in opposition to the French-British universalizing tradition, the Germans launched the nationalist Romanticism of Herder-Fichte, the *Volksgeist*, which would inspire the protectionist economy of Friedrich List, the base of the different generations of the German historical school.

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